

VOTE SHEET

August 9, 2011

Docket No. 100126-WU – Application for increase in water rates in Marion County by C.F.A.T. H2O, Inc.

Issue 1: Is the quality of service provided by the Utility satisfactory?

Recommendation: Yes. The quality of service provided by the Utility is satisfactory.

APPROVED

Issue 2: Should the audit adjustments to rate base and net operating income, to which the Utility agrees, be made?

Recommendation: Yes. Based on audit adjustments agreed to by the Utility, the adjustments to rate base and net operating income should be made as set forth in the analysis portion of staff's memorandum dated July 28, 2011.

APPROVED

COMMISSIONERS ASSIGNED: All Commissioners

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

Julie [Signature]
[Signature]
[Signature]
Lou [Signature]
[Signature]

REMARKS/DISSENTING COMMENTS:

*Modifications made by staff as reflected in attached
DN 05544-11 were approved.*

DOCUMENT NUMBER-DATE
05608 AUG-9=

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Issue 3: What are the used and useful percentages of the Utility's water treatment plant, the ground storage tank, and the water distribution system?

Recommendation: The Utility's water treatment plant is 65 percent used and useful (U&U), the ground storage tank is 86 percent U&U, and the water distribution system is 100 percent U&U. Accordingly, rate base, depreciation expense, and property taxes should be reduced by \$73,770, \$5,055, and \$169, respectively.

APPROVED

Issue 4: What is the appropriate working capital allowance?

Recommendation: The appropriate working capital allowance is \$5,054 ~~\$5,247~~.

APPROVED

Issue 5: What is the appropriate rate base for the test year ended December 31, 2009?

Recommendation: Consistent with other recommended adjustments, the appropriate rate base is \$288,414 ~~\$288,607~~.

APPROVED

Issue 6: What is the appropriate return on equity?

Recommendation: The appropriate return on common equity is 11.16 percent based on the Commission leverage formula currently in effect. Staff recommends an allowed range of plus or minus 100 basis points be recognized for ratemaking purposes.

APPROVED

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Issue 7: What is the appropriate weighted average cost of capital including the proper components, amounts, and cost rates associated with the capital structure for the test year ended December 31, 2009?

Recommendation: The appropriate weighted average cost of capital for the test year ended December 31, 2009, is 5.91 percent.

APPROVED

Issue 8: Should any adjustments be made to the Utility's requested pro forma expenses?

Recommendation: Yes. Due the current economic climate, a 3-percent increase in salaries is more reasonable than the company's proposed 21 percent increase. Accordingly, salaries should be reduced by \$1,511. Further, based on a 3-year average balance, a representative amount of bad debt expense for ratemaking purposes is ~~\$1,546~~ ~~\$3,093~~, which represents a ~~decrease~~ ~~an increase~~ of ~~\$118~~ ~~\$1,429~~.

APPROVED

Issue 9: Should any adjustments be made to the Utility's contractual billing expense?

Recommendation: Yes. To reflect the appropriate contractual billing expense, O&M expenses should be reduced by \$2,163.

APPROVED

Issue 10: What is the appropriate amount of rate case expense?

Recommendation: The appropriate amount of rate case expense is \$20,243. This expense should be recovered over four years for an annual expense of \$5,061. Thus, C.F.A.T.'s requested annual rate case expense should be reduced by \$189.

APPROVED

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Issue 11: What is the test year operating loss before any revenue increase?

Recommendation: Based on the adjustments discussed in other issues, the test year operating loss is \$13,507 ~~\$15,053~~ before any revenue increase.

APPROVED

Issue 12: What is the appropriate revenue requirement?

Recommendation: The following revenue requirement should be approved:

	Test Year Revenues	\$ Increase	Revenue Requirement	% Increase
Wastewater	<u>\$43,579</u>	<u>\$31,980</u>	<u>\$75,559</u>	<u>73.38%</u>
		<u>\$33,611</u>	<u>\$77,190</u>	<u>77.13%</u>

APPROVED

Issue 13: What is the appropriate water rate structure?

Recommendation: The appropriate rate structure for the water system's residential class is a two-tier inclining-block rate structure. Staff's preliminary rate design called for a continuation of the monthly base facility charge (BFC)/uniform gallonage charge rate structure. However, as discussed in Issue 14, by restricting any cost recovery due to repression being applied to non-discretionary usage, an additional tier is necessary for non-discretionary usage below 3 kgals per month. This results in a two-tier rate structure for monthly consumption with usage blocks of: a) 0-3 kgal and b) all usage in excess of 3 kgals in the second usage block, and usage block rate factors of 0.54 and 1.0, respectively. The appropriate rate structure for the water system's nonresidential classes is a continuation of its BFC/uniform gallonage charge rate structure. The BFC cost recovery percentage for the water system should be set at 45 percent.

DENIED

The Commission approved Alternative 1 water rate structure.

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Issue 14: What is the appropriate repression adjustment?

Recommendation: A repression adjustment is appropriate for this Utility. Test year residential kgals sold should be reduced by 1,718 ~~1,793~~ kgal to 6,739 ~~6,664~~ kgals, purchased power expense should be reduced by \$481 ~~\$504~~, chemical expense should be reduced by \$222 ~~\$232~~, and regulatory assessment fees (RAFs) should be reduced by \$33 ~~\$34~~. The final post-repression revenue requirement should be \$74,823 ~~\$76,422~~.

In order to monitor the effect of the rate structure and rate changes, the Utility should be ordered to file reports detailing the number of bills rendered, the consumption billed and the revenues billed on a monthly basis. In addition, the reports should be prepared by customer class, usage block, and meter size. The reports should be filed with staff, on a semi-annual basis, for a period of two years beginning with 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 should be ordered to file a revised monthly report for that month within 30 days of any revision.

APPROVED

Issue 15: What are the appropriate rates for this Utility?

Recommendation: The appropriate monthly water rates are shown on Schedule No. 4 of staff's memorandum dated July 28, 2011. Excluding miscellaneous service charges, the recommended water rates produce revenues of \$74,823 ~~\$76,422~~. The Utility should file revised water tariff sheets and a proposed customer notice to reflect the Commission-approved rates for the water system. The approved rates should 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. In addition, the approved rates should not be implemented until staff has approved the proposed customer notice. The Utility should provide proof of the date notice was given no less than ten days of the date of the notice.

APPROVED

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Issue 16: Should the Utility be authorized to revise its miscellaneous service charges, and, if so, what are the appropriate charges?

Recommendation: Yes. C.F.A.T should be authorized to revise its miscellaneous service charges. The Utility should file a proposed customer notice to reflect the Commission-approved charges. The approved charges should be effective for service rendered on or after the stamped approval date of the revised tariff, pursuant to Rule 25-30.475(1), F.A.C., provided the notice has been approved by staff. The Utility should provide proof the customers have received notice within ten days after the date that the notice was sent. The appropriate charges are reflected below. This notice may be combined with the notice required in other issues.

Miscellaneous Service Charges

	<u>Bus. Hrs</u>	<u>After Hrs</u>
Initial Connection	\$11	\$16
Normal Reconnection	\$16	\$24
Violation Reconnection	\$21	\$31
Premises Visit	\$16	N/A

APPROVED

Issue 17: In determining whether any portion of the interim increase granted should be refunded, how should the refund be calculated, and what is the amount of the refund, if any?

Recommendation The proper refund amount should be calculated by using the same data used to establish final rates, excluding rate case expense and other items not in effect during the interim period. This revised revenue requirement for the interim collection period should be compared to the amount of interim revenue requirement granted. Based on this calculation, the Utility should be required to refund 19.13 ~~17.25~~ percent of water revenues under interim rates. The refunds should be made with interest in accordance with Rule 25-30.360(4), F.A.C. The Utility should be required to submit proper refund reports, pursuant to Rule 25-30.360(7), F.A.C. The Utility should treat any unclaimed refunds as CIAC, pursuant to Rule 25-30.360(8), F.A.C. Further, the escrow account should be released upon staff's verification that the required refunds have been made.

APPROVED

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Issue 18: What is the appropriate amount by which rates should be reduced four years after the established effective date to reflect the removal of the amortized rate case expense?

Recommendation: The rates should be reduced as shown on Schedule No. 4 of staff's memorandum dated July 28, 2011, to remove \$5,338 for rate case expense, grossed up for Regulatory Assessment Fees (RAFs), which is being amortized over a four-year period. The decrease in rates should become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.0816, F.S. The Utility should 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.

APPROVED

Issue 19: Should the Utility be required to provide proof that it has adjusted its books for all Commission-approved adjustments?

Recommendation: Yes. To ensure that the Utility adjusts its books in accordance with the Commission's decision, C.F.A.T. should provide proof, within 90 days of the final order in this docket, that the adjustments for all the applicable National Association of Regulatory Utility Commissioners Uniform System of Accounts primary accounts have been made.

APPROVED

Issue 20: Should this docket be closed?

Recommendation: No. If no timely protest is filed by a substantially affected person within 21 days of the Proposed Agency Action Order, a Consummating Order should be issued and the surety bond released. However, the docket should remain open for staff's verification that the revised tariff sheets and customer notice have been filed by the Utility and approved by staff.

APPROVED

Carol Purvis

From: Chuck Hill
Sent: Friday, August 05, 2011 3:56 PM
To: Ann Cole; Carol Purvis; Selena Chambers
Subject: FW: Request of Oral Modification to Item 5, August 9, 2011 Agenda, Docket No. 100126-WU - C.F.A.T. H2O, Inc.
 fyi

From: Chuck Hill
Sent: Friday, August 05, 2011 3:55 PM
To: Marshall Willis
Cc: Bart Fletcher; Andrew Maurey; Cheryl Bulecza-Banks; Connie Kummer; Jennie Lingo; Patti Daniel; Keino Young; Selena Chambers; Jim Varian; Roberta Bass; Baldwyn English; Cayce Hinton; Katherine Fleming
Subject: RE: Request of Oral Modification to Item 5, August 9, 2011 Agenda, Docket No. 100126-WU - C.F.A.T. H2O, Inc.

Approved

From: Marshall Willis
Sent: Friday, August 05, 2011 3:51 PM
To: Chuck Hill
Cc: Bart Fletcher; Andrew Maurey; Cheryl Bulecza-Banks; Connie Kummer; Jennie Lingo; Patti Daniel; Keino Young
Subject: Request of Oral Modification to Item 5, August 9, 2011 Agenda, Docket No. 100126-WU - C.F.A.T. H2O, Inc.
Importance: High

Staff requests approval to make an oral modification to Issue 8 of the recommendation for the above-referenced item. Item 5 relates to a PAA rate increase request by C.F.A.T. H2O, Inc. (C.F.A.T. or Utility). The modification is necessary in order to correctly reflect the 3-year average bad debt expense for the Utility's water system. The utility's discovery response incorrectly included the bad debt expense for both water and wastewater instead of the expense for water only. Therefore bad debt expense was overstated in staff's recommendation. The Statutory time frame to process this case has been waived by C.F.A.T. through the August 9, 2011, Commission Conference. With this modification, there are numerous fall-out changes to the recommendation which are reflected below. The specific modifications are in type and strike format and highlighted in yellow, as follows:

1) Page 10, Issue 4, Recommendation Paragraph and Staff Analysis Paragraph

Issue 4: What is the appropriate working capital allowance?

Recommendation: The appropriate working capital allowance is ~~\$5,054~~ ~~\$5,247~~. (Fletcher)

? **Staff Analysis:** Rule 25-30.433(2), F.A.C., requires that Class C utilities use the formula method, or one-eighth of O&M expenses, to calculate the working capital allowance. The Utility has properly filed its allowance for working capital using the one-eighth of O&M expenses method. Staff has recommended adjustments to C.F.A.T.'s O&M expenses. As a result, staff recommends that working capital of ~~\$5,054~~ ~~\$5,247~~ be approved. This reflects a decrease of ~~\$855~~ ~~\$662~~ to the Utility's requested working capital allowance of \$5,909.

2) Page 11, Issue 5, Recommendation Paragraph and Staff Analysis Paragraph

Issue 5: What is the appropriate rate base for the test year ended December 31, 2009?

Recommendation: Consistent with other recommended adjustments, the appropriate rate base is ~~\$288,414~~ ~~\$288,607~~. (Fletcher)

? **Staff Analysis:** Consistent with other recommended adjustments, the appropriate rate base is ~~\$288,607~~ ~~\$288,607~~. The schedule for rate base is attached as Schedule No. 1-A. The adjustments to rate base are shown on Schedule No. 1-B.

3) Page 14, Issue 8, Recommendation Paragraph

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

8/5/2011

Issue 8: Should any adjustments be made to the Utility's requested pro forma expenses?

Recommendation: Yes. Due the current economic climate, a 3-percent increase in salaries is more reasonable than the company's proposed 21 percent increase. Accordingly, salaries should be reduced by \$1,511. Further, based on a 3-year average balance, a representative amount of bad debt expense for ratemaking purposes is ~~\$1,546~~ ~~\$3,093~~, which represents ~~a decrease~~ ~~an increase~~ of ~~\$118~~ ~~\$1,429~~. (Fletcher)

4) Page 15, Issue 8, Last Paragraph of Staff Analysis

appropriate level of bad debt expense has been whether the amount is representative of the bad debt expense to be incurred by the Utility. Based on the 3-year average calculation, C.F.A.T. should be entitled to bad debt expense of ~~\$1,546~~ ~~\$3,093~~, which staff believes is representative of the Utility's bad debt expense. As a result, staff recommends that C.F.A.T.'s proposed bad debt expense of \$1,664 be ~~decreased~~ ~~increased~~ by ~~\$118~~ ~~\$1,429~~.

5) Page 20, Issue 11, Recommendation Paragraph and Staff Analysis Paragraph

Issue 11: What is the test year operating loss before any revenue increase?

Recommendation: Based on the adjustments discussed in other issues, the test year operating loss is ~~\$13,507~~ ~~\$15,053~~ before any revenue increase. (Fletcher)

Staff Analysis: This is primarily a "fall-out" issue subject to the resolution of other issues related to revenues, operating expenses, and rate base. As shown on Schedule No. 3-A, after applying staff's adjustments, the Utility's net operating loss is ~~\$13,507~~ ~~\$15,053~~. Staff's adjustments to operating income are shown on Schedule No. 3-B.

6) Page 21, Issue 12, Recommendation Paragraph and Staff Analysis Paragraph

Issue 12: What is the appropriate revenue requirement?

Recommendation: The following revenue requirement should be approved:

	Test Year Revenues	\$ Increase	Revenue Requirement	% Increase
Wastewater	\$43,579	\$31,980	\$75,559	73.38%
		\$33,611	\$77,190	77.13%

(Fletcher)

Staff Analysis: The issue is a summary computation that is subject to the resolution of other issues related to rate base and cost of capital, and is primarily a "fall-out" number. The computation of the revenue requirement is shown on Schedule No. 3-A. This results in a revenue requirement of ~~\$75,559~~ ~~\$77,190~~, which represents an increase of ~~\$31,980~~ ~~\$33,611~~ or ~~73.38~~ ~~77.13~~ percent.

7) Page 23, Issue 13, Staff Analysis

using an across the board calculation of the ~~73.4%~~ ~~77.1%~~ increase. These rate structures and their resulting bills are shown on the following table.

C.F.A.T. H2O, INC. STAFF'S RECOMMENDED AND ALTERNATIVE RATE STRUCTURES FOR TYPICAL RESIDENTIAL CUSTOMERS ON 5/8" x 3/4" METERS POST-REPRESSION ANALYSIS			
Current Rate Structure and Rates		Recommended Rate Structure and Rates	
BFC/uniform gallonage charge rate Structure BFC = 66 percent		Two-tier inclining blocks - consumption of 0-3 kgals and 3+ kgals; rate factors of 0.54 and 1.0; BFC = 45.00 percent	
BFC	\$9.97	BFC	\$11.62 \$11.87
Gallonage Charge, all kgals	\$1.63	0-3 kgals (no repression adjustment)	\$4.51 \$4.66
		In excess of 3 kgals	\$8.08 \$8.58
Typical Monthly Bills		Typical Monthly Bills	

Cons (kgal)		Cons (kgal)	
0		0	\$11.62 \$11.87
1	\$9.97	1	\$16.13 \$16.47
3	\$11.60	3	\$25.14 \$21.08
5	\$14.86	5	\$41.31 \$42.84
10	\$18.12	10	\$81.73 \$85.73
15	\$26.27	15	\$122.16 \$128.62
20	\$34.42	20	\$162.57 \$171.51
25	\$42.57	25	\$202.99 \$214.40
30	\$50.72	30	\$243.41 \$257.29
	\$58.87		
Alternative 1		Alternative 2	
Three-tiered inclining-blocks – consumption of 0-3 kgals, 3-6 kgals and 6+ kgals; rate factors at 1.0, 1.25 and 1.50; BFC = 45.00 percent		Across the board increase of 77.1%	
BFC	\$11.62 \$11.87	BFC	\$17.28 \$17.66
0-3 kgals	\$3.96 \$4.04	Gallage Charge, all kgals	\$2.82 \$2.89
3-6 kgals	\$7.34 \$7.81		
In excess of 3 kgals	\$11.01 \$11.72		
Typical Monthly Bills		Typical Monthly Bills	
Cons (kgal)		Cons (kgal)	
0	\$11.62 \$11.87	0	\$17.28 \$17.66
1	\$15.58 \$15.91	1	\$20.10 \$20.54
3	\$23.49 \$19.95	3	\$25.75 \$26.32
5	\$38.17 \$39.61	5	\$31.40 \$32.09
10	\$89.56 \$94.29	10	\$45.53 \$46.52
15	\$144.62 \$152.86	15	\$59.65 \$60.96
20	\$199.68 \$211.44	20	\$73.77 \$75.39
25	\$254.74 \$270.02	25	\$87.90 \$89.83
30	\$309.80 \$328.60	30	\$102.02 \$104.26

8) Page 25, Issue 14, Recommendation Paragraph

Issue 14: What is the appropriate repression adjustment?

Recommendation: A repression adjustment is appropriate for this Utility. Test year residential kgals sold should be reduced by 1,718 ~~4,793~~ kgal to 6,739 ~~6,664~~ kgals, purchased power expense should be reduced by \$481 ~~\$501~~, chemical expense should be reduced by \$222 ~~\$232~~, and regulatory assessment fees (RAFs) should be reduced by \$33 ~~\$34~~. The final post-repression revenue requirement should be \$74,823 ~~\$76,422~~.

In order to monitor the effect of the rate structure and rate changes, the Utility should be ordered to file reports detailing the number of bills rendered, the consumption billed and the revenues billed on a monthly basis. In addition, the reports should be prepared by customer class, usage block, and meter size. The reports should be filed with staff, on a semi-annual basis, for a period of two years beginning with 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 should be ordered to file a revised monthly report for that month within 30 days of any revision. (Thompson)

9) Page 25, Issue 14, Staff Analysis Third Paragraph

Therefore, based on this methodology, staff calculated that test year residential consumption for this Utility should be reduced by 1,718 ~~4,793~~ kgal, purchased power expense should be reduced by \$481 ~~\$501~~, chemical expense should be reduced by \$222 ~~\$232~~ and RAFs should be reduced by \$33 ~~\$34~~. The final post-repression revenue requirement should be \$74,823 ~~\$76,422~~. In order to

monitor the effect of the rate changes, the Utility should be ordered to file reports detailing the number of bills rendered, the consumption billed, and the revenues billed on a monthly basis. In addition, the reports should be prepared by customer class, usage block, and meter size. The reports should be filed with staff, on a semi-annual basis, for a period of two years beginning with the

10) Page 27, Issue 15, Recommendation Paragraph and Staff Analysis First Paragraph

Issue 15: What are the appropriate rates for this Utility?

Recommendation: The appropriate monthly water rates are shown on Schedule No. 4. Excluding miscellaneous service charges, the recommended water rates produce revenues of ~~\$74,823~~ ~~\$76,422~~. The Utility should file revised water tariff sheets and a proposed customer notice to reflect the Commission-approved rates for the water system. The approved rates should 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. In addition, the approved rates should not be implemented until staff has approved the proposed customer notice. The Utility should provide proof of the date notice was given no less than ten days of the date of the notice. (Thompson, Fletcher)

Staff Analysis: The appropriate post-repression revenue requirement, excluding miscellaneous service charges, is ~~\$74,823~~ ~~\$76,422~~. As discussed in Issue 13, staff recommends that the appropriate rate structure for the water system's residential class is a continuation of the Utility's BFC/uniform gallonage charge. The BFC cost recovery percentage should be set at 45 percent. Staff recommends a continuation of the traditional BFC/uniform gallonage charge rate structure be applied to the general service rate class as well. As discussed in Issue 14, staff recommends that a repression adjustment be made. Applying these rate designs and repression adjustments to the recommended pre-repression revenue requirements results in the final rates contained in Schedule No. 4. These rates are designed to recover a post-repression revenue requirement of ~~\$74,823~~ ~~\$76,422~~.

11) Page 30, Issue 17, Recommendation Paragraph Staff Analysis Last Paragraph

Issue 17: In determining whether any portion of the interim increase granted should be refunded, how should the refund be calculated, and what is the amount of the refund, if any?

Recommendation: The proper refund amount should be calculated by using the same data used to establish final rates, excluding rate case expense and other items not in effect during the interim period. This revised revenue requirement for the interim collection period should be compared to the amount of interim revenue requirement granted. Based on this calculation, the Utility should be required to refund ~~19.13~~ ~~17.25~~ percent of water revenues under interim rates. The refunds should be made with interest in accordance with Rule 25-30.360(4), F.A.C. The Utility should be required to submit proper refund reports pursuant to Rule 25-30.360(7), F.A.C. The Utility should treat any unclaimed refunds as CIAC pursuant to Rule 25-30.360(8), F.A.C. Further, the escrow account should be released upon staff's verification that the required refunds have been made. (Fletcher)

12) Page 30, Issue 17, Staff Analysis Last Paragraph

Using the principles discussed above, the \$86,882 water revenue requirement granted in Order No. PSC-10-0739-PCO-WU for the interim test year is greater than the revenue requirement for the interim collection period of ~~\$70,260~~ ~~\$71,894~~. This results in a ~~19.13~~ ~~17.25~~ percent refund of interim rates, after miscellaneous revenues have been removed. The Utility should be required to refund ~~19.13~~ ~~17.25~~ percent of the water revenues collected under interim rates. The refund should be made with interest in accordance with Rule 25-30.360(4), F.A.C. The Utility should be required to submit proper refund reports pursuant to Rule 25-30.360(7), F.A.C. The Utility should treat any unclaimed refunds as CIAC pursuant to Rule 25-30.360(8), F.A.C. Further, the escrow account should be released upon staff's verification that the required refunds have been made.

13) With regard to the fall-out changes to the schedules, staff has highlighted the numbers that changed in yellow as shown below:

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C.F.A.T. H20, Inc. Schedule of Water Rate Base Test Year Ended 12/31/09		Schedule No. 1-A Docket No. 100126-WU			
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year
1 Plant in Service	\$537,632	\$0	\$537,632	(\$25,880)	\$511,752
2 Land and Land Rights	19,500	0	19,500	0	19,500
3 Non-used and Useful Components	0	0	0	(73,770)	(73,770)

4	Accumulated Depreciation	(127,972)	0	(127,972)	24,247	(103,725)
5	CIAC	(114,421)	0	(114,421)	(10,512)	(124,933)
6	Amortization of CIAC	55,292	0	55,292	(756)	54,536
7	Acquisition Adjustment	46,269	(46,269)	0	0	0
8	Working Capital Allowance	0	5,909	5,909	(855)	5,054
9	Rate Base	\$416,300	(\$40,360)	\$375,940	(\$87,526)	\$288,414

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C.F.A.T. H20, Inc. Adjustments to Rate Base Test Year Ended 12/31/09		Schedule No. 1-B Docket No. 100126-WU
Explanation		Water
<u>Plant In Service</u>		
Agreed upon Audit Adjustments. (Issue 2)		(\$25,880)
<u>Non-used and Useful</u>		
To reflect net non-used and useful adjustment. (Issue 3)		(\$73,770)
<u>Accumulated Depreciation</u>		
Agreed upon Audit Adjustments. (Issue 2)		\$24,247
<u>CIAC</u>		
Agreed upon Audit Adjustments. (Issue 2)		(\$10,512)
<u>Accumulated Amortization of CIAC</u>		
Agreed upon Audit Adjustments. (Issue 2)		(\$756)
<u>Working Capital</u>		
Reflect appropriate working capital allowance. (Issue 4)		(\$855)

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C.F.A.T. H20, Inc. Capital Structure-Simple Average Test Year Ended 12/31/09					Schedule No. 2 Docket No. 100126-WU			
Description	Total Capital	Specific Adjustments	Subtotal Adjusted Capital	Prorata Adjustments	Capital Reconciled to Rate Base	Ratio	Cost Rate	Weighted Cost
Per Utility								
1 Long-term Debt	\$388,880	\$0	\$388,880	(\$140,893)	\$247,987	65.96%	5.69%	3.75%
2 Short-term Debt	0	0	0	0	0	0.00%	0.00%	0.00%
3 Preferred Stock	0	0	0	0	0	0.00%	0.00%	0.00%
4 Common Equity	127,483	0	127,483	(46,188)	81,295	21.62%	10.85%	2.35%
5 Customer Deposits	18,167	0	18,167	(6,582)	11,585	3.08%	6.00%	0.18%
6 Shareholder Loan	55,000	0	55,000	(19,927)	35,073	9.33%	0.00%	0.00%
7 Total Capital	\$589,530	\$0	\$589,530	(\$213,590)	\$375,940	100.00%	-	6.28%
Per Staff								
8 Long-term Debt	\$388,880	(\$3,200)	\$385,680	(\$125,822)	\$259,858	90.10%	5.69%	5.13%

9	Short-term Debt	0	0	0	0	0.00%	0.00%	0.00%	
10	Preferred Stock	0	0	0	0	0.00%	0.00%	0.00%	
11	Common Equity	127,483	(112,064)	15,419	(5,030)	10,389	3.60%	11.16%	0.40%
12	Customer Deposits	18,167	0	18,167	0	18,167	6.30%	6.00%	0.38%
13	Shareholder Loan	55,000	(55,000)	0	0	0	0.00%	0.00%	0.00%
14	Total Capital	\$589,530	(\$170,264)	\$419,266	(\$130,852)	\$288,414	100.00%		5.91%
							LOW	HIGH	
							RETURN ON EQUITY	10.16%	12.16%
							OVERALL RATE OF RETURN	5.87%	5.94%

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C.F.A.T. H2O, Inc.		Schedule No. 3-A						
Statement of Water Operations		Docket No. 100126-WU						
Test Year Ended 12/31/09								
Description	Test Year Per Utility	Utility Adjustments	Adjusted Test Year Per Utility	Staff Adjustments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement	
1	Operating Revenues:	\$43,579	\$51,500	\$95,079	(\$51,500)	\$43,579	\$31,980	\$75,559
						73.38%		
	Operating Expenses							
2	Operation & Maintenance	\$38,235	\$9,037	\$47,272	(\$6,843)	\$40,429		\$40,429
3	Depreciation	18,923	0	18,923	(5,055)	13,868		13,868
4	Amortization	0	0	0	0	0		0
5	Taxes Other Than Income	2,957	2,318	5,275	(2,487)	2,788	1,439	4,227
6	Income Taxes	0	0	0	0	0	0	0
7	Total Operating Expense	60,115	11,355	71,470	(14,384)	57,086	1,439	58,525
8	Operating Income	(\$16,536)	\$40,145	\$23,609	(\$37,116)	(\$13,507)	\$30,541	\$17,035
9	Rate Base	\$416,300		\$375,940		\$288,414		\$288,414
10	Rate of Return	-3.97%		6.28%		-4.68%		5.91%

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C.F.A.T. H2O, Inc.		Schedule No. 3-B	
Adjustment to Operating Income		Docket No. 100126-WU	
Test Year Ended 12/31/09			
Explanation		Water	
<u>Operating Revenues</u>			
Remove requested final revenue increase.		(\$51,500)	
<u>Operation and Maintenance Expense</u>			
1	Agreed upon-audit adjustments. (Issue 2)	(\$2,862)	
2	Reflect appropriate Pro Forma Salary. (Issue 8)	(1,511)	
3	Reflect appropriate Pro Forma Bad Debt Expense. (Issue 8)	(118)	
4	To reflect appropriate allocated costs. (Issue 9)	(2,163)	

5	Reflect appropriate rate case expense. (Issue 10)	(189)
	Total	<u>(\$6,843)</u>
<u>Depreciation Expense - Net</u>		
	Remove net depreciation on non-U&U adjustment above. (Issue 3)	<u>(\$5,055)</u>
<u>Taxes Other Than Income</u>		
1	RAFs on revenue adjustments above.	(\$2,318)
2	Remove property taxes on non-U&U adjustment above. (Issue 3)	<u>(169)</u>
	Total	<u>(\$2,487)</u>

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C.F.A.T. H2O, Inc.		Schedule No. 4			
Water Monthly Service Rates		Docket No. 100126-WU			
Test Year Ended 12/31/09					
	Rates Prior to Filing	Commission Approved Interim	Utility Requested Final	Staff Recomm. Final	Four-Year Rate Reduction
Residential					
Base Facility Charge All Meter Sizes:	\$9.97	\$19.65	\$21.48	<u>\$11.62</u>	\$0.82
Gallonage Charge - Per 1,000gallons	\$1.63	\$3.21	\$3.51		
Gallonage Charge 0-3kgals				<u>\$4.51</u>	\$0.32
Gallonage Charge Over 3kgals				<u>\$8.08</u>	<u>\$0.57</u>
General Service					
Base Facility Charge by Meter Size:					
5/8" x 3/4"	\$9.97	\$19.65	\$21.48	<u>\$11.62</u>	\$0.82
1"	\$24.93	\$49.13	\$53.77	<u>\$29.05</u>	\$2.05
1-1/2"	\$49.86	\$98.25	\$107.42	<u>\$58.10</u>	\$4.10
2"	\$79.78	\$157.21	\$171.89	<u>\$92.96</u>	\$6.57
3"	\$159.58	\$314.46	\$343.80	<u>\$185.92</u>	\$13.14
4"	\$249.33	\$491.32	\$519.73	<u>\$290.50</u>	\$20.52
Gallonage Charge, per 1,000 Gallons	\$1.63	\$3.21	\$3.51	<u>\$5.48</u>	<u>\$0.39</u>
Typical Residential Bills 5/8" x 3/4" Meter					
3,000 Gallons	\$14.86	\$29.28	\$32.01	<u>\$25.67</u>	
5,000 Gallons	\$18.12	\$35.71	\$39.03	<u>\$42.83</u>	
10,000 Gallons	\$26.27	\$51.77	\$56.58	<u>\$85.73</u>	