

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for staff-assisted rate case in  
Palm Beach County by W.P. Utilities, Inc.

DOCKET NO. 070722-WS  
ORDER NO. PSC-08-0652-PAA-WS  
ISSUED: October 6, 2008

The following Commissioners participated in the disposition of this matter:

MATTHEW M. CARTER II, Chairman  
LISA POLAK EDGAR  
KATRINA J. McMURRIAN  
NANCY ARGENZIANO  
NATHAN A. SKOP

NOTICE OF PROPOSED AGENCY ACTION  
ORDER APPROVING INCREASE IN RATES AND CHARGES  
AND  
FINAL ORDER GRANTING TEMPORARY RATES IN THE EVENT OF A PROTEST

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein, except for the setting of temporary rates, is 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 (F.A.C.)

Background

W.P. Utilities, Inc. (W.P. or Utility) is a Class C water and wastewater company serving approximately 190 customers in Palm Beach County. According to the Utility's 2007 annual report, total gross revenue was \$33,737 and \$55,020 for water and wastewater, respectively. Total operating expense was \$54,237 for water and \$53,258 for wastewater.

W.P. purchases potable water and wastewater treatment and disposal services from the City of Lake Worth and resells these services to the residents of Palm Breezes Club Mobile Home Park. The Utility owns the water distribution and wastewater collection lines within the mobile home park.

W.P. has been in existence and providing service since 1987. W.P. received reseller exempt status in 1990.<sup>1</sup> In order to recover the costs of administration, meter setting, meter

<sup>1</sup> See Order No. 23412, issued August 28, 1990, in Docket No. 900682-WS, In Re: Request for exemption from Florida Public Service Commission regulation for water and sewer facilities in Palm Beach County by W.P. Utilities, Inc.

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reading, customer accounting, maintenance of the distribution and collection systems and plant investment, which could not be done under the reseller exempt status, the Utility applied for and received Certificate Nos. 548-W and 478-S.<sup>2</sup>

On August 24, 1994, W.P. filed for a Staff-Assisted Rate Case (SARC) and Docket No. 940895-WS was established. The Utility was granted a rate increase.<sup>3</sup> W.P. last applied for a SARC January 13, 2000. The filing was assigned Docket No. 000042-WS. The Utility withdrew its request on February 24, 2000.

On December 13, 2007, W.P. applied for a SARC in the instant docket. The test year for final rates is the twelve-month period ended December 31, 2007. We have the authority to consider this rate case pursuant to Section 367.0814, Florida Statutes (F.S.).

### Quality of Service

Pursuant to Rule 25-30.433(1), F.A.C., this Commission determines the overall quality of service provided by a utility by evaluating three separate components of water and wastewater operations, including the quality of the utility's product, the operating condition of the utility's plant and facilities, and the utility's attempt to address customer satisfaction.

W.P. purchases potable water and wastewater treatment service from the City of Lake Worth and resells those services to the residents of Palm Breezes Club Mobile Home Park. The Utility owns the water distribution and wastewater collection lines within the mobile home park. In addition, the customers have an irrigation system which draws water from a lake adjacent to the park.

The Palm Beach County Health Department conducted a sanitary survey of the W.P.'s water system on October 25, 2007, which indicated that the Utility is in compliance with all environmental regulations. In addition, our staff engineer conducted a field inspection of the W.P.'s facilities on February 21, 2008. The Utility appears to be properly maintaining the distribution and collection system.

A customer meeting was held on June 11, 2008 in W.P.'s service area. Approximately 45 customers attended and four customers spoke. Most of the questions and comments related to the amount of and basis for the proposed rate increase. Our staff explained our proposed agency action process for SARCs and addressed the customers' concerns regarding the proposed rate increase. No issues related to quality of service were brought up by the customers. However, the customers indicated that they received the notice for the customer meeting the day prior to the meeting; therefore, our staff conducted a follow-up conference call on August 13, 2008, to give the customers an additional opportunity to offer comments. Two customers had questions

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<sup>2</sup> See Order No. PSC-92-1374-FOF-WS, issued November 11, 1992, in Docket No. 920650-WS, In Re: Application for water and wastewater certificates in Palm Beach County by W.P. Utilities, Inc.

<sup>3</sup> See Order No. PSC-95-0480-FOF-WS, issued April 13, 1995, in Docket No. 940895-WS, In Re: Application for staff-assisted rate case in Palm Beach County by W.P. Utilities, Inc.

regarding the amount of the Utility loss shown on the customer meeting notice, and whether the clubhouse paid for its water use.

Based on the above, we find that the Utility's quality of water and treated wastewater, the operational condition of the water distribution and wastewater collection lines, and W.P.'s attempts to address customer satisfaction are satisfactory. Accordingly, we find the Utility's overall quality of service is satisfactory.

#### Used and Useful

W.P. does not own water or wastewater treatment facilities; instead, bulk water and wastewater service is purchased by the Utility and resold to its customers. W.P. owns the water distribution and wastewater collection systems within the mobile home park which were designed to serve the existing customers. There has been no growth in the Utility's service area since the last rate case in 1995, and there is no apparent potential for growth. Accordingly, we find that, pursuant to Rule 25-30.4325, F.A.C., the water distribution and wastewater collection systems are 100 percent used and useful.

#### Average Test Year Rate Base

The Utility's rate base was last established in 1995.<sup>4</sup> We have selected a test year ended December 31, 2007, for this rate case. Rate base components established in the above-mentioned Order have been updated through December 31, 2007, using information obtained from our staff's audit and engineering reports. A summary of each component and the adjustments follows.

**Utility Plant in Service (UPIS):** W.P. recorded \$125,568 and \$158,600 of UPIS for the test year ended December 31, 2007, for water and wastewater, respectively. Pursuant to Audit Finding No. 1, the Utility recorded wastewater plant as a water plant addition. Thus, we have made an adjustment to reclassify \$7,180 from water plant to wastewater plant. We have decreased UPIS by \$6,797 to reflect an averaging adjustment for wastewater. We find that the appropriate UPIS balance is \$118,388 and \$158,983 for water and wastewater, respectively.

**Non-used and Useful Plant:** As discussed above, a used and useful adjustment is unnecessary.

**Contribution in Aid of Construction (CIAC):** W.P. recorded CIAC of \$29,542 and \$11,304 for water and wastewater, respectively, for the test year ended December 31, 2007. Based on CIAC approved in the last rate case and CIAC additions, we have determined the appropriate CIAC to be \$28,774 for water and \$11,010 for wastewater. Therefore, we have decreased this account by \$768 and \$294 for water and wastewater, respectively.

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<sup>4</sup> See Order No. PSC-95-0480-FOF-WS, issued April 13, 1995, in Docket No. 940895-WS, In Re: Application for a staff-assisted rate case in Palm Beach County by W.P. Utilities, Inc.

**Accumulated Depreciation:** The Utility recorded a balance for accumulated depreciation of \$169,784 for water and \$0 for wastewater for the test year. We have calculated accumulated depreciation using the prescribed rates set forth in Rule 25-30.140, F.A.C. Based on our calculation, depreciation for water is decreased by \$90,371 and wastewater is increased by \$87,789. We have decreased this account by \$1,989 and \$2,836 to reflect an averaging adjustment for water and wastewater, respectively. These adjustments result in average accumulated depreciation of \$77,424 for water and \$84,953 for wastewater.

**Accumulated Amortization of CIAC:** W.P. recorded \$18,734 and \$0 for amortization of CIAC for water and wastewater, respectively. We have recalculated the amortization of CIAC using composite depreciation rates. In order to reflect amortization of CIAC as we calculated, this account has been decreased by \$833 for water and increased by \$4,827 for wastewater. We have decreased this account by \$492 and \$191 for water and wastewater, respectively, to reflect an averaging adjustment. Our net adjustments to this account result in amortization of CIAC of \$17,409 for water and \$4,636 for wastewater.

**Working Capital Allowance:** Working capital is defined as the investor-supplied funds necessary to meet operating expenses or going-concern requirements of the Utility. Consistent with Rule 25-30.433(2), F.A.C., we used the one-eighth of the operation and maintenance (O&M) expense formula approach for calculating working capital allowance. Applying this formula, we approve a working capital allowance of \$6,655 for water (based on water O&M of \$53,240) and \$6,003 for wastewater (based on wastewater O&M of \$48,025). Working capital has been increased by \$6,655 and \$6,003 to reflect one-eighth of the O&M expenses for water and wastewater, respectively.

**Rate Base Summary:** Based on the forgoing, we find that the appropriate test year average rate base is \$36,254 for water and \$73,659 for wastewater. Rate base is shown on Schedule Nos. 1-A and 1-B, and our adjustments are shown on Schedule No. 1-C.

#### **Return on Equity and Overall Rate of Return**

W.P. recorded in its capital structure, for the test year, negative equity of \$3,575,107 and total long-term debt of \$4,902,358. Since including negative equity would penalize the Utility's capital structure by understating the overall rate of return, we have adjusted the negative equity to zero.<sup>5</sup> We have also decreased long-term debt by \$6,701 to reflect the removal of debt associated with a vehicle which has been paid off. We find long-term debt to be \$4,894,076. The appropriate rate of return on equity is 12.01 percent using our most recent approved leverage formula.<sup>6</sup> W.P.'s capital structure has been reconciled with the rate base. We approve a return

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<sup>5</sup> See Order Nos. PSC-95-0480-FOF-WS, issued April 13, 1995, in Docket No. 940895-WS, In Re: Application for a staff-assisted rate case in Palm Beach County by W.P. Utilities, Inc.; PSC-97-0263-FOF-SU, issued March 11, 1997, in Docket No. 960984-SU, In Re: Investigation of possible overearnings in Volusia County by North Peninsula Utilities Corporation; and PSC-01-1574-PAA-WS, issued July 30, 2001, in Docket No. 000584-WS, In Re: Application for approval of staff-assisted rate case in Martin County by Laniger Enterprises of America, Inc.

<sup>6</sup> See Order No. PSC-07-0472-PAA-WS, issued June 1, 2007, in Docket No. 070006-WS, In Re: Water and Wastewater Industry Annual Reestablishment of Authorized Range of Return on Common Equity for Water and Wastewater Utilities Pursuant to Section 367.081(4)(f), Florida Statutes.

on equity of 12.01 percent with a range of 11.01 percent - 13.01 percent, and an overall rate of return of 7.50 percent. The return on equity and overall rate of return are shown on Schedule No. 2.

#### Test Year Revenues

Per Audit Finding No. 4, W.P. recorded total revenues of \$25,695 for water and \$43,901 for wastewater for the 12-month period ended December 31, 2007. During the audit, our staff auditor discovered that the Utility did not book revenues for its fourth quarter billing. Accordingly, we have increased revenues by \$7,809 and \$13,964 for water and wastewater, respectively. W.P. had a rate adjustment during the test year. We have annualized revenues for an increase of \$340 for water and \$835 for wastewater. The Utility booked a returned check to accounts receivable instead of revenue. Therefore, we have increased water revenue by \$87.

Pursuant to Audit Finding No. 4, for wastewater, the Utility accidentally miscoded the rates billed to its residential customers. This resulted in the residential customers being billed the general service gallonage charge and the usage not being capped at the residential limit of 30,000 gallons. Based on these billing errors, the Utility's wastewater revenues shall be reduced by \$3,029. W.P. shall refund the over-collected wastewater revenues to the customers. The refund is addressed below. Based on the above, our net adjustment to water revenues is an increase of \$8,236 and wastewater revenues is an increase of \$11,770. We find that the test year revenue to be \$33,931 for water and \$55,671 for wastewater. Test year revenues are shown on Schedule Nos. 3-A and 3-B. The related adjustments are shown on Schedule No. 3-B.

#### Operating Expenses

W.P. recorded operating expenses of \$46,776 for water and \$54,470 for wastewater during the test year ending December 31, 2007. The test year O&M expenses have been reviewed and invoices, canceled checks, and other supporting documentation have been examined. We made several adjustments to the Utility's operating expenses, as summarized below.

Purchased Water/Wastewater – (610/710) – The Utility recorded \$21,993 for water and \$34,429 for wastewater in this account during the test year. Pursuant to Audit Finding No. 7, W.P.'s parent company paid some of its purchased water expenses. The Utility did not record the expense on its books. We have made an adjustment to increase this account by \$4,831 for water. W.P. recorded purchased water as purchased wastewater. We have increased this account by \$1,658 for purchased water reclassified from purchased wastewater. We have also increased this account by \$5,096 to reflect purchased water recorded as wastewater purchased power. The Utility recorded a prior year expense for purchased water and purchased wastewater. We have increased purchased water by \$574 and purchased wastewater by \$430 to reflect the appropriate test year expense. The net adjustments to this account are an increase of \$12,159 for purchased water and a decrease of \$1,228 for purchased wastewater. We find purchased water to be \$34,152 and purchased wastewater to be \$33,201.

Purchased Power – (615/715) – W.P. recorded \$0 for water and \$6,482 for wastewater in this account during the test year. Pursuant to Audit Finding No. 7, the Utility recorded purchased water expenses as purchased power. We have decreased this account by \$5,096 to reflect the reclassification of purchased water expense. We find Purchased Power to be \$0 for water and \$1,386 for wastewater.

Materials and Supplies – (620/720) – W.P. recorded \$0 for water and \$0 for wastewater in this account during the test year. Pursuant to Audit Finding No. 7, the Utility's parent company paid for water material and supplies. W.P. did not record the expense on its books. We have increased this account by \$41. We find Material and Supplies to be \$41 for water and \$0 for wastewater.

Contractual Services – Billing – (630/730) – The Utility recorded \$0 for water and \$0 for wastewater in this account during the test year. We have increased this account by \$360 for water to reflect meter reading expenses paid by the W.P.'s parent company. The Utility recorded \$105 of expenses for meter reading as repairs and maintenance in Acct. No. 636. We have reclassified the \$105 of meter reading expense for water to this account. We have increased this account by \$15 for water to reflect the appropriate test year meter reading expense. W.P. currently bills on a quarterly basis. Pursuant to our direction below, we are requiring the Utility convert its billing cycle to monthly. Therefore, we have increased this account by \$960 for water to reflect a pro forma expense for monthly meter reading. We have increased both water and wastewater by \$1,920 to reflect the appropriate monthly billing expense for the W.P.'s bookkeeper. Accordingly, we find Contractual Services– Billing is \$3,360 for water and \$1,920 for wastewater.

Contractual Services – Professional – (631/731) – The Utility recorded \$4,164 for water and \$4,164 for wastewater in this account during the test year. We have increased this account by \$480 for both water and wastewater to reflect accounting expenses paid to the bookkeeper by the W.P.'s parent company. We have also increased this account by \$540, each for both water and wastewater, to reflect the appropriate expense for the Utility's bookkeeper. We have reclassified \$228, each for both water and wastewater to Acct. No. 665. Our net adjustment to this account is an increase of \$792, each to both water and wastewater. Accordingly, we find Contractual Services – Professional is \$4,956 for water and \$4,956 for wastewater.

Contractual Services – Testing – (635/735) – The Utility recorded \$3,890 for water and \$0 for wastewater in this account during the test year. W.P. recorded operator expenses as testing. We have decreased this account by \$3,300 to reclassify operator expenses to Acct No. 636. We also decreased this account by \$290 to reflect the appropriate water testing expense per our staff engineer. Our net adjustment to this account is a decrease of \$3,590 for water. Accordingly, we find Contractual Services – Testing is \$300 for water and \$0 for wastewater.

Contractual Services – Other – (636/736) – The Utility recorded \$6,340 for water and \$6,000 for wastewater in this account during the test year. W.P. recorded operator expenses as testing. We have increased this account by \$3,300 to reflect operator expenses reclassified from Acct. No. 635. Also, the expense for operator services is increasing. The increase to operator services is \$300. We find this amount is reasonable and increase this account, accordingly. We

decrease this account by \$105 for water to reclassify meter reading expenses recorded as repairs and maintenance to Acct. Nos. 630. Our net adjustment to this account is an increase of \$3,495 for water. We find Contractual Services – Other is \$9,835 for water and \$6,000 for wastewater.

Regulatory Commission Expense – (665/765) – The Utility recorded \$0 in this account during the test year for water and wastewater. W.P. recorded accounting expenses related to the rate case in Acct. No 631. We have increased this account by \$228 for both water and wastewater to reflect reclassified rate case expense. Pursuant to Section 367.0816, F.S., rate case expense is amortized over a 4-year period. The Utility is required by Rule 25-22.0407, F.A.C., to mail notices of the customer meeting and notices of final rates in this case to its customers. For these notices, we find \$156 for postage expense, \$133 printing expense, and \$19 for envelopes is appropriate. The above results in a total rate case expense for noticing of \$308. W.P. paid a \$1,000 rate case filing fee for water and wastewater. We find that rate case expense for filing fee and noticing is \$1,308 (\$1,000 + \$308), which amortized over four years is \$327, allocating \$163 each for water and wastewater.

Operation and Maintenance Expense (O&M Summary) – The total O&M adjustment is an increase of \$16,649 for water and a decrease of \$3,221 for wastewater. The O&M expenses are \$53,240 for water and \$48,025 for wastewater. O&M expenses are shown on Schedule Nos. 3-D and 3-E.

Depreciation Expense (Net of Amortization of CIAC) – W.P. recorded net depreciation expense of \$8,396 for water and \$167 for wastewater. We calculated test year depreciation using the rates prescribed in Rule 25-30.140, F.A.C. Our calculation results in a necessary adjustment to reduce depreciation expense for water by \$4,417 and increase wastewater by \$5,272. We have calculated amortization of CIAC of \$984 for water and \$404 for wastewater based on composite rates. We have decreased this account by \$5,401 for water and increased this account by \$4,868 for wastewater. We find net depreciation expense is \$2,995 for water and \$5,035 for wastewater is appropriate.

Taxes Other Than Income (TOTI) – The Utility recorded regulatory assessment fees (RAFs) of \$1,789 for water and \$3,057 for wastewater. Based on the approved test year revenues, W.P.'s RAFs shall be \$1,527 for water and \$2,505 for wastewater. We have made adjustments to increase RAFs by \$11 (\$1,527 - \$1,516) for water and decrease RAFs by \$86 (\$2,504 - \$2,590) for wastewater. The Utility failed to record its property taxes. Therefore, we have increased this account by \$566 for water and \$790 for wastewater. Our net adjustment to this account is an increase of \$577 for water and an increase of \$704 for wastewater.

Income Tax – The Utility recorded income tax of \$0 water and wastewater. W.P. is an 1120 S corporation. The tax liability is passed on to the owner's personal tax returns. Therefore, we did not make an adjustment to this account.

Operating Expenses Summary – The application of our adjustments to the audited test year operating expenses results in calculated operating expenses of \$58,600 for water and \$56,822 for wastewater. Operating expenses are shown on Schedule Nos. 3-A and 3-B. The related adjustments are shown on Schedule No. 3-C.

Revenue Requirements

W.P. shall be allowed an annual increase of \$28,679 (84.52 percent) for water and \$6,990 (12.56 percent) for wastewater. This will allow the Utility the opportunity to recover its expenses and earn a 7.50 percent return on its investment. The calculations are as follows:

	<u>Water</u>	<u>Wastewater</u>
Adjusted Rate Base	\$36,254	\$73,659
Rate of Return	x .0750	x .0750
Return on Rate Base	\$2,719	\$5,524
Adjusted O&M expense	53,240	48,025
Depreciation expense (Net)	2,995	5,035
Amortization	0	0
TOTI	3,656	4,076
Income Taxes	0	0
Revenue Requirement	\$62,610	\$62,661
Less Test Year Revenues	33,931	55,671
Annual Increase	\$28,679	\$6,990
Percent Increase/(Decrease)	<u>84.52%</u>	<u>12.56%</u>

Revenue requirement is shown on Schedule No. 3-A and 3-B.

Rate Structure

The Utility currently has a BFC uniform/gallonge charge rate structure for the water systems' residential and non-residential class. The BFC is \$25.41 and is billed on a quarterly basis. The monthly usage charge is \$2.22 per kgal.

**Water Rates:** The current rate structure consists of a BFC/uniform gallonge rate structure which is billed quarterly. In prior cases, it has been our practice to convert the Utility's billing system to a monthly system.<sup>7</sup> By billing on a monthly basis, customers receive a more

<sup>7</sup> See Order No. PSC-03-1440-FOF-WS, issued December 22, 2003, in Docket No. 020071-WS, In Re: Application for rate increase in Marion, Orange, Pasco, Pinellas, and Seminole Counties by Utilities, Inc. of Florida; Order No.



timely price signal that will allow them to adjust their consumption accordingly. Therefore, in order to promote a rate design that is consistent with our past practice, the Utility shall bill monthly.

We performed a detailed analysis of the Utility's billing data in order to evaluate various BFC cost recovery percentages, usage blocks, and usage block rate factors for the residential rate class. The goal of the evaluation was to select the rate design parameters that: 1) allow the Utility to recover its revenue requirement; 2) equitably distribute cost recovery among the Utility's customers; and 3) implement, where appropriate, water conserving rate structures consistent with our goals and practices.

Water use in the Utility's service area is under the jurisdiction of the South Florida Water Management District (SFWMD or District). However, W.P. purchases its potable water and wastewater treatment from the City of Lake Worth and resells these services to the customers of the Utility. Therefore, the Utility is considered non-jurisdictional by the SFWMD.

Based on our analysis, the customer's monthly overall average consumption is approximately 2.5 kgal and that the customer base is seasonal. Furthermore, we estimate that even while the seasonal customers are in residence, average residential consumption is only 3.3 kgal per month. We evaluated the appropriateness of implementing an inclining block rate structure for this utility. We find that the current rate structure shall be changed to a two-tier inclining block rate structure. The usage blocks shall be set for consumption at: a) 0-3 kgal; b) usage in excess of 3 kgal, with usage block rate factors of 1.0 and 1.50, respectively. An inclining block rate structure is effective in reducing average demand. Demand in the higher usage block may be more responsive to price than demand in the first usage block. Customers with low monthly consumption will benefit while customers with high monthly consumption will pay increasingly higher rates. This rate structure is shown on Attachment A.

Furthermore, we increase the fixed cost recovery from the initial accounting allocation of 27.78% to 50%. We typically set the BFC recovery no greater than 40%. However, in this case, because the Utility's customer base is very seasonal, a 50% BFC allocation factor is appropriate. This higher allocation percentage will help insure that the Utility will have sufficient cash flow to cover fixed costs while the seasonal customers are not in residence. In recent cases, we have approved a BFC allocation greater than 40%.<sup>8</sup>

Based on the foregoing, we find that the Utility's current rate structure which includes a quarterly BFC is changed to a two-tier inclining block rate structure which will be billed on a monthly basis as shown on Attachment A. The water system's BFC cost recovery is set at 50%.

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PSC-07-1009-PAA-WU, Issued December 20, 2007, in Docket No. 070177-WU, In Re: Application for staff-assisted rate case in Pasco County by LWV Utility.

<sup>8</sup> See Order No. PSC-07-0609-PAA-WS, issued July 30, 2007, in Docket No. 060246-WS, In Re: Application for increase in water and wastewater rates in Polk County by Gold Coast Utility Corp.; Order No. PSC-08-0262-PAA-WS, issued in April 28, 2008, in Docket No. 070414-WS, In Re: Application for staff-assisted rate case in Polk County by Hidden Cove, Ltd.

**Wastewater Rates:** The Utility currently has a BFC/gallorage charge rate structure for the wastewater systems' residential and non-residential class. The BFC is \$46.44 and is billed on a quarterly basis. The monthly usage charge is \$3.36 per kgal.

As mentioned above, the current rate structure consists of quarterly billing for the BFC and is considered non-conservation oriented. In prior cases, it has been our practice to convert the Utility's billing system to a monthly billing system. By billing on a monthly basis, customers receive a more timely price signal that will allow them to adjust their consumption accordingly. Therefore, in order to promote a rate design goal that is consistent with our past practice, we find it appropriate that the Utility bill monthly.

The initial allocation for the wastewater BFC cost recovery percentage was 30.41%. We have approved herein an increase of the BFC cost recovery to 50%. It is our practice to set the BFC cost recovery at least 50% due to the capital intensive nature of wastewater plants. The current wastewater cap is set at 30 kgal per quarter. We typically set the wastewater monthly cap at 6 kgal. A review of the billing data indicates setting the wastewater cap at 6 kgal is appropriate. Therefore, we are changing the wastewater cap of 30 kgal per quarter to 6 kgal per month. Furthermore, we find that general service gallorage charge is 1.2 times greater than the residential charge.

Based on the foregoing, the appropriate rate structure for the wastewater systems' residential and non-residential customer classes are changed to a monthly BFC/uniform gallorage charge rate structure. The wastewater gallorage cap should be set at 6 kgal per month. The general service gallorage charge is 1.2 times greater than the residential charge, and the BFC cost recovery percentage for the wastewater system should be set at 50%.

#### Repression Adjustment

Based on our analysis, a repression adjustment is not warranted in this case due to the fact that there is no significant amount of discretionary usage. However, the Utility shall prepare monthly reports to monitor the effects from changes in revenue to the water and wastewater systems. These reports shall be filed with the Commission, on a quarterly basis, for a period of two years beginning the first billing period after the approved rates go into effect. To the extent the Utility makes adjustments to consumption in any month during the reporting period, the Utility shall file a revised monthly report for that month within 30 days of any revision.

#### Rates

The appropriate pre-repression revenue requirement is \$62,610 for the water system and \$62,661 for the wastewater system. As discussed above, the appropriate rate structure for the water system's residential and non-residential class is a two-tier inclining rate structure. The usage blocks shall be set for consumption at: a) 0-3 kgal; b) usage in excess of 3 kgal, with appropriate usage block rate factors of 1.0 and 1.50, respectively. The appropriate rate structure for the water system's non-residential customer class is a traditional base facility charge (BFC)/uniform gallorage charge rate structure. The water system's BFC cost recovery is set at 50%. The appropriate rate structure for the wastewater system's residential and non-residential

customer class is a monthly BFC/uniform gallonage charge rate structure. The non-residential gallonage charge shall be 1.2 times greater than the corresponding residential gallonage charge, and the BFC cost recovery percentage for the wastewater system shall be set at 50%. The residential wastewater cap is changed to 6,000 gallons (6 kgal).

The approved rates shall be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved 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 effective date of the new rates falls within a regular billing cycle, the initial bills at the new rate may be prorated. The old charge shall be prorated based on the number of days in the billing cycle before the effective date of the new rates. The new charge shall be prorated based on the number of days in the billing cycle on and after the effective date of the new rates. In no event shall the rates be effective for service rendered prior to the stamped approval date.

#### Refund of Wastewater Revenues

As discussed previously, for wastewater, the Utility accidentally miscoded the rates billed to its residential customers. This resulted in the residential customers being billed the general service gallonage charge, and the usage not being capped at the residential limit of 30,000 gallons. We have determined the overbilling results in additional wastewater revenues of \$3,029.

W.P. shall refund \$3,029 of test year wastewater revenues to its wastewater customers. A refund shall be made to these customers with interest, as required by Rule 25-30.360(4), F.A.C. The Utility shall be required to submit the proper refund reports, pursuant to Rule 25-30.360(7), F.A.C. The refund shall be completed within one year of the effective date of this Order. W.P. shall treat any unclaimed refunds as CIAC, pursuant to Rule 25-30.360(8), F.A.C. The utility shall be on notice that a show cause proceeding may be initiated pursuant to Section 367.161, F.S., if the Utility fails to make the refunds as prescribed.

#### Four-Year Rate Case Expense Reduction

Section 367.0816, F.S., 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 RAFs which is \$409 annually, each for both water and wastewater. Using the Utility's current revenues, expenses, capital structure, and customer base, the reduction in revenues will result in the rate decreases as shown on Schedule No. 4.

W.P. shall be required to file revised tariff sheets no later than one month prior to the actual date of the required rate reduction. The Utility also shall be required to file a proposed customer notice setting forth the lower rates and the reason for the reduction. If W.P. files this reduction in conjunction with a price index or pass-through rate adjustment, separate data shall

be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense.

Temporary Rates in the Event of Protest

This Order increases water and wastewater rates. A timely protest might delay what may be a justified rate increase resulting in an unrecoverable loss of revenue to the Utility. Therefore, pursuant to Section 367.0814(7), F.S., in the event of a protest filed by a party other than the Utility, the rates approved herein are approved as temporary rates. The approved rates collected by the Utility shall be subject to the refund provisions discussed below.

W.P. shall be authorized to collect the temporary rates upon our staff's approval of appropriate security for the potential refund and the proposed customer notice. Security shall be in the form of a bond or letter of credit in the amount of \$23,454. Alternatively, the Utility could establish an escrow agreement with an independent financial institution.

If W.P. chooses a bond as security, the bond shall contain wording to the effect that it will be terminated only under the following conditions:

- 1) The Commission approves the rate increase; or
- 2) If the Commission denies the increase, the Utility shall refund the amount collected that is attributable to the increase.

If the Utility chooses a letter of credit as a security, it shall contain the following conditions:

- 1) The letter of credit is irrevocable for the period it is in effect; and,
- 2) The letter of credit will be in effect until a final Commission order is rendered, either approving or denying the rate increase.

If security is provided through an escrow agreement, the following conditions shall be part of the agreement:

- 1) No refunds in the escrow account may be withdrawn by the Utility without the express approval of the Commission;
- 2) The escrow account shall be an interest bearing account;
- 3) If a refund to the customers is required, all interest earned by the escrow account shall be distributed to the customers;
- 4) If a refund to the customers is not required, the interest earned by the escrow account shall revert to the Utility;

- 5) All information on the escrow account shall be available from the holder of the escrow account to a Commission representative at all times;
- 6) The amount of revenue subject to refund shall be deposited in the escrow account within seven days of receipt;
- 7) This escrow account is established by the direction of the Florida Public Service Commission for the purpose(s) set forth in its order requiring such account. Pursuant to Cosentino v. Elson, 263 So. 2d 253 (Fla. 3d DCA 1972), escrow accounts are not subject to garnishments; and
- 8) The Commission Clerk must be a signatory to the escrow agreement.
- 9) The account must specify by whom and on whose behalf such monies were paid.

In no instance shall the maintenance and administrative costs associated with the refund be borne by the customers. These costs are the responsibility of, and shall be borne by, the Utility. Irrespective of the form of security chosen by W.P., an account of all monies received as a result of the rate increase shall be maintained by the Utility. If a refund is ultimately required, it shall be paid with interest calculated pursuant to Rule 25-30.360(4), F.A.C.

W.P. shall maintain a record of the amount of the bond, and the amount of revenues that are subject to refund. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., the Utility shall file reports with the Commission Division of Economic Regulation no later than the 20th of each month indicating the monthly and total amount of money subject to refund at the end of the preceding month. The report filed shall also indicate the status of the security being used to guarantee repayment of any potential refund.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the application for increased water and wastewater rates of W.P. Utilities, Inc. is approved as set forth in the body of this Order. It is further

ORDERED that each of the findings made in the body of this Order is hereby approved in every respect. It is further

ORDERED that the schedules and attachments to this Order are incorporated by reference herein. It is further

ORDERED that W.P. Utilities, Inc. shall file revised water and wastewater tariff sheets and a proposed customer notice to reflect the approved water and wastewater rates shown on Schedule 4. It is further

ORDERED that the tariffs shall be approved upon our staff's verification that the tariffs are consistent with our decision herein. It is further

ORDERED that the approved rates shall be effective for service rendered on or after the stamped approval date of the revised tariff sheets pursuant to Rule 25-30.475(1), F.A.C. It is further

ORDERED that the approved water and wastewater rates shall not be implemented until our staff has approved the proposed customer notice and the notice has been received the customers as set forth in the body of this Order. It is further

ORDERED that W.P. Utilities, Inc. shall provide proof of the date notice was given no less than ten days after the date of the notice. It is further

ORDERED that W.P. Utilities, Inc. shall refund \$3,029, plus interest, to those residential customers who overpaid rates, as more specifically described in the body of this Order. The Utility shall submit refund reports in accordance with Rule 25-30.360(4), F.A.C. The refund shall be completed within one year of the effective date of this Order. W.P. Utilities, Inc. shall treat any unclaimed refunds as CIAC, pursuant to Rule 25-30.360(8), F.A.C. It is further

ORDERED that the water and wastewater rates shall be reduced as shown on Schedule No. 4 to remove rate case expense, grossed-up for regulatory assessment fees, which is being amortized over a four-year period. It is further

ORDERED that 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, F.S. The Utility shall 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. It is further

ORDERED that 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/or pass-through increase or decrease, and for the reduction in the rates due to the amortized rate case expense. It is further

ORDERED that pursuant to Section 367.0814(7), F.S., the rates approved herein shall be approved for the Utility on a temporary basis, subject to the refund provisions set forth in the body of this Order, in the event of a protest filed by a party other than the Utility. It is further

ORDERED that prior to implementation of any temporary rates, the Utility shall provide appropriate security for the potential refund and the proposed customer notice. Security shall be in the form of a bond or letter of credit in the amount of \$74,918. Alternatively, the Utility may establish an escrow agreement with an independent financial institution. It is further

ORDERED that irrespective of the form of security chosen by the Utility, an account of all monies received as a result of the rate increase shall be maintained by the Utility. If a refund is ultimately required, it shall be paid with interest calculated pursuant to Rule 25-30.360(4), F.A.C. It is further

ORDERED that W.P. Utilities, Inc. shall maintain a record of the amount of the bond and the amount of revenues that are subject to refund. It is further

ORDERED that after any temporary rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., the Utility shall file reports with the Commission's Division of Economic Regulation no later than the 20<sup>th</sup> of each month indicating the monthly and total amount of money subject to refund at the end of the preceding month. The reports shall also indicate the status of the security being used to guarantee repayment of any potential refund. It is further

ORDERED that W.P. Utilities, Inc. shall prepare monthly reports to monitor the effects of the changes in revenues to water and wastewater systems. These reports shall reflect the number of bills rendered, the consumption billed, and the revenues billed. These reports shall be provided to our staff. It is further

ORDERED that these reports shall be prepared by customer class and meter size, on a quarterly basis for a period of two years, beginning the first billing period after the approved rates go into effect. It is further

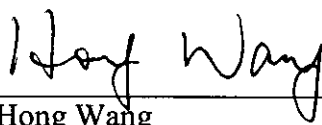
ORDERED the provisions of this Order, except for the setting of temporary rates in the event of a protest by a party other than the Utility, are issued as proposed agency action, and shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, F.A.C., is received by the Office of the Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings." It is further

ORDERED that if no person whose substantial interests are affected by the Proposed Agency Action issues files a protest within twenty-one days of the issuance of the Order, a Consummating Order will be issued. It is further

ORDERED, in the event no protest is filed, this docket shall remain open for our staff's verification that the revised tariff sheets and customer notice have been filed by the Utility and approved by our staff, and that the refund has been completed and verified by our staff. Once these actions are complete, this docket shall be closed administratively.

By ORDER of the Florida Public Service Commission this 6th day of October, 2008.

ANN COLE  
Commission Clerk

By:   
\_\_\_\_\_  
Hong Wang  
Office of Commission Clerk

( S E A L )

LCB

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 or judicial review of Commission orders that is available under Sections 120.57 or 120.68, 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 or judicial review will be granted or result in the relief sought.

As identified in the body of this order, our actions herein, except for the setting of temporary rates, is 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 Office of Commission Clerk, at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on October 27, 2008. If such a petition is filed, 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. In the absence of such a petition, this order shall become effective and final upon the issuance of a Consummating Order.

Any objection or protest filed in this docket 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 Commission's final action in this matter may request: (1) reconsideration of the decision by filing a motion for reconsideration with the Office of Commission Clerk, 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 or wastewater utility by filing a notice of appeal with the Office of Commission Clerk 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**

	<b>Current Rates</b>		<b>Current rates converted to Monthly</b>	<b>Commission Approved</b>  BFC 2-Tier Inclining Block 0-3 Kgal; 3+ Kgal 2nd Tier Rate Factor =1.50
<b>Quarterly BFC Per kgal</b>	\$25.41 \$2.22	<b>BFC Per Kgal</b>	\$8.47 \$2.22	\$13.80 0-3 Kgal \$ 4.77 3+ Kgal \$ 7.16
	<b><u>Typical Quarterly Bills</u></b>		<b><u>Typical Monthly Bills</u></b>	<b><u>Typical Monthly Bills</u></b>
<b>0 kgal</b>	\$25.41	<b>0 kgal</b>	\$8.47	\$13.80
<b>3 kgals</b>	\$45.39	<b>3 kgals</b>	\$15.13	\$28.12
<b>5 kgals</b>	\$58.71	<b>5 kgals</b>	\$19.57	\$42.43
<b>10 kgals</b>	\$92.01	<b>10 kgals</b>	\$30.67	\$78.22
<b>15 kgals</b>	\$125.31	<b>15 kgals</b>	\$41.77	\$114.01

<b>W.P. UTILITIES, INC.</b> <b>TEST YEAR ENDING 12/31/2007</b> <b>SCHEDULE OF WATER RATE BASE</b>		<b>SCHEDULE NO. 1-A</b> <b>DOCKET NO. 070722-WS</b>	
<b>DESCRIPTION</b>	<b>BALANCE PER UTILITY</b>	<b>COMM. ADJUST. TO UTIL. BAL.</b>	<b>BALANCE PER COMM.</b>
1. UTILITY PLANT IN SERVICE	\$125,568	(\$7,180)	\$118,388
2. LAND & LAND RIGHTS	0	0	0
3. NON-USED AND USEFUL COMPONENTS	0	0	0
4. CIAC	(29,542)	768	(28,774)
5. ACCUMULATED DEPRECIATION	(169,784)	92,360	(77,424)
6. AMORTIZATION OF CIAC	18,734	(1,325)	17,409
7. WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>6,655</u>	<u>6,655</u>
8. WATER RATE BASE	<u>(\$55,024)</u>	<u>\$91,278</u>	<u>\$36,254</u>

<b>W.P. UTILITIES, INC.</b> <b>TEST YEAR ENDING 12/31/2007</b> <b>SCHEDULE OF WASTEWATER RATE BASE</b>		<b>SCHEDULE NO. 1-B</b> <b>DOCKET NO. 070722-WS</b>	
<b>DESCRIPTION</b>	<b>BALANCE PER UTILITY</b>	<b>COMM. ADJUST. TO UTIL. BAL.</b>	<b>BALANCE PER COMM.</b>
1. UTILITY PLANT IN SERVICE	\$158,600	\$383	\$158,983
2. LAND & LAND RIGHTS	0	0	0
3. NON-USED AND USEFUL COMPONENTS	0	0	0
4. CIAC	(11,304)	294	(11,010)
5. ACCUMULATED DEPRECIATION	0	(84,953)	(84,953)
6. AMORTIZATION OF CIAC	0	4,636	4,636
7. WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>6,003</u>	<u>6,003</u>
8. WASTEWATER RATE BASE	<u>\$147,296</u>	<u>(\$73,637)</u>	<u>\$73,659</u>

<b>W.P. UTILITIES, INC.</b>		<b>SCHEDULE NO. 1-C</b>	
<b>TEST YEAR ENDING 12/31/2007</b>		<b>DOCKET NO. 070722-WS</b>	
<b>ADJUSTMENTS TO RATE BASE</b>		<b>PAGE 1</b>	
	<u><b>WATER</b></u>	<u><b>WASTEWATER</b></u>	
<b><u>UTILITY PLANT IN SERVICE</u></b>			
1. To reclassify water plant addition recorded to wastewater.	(\$7,180)	\$7,180	
2. To reflect an averaging adjustment.	0	(\$6,797)	
Total	<u>(\$7,180)</u>	<u>\$383</u>	
<b><u>CIAC</u></b>			
To reflect the appropriate CIAC balance.	<u>\$768</u>	<u>\$294</u>	
<b><u>ACCUMULATED DEPRECIATION</u></b>			
1. To reflect test year depreciation calculated per 25-30.140 F.A.C.	\$90,371	(\$87,789)	
2. To reflect an averaging adjustment.	1,989	2,836	
Total	<u>\$92,360</u>	<u>(\$84,953)</u>	
<b><u>AMORTIZATION OF CIAC</u></b>			
1. To reflect accumulated amortization per 25-30.140 F.A.C.	(\$833)	\$4,827	
2. To reflect an averaging adjustment.	(492)	(191)	
Total	<u>(\$1,325)</u>	<u>\$4,636</u>	
<b><u>WORKING CAPITAL ALLOWANCE</u></b>			
To reflect 1/8 of test year O & M expenses.	<u>\$6,655</u>	<u>\$6,003</u>	

W.P. UTILITIES, INC.  
TEST YEAR ENDING 12/31/2007  
SCHEDULE OF CAPITAL STRUCTURE

CAPITAL COMPONENT	PER UTILITY	SPECIFIC ADJUSTMENTS	BALANCE BEFORE PRO RATA ADJUSTMENTS	PRO RATA ADJUSTMENTS	BALANCE PER COMM.	PERCENT OF TOTAL	COST	WEIGHTED COST
1. TOTAL COMMON EQUITY	<u>(\$3,575,107)</u>	<u>\$3,575,107</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>0.00%</u>	12.01%	0.00%
2. LONG TERM DEBT - GEMSA	\$4,694,149	\$0	\$4,694,149	(\$4,588,726)	\$105,423	95.91%	7.80%	7.48%
NOTES PAYABLE Owner	184,897	0	184,897	(180,745)	4,152	3.78%	0.00%	0.00%
3. LONG TERM DEBT Vehicle	15,030	0	15,030	(14,692)	338	0.31%	6.00%	0.02%
LONG TERM DEBT Vehicle	6,701	(6,701)	0	0	0	0.00%	6.85%	0.00%
LONG TERM DEBT Tractor	<u>1,581</u>	<u>0</u>	<u>1,581</u>	<u>(1,545)</u>	<u>36</u>	<u>0.03%</u>	0.00%	0.00%
TOTAL LONG TERM DEBT	<u>\$4,902,358</u>	<u>\$0</u>	<u>\$4,894,076</u>	<u>(\$4,784,163)</u>	<u>\$109,913</u>	<u>100.00%</u>		
4. CUSTOMER DEPOSITS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>0.00%</u>	6.00%	<u>0.00%</u>
5. TOTAL	<u>\$1,327,251</u>	<u>\$3,575,107</u>	<u>\$4,894,076</u>	<u>(\$4,784,163)</u>	<u>\$109,913</u>	<u>100.00%</u>		<u>7.50%</u>
RANGE OF REASONABLENESS						<u>LOW</u>	<u>HIGH</u>	
RETURN ON EQUITY						<u>11.01%</u>	<u>13.01%</u>	
OVERALL RATE OF RETURN						<u>7.50%</u>	<u>7.50%</u>	

W.P. UTILITIES, INC. TEST YEAR ENDING 12/31/2007 SCHEDULE OF WATER OPERATING INCOME			SCHEDULE NO. 3-A DOCKET NO. 070722-WS		
	TEST YEAR PER UTILITY	COMM. ADJUSTMENTS	COMM. ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. OPERATING REVENUES	<u>\$25,695</u>	<u>\$8,236</u>	<u>\$33,931</u>	<u>\$28,679</u> 84.52%	<u>\$62,610</u>
<b>OPERATING EXPENSES:</b>					
2. OPERATION & MAINTENANCE	\$36,591	\$16,649	\$53,240	\$0	\$53,240
3. DEPRECIATION (NET)	8,396	(5,401)	2,995	0	2,995
4. AMORTIZATION	0	0	0	0	0
5. TAXES OTHER THAN INCOME	1,789	577	2,366	1,291	3,656
6. INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
7. <b>TOTAL OPERATING EXPENSES</b>	<u>\$46,776</u>	<u>\$11,824</u>	<u>\$58,600</u>	<u>\$1,291</u>	<u>\$59,891</u>
8. <b>OPERATING INCOME/(LOSS)</b>	<u>(\$21,081)</u>		<u>(\$24,669)</u>		<u>\$2,719</u>
9. <b>WATER RATE BASE</b>	<u>(\$55,024)</u>		<u>\$36,254</u>		<u>\$36,254</u>
10. <b>RATE OF RETURN</b>	<u>38.31%</u>		<u>-68.05%</u>		<u>7.50%</u>

W.P. UTILITIES, INC. TEST YEAR ENDING 12/31/2007 SCHEDULE OF WASTEWATER OPERATING INCOME			SCHEDULE NO. 3-B DOCKET NO. 070722-WS		
	TEST YEAR PER UTILITY	COMM. ADJUSTMENTS	COMM. ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. OPERATING REVENUES	<u>\$43,901</u>	<u>\$11,770</u>	<u>\$55,671</u>	<u>\$6,990</u> 12.56%	<u>\$62,661</u>
<b>OPERATING EXPENSES:</b>					
2. OPERATION & MAINTENANCE	\$51,246	(\$3,221)	\$48,025	\$0	\$48,025
3. DEPRECIATION (NET)	167	4,868	5,035	0	5,035
4. AMORTIZATION	0	0	0	0	0
5. TAXES OTHER THAN INCOME	3,057	704	3,761	315	4,076
6. INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
7. TOTAL OPERATING EXPENSES	<u>\$54,470</u>	<u>\$2,352</u>	<u>\$56,822</u>	<u>\$315</u>	<u>\$57,136</u>
8. OPERATING INCOME/(LOSS)	<u>(\$10,569)</u>		<u>(\$1,151)</u>		<u>\$5,524</u>
9. WASTEWATER RATE BASE	<u>\$147,296</u>		<u>\$73,659</u>		<u>\$73,659</u>
10. RATE OF RETURN	<u>-7.18%</u>		<u>-1.56%</u>		<u>7.50%</u>



**W.P. UTILITIES, INC.**  
**TEST YEAR ENDING 12/31/2007**  
**ADJUSTMENTS TO OPERATING INCOME**

**SCHEDULE NO. 3-C**  
**DOCKET NO. 070722-WS**  
**PAGE 1 OF 2**

	<u>WATER</u>	<u>WASTEWATER</u>
<b>OPERATING REVENUES</b>		
1. To reflect to unbooked 4th quarter revenue.	\$7,809	\$13,964
2. To reflect annualize revenue.	340	835
3. To correct misclassified water revenue.	87	0
4. To correct overbilling error.	<u>0</u>	<u>(3,029)</u>
Subtotal	<u>\$8,236</u>	<u>\$11,770</u>
<b>OPERATION AND MAINTENANCE EXPENSES</b>		
1. Purchased Water/Wastewater (610/710)		
a. To include unrecorded purchased water paid by parent co.	\$4,831	\$0
b. To reclassify purchased water from purchased wastewater.	1,658	(\$1,658)
c. To reclassify purchased water from purchased power.	5,096	0
d. To correct recording of prior period expense.	<u>\$574</u>	<u>430</u>
Subtotal	<u>\$12,159</u>	<u>(\$1,228)</u>
2. Purchased Power (615/ 715)		
a. To reclassify purchased water.		<u>(\$5,096)</u>
3. Materials & Supplies (620/ 720)		
a. To record supplies paid by Homeland.	<u>\$41</u>	<u>\$0</u>
4. Contractual Services - Billing (630/ 730)		
a. To record meter reading expenses paid by Homeland.	\$360	\$0
b. To record meter reading expenses reclassified from Acct.636.	105	0
c. To record the appropriate test year meter reading expense.	15	0
d. To reflect pro forma expense for monthly meter reading.	960	0
e. To record billing expenses.	<u>1,920</u>	<u>1,920</u>
Subtotal	<u>\$3,360</u>	<u>\$1,920</u>
5. Contractual Services - Professional (631/ 731)		
a. To reclassify billing expenses to Acct No. 630.	\$480	\$480
b. To record the appropriate bookkeeper expenses.	540	540
c. To reclassify Rate Case Expense to Acct No. 665/775.	<u>(228)</u>	<u>(228)</u>
Subtotal	<u>\$792</u>	<u>\$792</u>
6. Contractual Services - Testing (635/ 735)		
a. To reclassify operator expense to Acct No. 635.	(\$3,300)	\$0
b. To reflect the appropriate testing per staff engineer.	<u>(290)</u>	<u>0</u>
Subtotal	<u>(\$3,590)</u>	<u>\$0</u>

(O&M EXPENSES CONTINUED ON NEXT PAGE)

**W.P. UTILITIES, INC.**  
**TEST YEAR ENDING 12/31/2007**  
**ADJUSTMENTS TO OPERATING INCOME**

**SCHEDULE NO. 3-C**  
**DOCKET NO. 070722-WS**  
**PAGE 2 OF 2**

(O & M EXPENSES CONTINUED)	<u>WATER</u>	<u>WASTEWATER</u>
7. Contractual Services - Other (636/ 736)		
a. To reclassify operator expense from Acct. No. 635.	\$3,300	\$0
b. To reflect pro forma increase to operator expense.	300	0
c. To reclassify billing expenses to Acct Nos. 630/730.	<u>(105)</u>	<u>0</u>
Subtotal	<u>\$3,495</u>	<u>\$0</u>
8. Regulatory Expense (665/ 765)		
a. To reclassify rate case expense from Acct. No. 636.	\$228	\$228
b. To reflect rate case expense for noticing.	<u>163</u>	<u>163</u>
Subtotal	<u>\$391</u>	<u>\$391</u>
<b>TOTAL OPERATION &amp; MAINTENANCE ADJUSTMENTS</b>	<b><u>\$16,649</u></b>	<b><u>(\$3,221)</u></b>
<b>DEPRECIATION EXPENSE</b>		
1. To reflect test year depreciation calculated per 25-30.140, FAC	(\$4,417)	\$5,272
2. To reflect test year CIAC amortization calculated by Comm.	<u>(984)</u>	<u>(404)</u>
Total	<u>(\$5,401)</u>	<u>\$4,868</u>
<b>TAXES OTHER THAN INCOME</b>		
1. To reflect the appropriate test year RAFs	\$11	(\$86)
2. To reflect the appropriate property taxes	<u>566</u>	<u>790</u>
Total	<u>\$577</u>	<u>\$704</u>

**W.P. UTILITIES, INC.**  
**TEST YEAR ENDING 12/31/2007**  
**ANALYSIS OF WATER OPERATION AND**  
**MAINTENANCE EXPENSE**

**SCHEDULE NO. 3-D**  
**DOCKET NO. 070722-WS**

	TOTAL PER UTILITY	COMM. PER ADJUST.		TOTAL PER COMM.
(601) SALARIES AND WAGES - EMPLOYEES	\$0	\$0		\$0
(603) SALARIES AND WAGES - OFFICERS	0	0		0
(604) EMPLOYEE PENSIONS AND BENEFITS	0	0		0
(610) PURCHASED WATER	21,993	12,159	[ 1 ]	34,152
(615) PURCHASED POWER	0	0		0
(616) FUEL FOR POWER PRODUCTION	0	0		0
(618) CHEMICALS	0	0		0
(620) MATERIALS AND SUPPLIES	0	41	[ 2 ]	41
(630) CONTRACTUAL SERVICES - BILLING	0	3,360	[ 3 ]	3,360
(631) CONTRACTUAL SERVICES - PROFESSIONAL	4,164	792	[ 4 ]	4,956
(635) CONTRACTUAL SERVICES - TESTING	3,890	(3,590)	[ 5 ]	300
(636) CONTRACTUAL SERVICES - OTHER	6,340	3,495	[ 6 ]	9,835
(640) RENTS	0	0		0
(650) TRANSPORTATION EXPENSE	0	0		0
(655) INSURANCE EXPENSE	0	0		0
(665) REGULATORY COMMISSION EXPENSE	0	391	[ 7 ]	391
(670) BAD DEBT EXPENSE	0	0		0
(675) MISCELLANEOUS EXPENSES	<u>204</u>	<u>0</u>		<u>204</u>
	<u>36,591</u>	<u>16,649</u>		<u>53,240</u>

**W.P. UTILITIES, INC.**  
**TEST YEAR ENDING 12/31/2007**  
**ANALYSIS OF WASTEWATER OPERATION AND**  
**MAINTENANCE EXPENSE**

**SCHEDULE NO. 3-E**  
**DOCKET NO. 070722-WS**

	TOTAL PER UTILITY	COMM. ADJUST- MENT		TOTAL PER COMM.
(701) SALARIES AND WAGES - EMPLOYEES	\$0	\$0		\$0
(703) SALARIES AND WAGES - OFFICERS	0	0		0
(704) EMPLOYEE PENSIONS AND BENEFITS	0	0		0
(710) PURCHASED SEWAGE TREATMENT	34,429	(1,228)	[1]	33,201
(711) SLUDGE REMOVAL EXPENSE	0	0		0
(715) PURCHASED POWER	6,482	(5,096)	[2]	1,386
(716) FUEL FOR POWER PRODUCTION	0	0		0
(718) CHEMICALS	0	0		0
(720) MATERIALS AND SUPPLIES	0	0		0
(730) CONTRACTUAL SERVICES - BILLING	0	1,920	[4]	1,920
(731) CONTRACTUAL SERVICES - PROFESSIONAL	4,164	792	[5]	4,956
(735) CONTRACTUAL SERVICES - TESTING	0	0		0
(736) CONTRACTUAL SERVICES - OTHER	6,000	0		6,000
(740) RENTS	0	0		0
(750) TRANSPORTATION EXPENSE	0	0		0
(755) INSURANCE EXPENSE	0	0		0
(765) REGULATORY COMMISSION EXPENSES	0	391	[8]	391
(770) BAD DEBT EXPENSE	0	0		0
(775) MISCELLANEOUS EXPENSES	<u>171</u>	<u>0</u>		<u>171</u>
	<u>\$51,246</u>	<u>(\$3,221)</u>		<u>\$48,025</u>

W.P. UTILITIES, INC.				SCHEDULE NO. 4-A
TEST YEAR ENDING 12/31/2007				DOCKET NO. 070722-WS
MONTHLY WATER RATES				
	UTILITY'S EXISTING RATES*	UTILITY'S MONTHLY RATES**	COMM. APPROVED RATES	FOUR- YEAR RATE REDUC- TION
<b><u>Residential and General Service</u></b>				
<b><u>Base Facility Charge by Meter Size:</u></b>				
5/8"X3/4"	\$25.41	\$8.47	\$13.80	\$0.09
3/4"	\$38.12	\$12.71	\$20.70	\$0.14
1"	\$63.54	\$21.18	\$34.50	\$0.23
1-1/2"	\$127.06	\$42.35	\$69.00	\$0.45
2"	\$203.29	\$67.76	\$110.40	\$0.72
3"	\$406.59	\$135.53	\$220.80	\$1.45
4"	\$635.29	\$211.76	\$345.00	\$2.26
6"	\$1,270.57	\$423.52	\$690.00	\$4.52
*The BFC Charge is billed quarterly				
** For comparison the Utility's quarterly rate converted to monthly				
<b><u>Residential Gallonage Charge</u></b>				
0 – 3,000 Gallons			\$4.77	\$0.03
3,000 + Gallons			\$7.16	\$0.05
<b><u>General Service Gallonage Charge</u></b>				
Per 1,000 Gallons			\$5.24	\$0.03
<b><u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u></b>				
3,000 Gallons	\$45.39	\$15.13	\$28.11	
5,000 Gallons	\$58.71	\$19.57	\$42.44	
10,000 Gallons	\$92.01	\$30.67	\$78.23	

W.P. UTILITIES, INC. TEST YEAR ENDING 12/31/2007 MONTHLY WASTEWATER RATES			SCHEDULE NO. 4-B DOCKET NO. 070722-WS	
	UTILITY'S EXISTING RATES*	UTILITY'S EXISTING RATES**	COMM. APPROVED RATES	FOUR-YEAR RATE REDUCTION
<b><u>Residential and General Service</u></b>				
Base Facility Charge by Meter Size:				
5/8"X3/4"	\$46.44	\$15.48	\$13.86	\$0.09
3/4"	\$69.66	\$23.22	\$20.79	\$0.14
1"	\$116.07	\$38.69	\$34.65	\$0.23
1-1/2"	\$232.14	\$77.38	\$69.30	\$0.45
2"	\$371.43	\$123.81	\$110.88	\$0.73
3"	\$742.84	\$247.61	\$221.76	\$1.45
4"	\$1,163.75	\$387.92	\$346.50	\$2.27
6"	\$2,321.37	\$773.79	\$693.00	\$4.53
* The BFC Charge is billed quarterly				
** For comparison the Utility's quarterly rate converted to monthly				
<b><u>Residential Gallonage Charge</u></b>				
Per 1,000 Gallons (30,000 gallon cap per quarter)	\$3.36	\$3.36		
Per 1,000 Gallons (6,000 gallon per month)			\$5.30	\$0.03
<b><u>General Service Gallonage Charge</u></b>				
Gallonage Charge per 1,000 gallons	\$4.04	\$4.04	\$6.36	\$0.04
<b><u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u></b>				
3,000 Gallons	\$76.68	\$25.56	\$29.76	
5,000 Gallons	\$96.84	\$32.28	\$40.36	
10,000 Gallons	\$147.24	\$49.08	\$45.66	