

Woodbury Heights Estates Water Co., Inc.

Detailed Comparative Income Statement

	PSC's Initial				Pro Forma 2011			
	Rates C 00-W-0679	Actual 2008	Actual 2009	Actual 2010	Existing Rates	With New Rates	Ref.	fn.
Operating Revenues								
Residential	\$59,306	\$54,347	\$46,209	\$56,118	\$54,894	\$97,997	Sch. 4	
Fire Protection	9,000	-	-				Sch. 2, 1	
Total Operating Revenues	\$68,306	\$54,347	\$46,209	\$56,118	\$54,894	\$97,997		
O&M Expenses:								
Supervision & Labor								
Admin/Officers' Salaries					\$5,000	\$5,000	Sch. 2, 2	
Operator (Contracted Operations)	14,220	19,554	22,195	21,600	22,195	22,195	Sch. 2, 3	
Materials & Supplies	800	5,404	358				Sch. 2, 4	
Repairs & Maintenance	1,200	2,623	4,461	5,395	4,200	4,200	Sch. 2, 5	
Purchased Power								
Electricity O&R	4,900	4,879	5,298	7,139	7,300	7,300	Sch. 2, 6	
Chemicals	900							
Water Testing	2,000				1,500	1,500	Sch. 2, 7	
Insurance	1,200	5,197	5,197	5,197	5,300	5,300	Sch. 2, 6	
Professional Fees	1,000							
Accounting			2,000	2,000	2,000	2,000	Sch. 2, 8	
Attorney's Fees		425		2,781	2,800	2,800	Sch. 2, 8	
Bookkeeping	2,500						Sch. 2, 4	
Other Expenses								
Bank Charges		30		22			Sch. 2, 4	
Rent					3,000	3,000	Sch. 2, 9	
Supplies				412	400	400	Sch. 2, 8	
Office Expense	300						Sch. 2, 4	
Miscellaneous	1,000						Sch. 2, 4	
Total O&M Expenses	\$30,020	\$38,112	\$39,510	\$44,547	\$53,695	\$53,695		
Depreciation	\$5,415	2,089	2,316	19,797	6,250	6,250	Sch. 3	
Amortization (Rate Case Expense)					2,500	2,500	Sch. 2, 10	
Operating Taxes:	1,769	300						
Real Estate	5,000	13,750	4,936	13,814	14,200	14,200	Sch. 2, 6	
Total Operating Rev. Deductions	\$42,204	\$54,251	\$46,762	\$78,157	\$76,645	\$76,645		
Utility Operating Income	\$26,102	\$95	(\$553)	(\$22,039)	(\$21,751)	\$21,352		
State Corporate Inc Tax			25	25		n/a		
Federal Income Tax						n/a		
Operating Income	\$26,102	\$95	(\$578)	(\$22,064)	(\$21,751)	\$21,352		
Rate Base	\$228,967				\$194,309	\$194,309	Sch. 3	
Pre-tax Return on Rate Base					11.00%			
Rate of Return	11.40%					10.99%	Sch. 2, 11	
Revenue Deficiency					\$43,125		Sch 4	
Percent Increase Over Last Rate Decision						43%		
Rate Increase Over Current Rates						79%		

Woodbury Heights Estates Water Co., Inc.

Explanation of Adjustments

- 1 The PSC in Case 00-W-0679 imputed revenue for the provision of fire protection service through hydrants. The Town of Woodbury refused to pay for the service, and the Company was unable to collect anything for the service for the 10.5 years that the rates have been in effect. Since the Town has refused to pay for the service, the current rates eliminate the charge for fire service.
- 2 Officers' Salaries expense reflects only part of the time expended to manage, review, and plan for the continued operation of the facilities and does not fully compensate management for the level of responsibility and expertise supplied to supervise and assure that the contract operator and other vendors perform in accordance with their agreements, and to review the propriety of charges made to the Company for additional maintenance and repairs. The owners and management of the Company expend more time than reflected in this allowance but have not drawn officers' salary nor charged for management because all earnings for a Subchapter S are passed through as income to the shareholders as shown on the Federal Income Tax filings.
- 3 The expense for the contract operator is based upon the current contract and does not reflect an expected increase in 2012.
- 4 These charges are subsumed into other categories.
- 5 The expense is the average amount incurred during the three years ended 2010 and rounded to the nearest hundred dollars.
- 6 The Company's projections for these expenses are rounded to the nearest hundred dollars and based upon the actual 2010 expense increased by the Consumer Price Index as of April 2011: 2.70%
- 7 The cost of water testing has not been correctly billed to the water corporation. The expense requested is a conservative estimate of the average cost over the testing cycle to perform the test required by the Health Department.
- 8 The actual base period expense, rounded to the nearest \$100.
- 9 The cost for these items was not charged to the water utility even though expenses were incurred by the owners and affiliates for the service. The amounts shown is a conservative estimate based upon the cost incurred by other similar-size utilities.
- 10 Since the PSC consistently refuses to recognize the real cost of processing a rate application for small water companies, the Company has included only a portion of the actual cost for rate case in its pro forma expenses. Moreover, the amount included assumes there will be no need for extensive negotiations or briefing of rate case issues and no hearings. If any of these items occur, rate case expenses would need to be increased to reflect the actual amount being incurred in this filing. See Schedule 3 for computation of the amortization and the effect on rate base.
- 11 An 11% pre-tax rate of return was selected based upon the pre-tax rates of return for small water companies currently being granted by the NYS Public Service Commission. The indicated rate of return is slightly more than 11% as the result of rounding the quarterly service charge to the nearest dollar.

Woodbury Heights Estates Water Co., Inc.

Rate Base, Depreciation, and Amortizations

Average For Year Ending December 31, 2011

Year Installed	Description	Construction or Purchase Cost	Utility Plant in Service	Net Salvage %	Net Depreciable Plant	Life	Annual Depreciation Expense	Years In Service	Accumulated Depreciation
	Land	\$10,000	\$0						
	Mains	453,222			0	50	\$0		\$0
1999	Wells	20,700	20,700	0%	20,700	20	\$1,035	11.5	11,903
1999	Storage	176,400	176,400	0%	176,400	50	\$3,528	11.5	40,572
1999	Pump House, Buildings	30,284	30,284	0%	30,284	40	\$757	11.5	8,706
1999	Purification Equipment	1,583	1,583	6%		10	0	11.5	0
2009	Generator	23,250	23,250	0%	23,250	25	930	1.5	1,395
		<u>\$715,439</u>	<u>\$252,217</u>		<u>\$250,634</u>		<u>\$6,250</u>		<u>\$62,575</u>

Average Rate Base 2004

Utility Plant in Service	<u>\$250,634</u>	
Less, Accumulated Depreciation:	<u>62,575</u>	
Net Plant		\$188,059

Allowance for Working Capital

O&M Expenses	\$53,695	
Working Capital Percent	0.00%	
Allowance for Working Capital		0

Amortization

Rate Case Expense		\$7,500	
Amortization Period (yrs.)	3		
Annual Amortization	\$2,500		
Amount Amortized in the rate year		<u>1,250</u>	
Unamortized Balance			<u>6,250</u>
Total Rate Base			<u>\$194,309</u>

Woodbury Heights Estates Water Co., Inc.
Revenue Deficiency Calculation

	2011
Rate Base	\$194,309
Rate of Return	11.00%
Utility Operating Income Required	\$21,374
Less: Utility Operating Income at Current Rate	<u>(21,751)</u>
Utility Operating Income Deficiency	\$43,125
Retention Factor	100.0%
Additional Revenue Required	\$43,125

Woodbury Heights Estates Water Co., Inc.

Computation of Proposed Rates

	Current Rates		Proposed Rates	
	Rate	Revenue	Rates	Revenue
Number of Customers	67			
Quarterly Service Charge	\$133.00		\$256.00	
Annual Revenue from Service Charge (No minimum allowance)		\$35,644		\$68,608
Usage in minimum charge				
Usage Charge (per Thousand Gallons)	\$3.93		\$6.00	
Average Metered Sales 2007 through 2010. See Sch. 6.	4,898 t. gals.	19,250		29,389
Total Revenue From the Sale of Water		\$54,894		\$97,997
Percent Increase				79%
Annual Service Charge				
Gross Revenue Before Increase		\$54,894		
Revenue Deficiency		43,125		
Total Revenue from sales		\$98,019		
Percent Increase Required		78.56%		
Average Annual per Customer		\$819		\$1,463
Average Quarterly per Customer		\$205		\$366

Woodbury Heights Estates Water Co., Inc.

Sales

Projected 2011				
	Qty	Amount	% of Sales	Avg Price
Service				
Av Metered Sales '07-'10	4,898.175	19,250.01	35.07%	3.93
Service	268.00	35,644.00	64.93%	133.00
Total Service		<u>54,894.01</u>	<u>100.0%</u>	
Jan 2 - Dec 31, 07				
	Qty	Amount	% of Sales	Avg Price
Service				
Metered Sales	5,353.126	21,037.97	36.67%	3.93
Return Check	3.00	40.00	0.07%	13.33
Service	269.00	35,777.00	62.36%	133.00
Total Service		56,854.97	99.09%	
Other Charges				
Fin Chg	77.00	521.79	0.91%	6.78
Total Other Charges		<u>521.79</u>	<u>0.91%</u>	
TOTAL		<u>57,376.76</u>	<u>100.0%</u>	
Jan 2 - Dec 31, 08				
	Qty	Amount	% of Sales	Avg Price
Service				
Metered Sales	5,057.74	19,877.15	35.51%	3.93
Return Check	1.00	15.00	0.03%	15.00
Service	267.00	35,511.00	63.45%	133.00
Total Service		55,403.15	98.99%	
Other Charges				
Fin Chg	97.00	566.42	1.01%	5.84
Total Other Charges		<u>566.42</u>	<u>1.01%</u>	
TOTAL		<u>55,969.57</u>	<u>100.0%</u>	
Jan 1 - Dec 31, 09				
	Qty	Amount	% of Sales	Avg Price
Service				
Metered Sales	4,082.905	16,045.94	37.14%	3.93
Service	201.58891	26,811.33	62.07%	133.00
Total Service		42,857.27	99.21%	
Other Charges				
Fin Chg	74.00	341.53	0.79%	4.62
Total Other Charges		<u>341.53</u>	<u>0.79%</u>	
TOTAL		<u>43,198.80</u>	<u>100.0%</u>	

Woodbury Heights Estates Water Co., Inc. Sales

Jan 1- Dec 31, 10				
	Qty	Amount	% of Sales	Avg Price
Service				
Metered Sales	5,098.928	20,038.99	35.76%	3.93
Restoration	2.00	50.00	0.09%	25.00
Return Check	3.00	45.00	0.08%	15.00
Service	267.10	35,524.30	63.39%	133.00
Total Service		55,658.29	99.32%	
Other Charges				
Fin Chg	65.00	381.95	0.68%	5.88
Total Other Charges		381.95	0.68%	
TOTAL		56,040.24	100.0%	

Jan 11				
	Qty	Amount	% of Sales	Avg Price
Service				
Metered Sales	1,386.986	5,450.89	37.95%	3.93
Service	67.00	8,911.00	62.05%	133.00
Total Service		14,361.89	100.0%	
TOTAL		14,361.89	100.0%	

Annual Metered Sales	
2007	5,353
2008	5,058
2009	4,083
2010	5,099
 Average Annual Sales	4,898