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State of Florida



# Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

COMMISSION  
CLERK

## -M-E-M-O-R-A-N-D-U-M-

**DATE:** February 10, 2011

**TO:** Office of Commission Clerk (Cole)

**FROM:** Division of Economic Regulation (Fletcher, Buys, Cicchetti, Maurey, Williams)  
Office of the General Counsel (Sayler)

*Handwritten initials and signatures:* BS, DB, ME, ALM, JW, PA, and a signature over "COLE".

**RE:** Docket No. 100426-WS – Application for increase in water and wastewater rates in Lake County by Lake Utility Services, Inc.

**AGENDA:** 02/22/11 – Regular Agenda – Decision on Interim Rates – Participation is Limited to Commissioners and Staff

**COMMISSIONERS ASSIGNED:** All Commissioners

**PREHEARING OFFICER:** Balbis

**CRITICAL DATES:** 02/25/11 (60-Day Suspension Date)

**SPECIAL INSTRUCTIONS:** None

**FILE NAME AND LOCATION:** S:\PSC\ECR\WP\100426.RCM.DOC

### Case Background

Lake Utilities Services, Inc. (LUSI or Utility) is a Class A utility providing water and wastewater service to approximately 8,746 water and 2,827 wastewater customers in Lake County. Water and wastewater rates were last established for this Utility in 2009.<sup>1</sup>

On December 27, 2010, LUSI filed the application for rate increase at issue in the instant docket. The Utility requested that the application be processed using the Proposed Agency Action (PAA) procedure and requested interim rates. The test year established for interim and final rates is the 13-month average period ended June 30, 2010.

<sup>1</sup> See Order No. PSC-09-0101-PAA-WS, issued February 16, 2009, in Docket No. 070693-WS, In re: Application for increase in water and wastewater rates in Lake County by Lake Utility Services, Inc.

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LUSI requested interim rates designed to generate annual revenues of \$5,624,311 for water only. This represents a revenue increase on an annual basis of \$1,454,208 or 34.87 percent. The Utility requested final rates designed to generate annual water revenues of \$5,840,432 and wastewater revenues of \$2,344,226. This represents a revenue increase of \$1,606,673 (37.95 percent) for water and \$247,262 (11.79 percent) for wastewater.

This recommendation addresses the suspension of LUSI's requested final rates and the Utility's requested interim rates. The Commission has jurisdiction pursuant to Sections 367.081 and 367.082, Florida Statutes (F.S.).

**Discussion of Issues**

**Issue 1:** Should the Utility's proposed final water and wastewater rates be suspended?

**Recommendation:** Yes. LUSI's proposed final water and wastewater rates should be suspended. (Fletcher)

**Staff Analysis:** Section 367.081(6), F.S., provides that the Commission may, for good cause, withhold consent to the implementation of the requested rates within 60 days after the date the rate request is filed. Further, Section 367.081(8), F.S., permits the proposed rates to go into effect (secured and subject to refund) at the expiration of five months from the official date of filing if: (1) the Commission has not acted upon the requested rate increase; or (2) if the Commission's PAA action is protested by a party other than the Utility.

Staff has reviewed the filing and has considered the information filed in support of the rate application and the proposed final rates. Staff believes that it is necessary to require further investigation of this information, including on-site investigations by staff accountants and engineers. To date, staff has initiated an audit of LUSI's books and records, as well as an audit of Utilities, Inc. (UI), the Utility's parent, to examine allocated investment and operating expenses. Both of these audits are tentatively due on March 7, 2011. In addition, while staff is in receipt of the Utility's responses to Staff's First Data Request, staff believes additional requests will be necessary to process this case. Based on the foregoing, staff recommends suspension of the Utility's proposed rate increase.

**Issue 2:** Should any interim revenue increase be approved?

**Recommendation:** Yes, LUSI should be authorized to collect annual water revenues as indicated below:

	<u>Adjusted Test</u> <u>Year Revenues</u>	<u>\$ Increase</u>	<u>Revenue</u> <u>Requirement</u>	<u>% Increase</u>
Water	\$4,170,103	\$1,332,875	\$5,502,978	31.96%

(Fletcher, Williams)

**Staff Analysis:** On December 27, 2010, LUSI filed its rate base, cost of capital, and operating statements to support its requested interim increase in water rates. Pursuant to Section 367.082(1), F.S., in order to establish a prima facie entitlement for interim relief, the Utility shall demonstrate that it is earning outside the range of reasonableness on its rate of return. Pursuant to Section 367.081(2)(a), F.S., in a proceeding for an interim increase in rates, the Commission shall authorize, within 60 days of the filing for such relief, the collection of rates sufficient to earn the minimum of the range of rate of return. Based on the Utility's filing and the recommended adjustments below, staff believes that the Utility has demonstrated a prima facie entitlement in accordance with Section 367.082(1), F.S.

Pursuant to Section 367.082(5)(b)1, F.S., the achieved rate of return for interim purposes must be calculated by applying adjustments consistent with adjustments made in the Utility's most recent rate proceeding and annualizing any rate changes. Staff has reviewed LUSI's interim request, as well as Order No. PSC-09-0101-FOF-WS, in which the Commission last established rate base. Staff's recommended adjustments are discussed below. Staff has attached accounting schedules to illustrate staff's recommended rate base, capital structure, and test year operating income amounts. Rate base is labeled as Schedule No. 1-A. Capital structure is labeled as Schedule No. 2. Operating income is labeled as Schedule No. 3-A, with adjustments shown on Schedule No. 3-B.

**RATE BASE**

In accordance with Rule 25-30.433(2), Florida Administrative Code (F.A.C.), the Utility calculated its working capital allowance based on the balance sheet approach. In its working capital, LUSI included \$262,398 for deferred rate case expense. In the Utility's last rate case, the Commission approved \$331,450 of rate case expense.<sup>2</sup> The effective date of final rates in LUSI's last case was March 23, 2009. Based on that date, staff has calculated an unamortized balance of \$276,208. It is Commission practice to include the average approved amount of rate case expense in the working capital calculation for Class A water and wastewater utilities. In the Utility's last case, the Commission allowed half of the total approved rate case expense or \$165,725 (\$331,450/2) in working capital. Consistent with that treatment in the last case, staff recommends that half of the 13-month unamortized balance should be included in working capital for interim purposes which represents \$138,104 (\$276,208/2). As such, based on a 75.19 percent allocation to the water system, staff recommends that LUSI's working capital allowance

<sup>2</sup> See Order No. PSC-09-0101-PAA-WS, p. 14.

be reduced by \$93,457  $[(\$262,398-\$138,104)*.7519]$  for water. Therefore, staff recommends that LUSI's water working capital allowance and rate base for purposes of determining interim rates should be \$377,247 and \$17,027,286, respectively.

### COST OF CAPITAL

For purposes of its interim request, LUSI used a return on equity (ROE) of 11.67 percent and an overall cost of capital of 8.57 percent. Pursuant to Section 367.082(2)(a), F.S., the appropriate ROE for purposes of determining an interim rate increase is the minimum of the ROE range. In its last rate case, the Commission approved an ROE of 12.67 percent with a range of 11.67 percent to 13.67 percent.<sup>3</sup> Accordingly, staff recommends that the appropriate ROE and an overall cost of capital for interim purposes are 11.67 percent and 8.57 percent, respectively.

### NET OPERATING INCOME

Pursuant to Section 367.082(5)(b)1, F.S., the only adjustments that should be made to the interim test year are adjustments consistent with the adjustments made in the most recent rate proceeding. Based on staff's review, a few adjustments are necessary for interim purposes.

First, LUSI included adjustments to increase water expenses by \$38,662 (\$49,607-\$10,945) for salaries and \$20,018 for employee pensions & benefits. In its filing, the Utility stated these adjustments were to correct allocations and to annualize salary and related expenses. Staff believes the Utility's proposed adjustments for annualizing salary and related expenses are pro forma because they are outside the interim test year. Because LUSI did not provide a breakdown of what amount related to correcting allocations and to annualizing salary and related expenses, staff recommends that these adjustments totaling \$58,680 (\$38,662+\$20,018) be removed from the interim net operating income calculation.

Second, in the Utility's last rate case, the Commission reduced LUSI's purchased power and chemicals expenses for excessive unaccounted for water (EUFW).<sup>4</sup> Based on its filing, the Utility has a weighted EUFW of 7.65 percent for its three water systems. Thus, in accordance with Section 367.082(5)(b)1, F.S. and LUSI's last rate case, staff recommends that purchased power and chemicals expenses be reduced collectively by \$42,477.

Based on the above, staff recommends that the appropriate test year operating income, before any revenue increase, is \$665,131.

### REVENUE REQUIREMENT

Based on the above adjustments, staff recommends a water revenue requirement of \$5,502,978. This represents an interim increase in annual water revenues of \$1,332,875 (or 31.96 percent). This increase will allow the Utility the opportunity to recover its operating expenses and earn an 8.57 percent return on its rate base.

<sup>3</sup> See Order No. PSC-09-0101-PAA-WS, p. 8.

<sup>4</sup> See Order No. PSC-09-0101-PAA-WS, pp. 26 and 39.

**Issue 3:** What are the appropriate interim water rates?

**Recommendation:** The water service rates for LUSI in effect as of December 31, 2009, should be increased by 32.56 percent, to generate the recommended revenue increase for the interim period. The approved rates should be effective for service rendered as of the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1)(a), F.A.C. The rates should not be implemented until staff verifies that the tariff sheets are consistent with the Commission’s decision, the proposed customer notice is adequate, the required security has been filed, and the customers have received the notice. The Utility should provide proof of the date notice was given within 10 days after the date of notice. (Fletcher)

**Staff Analysis:** Staff recommends that interim water service rates for LUSI be designed to allow the Utility the opportunity to generate annual operating revenues of \$5,502,978. Before removal of miscellaneous revenues, this would result in an increase of \$1,332,875 or 31.96 percent. To determine the appropriate percentage increase to apply to the service rates, miscellaneous service revenues should be removed from the test year revenues. The calculation is as follows:

		<u>Water</u>
1	Total Test Year Revenues	\$4,170,103
2	Less: Miscellaneous Revenues	<u>(76,736)</u>
3	Test Year Revenues from Service Rates	<u>\$4,093,367</u>
4	Revenue Increase	\$1,332,875
5	% Service Rate Increase (Line 4/Line 3)	<u>32.56%</u>

The interim rate increase of 32.56 percent should be applied as an across-the-board increase to the service rates in effect as of June 30, 2010. The approved rates should be effective for service rendered as of the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), F.A.C. The rates should not be implemented until staff verifies that the tariff sheets are consistent with the Commission’s decision, the proposed customer notice is adequate, the required security has been filed, and the customers have received the notice. The Utility should provide proof of the date notice was given within 10 days after the date of notice.

The Utility’s current rates, proposed interim and final rates, and staff’s recommended interim rates are shown on Schedule No. 4.

**Issue 4:** What is the appropriate security to guarantee the interim increase?

**Recommendation:** The Utility should be required to open an escrow account or file a surety bond or letter of credit to guarantee any potential refund of revenues collected under interim conditions. If the security provided is an escrow account, the Utility should deposit 24.22 percent of water revenues into the escrow account each month. Otherwise, the surety bond or letter of credit should be in the amount of \$778,078. Pursuant to Rule 25-30.360(6), F.A.C., the Utility should provide a report by the 20th of each month indicating the monthly and total revenue collected subject to refund. Should a refund be required, the refund should be with interest and in accordance with Rule 25-30.360, F.A.C. (Fletcher, Buys)

**Staff Analysis:** Pursuant to Section 367.082, F.S., revenues collected under interim rates shall be placed under bond, escrow, letter of credit, or corporate undertaking subject to refund with interest at a rate ordered by the Commission. As recommended in Issue 2, the total annual interim increase is \$1,332,875. In accordance with Rule 25-30.360, F.A.C., staff calculated the potential refund of revenues and interest collected under interim conditions to be \$778,078 in the instant docket. This amount is based on an estimated seven months of revenue being collected from staff's recommended interim rates over the Utility's current authorized rates shown on Schedule No. 4.

LUSI is a wholly-owned subsidiary of Utilities, Inc. (UI), which provides all investor capital to its subsidiaries. In Docket No. 090462-WS, the Commission approved a corporate undertaking in the amount of \$599,271 to secure interim increases granted for Utilities, Inc. of Florida, which is also a wholly-owned subsidiary of UI.<sup>5</sup> Of the \$599,271 amount, approximately \$428,000 is due to be refunded to the customers.<sup>6</sup> As a result of staff's interim recommendation in this docket, the total cumulative corporate undertaking amount is \$1,206,078, of which \$778,078 is subject to refund in this docket. As such, staff reviewed the financial statements of UI to determine if UI can support a cumulative corporate undertaking in the amount of \$1,206,078.

The criteria for a corporate undertaking include sufficient liquidity, interest coverage, equity ownership, and profitability to guarantee any potential refund. Generally, if a utility has favorable measures, ratios, and trends in these areas, staff will recommend that the utility be allowed a corporate undertaking. Staff reviewed UI's 2007, 2008, and 2009 unaudited financial statements to determine if UI can support an additional corporate undertaking on behalf of its subsidiary, LUSI. According to its financial statements, UI reported adequate equity ownership, but weak liquidity and insufficient interest coverage and profitability over the review period.

For all three years, UI had negative working capital and a current ratio less than one indicating insufficient liquidity. Liquidity refers to a company's ability to meet short-term and maturing long-term debt obligations. These ratios attempt to determine whether the utility will have sufficient current (or liquid) assets in the form of cash or cash equivalents, which can be converted into cash quickly without loss of value, to pay its current liabilities. The current ratio indicates how many times a utility's current liabilities are covered by its current assets. A

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<sup>5</sup> See Order No. PSC-10-0300-PCO-WS, p. 6.

<sup>6</sup> See Order No. PSC-10-0585-PAA-WS, p. 43.

current ratio less than one indicates that a utility may not have enough cash or cash equivalents to pay its current liabilities. The interest coverage ratio indicates how many times a utility's interest expense is covered by its earnings. A utility with an interest coverage ratio less than two may have difficulty borrowing additional funds.

Over the three-year period, UI maintained sufficient equity ownership with an equity ratio of 40 percent. Staff believes the standard for this measure should be an equity ratio of at least 30 percent. This standard is based on the benchmark established by Standard & Poor's for BBB-rated water utilities.

UI's reported net income of \$1,680,575 in 2007. In 2008, UI experienced a net loss in the amount of \$635,405, but improved profitability to sufficient levels in 2009 achieving net income in the amount of \$5,662,600. Over the three-year period, UI's net income averaged \$2,235,923, which is only 1.8 times the requested cumulative corporate undertaking amount of \$1,206,078. The preferred average amount of net income should be at least four times greater than the requested corporate undertaking amount.

On the day prior to filing this recommendation, LUSI submitted UI's unaudited financial statements for 2010. For 2010, UI reported sufficient liquidity, equity ownership and profitability. UI's profitability in 2010 increased from \$5,276,388 to \$15,576,121 by virtue of a one-time gain on the disposition of utility systems in the amount of \$10,299,733. The amount of the one-time gain is atypical of the amounts UI reported in prior-year financial statements and there is no indication a gain of that magnitude will occur in future years. Excluding the \$10 million gain on the disposition of utility systems in 2010, UI's average net income over the three-year period from 2008 to 2010 remains insufficient for a cumulative corporate undertaking in the amount of \$1,206,078.

Based on staff's review of the financial reports submitted by UI, staff believes UI has insufficient liquidity, interest coverage, and profitability to support a corporate undertaking in the amount requested. While the existing corporate undertaking amount of \$599,271 secured on behalf of Utilities, Inc. of Florida is still appropriate, staff recommends that UI be required to secure a surety bond, letter of credit, or escrow agreement to guarantee any new monies collected subject to refund.

If the security provided is an escrow account, said account should be established between the Utility and an independent financial institution pursuant to a written escrow agreement. The Commission should be a party to the written escrow agreement and a signatory to the escrow account. The written escrow agreement should state the following: that the account is established at the direction of the Commission for the purpose set forth above; no withdrawals of funds shall occur without the prior approval of the Commission through the Commission Clerk, of Office of Commission Clerk; the account shall be interest bearing; information concerning that escrow account shall be available from the institution to the Commission or its representative at all times; the amount of revenue subject to refund shall be deposited in the escrow account within seven days of receipt; and, pursuant to Cosentino v. Elson, 263 So. 2d 253 (Fla 3d DCA 1972), escrow accounts are not subject to garnishments.



If the security provided is an escrow account, the Utility should deposit 24.22 percent of water revenues into the escrow account each month. The escrow agreement should also state that if a refund to the customers is required, all interest earned on the escrow account should be distributed to the customers, and if a refund to the customers is not required, the interest earned on the escrow account should revert to the Utility.

If the security provided is a surety bond or a letter of credit, said instrument should be in the amount of \$778,078. If the Utility chooses a surety bond as security, the surety bond should state that it will be released or terminated only upon subsequent order of the Commission. If the Utility chooses to provide a letter of credit as security, the letter of credit should state that it is irrevocable for the period it is in effect and that it will be in effect until a final Commission order is rendered releasing the funds to the Utility or requiring a refund.

Regardless of the type of security provided, the Utility should keep an accurate and detailed account of all monies it receives. Pursuant to Rule 25-30.360(6), F.A.C., the Utility shall provide a report by the 20th day of each month indicating the monthly and total revenue collected subject to refund. Should a refund be required, the refund should be with interest and undertaken in accordance with Rule 25-30.360, F.A.C.

In no instance should maintenance and administrative costs associated with any refund be borne by the customers. Such costs are the responsibility of, and should be borne by, the Utility.

Docket No. 100426-WS  
Date: February 10, 2011

**Issue 5:** Should the docket be closed?

**Recommendation:** No. The docket should remain open pending the Commission's PAA decision on the Utility's requested rate increase. (Sayler, Fletcher)

**Staff Analysis:** The docket should remain open pending the Commission's PAA decision on the Utility's requested rate increase.

Lake Utility Services, Inc. Schedule of Water Rate Base Test Year Ended 6/30/10			Schedule No. 1 Docket No. 100426-WS		
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year
1 Plant in Service	\$43,784,217	(\$7,988,541)	\$35,795,676	\$0	\$35,795,676
2 Land and Land Rights	117,081	(975)	116,106	0	116,106
3 Non-used and Useful Components	0	0	0	0	0
4 Accumulated Depreciation	(6,457,866)	355,770	(6,102,096)	0	(6,102,096)
5 CIAC	(17,058,144)	35,520	(17,022,624)	0	(17,022,624)
6 Amortization of CIAC	3,866,668	(3,691)	3,862,977	0	3,862,977
7 Construction Work in Progress	636,275	(636,275)	0	0	0
8 Working Capital Allowance	<u>0</u>	<u>470,704</u>	<u>470,704</u>	<u>(93,457)</u>	<u>377,247</u>
9 <b>Rate Base</b>	<u>\$24,888,231</u>	<u>(\$7,767,488)</u>	<u>\$17,120,743</u>	<u>(\$93,457)</u>	<u>\$17,027,286</u>

Lake Utility Services, Inc. Capital Structure-Simple Average Test Year Ended 6/30/10						Schedule No. 2 Docket No. 100426-WS			
Description	Total Capital	Specific Adjust- ments	Subtotal Adjusted Capital	Prorata Adjust- ments	Capital Reconciled to Rate Base	Ratio	Cost Rate	Weighted Cost	
<b>Per Utility</b>									
1 Long-term Debt	\$180,000,000	\$0	\$180,000,000	(\$171,886,205)	\$8,113,795	47.39%	6.65%	3.15%	
2 Short-term Debt	29,629,231	0	29,629,231	(28,292,940)	1,336,291	7.81%	4.28%	0.33%	
3 Preferred Stock	0	0	0	0	0	0.00%	0.00%	0.00%	
4 Common Equity	164,142,503	0	164,142,503	(156,741,509)	7,400,994	43.23%	11.67%	5.04%	
5 Customer Deposits	111,811	0	111,811	0	111,811	0.65%	6.00%	0.04%	
6 Deferred Income Taxes	<u>157,852</u>	<u>0</u>	<u>157,852</u>	<u>0</u>	<u>157,852</u>	<u>0.92%</u>	0.00%	<u>0.00%</u>	
7 <b>Total Capital</b>	<u>\$374,041,397</u>	<u>\$0</u>	<u>\$374,041,397</u>	<u>(\$356,920,654)</u>	<u>\$17,120,743</u>	<u>100.00%</u>		<u>8.57%</u>	
<b>Per Staff</b>									
8 Long-term Debt	\$180,000,000	\$0	\$180,000,000	(\$171,929,908)	\$8,070,092	47.40%	6.65%	3.15%	
9 Short-term Debt	29,629,231	0	29,629,231	(28,300,839)	1,328,392	7.80%	4.28%	0.33%	
10 Preferred Stock	0	0	0	0	0	0.00%	0.00%	0.00%	
11 Common Equity	164,142,503	0	164,142,503	(156,783,363)	7,359,140	43.22%	11.67%	5.04%	
12 Customer Deposits	111,811	0	111,811	0	111,811	0.66%	6.00%	0.04%	
13 Deferred Income Taxes	<u>157,852</u>	<u>0</u>	<u>157,852</u>	<u>0</u>	<u>157,852</u>	<u>0.93%</u>	0.00%	<u>0.00%</u>	
14 <b>Total Capital</b>	<u>\$374,041,397</u>	<u>\$0</u>	<u>\$374,041,397</u>	<u>(\$357,014,110)</u>	<u>\$17,027,287</u>	<u>100.00%</u>		<u>8.57%</u>	
						<b>LOW</b>	<b>HIGH</b>		
RETURN ON EQUITY						<u>11.67%</u>	<u>13.67%</u>		
OVERALL RATE OF RETURN						<u>8.57%</u>	<u>9.43%</u>		

Lake Utility Services, Inc. Statement of Water Operations Test Year Ended 6/30/10						Schedule No. 3-A Docket No. 100426-WS	
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 <b>Operating Revenues:</b>	<u>\$4,185,151</u>	<u>\$1,439,160</u>	<u>\$5,624,311</u>	<u>(\$1,454,208)</u>	<u>\$4,170,103</u>	<u>\$1,332,875</u> 31.96%	<u>\$5,502,978</u>
<b>Operating Expenses</b>							
2 Operation & Maintenance	\$2,583,569	(\$384,235)	\$2,199,334	(\$101,251)	\$2,098,083		\$2,098,083
3 Depreciation	705,108	65,982	771,090	0	771,090		771,090
4 Amortization	0	0	0	0	0		0
5 Taxes Other Than Income	845,645	(180,021)	665,624	(68,985)	596,639	59,979	656,618
6 Income Taxes	<u>(7,906)</u>	<u>529,004</u>	<u>521,098</u>	<u>(481,938)</u>	<u>39,160</u>	<u>478,991</u>	<u>518,151</u>
7 <b>Total Operating Expense</b>	<u>\$4,126,416</u>	<u>\$30,730</u>	<u>\$4,157,146</u>	<u>(\$652,174)</u>	<u>\$3,504,972</u>	<u>\$538,970</u>	<u>\$4,043,942</u>
8 <b>Operating Income</b>	<u>\$58,735</u>	<u>\$1,408,430</u>	<u>\$1,467,165</u>	<u>(\$802,034)</u>	<u>\$665,131</u>	<u>\$793,905</u>	<u>\$1,459,037</u>
9 <b>Rate Base</b>	<u>\$24,888,231</u>		<u>\$17,120,743</u>		<u>\$17,027,286</u>		<u>\$17,027,286</u>
10 <b>Rate of Return</b>	<u>0.24%</u>		<u>8.57%</u>		<u>3.91%</u>		<u>8.57%</u>

Lake Utility Services, Inc. Adjustment to Operating Income Test Year Ended 6/30/10		Schedule No. 3-B Docket No. 100426-WS
Explanation		Water
<u>Operating Revenues</u>		
	Remove requested final revenue increase	<u>(\$1,454,208)</u>
<u>Operation and Maintenance Expense</u>		
1	To remove pro forma O&M expense adjustments.	(\$58,680)
2	To adjust for excessive unaccounted for water.	<u>(42,477)</u>
	Total	<u>(\$101,157)</u>
<u>Taxes Other Than Income</u>		
1	RAFTs on revenue adjustments above	(\$65,439)
2	To remove pro forma payroll tax adjustments.	<u>(3,546)</u>
	Total	<u>(\$68,985)</u>

<b>Lake Utility Services, Inc.</b>			<b>Schedule No. 4</b>		
<b>Water Monthly Service Rates</b>			<b>Docket No. 100426-WS</b>		
<b>Test Year Ended 6/30/10</b>					
	<b>Rates In Effect 6/30/2010</b>	<b>Present Rates</b>	<b>Utility Requested Interim</b>	<b>Utility Requested Final</b>	<b>Staff Recomm. Interim</b>
<b><u>Residential Service</u></b>					
Base Facility Charge by Meter Size:					
5/8" x 3/4"	\$8.36	\$8.48	\$11.31	\$11.74	\$11.08
1"	\$20.90	\$21.21	\$28.29	\$29.36	\$27.71
1-1/2"	\$41.79	\$42.41	\$56.56	\$58.71	\$55.40
2"	\$66.86	\$67.85	\$90.49	\$93.93	\$88.63
3"	\$133.73	\$135.71	\$180.99	\$187.88	\$177.27
4"	\$208.94	\$212.03	\$282.78	\$293.53	\$276.97
6"	\$417.88	\$424.06	\$565.55	\$587.07	\$553.95
8"	\$752.19	\$763.32	\$1,018.00	\$1,056.74	\$997.12
10"	\$1,211.85	\$1,229.79	\$1,640.10	\$1,702.52	\$1,606.45
Gallage Charge, per 1,000 Gallons					
Up to 5,000 gallons	\$1.69	\$1.72	\$2.29	\$2.38	\$2.24
5,001-10,000 gallons	\$2.12	\$2.15	\$2.86	\$2.98	\$2.81
Over 10,000 gallons	\$2.54	\$2.58	\$3.44	\$3.57	\$3.37
<b><u>General Service</u></b>					
Base Facility Charge by Meter Size:					
5/8" x 3/4"	\$8.36	\$8.48	\$11.31	\$11.74	\$11.08
1"	\$20.90	\$21.21	\$28.29	\$29.36	\$27.71
1-1/2"	\$41.79	\$42.41	\$56.56	\$58.71	\$55.40
2"	\$66.86	\$67.85	\$90.49	\$93.93	\$88.63
3"	\$133.73	\$135.71	\$180.99	\$187.88	\$177.27
4"	\$208.94	\$212.03	\$282.78	\$293.53	\$276.97
6"	\$417.88	\$424.06	\$565.55	\$587.07	\$553.95
8"	\$752.19	\$763.32	\$1,018.00	\$1,056.74	\$997.12
10"	\$1,211.85	\$1,229.79	\$1,640.10	\$1,702.52	\$1,606.45
Gallage Charge, per 1,000 Gallons					
	\$2.29	\$2.32	\$3.10	\$3.21	\$3.04
<b><u>Typical Residential Bills 5/8" x 3/4" Meter</u></b>					
3,000 Gallons	\$13.43	\$13.64	\$18.18	\$18.88	\$17.80
5,000 Gallons	\$16.81	\$17.08	\$22.76	\$23.64	\$22.28
10,000 Gallons	\$27.41	\$27.83	\$37.06	\$38.54	\$36.34
Avg. Res. Consumption, of 8,391 gallons	\$24.00	\$24.37	\$32.46	\$33.75	\$31.81