

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition by Water  
Management Services, Inc. for  
limited proceeding to increase  
water rates in Franklin County.

DOCKET NO. 000694-WU  
ORDER NO. PSC-03-1005-PAA-WU  
ISSUED: September 8, 2003

The following Commissioners participated in the disposition of  
this matter:

LILA A. JABER, Chairman  
J. TERRY DEASON  
BRAULIO L. BAEZ  
RUDOLPH "RUDY" BRADLEY  
CHARLES M. DAVIDSON

NOTICE OF PROPOSED AGENCY ACTION  
ORDER DETERMINING PRUDENCE OF FIREFLOW PROTECTION IMPROVEMENTS,  
APPROPRIATE DEPRECIABLE LIFE FOR THE TRANSMISSION MAIN, AND  
APPROPRIATE PHASE 2 REVENUE REQUIREMENT  
AND  
ORDER APPROVING TEMPORARY RATE INCREASE AND FOUR-YEAR RATE  
REDUCTION FOR RATE CASE EXPENSE

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the actions discussed herein, determining the prudence of fireflow protection improvements, the appropriate depreciable life for the transmission main, and the appropriate Phase 2 revenue requirement, are preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

CASE BACKGROUND

Water Management Services, Inc. (WMSI or utility) is a Class B water utility providing service to approximately 1,681 water customers in Franklin County. For the year ended December 31,

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FPSC-COMMISSION CLERK

2002, the utility reported in its annual report operating revenues of \$914,481 and utility operating income of \$23,301. The utility's water rates were last established in a rate case by Order No. PSC-94-1383-FOF-WU, issued November 14, 1994, in Docket No. 940109-WU.

On June 6, 2000, WMSI filed an application, pursuant to Section 367.0822, Florida Statutes, for a limited proceeding to increase its water rates to cover the cost of building a new water transmission main to connect its wells on the mainland to its service territory on St. George Island. In its petition, the utility stated that it was notified by the Florida Department of Transportation (DOT) that the existing bridge to St. George Island, to which WMSI's water main is attached, was to be demolished and replaced by a new bridge with an expected in-service date of March, 2003. Upon completion of the new bridge, WMSI would have to make alternative arrangements to provide service to its certificated service area. The utility's petition sets forth its plan to construct a new main to be attached to the new bridge, along with ancillary modifications to its system, and requests an increase in its rates to provide funding for the proposed construction.

A customer meeting was held at the Franklin County Courthouse in Apalachicola on September 12, 2000, in order to allow the utility's customers the opportunity to comment on WMSI's petition. More than 100 customers attended, and 13 customers made statements. In general, the speakers believed that the projected cost of the project was excessive and that the utility should have planned for this contingency in such a way as to avoid such a large rate increase. There was also great concern over the utility's ability to provide fire protection.

WMSI originally requested that the Commission approve two tiers of temporary increases, to be approved concurrently, described as Phase 1 and Phase 2, in its initial consideration of this matter. Phase 1 would cover preliminary costs and Phase 2 would cover estimated total costs of the project. The utility then proposed a true-up, described as Phase 3, which would set final rates after the project was complete and all costs were verified.

By Order No. PSC-00-2227-PAA-WU, issued November 21, 2000 (Consummating Order PSC-00-2405-CO-WU, issued December 14, 2000), the Commission found that construction of the new water

transmission main is justified, and that the prudent costs to be incurred by WMSI in this project should be recovered through a three phase mechanism. Further, the Commission found that replacement of the existing 8-inch main with a 12-inch water main is prudent, and that the used and useful percentage for the new main should be 100 percent. The Commission also approved the prudence of constructing a new line from Well No. 1 to Well No. 4 in connection with the replacement project. In addition, the Commission approved a Phase 1 increase and deferred consideration of a temporary Phase 2 increase until the utility filed more complete and detailed cost information. The approved Phase 1 increase was 11.3 percent, or an annual revenue increase of \$82,707.

On May 14, 2003, WMSI filed a Supplemental Petition for Limited Proceeding (supplemental petition), requesting revised rates for the Phase 2 rate increase. In its supplemental petition, the utility stated that numerous changes have occurred since the filing of the original petition. First, the projected bridge in-service date was changed from March 2003 to October 2003. Second, the estimated capital cost of the new transmission main and the other approved work on the mainland has decreased. Third, WMSI has obtained financial support from the State Revolving Fund (SRF) loan program administered by the Department of Environmental Protection (DEP). Finally, WMSI's eminent domain case was unsuccessful.

Since the net effect of the above mentioned changes substantially reduced the total project cost, WMSI requested the inclusion of fire flow protection improvement measures in its supplemental petition for limited proceeding. Fire flow protection is an issue of great importance to the utility's customers, as communicated at the customer meeting. The overall rate increase requested in the supplemental petition is designed to generate annual Phase 2 revenue of \$472,951 above the expected revenue from the previously approved Phase 1 rates, or an additional increase of 50.2 percent.

This Order addresses the utility's request for the inclusion of the fireflow protection improvements, request to use a different service life for the new transmission main and approval of the

Phase 2 rate increase. We have jurisdiction pursuant to Sections 367.011(2) and 367.0822, Florida Statutes.

FIRE FLOW PROTECTION IMPROVEMENTS

As discussed above, the primary purpose of the utility's request for this limited proceeding is to allow the utility to recover the costs associated with the replacement of its water transmission main on the mainland to its service territory on St. George Island. The capital cost for the transmission main replacements, including other improvements required on the mainland, was initially estimated by the utility to be \$6,223,334. In its supplemental petition, the utility's revised estimate for the transmission main is \$4,935,646. The utility attributes this savings to its decision to reject bids for the bulk of the transmission main construction, and to negotiate separately with suppliers and installation contractors to achieve a better price.

As noted in Order No. PSC-00-2227-PAA-WU, the customers, including the St. George Island Fire Chief, voiced their concerns at the customer meeting about the utility's current ability to provide fire protection. They stated that the utility does not currently have sufficient water and pressure available to provide fire protection to the entire island. In our Order, we noted that while increasing the main to 12-inch pipe would greatly increase the volume and pressure of the water delivered to the island, the ability to provide adequate fire flow protection would be limited by the size and layout of the distribution system.

In its supplemental petition, WMSI indicated that, given the new 12-inch main to the island, fire flow protection could be substantially improved by installing the following components: (1) 17,700 feet of 6" and 8" mains in the distribution system; (2) a new 200,000 gallon elevated storage tank; (3) high speed service pumping; (4) an emergency generator; and, (5) other plant miscellaneous improvements. The new elevated storage tank will provide water pressure of 65 psi throughout the system, compared to the maximum pressure of 43 psi provided by the existing elevated tank. Further, the new tank, combined with the additional and enlarged distribution lines and high speed pumps, will provide the fire flow reserve requirement of 500 gallons per minute on a sustained basis of 4 hours. This is a capability which the utility

currently does not possess. The emergency generator is a back-up power supply and the other miscellaneous plant improvements are categorized as electrical, chlorinator, and spare parts. The utility's estimated cost for the fire flow improvements is \$1,150,829.

WMSI stated in its supplemental petition that the SRF loans were approved based on cost estimates made prior to WMSI negotiating reduced prices for construction of the 12-inch transmission main to the island. If WMSI does not utilize the remaining SRF funds, it would lose access to \$968,128 of funding at a debt cost of just more than 3 percent. Further, the utility stated that, according to DEP, it is unlikely that funding would become available to them in the future, given budgetary cuts and the existence of governmental projects competing for SRF loans. As such, the utility believed that it was prudent to proceed with these improvements and amended its contract with Boh Brothers (the contractor for the 12-inch transmission main) to include the fire flow improvements.

After reviewing the utility's application and additional data provided by the utility, we find that the utility has shown that the inclusion of the fire flow improvements is prudent. Based on our analysis, the estimated costs provided by the utility are reasonable. We note that the final costs incurred will be audited by the Commission in 2004 and trued-up in Phase 3 at the conclusion of this limited proceeding.

#### DEPRECIABLE LIFE FOR TRANSMISSION MAIN

Rule 25-30.140, Florida Administrative Code, establishes guideline average service lives for water and wastewater plant. The rule also allows a utility to petition the Commission for average service lives different from those provided for in the guidelines. In such a case, the rule requires that the utility provide justification for its proposal, which can be in the form of historic data, technical information, or utility planning for the affected accounts or sub-accounts.

In WMSI's supplemental petition, the utility proposed that the Commission establish an average service life of 20 years (or a 5% depreciation rate) for the portion of the transmission main

attached to the St. George Island bridge. This portion of the main is cement-lined ductile iron pipe, much of which will be exposed to air and seawater, in an area with frequent hurricanes. The average service life for ductile iron piping is 40 years for Class A and B utilities, and 35 years for Class C utilities, pursuant to Rule 25-30.140, Florida Administrative Code. This life equates to depreciation rates of 2.5% and 2.86%, respectively. There is no distinction made in the rule between pipe laid in the ground and that exposed to air and seawater.

The only justification WMSI provided for its proposed 20-year average service life is a letter from Les Thomas Consulting Engineers, a company retained by WMSI. Mr. Thomas recommended a life expectancy no greater than 15 to 20 years. Mr. Thomas explained that the St. George Island Bridge has had excessive structural failures after 35 years, and that the existing water mains attached to the bridge have deteriorated as well. Mr. Thomas' recommendation did not include any other historical or technical data to support his recommendation.

To inquire further about the life expectancy of ductile iron pipe under adverse environmental conditions, we requested technical information from the Clow Water Systems Company (CWSC), the manufacturer of the pipe that WMSI will be installing. Mr. Thomas Rogers, Jr., a representative for Clow Water Systems Company (CWSC), responded that the Ductile Iron Pipe Research Association (DIPRA) estimates that the average life expectancy of ductile iron pipe properly installed underground is about 50 years. Further, Mr. Rogers stated that any estimate for other installment methodologies given by CWSC would be a guess because of all of the unique variables of a project like this and would not be very helpful. We also solicited assistance from DEP and Pinellas County Utilities (PCU) regarding what the estimated life would be for exposed pipe. Both DEP and PCU representatives indicated that they would not guess at the estimated life.

Alternatively, we reviewed the historical data for the bridge. The original SGI bridge was constructed in 1965 and the water transmission main was installed in 1975. The utility stated that, according to the DOT, adverse environmental conditions can cause the structural integrity of the bridge to deteriorate. The utility further stated that the existing ductile iron piping, which is

suspended from the bridge, is showing signs of corrosion. This is a natural occurrence since the majority of metals that are exposed to weather and salt water will exhibit signs of metal fatigue and degradation.

According to Mr. Thomas, in his review of historical data and a report furnished by DOT, the existing exposed ductile iron pipe is just now showing signs of corrosion and deterioration. We note that this pipe has been subjected to adverse environmental conditions for 28 years. Given the age and current condition, we believe the utility's proposed average service life expectancy of 15 to 20 years appears too short an expected life for this pipe.

It is intuitive that pipe suspended from a bridge would be subjected to more adverse environmental conditions than buried pipe. Thus, one would expect that pipe suspended from a bridge would experience a somewhat shorter life expectancy than underground pipe. On the other hand, we are not convinced that a 50 percent reduction of the guideline life, from 40 years to 20 years, as the company proposes, is warranted. We have considered the manufacturer's estimated 50-year life expectancy of pipe installed underground compared to the 40-year Class A and B utility guideline life per rule. Given that the existing suspended pipe, at 28 years old, is only showing signs of corrosion and deterioration, not failure, we find that a reasonable alternative life would be 35 years (or a 2.86% depreciation rate). This life is equal to the Class C guideline life. This life is only applicable to the transmission main on the bridge. All of the remaining amounts recorded in Account 331, Transmission and Distribution Mains, shall continue to utilize the 40 year guideline life, pursuant to Rule 25-31.140, Florida Administrative Code.

#### PHASE 2 REVENUE REQUIREMENT

In its supplemental petition, the utility requested an annual revenue requirement of \$568,549 for Phase 2. The utility's estimate of additional revenue requirement was accomplished by using a formula which included factors for the total projected expenditures for the transmission main and fire flow improvements through Phase 2. These expenses included the interest rate applicable to construction financing, depreciation and property taxes on the new construction, rate case expense for the limited

proceeding, and regulatory assessment fees (RAF) associated with the increased revenue. In its response to our staff's data request, the utility revised some of the factors, resulting in a re-calculated revenue requirement as follows:

WMSI Revenue Calculation Based in Part on 20-Year Transmission  
Main Life

Cost of Project - Transmission Mains and Fire Flow Improvements	\$6,086,474
One-half Year Depreciation	<u>(\$128,628)</u>
Net Cost	<u>\$5,957,846</u>
Average Depreciation on Net Cost at 4.23%	0
Interest on Net Cost at 3.46%	0
Personal Property Tax on Net Cost at 1.25%	0
Rate Case Expense	<u>\$10,436</u>
Subtotal	10436
Gross-up for RAF at 4.5%	<u>558221</u>
Total Additional Revenue	<u>\$568,657</u>
Percentage Increase	<u>50.2%</u>

We have reviewed the information submitted by the utility in support of its calculation and find that the calculation is reasonable, with minor adjustments as discussed below.

Cost of Project

In Exhibit B, Schedule 2 of the supplemental petition, WMSI detailed the completed and projected expenditures for the main replacement and fireflow projects by contract and year. In its July 11, 2003 response to our staff's data request, the utility provided additional details and support for its total projected



cost of \$6,086,474. We have reviewed the documentation provided, and find that WMSI's cost estimate is reasonable.

#### Depreciation Rate

Exhibit B, Schedule 3, of the supplemental petition contained the utility's calculation of the weighted average depreciable life and annual percentage depreciation rate for the project. This schedule was modified slightly in the July 11, 2003 response to our staff's data request. WMSI calculated an average depreciation rate of 4.23 percent, using a 20-year life for the transmission main attached to the bridge. As stated previously in this Order, we believe that the appropriate depreciable life of this main is 35 years. We have re-calculated the average depreciation life, using the utility's methodology, but with a 35-year life for the \$3,259,090 cost of the new main, resulting in an adjusted depreciation percentage of 2.86 percent. This calculation results in an overall composite rate of 2.89 percent for all projects. Accordingly, we have also re-calculated the half-year depreciation reduction used in the utility's formula for determining the Phase 2 revenue requirement. Using a 2.89 percent overall depreciation rate, we find that the half-year depreciation amount shall be \$87,950; thus, the net cost of the total project after applying the one-half year depreciation shall be \$5,998,524.

The utility's calculation multiplied the net cost by several factors, including the composite depreciation rate. We find that it is more appropriate to apply the composite depreciation percentage to the total cost of the project, without the reduction for a half-year of depreciation, because, when setting rates, the Commission allows a full year of depreciation expense on gross plant.

#### Interest Rate

In its supplemental petition, WMSI stated that it had obtained financing for the majority of the replacement and fireflow projects through a State Revolving Fund (SRF) loan program administered by the Department of Environmental Protection (DEP) at an interest rate of 3.34 percent. In Exhibit B, Schedule 4, the utility provided a detailed history of expenditures and loan disbursements associated with the projects, including amounts financed at higher

interest terms prior to obtaining the SRF loan. The utility calculated a weighted average interest rate of 3.46 percent, which it uses in its revenue requirement calculation. We have reviewed the data provided, and find that 3.46 percent is reasonable.

#### Property Tax

In Exhibit B, Schedule 3 of the supplemental petition, the utility states that the personal property tax rate applicable to the new property associated with these projects is 1.25 percent. The Franklin County Tax Collector's office verified that 1.25 percent is the current tax rate. In view of the fact that the property will be placed into service at approximately the same time that the requested Phase 2 rate increase will go into effect, we find that the use of a 1.25 percent property tax rate in the calculation of the revenue requirement is appropriate.

#### Rate Case Expense

In Exhibit B, Schedule 3 of the supplemental petition, WMSI included a schedule of estimated total costs for this limited proceeding in the amount of \$41,746. This included legal and consulting fees, filing fees and miscellaneous copying, noticing, and out of pocket costs. In response to a request by our staff, the utility provided copies of invoices detailing legal and consulting fees incurred to date which are consistent with the amounts presented in the supplemental petition. We have reviewed these invoices and find that the costs are reasonable. In view of the fact that the utility has already incurred the bulk of the costs for this proceeding, we find that it is reasonable to include rate case expense of \$10,436 in the calculation of the Phase 2 revenue requirement, pursuant to Section 367.0816, Florida Statutes.

#### Summary

Using the utility's proposed methodology, with adjustments to individual factors as discussed in the preceding sections, we find that the additional revenue requirement for Phase 2 shall be \$490,959, calculated as follows:

Revenue Calculation Based in Part on  
35-year Main Transmission Life

	\$6,086,474
Total Cost of Project - Transmission Mains and Fire Flow Improvements	
One-half Year Depreciation	<u>(87,950)</u>
Net Cost	<u>\$5,998,524</u>
Average Depreciation on Total Cost at 2.89%	\$175,899
Interest on Net Cost at 3.46%	207,549
Personal Property Tax on Net Cost at 1.25%	74,982
Rate Case Expense	<u>\$10,436</u>
Subtotal	\$468,866
Gross-up for RAF at 4.5%	<u>\$22,093</u>
Total Additional Revenue	<u>\$490,959</u>
Percentage Increase	<u>42.1%</u>

TEMPORARY RATE INCREASE FOR PHASE 2

The utility calculated the proposed rate increase for Phase 2 by estimating the additional revenue requirement needed during Phase 2 to recover the debt return and operating expenses for the projected construction costs. The additional revenue for Phase 2 (less the 11.3 percent differential of the Phase 1 revenues over the revenues which would have been generated by rates in effect prior to the Phase 1 increase) was then compared to the revenue expected to be collected from existing customers at Phase 1 rates in order to determine the percentage increase required. In Exhibit B, Schedule 1 of the supplemental petition, WMSI calculated the

total Phase 1 revenue from rates as \$941,646 and the Phase 1 differential revenue as \$95,598. Using these amounts and the utility's modified Phase 2 revenue requirement of \$568,657, the utility proposed a 50.2 percent increase above the Phase 1 rates in base facility charges and gallonage charges (\$568,657 less \$95,598, divided by \$941,646).

In this Order, we approved a Phase 2 revenue requirement of \$490,959. We also reviewed the utility's calculation of Phase 1 revenues and differential revenue. WMSI projected customers and consumption using actual 2002 amounts increased by 4 percent. This percentage increase in customers and consumption was estimated to be the same as the increase in customers from 2001 to 2002. We find this to be reasonable, given the short time period during which Phase 2 rates are expected to be in effect. The mathematical accuracy of the revenue calculations were also reviewed, and minor discrepancies were found. We re-calculated the Phase 1 revenue as \$940,021, and the differential revenue as \$94,800. Using these amounts and our approved Phase 2 revenue requirement of \$490,959, we find that the appropriate temporary rate increase shall be 42.1 percent.

We also computed the annual revenue increase projected at the approved Phase 2 rates, less property taxes, as \$415,977 (\$490,959 - \$74,982). We compared this amount with the total of the utility's first two payments on the SRF loan (\$419,608, per Exhibit A of the supplemental petition). We believe that the additional revenue to be received from Phase 2 rates is sufficient to meet the utility's needs, in view of the fact that the accrued property taxes will not be payable until November 2004.

We requested that the utility provide justification for not being required to post security for the potential over-collection of any rate increase collected during Phase 2. In its response dated July 23, 2003, WMSI noted that the rate increase is acknowledged to be temporary and subject to a true-up in Phase 3, as opposed to a lump sum refund. The utility stated that requiring the funds to be escrowed would make them unavailable to service the SRF loan, thereby defeating the purpose of the temporary increases in this limited proceeding. We reached a similar conclusion in our decision on the Phase 1 rate increase, stating in Order No. PSC-00-2227-PAA-WU:

We note that no security is necessary for Phase One because rates are temporary and merely designed to cover the cost to service the debt and because the rates will be trued-up in Phase Three of this limited proceeding. Consequently, our decision to not require security for Phase One rates is limited to the facts of this case and shall not be considered as precedent for future proceedings.

Accordingly, we find that the utility shall not be required to post security for the increased revenue for Phase 2, but is required to file reports with the Commission no later than 20 days after each monthly billing. These reports shall indicate the amount of revenue collected under the increased rates.

In summary, the appropriate rate increase for Phase 2 is a 42.1 percent increase in both base facility and gallonage charges, resulting in the rates depicted in Attachment A to this Order. The approved Phase 2 rates are effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), Florida Administrative Code, and are held subject to over-collection with interest pending the final decision in this docket. The Phase 2 rates shall not be implemented until our staff has approved the proposed customer notice, and the notice has been received by the customers. The utility shall provide proof of the date notice was given within 10 days after the date of the notice. The utility shall not be required to post security for any potential over-collection of any rate increase because of the true-up provision which will occur in Phase 3. Pursuant to Rule 25-30.360(6), Florida Administrative Code, the utility shall file reports with the Commission no later than 20 days after each monthly billing after the increased Phase 2 rates are in effect. These reports shall indicate the amount of revenue collected under the increased rates.

This Order addresses the Phase 2 temporary increase in water rates, which will be trued up in 2004 in Phase 3 of this proceeding. The Commission has previously allowed temporary rates to remain in effect when a delay, in what might be a justified rate increase, would result in an unrecoverable loss to the utility. See Order No. PSC-99-1883-PAA-SU, issued September 21, 1999, in Docket No. 980242-SU. Therefore, we find that the approved temporary

rates shall remain in effect pending approval of the final rates in 2004. The utility is authorized to collect the temporary rates after our staff's approval of the proposed customer notice and the revised tariff sheets.

FOUR-YEAR RATE CASE EXPENSE REDUCTION

Section 367.0816, Florida Statutes, requires that the rates be reduced immediately following the expiration of the four-year period by the amount of the rate case expense previously included in the rates. The reduction will reflect the removal of revenues associated with the amortization of rate case expense and the gross-up for regulatory assessment fees, which is \$10,436. The decreased revenues will result in the rate reduction as shown on Attachment A to this Order.

The utility is required to file revised tariff sheets and a proposed customer notice to reflect the approved rates. The approved rates shall be effective for service rendered on or after the stamped approval date of the revised tariff sheets pursuant to Rule 25-40.475(1), Florida Administrative Code. The rates shall not be implemented until our staff has approved the proposed customer notice and the notice has been received by the customers. The utility shall provide proof of the date notice was given no less than 10 days after the date of the notice.

If the utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data shall be filed for the price index and pass-through increase or decrease, and for the reduction in the rates due to the amortized rate case expense.

Therefore, the water rates shall be reduced as shown on Attachment A to remove \$10,436 in rate case expense amortization, grossed-up for regulatory assessment fees. The decrease in rates shall become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.0816, Florida Statutes. The utility shall be required to file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the reduction no later than one month prior to the actual date of the required rate reduction.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the petition of Water Management Services, Inc. for approval of a temporary rate increase for Phase 2 is hereby granted as set forth in the body of this Order. It is further

ORDERED that the temporary rates and charges approved for Phase 2 shall be effective for service rendered on or after the stamped approval date on the revised tariff sheets, pursuant to Rule 25-30.475(1), Florida Administrative Code, and held subject to over-collection with interest pending the final rates established in Phase 3 of this proceeding. It is further

ORDERED that the Phase 2 rates shall not be implemented until our staff has approved the proposed customer notice, and the notice has been received by the customers. It is further

ORDERED that the utility shall provide proof of the date notice was given within 10 days after the date of the notice. It is further

ORDERED that the utility shall file reports with the Commission, pursuant to Rule 25-30.360(6), Florida Administrative Code, no later than 20 days after each monthly billing once the Phase 2 rate increase is in effect. These reports shall indicate the amount of revenue collected under the increased rates. It is further

ORDERED that Attachment A to this Order is herein incorporated by reference. It is further

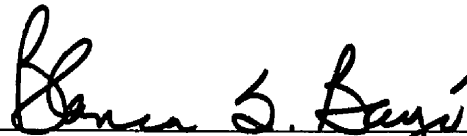
ORDERED that the provisions of this Order determining the prudence of fireflow protection improvements, the appropriate depreciable life for the transmission main, and the appropriate Phase 2 revenue requirement, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Director, Division of the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth

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in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that this docket shall remain open pending action on the utility's request for permanent rates, which will be addressed in Phase 3 of this proceeding.

By ORDER of the Florida Public Service Commission this 8th Day of September, 2003.



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BLANCA S. BAYÓ, Director  
Division of the Commission Clerk  
and Administrative Services

( S E A L )

AEV

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing that is available under Section 120.57, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.



The actions proposed herein, determining the prudence of fireflow protection improvements, the appropriate depreciable life for the transmission main, and the appropriate Phase 2 revenue requirement, are preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Director, Division of the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on September 29, 2003.

In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

Any objection or protest filed in this/these docket(s) before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

Any party adversely affected by the portion of this order approving a temporary rate increase, which is preliminary, procedural or intermediate in nature, may request: (1) reconsideration within 10 days pursuant to Rule 25-22.0376, Florida Administrative Code; or (2) judicial review by the Florida Supreme Court, in the case of an electric, gas or telephone utility, or the First District Court of Appeal, in the case of a water or wastewater utility. A motion for reconsideration shall be filed with the Director, Division of the Commission Clerk and Administrative Services, in the form prescribed by Rule 25-22.060, Florida Administrative Code. Judicial review of a preliminary, procedural or intermediate ruling or order is available if review of the final action will not provide an adequate remedy. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.

Any party adversely affected by the Commission's final action in this matter, approving a four-year rate reduction for rate case expense, may request: 1) reconsideration of the decision by filing a motion for reconsideration with the Director, Division of the Commission Clerk and Administrative Services, 2540 Shumard Oak

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Boulevard, Tallahassee, Florida 32399-0850, within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or 2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water and/or wastewater utility by filing a notice of appeal with the Director, Division of the Commission Clerk and Administrative Services and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

Attachment A

Water Management Services, Inc.

Schedule of Monthly Rates

Residential and General Service:

<u>Meter Size</u>	<u>Rates Prior to Limited Proceeding</u>	<u>Commission Approved Phase 1 Rates</u>	<u>Utility Requested Phase 2 Rates</u>	<u>Commission Approved Phase 2 Rates</u>	<u>Commission Approved 4 Year Rate Reduction</u>
<u>Meter Size</u>	<u>* BFC per month</u>	<u>BFC per month</u>	<u>BFC per month</u>	<u>BFC per month</u>	<u>BFC per month</u>
5/8" x 3/4"	\$20.90	\$23.26	\$34.94	\$33.06	\$0.27
1"	\$52.25	\$58.15	\$87.36	\$82.66	\$0.68
1 1/2"	\$104.51	\$116.32	\$174.74	\$165.34	\$1.35
2"	\$167.20	\$186.09	\$279.56	\$264.52	\$2.16
3" Compound	\$334.40	\$372.18	\$559.12	\$529.03	\$4.33
3" Turbine	\$365.77	\$407.10	\$611.57	\$578.67	\$4.73
4" Compound	\$522.52	\$581.51	\$873.50	\$826.50	\$6.68
4" Turbine	\$627.02	\$697.87	\$1,048.38	\$991.98	\$8.11
6" Compound	\$1,045.03	\$1,163.01	\$1,747.00	\$1,653.00	\$13.38
6" Turbine	\$1,306.30	\$1,453.90	\$2,184.14	\$2,066.64	\$16.90
8" Compound	\$1,672.05	\$1,860.82	\$2,795.20	\$2,644.80	\$21.40
8" Turbine	\$1,881.06	\$2,093.43	\$3,144.60	\$2,975.40	\$24.06
10" Compound	\$2,403.58	\$2,674.94	\$4,018.10	\$3,801.90	\$30.74
10" Turbine	\$3,030.59	\$3,372.74	\$5,066.30	\$4,793.70	\$38.77
12" Compound	\$4,493.50	\$5,000.82	\$6,638.60	\$6,281.40	\$50.98
Gallonage Charge, per 1,000 Gallons	\$1.98	\$2.20	\$3.31	\$3.13	\$0.03

\* Base Facility Charge