

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 100104-WU

WATER MANAGEMENT SERVICES, INC.

**IN RE: APPLICATION FOR INCREASE IN WATER RATES IN
FRANKLIN COUNTY BY WATER MANAGEMENT SERVICES, INC.**

REBUTTAL TESTIMONY & EXHIBIT OF:

FRANK SEIDMAN

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WATER MANAGEMENT SERVICES, INC.

Q. Please state your name, profession and address.

A. My name is Frank Seidman. I am President of Management and Regulatory Consultants, Inc., consultants in the utility regulatory field. My address is 18444 Lost Lake Way, Jupiter, FL 33458.

Q. Have previously presented testimony in this proceeding?

A. Yes. I have presented direct testimony on behalf of the Applicant, Water Management Services, Inc. (WMSI).

Q. What is the purpose of your rebuttal testimony?

A. The purpose is to respond to portions of the direct testimony presented by Office of Public Counsel (OPC) witnesses Woodcock and Ramas and Public Service Commission (PSC or Commission) witnesses Dobiac and Chelette.

1 **Q. Would you please address those portions of the corrected direct**
2 **testimony of Mr. Woodcock to which you would like to respond?**

3 A. Yes. At page 4 of his direct testimony, Mr. Woodcock makes a
4 determination of used and useful for the distribution system based on the
5 lot count method. I disagree with the use of that approach for this utility,
6 for several reasons. First, a determination of used and useful for the total
7 transmission and distribution and system was made in Docket No.
8 940109-WU (“the 1992 case”). Final Order No. PSC-94-1383-FOF-WU
9 set the methodology to be used based on the stipulation of all parties,
10 including the Office of Public Counsel. Stipulation No. 20.b stated that
11 “All Transmission and Distribution Plant is considered 100% used and
12 useful except for the distribution mains (less than 8” diameter) in Account
13 331.4 Transmission & Distribution Mains serving certain subdivisions
14 within the area known as the Plantation, which lines were constructed for
15 the benefit of the developer.” The Stipulation went on to set the lot count
16 method as appropriate for determining used and useful only for those
17 specific areas of the Plantation that were listed.

18
19 **Q. What was the basis for using this methodology in the 1992 case?**

20 A. It was made evident in that case that the application of a strict lot count
21 methodology, without consideration of other factors, would be

1 inappropriate and would severely understate the used and usefulness of the
2 transmission and distribution plant on the island. It was pointed out at that
3 time that St. George Island is long (approx. 18 miles), narrow (approx. six
4 blocks, except in the Plantation), and although the service area is the entire
5 island, people tend to favor beach front access rather than the interior. In
6 order to reach development along the beaches, the utility had no choice
7 but to have a core transmission system that runs the length of the island
8 with distribution mains extending toward the beaches. Additionally, some
9 shallow wells had been drilled on some lots the utility's lines pass and it
10 could not force these people to hook up to the central system. A lot count
11 methodology would penalize the utility for not serving the lots of people
12 who have evaded service.

13

14 **Q. Is the methodology specified in the 1992 case the methodology that**
15 **was used by the Applicant in preparing its case?**

16 A. Yes. In preparing this case the lot count for the specified areas of the
17 Plantation was brought up to date for the test year. It resulted in a 60.9%
18 used and useful for the Plantation distribution system, but an overall
19 96.9% used and useful for the entire transmission and distribution system.

20

1 **Q. Is the methodology approved by the Commission in the 1992 case,**
2 **with regard to the Plantation, still appropriate?**

3 A. Actually no. In the last case, the use of wells within the Plantation was
4 very restrictive. It appears that those restrictions have been either removed
5 entirely or severely limited. With the ability of lot owners to obtain
6 permits for shallow water wells and with encouragement by the water
7 management, the utility can no longer depend on those lots, when built on,
8 becoming WMSI customers. Under these circumstances, I believe that the
9 lot count method is no longer appropriate, even in the Plantation. The
10 entire transmission and distribution system should be considered 100%
11 used and useful.

12
13 **Q. Are there any other factors that should be considered in evaluating**
14 **the used and useful for the transmission and distribution system?**

15 A. Yes. Regardless of whether people elect to be customers of the utility or
16 serve themselves with shallow wells, all of them have access to the fire
17 protection provided by the same mains which the lot count approach
18 would eliminate from cost recovery by the utility. In addition, since
19 Docket No. 940109-WU was decided, there have only been two major
20 additions to Account 331, Transmission & Distribution Mains. In 2003,
21 the utility made additions to loop the mains to improve fire protection. The

1 Commission addressed the used and usefulness of this project in Order
2 No. PSC-05-1156-PAA-WU, and found the associated mains to be 100%
3 used and useful. The only other major addition was for the renovation of
4 the mains in the state park which were leaking badly. All of the mains in
5 the state park are 100% used and useful. There is no valid reason that the
6 entire transmission and distribution system should not be considered 100%
7 used and useful.

8

9 **Q. At page 8 of his direct testimony, Mr. Woodcock recommends that the**
10 **pro forma adjustments to rate base not be included at this time.**
11 **Would you please respond to that?**

12 A. Yes. Regarding the proposed pro forma adjustments, Mr. Woodcock, at
13 page 9 of his corrected direct testimony, makes the following statement.
14 “Based on my review of the documentation and my inspection of the
15 utility’s facilities, these projects would replace aging assets, improve the
16 quality of service to the customers, or improve the safety and reliability
17 conditions of the utility system.” His recommendation to not include these
18 additions in rate base “at this time” is based not on their lack of necessity,
19 or their lack of good engineering, but on his allegation that the costs are
20 not sufficiently supported.

1 I would like to make it clear that it is not the intent of WMSI to request
2 that the Commission approve "carte blanche" the estimated costs shown in
3 the minimum filing requirements (MFRs). We fully expect that the
4 Commission will require a true up of actual costs to estimated costs. But
5 we will not know the actual costs until the projects are completed and the
6 projects cannot be completed unless there is sufficient acknowledgment in
7 this record and in the final order that the proposed plant additions are
8 necessary and that the Commission will approve rates based on the
9 legitimate final costs, when they are known. Otherwise, WMSI will not be
10 able to obtain financing and without financing these necessary projects
11 will not be done. Later, in my rebuttal to Ms. Ramas, I will address how
12 this may be accomplished.

13
14 **Q. Would you please turn now to the direct testimony of Ms. Ramas? At**
15 **page 26 of her direct testimony, Ms. Ramas proposes an adjustment to**
16 **Account No. 634 in the amount of \$(1,250). Do you agree with this**
17 **adjustment?**

18 **A.** Yes. In the MFRs, an adjustment was made to remove the contract service
19 costs for Mr. Garrett. The adjustment inadvertently did not catch the total
20 amount. Ms. Ramas' adjustment corrects that.

21

1 **Q. Also at page 26 of her direct testimony, Ms. Ramas addresses an**
2 **adjustment for out of period costs. Do you agree with that**
3 **adjustment?**

4 A. No. I do agree that an adjustment is appropriate, but I disagree with the
5 characterization of the entries in question and the resulting proposed
6 adjustment. The purpose of the adjustment is to reflect an annual level of
7 costs for preparation of the annual report to the PSC. I can speak to this
8 personally, since I prepared that report for WMSI. The referenced \$5,000
9 entry in December 2009 was apparently an accrual to reflect the
10 anticipated cost for preparing the 2009 Annual Report, not a retainer.
11 Management & Regulatory Consultants, Inc. does not have a retainer
12 arrangement with WMSI for any purpose. The entry referred to by Ms.
13 Ramas as a "refund" in 2010 was not a refund. There were no refunds. It is
14 apparently a partial payment toward the accrual. I have checked my
15 records and the actual amount billed to WMSI for preparation of the 2008
16 Annual Report was \$4,205. That would be a 2009 expense. The actual
17 amount billed to WMSI for preparation of the 2009 Annual Report was
18 \$3,900. That would be a 2010 expense. I have no problem with adjusting
19 the 2009 test year expense for annual reports from the booked expense of
20 \$6,305 to the actual expense of \$4,205. The adjustment would be \$(2,100)
21 instead of the \$(3,198) proposed by Ms. Ramas.

22

1 **Q. In her direct testimony at page 32 and again at page 46, Ms. Ramas**
2 **makes a recommendation to remove WMSI's proposed pro forma**
3 **plant additions and all adjustments related thereto. Would you please**
4 **respond to that recommendation?**

5 A. Yes. I previously addressed this, in principle, in my response to Mr.
6 Woodcock's recommendation to not include these plant additions in rate
7 base, at this time. The basis for his recommendation is the lack of
8 documents supporting the proposed cost. I indicated that WMSI agrees
9 that the cost of the additions should be included in rate base at their actual
10 cost, but in the interim, a mechanism was needed to provide WMSI with
11 the ability to obtain financing so that the work could be done. Typically,
12 this Commission has allowed recovery of costs for necessary projects prior
13 to their completion, based on estimated costs, but with a true up of
14 estimated costs to actual costs. The Commission took such an approach for
15 this utility in the Supply Main Docket No. 940109-WU. In that docket,
16 the Commission made a finding as to the necessity and used and
17 usefulness of the project, so that there was a basis to obtain financing.
18 That is what WMSI proposes in this case. If that is done, WMSI will be in
19 a position to obtain the financing proposed in its filing because the lender
20 will know that the Commission will eventually approve rates to support
21 the legitimate costs of the projects. It is then that WMSI can move ahead
22 to obtain documents supporting the costs. Recognizing the "chicken and
23 egg" situation the utility is in, WMSI proposes that the situation may best

1 be handled by providing for a phased rate increase provision similar to that
2 authorized in Docket No. 940109-WU. This would allow for a first phase
3 based on the case without the pro forma additions, a second phase based
4 on the documented estimate for completing the projects and a third phase
5 that allows for a true up to the actual costs incurred.

6
7 **Q. At page 32 of her direct testimony, Ms. Ramas recommends an**
8 **adjustment to remove the amortization expense associated with the**
9 **prior rate case. Do you agree with that adjustment?**

10 A. Yes.

11

12 **Q. Beginning at page 33 of her direct testimony, Ms. Ramas recommends**
13 **adjusting the salaries of Ms. Sandra Chase and Ms. Brenda Molsbee**
14 **because they were given significant increases. Do you agree with those**
15 **adjustments?**

16 No. I certainly cannot deny that these two individuals were given
17 significant salary increases in 2009. And if we were to consider only the
18 fact that the increases were significant without considering any other
19 factors, it would also give me pause. Mr. Brown obviously believes that
20 these increases are warranted. He will address those reasons in his rebuttal
21 testimony. What I would like to do here is place the impact of these
22 increases in the proper context, because these increases did not occur in a
23 vacuum. During the test year, many changes were made in the area of

1 personnel for this utility. The results of these changes were to streamline
2 the field work force, increase the availability of competent operations
3 management and do it with a savings in expenses. The utility was able to
4 do away with several part time field employees and bring in another full
5 time field employee at about half the cost. An assistant operations
6 manager with knowledge of this specific utility that had been working on a
7 contract basis was brought in as a full time employee. In conjunction with
8 these changes, Mr. Brown made the decision that this was the right time to
9 bring the salaries of Ms. Chase and Ms. Molsbee up to the level he
10 believed was proper. The cost of all of this to the customer was an annual
11 savings of \$12,609 when compared to 2008. See Exhibit (FS-4)____. This
12 was made possible because, recognizing the current economic conditions,
13 Mr. Brown took a cut in his salary that more than offset the annual
14 increases he awarded. So, taken in the context of the overall impact of
15 changes in personnel costs, even considering the substantial increases
16 addressed by Ms. Ramas, the customers come out ahead. That is the
17 proper basis for evaluating whether the utility's personnel expenses should
18 be allowed. The adjustment proposed by Ms. Ramas is not warranted.

19
20 **Q. At pages 42 and 43 of her direct testimony, Ms. Ramas proposes that**
21 **the wastewater certificate application amortization cost not be**
22 **approved. The reason given is that it had nothing to do with the**
23 **provision of water service and is only an attempt to expand WMSI's**

1 **services. Do you agree that recovery of this amortization cost should**
2 **be denied?**

3 No. The reason is that the certificate application does have something to
4 do with providing water service. There is no central wastewater service
5 on St. George Island. Sewage disposal relies on septic tanks for residences
6 and small commercial customers and package plants for large commercial
7 customers. In recent years, several commercial water customers have
8 approached WMSI about providing central wastewater disposal service
9 because it is becoming increasingly difficult and expensive for them to
10 maintain their own systems and to meet environmental requirements. As a
11 result some businesses may have to consider closing. If or when these
12 customers were to go out of business, WMSI would lose their water
13 service business. Lost water customers means a smaller revenue base and,
14 therefore, higher water rates to remaining customers to recover the same
15 revenue requirement. Preserving the water customer base is difficult
16 enough. WMSI made a legitimate effort to preserve that base and that
17 would have benefitted all water customers. WMSI has proposed to
18 amortize the cost involved over five years, but will accept a longer period
19 to reduce the impact on customer rates.

20
21 **Q. Ms. Ramas, at page 46 of her direct testimony proposes to change the**
22 **rate of return used in calculating the amortization of plant that would**

1 **be retired in association with the addition of pro forma plant. Would**
2 **you please address this?**

3 A. Yes. Plant proposed to be retired will only be retired if the pro forma plant
4 additions are made. Otherwise, there is no reason to retire the plant. The
5 amortization rate is based on the requested rate of return. Should the
6 requested work be approved, and should the Commission authorize a
7 different rate of return than requested, it would be appropriate, at that
8 time, to adjust the amortization calculation.

9
10 **Q. At page 60 of her direct testimony Ms. Ramas recommends**
11 **adjustments to Plant in Service, Accumulated Depreciation and**
12 **Depreciation Expense associated with the \$100,000 forgiveness of debt**
13 **by Scruggs Contracting for work done in the State Park. What is your**
14 **response?**

15 A. After reviewing Ms. Ramas' analysis, WMSI concludes that her
16 recommendation is the appropriate way of handling the transaction.
17 Therefore, WMSI agrees to reduce the balance of Plant in Service Account
18 331.4 by \$100,000, reduce the associated Accumulated Depreciation by
19 \$6,977, and reduce Depreciation Expense by \$2,326. These will be
20 permanent adjustments.

21
22 **Q. Please turn now to the direct testimony of PSC witness Dobiac. First,**
23 **would you please address her testimony in general?**

1 A. Yes. Ms. Dobiac conducted the PSC Staff Audit of WMSI for this rate
2 application. The audit report, which is an exhibit to her testimony,
3 contains six findings, all of which are relatively minor in nature. There
4 were no disclosures. This audit report is the culmination of the standard
5 audit procedure used by the Commission which she explains at length at
6 pages 2 through 4 of her direct testimony.

7

8 **Q. Was WMSI required to provide any detailed information to the**
9 **auditor?**

10 A. Yes. Thirty-one formal Audit/Document Record Requests were made over
11 an approximately two month period, each with a specific due date.

12

13 **Q. You indicated that there were six findings in this audit. How does that**
14 **compare to the audit conducted for the 1992 case, the last full rate**
15 **case in Docket No. 940109-WU?**

16 A. In the 1992 case, there were 26 exceptions and 17 disclosures. The report
17 was 74 pages long compared to 16 pages in this audit.

18

19 **Q. Please turn to the findings in the report. Do you have a response to**
20 **Finding No. 1?**

21 A. Yes. Audit Finding No. 1 addresses the booking of the net proceeds of a
22 law suit pertaining to the untimely failure of the pipe coating on the supply
23 main installed on the new bridge from the mainland to St. George Island.

1 The need for and the cost of the supply main was addressed by this
2 Commission in Docket No. 000694-WU. The cost of the supply main, in
3 excess of \$4 million, was booked in 2004. As a part of the contract cost,
4 WMSI paid for a special protective coating to be applied to the main due
5 to the highly corrosive conditions to which the main was subject. The
6 coating did not perform as it should and WMSI sued to recover the related
7 costs. In 2008, the suit was settled and WMSI booked the net amount of
8 \$719,000 received as an offset to the cost that had been booked in 2004,
9 since the net effect of the settlement was to refund costs related to
10 construction services not received.

11
12 Audit Finding No. 1 suggests that rather than reduce Plant in Service by
13 \$719,000, that the proceeds be placed in escrow to offset the future cost of
14 a maintenance contract entered into in 2009. I find this approach bizarre.
15 When a contract is entered into to provide a certain product at a certain
16 price and a lesser product is provided, the difference is a refund that
17 reduces the price. That is what WMSI has done. The maintenance of the
18 main has nothing to do with the construction of the main. The main would
19 have to be maintained regardless of whether a special coating was used.
20 There is no nexus between the proceeds of the settlement and the
21 maintenance contract.

22

1 As a practical matter, requiring funds to be escrowed after the fact would
2 require the utility to borrow funds to be placed in escrow. The \$719,000 is
3 not cash lying around. In addition, I believe it is the intent, under the
4 Uniform System of Accounts (USOA) that such a refund be handled as
5 WMSI has done. USOA Accounting Instruction 19 Utility Plant –
6 Components of Construction Cost, Paragraph (8) Injuries and Damages,
7 covers a similar but not exact situation. It states that insurance recovered
8 on account of property damages incident to construction be credited to the
9 account charged with the cost of damages. In this situation, Account 309,
10 Supply Mains, is where the damage occurred and that is where WMSI
11 credited the refund. WMSI's booking has given full benefit to the
12 customers and should remain unchanged. The treatment suggested in
13 Audit Finding No. 1 will increase both rate base and depreciation expense.

14
15 **Q. Would you please address Finding No. 2?**

16 A. Yes. This finding is to remove \$3,400 in the Land account for survey costs
17 associated with land previously sold. I agree with the finding.

18
19 **Q. Would you please address Finding No. 3?**

20 A. This finding proposes two adjustments to the Customer Advances for
21 Construction account. I agree with the first, which is to reduce the
22 account balance by \$9,257. This was stipulated in the 1992 case and
23 overlooked. The second proposed adjustment is to increase the account

1 balance by \$65,000 for monies received by the utility as an advance from
2 a third party in a lawsuit. Mr. Brown addresses this adjustment in his
3 rebuttal testimony.

4
5 **Q. Now would you address Finding No. 4?**

6 A. This finding proposes two adjustments. The first proposed adjustment is to
7 remove the unamortized debt discount expense included in the working
8 capital calculation because it is already being included in the long term
9 debt cost rate. I agree with that adjustment.

10

11 The second proposed adjustment is to remove the deferred debit pertaining
12 to the withdrawn wastewater certificate application because this is a water
13 only application. I disagree with that adjustment for reasons previously
14 discussed in my rebuttal to the testimony of witness Ramas. See pages 10-
15 11 of my rebuttal testimony.

16

17 **Q. Next, would you please comment on Finding No. 5?**

18 A. Finding No. 5 is a proposed adjustment to reclassify certain expenses. The
19 net effect is to move \$12,020 in expenses from utility expense to non-
20 utility expense. No detail was provided to help identify the specific items
21 to be reclassified, so WMSI is not in a position to agree with or dispute the
22 proposed adjustment.

23

1 **Q. Finally, would you please comment on Finding No. 6?**

2 A. Finding No. 6 proposes to remove some O&M expenses because they are

3 outside the test year or lack sufficient documentation. WMSI will not

4 dispute this adjustment.

5

6 **Q. Now, please turn to the direct testimony of PSC witness Chelette. Just**

7 **for clarification, is Ms. Chelette an employee of the Public Service**

8 **Commission?**

9 A. No. Although her testimony was sponsored by the PSC staff, she is an

10 employee of the Northwest Florida Water Management District

11 (NWFWMD or District) and is testifying on NWFWMD policy.

12

13 **Q. Would you please summarize her testimony as you understand it?**

14 A. I understand her testimony to be that NWFWMD policy is to encourage

15 the use of shallow wells on St. George Island for purposes of irrigation to

16 conserve water from the Floridan Aquifer for potable purposes and that

17 WMSI should continue with an inclining block rate structure to further

18 encourage the conservation of potable water.

19

20 **Q. Do you intend to rebut her interpretation of policy or its**

21 **implementation?**

22 A. No. Mr. Brown will address those issues in his rebuttal testimony.

23

1 **Q. What, then, do you intend to address in regards to Ms. Chelette's**
2 **testimony?**

3 A. I will address the economic consequences of the implementation of
4 NFWFMD policy.

5
6 **Q. Would you please elaborate?**

7 A. Good, bad or indifferent the policies of the NFWFMD have economic
8 consequences for the utility and its customers. These are consequences not
9 addressed by the District nor are they consequences for which the utility is
10 responsible. Nevertheless, they occur and have a severe impact on the
11 ability of WMSI to operate. They are consequences over which the utility
12 has no control and to which the utility is limited in its ability to respond to
13 in a regulated atmosphere. WMSI is a regulated public utility. It is
14 regulated because it provides a necessary service and because it operates
15 most efficiently as a monopoly. Because of these factors, Florida's
16 regulatory statutes basically set up a contractual arrangement. The utility
17 must provide safe, efficient and sufficient service to anyone in its service
18 area that can be economically served at a price set by the regulator to
19 protect the customer from monopoly practices. In return, the utility enjoys
20 a freedom from competition and an opportunity to earn a fair return on its
21 investment. Intended or not, that freedom from competition is severely
22 impacted when its customers are not only given the opportunity, but
23 encouraged to stop buying its product. That is what is happening in the

1 WMSI service area. WMSI is still obligated to be ready to serve all of the
2 existing and potential customers in its service area. Even in the 1992 case,
3 the Commission found that, under the well policy then in effect, WMSI
4 did not have an exclusive service area. As a result of the combination of
5 the new shallow well policy, the increasing block rate structure policy and
6 poor economic conditions, the situation is exacerbated and WMSI's
7 customer and usage base, whole or in part, is being cut out from under it.
8 From the viewpoint of NFWWMD, that may seem like good water policy,
9 but it is poor economic policy, the consequences of which were not made
10 aware to WMSI's customers.

11

12 **Q. Can these economic consequences be measured?**

13 A. Yes. One only has to look at the effect on the metered sales revenues and
14 gallons sold by WMSI over the last several years. For the past four years,
15 both metered sales revenue and gallons sold have dropped, even though
16 the rates have remained the same. Between 2007 and 2009, the sales of
17 water dropped by almost 45 million gallons annually. During the same
18 period, revenues from metered sales fell by over \$180,000 a year. That's a
19 loss of over \$4.00 per thousand gallons of sales lost.

20

21 **Q. Is there any other measure of consequences that concerns you?**

22 A. Yes. When the gallons of water sold is reduced, whether due to
23 conservation or otherwise, there is a disproportionate reduction in revenue

1 versus cost. Nearly all of the costs associated with the utility system in
2 place are fixed. Chemical expenses and power expenses are about the
3 only truly variable costs that will decrease when less water is sold. In
4 2009, the total cost of chemical and power expenses combined was only
5 \$0.59 per 1,000 gallons sold. That is what WMSI saves for every 1,000
6 gallons that sales are reduced. However, under the inclining block rate
7 design in effect in 2009, for every 1,000 gallons that sales are reduced,
8 WMSI loses \$4.98 if the sale was at the highest tier rate or \$4.14 if the
9 sale was at the second tier rate. Either way, we are looking at a loss in the
10 range of \$4.50 for every 1,000 gallons in sales lost to the utility. This is
11 borne out by the actual revenues and sales lost between 2007 and 2009,
12 discussed in the previous paragraph.

13
14 **Q. Has WMSI proposed doing away with inclining block rates?**

15 A. No. In spite of this lopsided impact, WMSI has requested that there be two
16 tiers on inclining block rates instead of three. We are seeing more of a
17 drop in consumption in the lower tiers now than in the higher tiers. The
18 rate design proposed by WMSI will reduce the loss per 1,000 gallons from
19 the \$4.50 range to the \$2.50 range. But, more importantly, WMSI is
20 requesting that 75% of its revenue requirement be collected through the
21 Base Facility Charge. This will help stop the bleeding. In addition, it will
22 give a much better price signal to customers of the cost of the current

1 conservation policy. Up until now, they have only been made aware of the
2 benefits.

3

4 **Q. Will WMSI face additional expenses as a result of the shallow well**
5 **policy?**

6 A. Yes. As PSC Witness McKeown pointed out in his direct testimony,
7 WMSI is responsible for establishing and implementing a cross
8 connection control program and the installation of non-potable wells will
9 increase the utility's work load. WMSI has such a program in place, but it
10 will be further burdened by having to locate any new wells and
11 implementing the cross connection program for them. This is not a one-
12 time deal. There are requirements for continual testing, verification and
13 enforcement and that may well require additional staff, the cost of which
14 is not reflected in this filing.

15

16 **Q. Does that conclude your rebuttal testimony?**

17 A. Yes, it does.

Comparison of Salary and Wages 2009 to 2008

		<u>2009</u>	<u>2008</u>
Acct 601	Salaries & Wages - Employees	\$ 314,455	\$ 294,020
Acct 603	Salaries & Wages - Officers	141,684	152,656
Acct 634	Contractual Services (M.H. Garrett)	<u>7,250</u>	<u>11,822</u>
		\$ 463,389	\$ 458,498
	<u>Proforma Adjustments</u>		
Acct 601	Add M.H. Garrett as Asst Op. Mgr	\$ 57,800	
Acct 634	Remove M.H. Garrett Contract Services	(7,250)	
Acct 601	Add Field Employee	26,008	
Acct 601	Remove 3 Field Employees	(58,354)	
Acct 636	Remove nonrecurring field work, C. Painter	(6,366)	
Acct 601	Annualize R. Garrett salary	1,193	
Acct 601	Annualize B. Molsbee salary	(231)	
Acct 603	Annualize G. Brown salary	<u>(30,300)</u>	<u>-</u>
	Total Proforma Adjustments	<u>\$ (17,500)</u>	<u>-</u>
	Adjusted TY Salaries & Wages	<u>\$ 445,889</u>	<u>\$ 458,498</u>
	Savings over 2008	\$ 12,609	

Source: MFR Schedules B-3 and B-5; 2008 Annual Report