



**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
**Two Gateway Center**  
**Newark, NJ 07102**  
**[www.nj.gov/bpu](http://www.nj.gov/bpu)**

**WATER**

|                                    |                                  |
|------------------------------------|----------------------------------|
| IN THE MATTER OF THE PETITION OF ) | ORDER ADOPTING INITIAL           |
| ENVIRONMENTAL DISPOSAL CORP. )     | DECISION/SETTLEMENT              |
| FOR AN INCREASE IN RATES )         |                                  |
|                                    | BPU DOCKET NO. WR07090715        |
|                                    | OAL DOCKET NO. PURCL 11168-2007N |

(SERVICE LIST ATTACHED)

**BY THE BOARD:**

On September 28, 2007, pursuant to N.J.S.A. 48:2-21 and N.J.A.C. 14:1-5.11, 14:1-5.12, Environmental Disposal Corp. (EDC or Company) filed a petition with the Board of Public Utilities (Board) seeking approval for an increase in rates for sewer collection and treatment service. The Company's rate request, if approved, would have resulted in an increase in total Company revenues of \$524,353 representing a 9.79% increase over test year revenues ending December 31, 2007.

By this Order, the Board considers the Initial Decision recommending adoption of the Stipulation of Settlement (Stipulation or Settlement) executed by the Company, the Department of the Public Advocate, Division of Rate Counsel (Rate Counsel), and Board Staff (Staff) (collectively, the Signatory Parties) agreeing to an increase in revenues of \$122,166 representing a 2.24% increase over current rates. The only intervenor, the Township of Bedminster (Township), signed a statement on the Settlement indicating that it did not oppose the filing of the Stipulation.

**PROCEDURAL HISTORY**

The Company, a public utility of the State of New Jersey, is engaged in the business of collection, treatment and disposal of sewage for franchise customers in portions of the

Townships of Bedminster and Bernards and in the business of bulk treatment and disposal service on the basis of agreements with Bedminster, Far Hills, and Peapack and Gladstone, in the County of Somerset. EDC provides wastewater service to approximately 6,000 franchise customers. As noted above, the petition was filed on September 28, 2007 seeing an overall increase of 9.79% over current rate revenues.

This petition was transmitted to the Office of Administrative Law (OAL) and assigned to Administrative Law Judge (ALJ) Walter Braswell. A pre-hearing conference was conducted by ALJ Braswell on November 14, 2007. ALJ Braswell also granted the motion for intervention by the Township.

A public hearing was held on January 14, 2008, in EDC's service territory at The Hills Highland Recreation Center. Approximately 150 people attended the public hearing, and a number of people spoke voicing their objections to the proposed increase and to the feasibility of utilizing usage based rates.

Subsequent to the public hearing, the Signatory Parties and the Township engaged in settlement negotiations. As a result of these discussions, the Signatory Parties signed the Settlement which is attached to this Order. While the Township did not execute the Stipulation, it signed a non-objection to the filing of the Settlement.

ALJ Braswell issued his Initial Decision on February 5, 2009, recommending adoption of the Stipulation, finding that the Signatory Parties had voluntarily agreed to the Settlement and that the Settlement fully disposes of all issues and is consistent with the law.

## DISCUSSION AND FINDINGS

The Settlement reflects a revenue requirement of \$5,582,692 for an increase of \$122,166 or 2.24% above pro forma present revenues. The capital structure and weighted cost of capital, as agreed to by the Signatory Parties, employs a return on equity of 10.3% yielding an overall rate of return of 8.52%. Using end of test-year adjusted plant in-service produced a rate base for the Company of \$15,487,687.

In the Board's July 6, 2005 Order in Docket No. WR04080760, the Board had directed initiation of a Phase II proceeding to investigate whether EDC should implement a usage rate for wastewater service to its franchise customers. This usage rate would be based in part on an individual customer's water use. In compliance with the Board's directive, EDC commissioned a rate design study of its franchise customers. On December 7, 2006, the completed study was filed with the Board, and the question of whether to implement a usage based rate was to be presented as part of this base rate proceeding. Accordingly, the Signatory Parties and the Township reviewed the study and compared it to the current fixed rate billing methodology used by the Company for its franchise customers. After that review, the Signatory Parties agreed to maintain the current fixed rate billing methodology, without prejudice to the adoption of a usage-based system at some future time, and have recommended so to the Board through the Settlement.

As a result of the Settlement utilizing a fixed rate billing design, the average franchise wastewater customer's bill for a single family home will increase from the current \$70.00 per month to \$71.25 per month, an increase of \$1.25 per month or approximately 1.80%. For the franchised town home and condominium wastewater customer, the monthly bill will increase from the current \$58.32 per month to \$59.35 per month, an increase of \$1.03 per month or approximately 1.80%. For the franchised commercial wastewater customer, the monthly bill will increase from the current \$70.00 per month to \$71.25 per month, an increase of \$1.25 per month or approximately 1.80%. For the municipal bulk rate service customers, the sewerage rate per thousand gallons will increase from the current \$7.41 per thousand gallons to \$7.74 per thousand gallons, an increase of \$0.33 per thousand gallons or approximately 4.5%.

The Board, having considered the comments made at the public hearing, and having reviewed ALJ Braswell's Initial Decision and the Stipulation, FINDS that the Signatory Parties have voluntarily agreed to the Stipulation, that the Township does not object to the Stipulation, the Stipulation fully disposes of all issues in this proceeding, and is consistent with the law. The Board HEREBY FINDS the Initial Decision which adopts the Stipulation to be reasonable and in the public interest.

The Board has also carefully reviewed the rate design study submitted by EDC in compliance with the Board's Order in Docket No. WR04080760, dated July 6, 2005, and agrees with the Signatory Parties and FINDS that usage based rates are not appropriate for the franchise customers of EDC at this time.


Accordingly, the Board HEREBY ADOPTS the Initial Decision and the Stipulation attached hereto as its own incorporating by reference the terms and conditions as if fully set forth at length herein, subject to the following:

- a) The documents attached to the Stipulation containing the rates and charges conforming to the Settlement and designed to produce the additional annual revenues to which the Signatory Parties have stipulated herein are HEREBY ACCEPTED.
- b) The Stipulated increase and tariff design allocations for each customer classification are HEREBY ACCEPTED.
- c) The Board HEREBY ORDERS that Petitioner shall file a new tariff with the Board, with copies to the Parties, in conformity with this Stipulation.

- d) The Board HEREBY DIRECTS the Company to submit a complete revised tariff conforming to the terms and conditions of the Stipulation and this Order within ten (10) days from the date of this Order.

DATED: 2/11/09

BOARD OF PUBLIC UTILITIES  
BY:


  
JEANNE M. FOX  
PRESIDENT

  
FREDERICK F. BUTLER  
COMMISSIONER

  
JOSEPH L. FIORDALISO  
COMMISSIONER

  
NICHOLAS ASSELTA  
COMMISSIONER

  
ELIZABETH RANDALL  
COMMISSIONER

ATTEST:  
  
KRISTI IZZO  
SECRETARY

I HEREBY CERTIFY that the within  
document is a true copy of the original  
in the files of the Board of Public  
Utilities



I/M/O ENVIRONMENTAL DISPOSAL CORP. FOR AN INCREASE IN RATES

BPU Docket No. WR07090715

OAL Docket No. PURCL 11168-2007N

Service List

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Environmental Disposal Corp.  
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*State of New Jersey*  
**OFFICE OF ADMINISTRATIVE LAW**  
33 Washington Street  
Newark, NJ 07102  
(973) 648-6008

A copy of the administrative law  
judge's decision is enclosed.

This decision was mailed to the parties  
on FEB 5 2009



***State of New Jersey***  
OFFICE OF ADMINISTRATIVE LAW

**INITIAL DECISION**

**SETTLEMENT**

OAL DKT. NO. PUC 11168-07

AGENCY DKT. NO. WR07090715

IN THE MATTER OF THE PETITION OF  
ENVIRONMENTAL DISPOSAL CORP. FOR AN  
INCREASE IN RATES

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**Edward K. DeHope, Esq.**, for petitioner (Riker, Danzig, Scherer, Hyland &  
Perretti)

**Sue McClure**, Assistant Deputy Ratepayer Advocate (Division of Rate  
Counsel)

**Alex Moreau and Cynthja Miller**, Deputy Attorney Generals, for respondent  
(Anne Milgram, Attorney General of New Jersey, Attorney)

Record Closed: February 2, 2009

Decided: February 2, 2009

**BEFORE WALTER M. BRASWELL, ALJ:**

On October 12, 2007, this matter was transmitted to the Office of Administrative Law (OAL) for hearing as a contested case pursuant to N.J.S.A. 52:14B-1 to-15 and N.J.S.A. 52:14F 1 to- 13. The matter was scheduled for a prehearing conference on November 14, 2007 at which time a public hearing was for scheduled for January 14, 2008 and evidentiary hearings were scheduled for June 2, and 6, 2008. The parties engaged in extensive settlement discussions and the June hearing dates were adjourned. Hearing

dates were rescheduled for February 2, 3, & 4, 2009. On January 30, 2009 petitioner's counsel advised that the parties reached settlement. A Stipulation indicating the terms of settlement was signed by all parties and submitted to the OAL on February 2, 2009. A copy of the Stipulation is attached and made part hereof.

have reviewed the record and terms of the Stipulation of Settlement and **FIND:**

- 1 The parties have voluntarily agreed to the settlement as evidenced by the signatures of the parties or their representatives.
- 2 The settlement fully disposes of all issues in controversy and is consistent with law.

I **CONCLUDE** that the agreement meets the requirements of N.J.A.C. 1:1-19.1 and therefore, it is **ORDERED** that the parties comply with the settlement terms and that these proceedings be and are hereby concluded.

I hereby **FILE** my initial decision with the **BOARD OF PUBLIC UTILITIES** for consideration.



This recommended decision may be adopted, modified or rejected by the **BOARD OF PUBLIC UTILITIES**, which by law is authorized to make a final decision in this matter. If the Board of Public Utilities does not adopt, modify or reject this decision within forty-five (45) days and unless such time limit is otherwise extended, this recommended decision shall become a final decision in accordance with N.J.S.A. 52:14B-10.

DATE

2-2-09

WALTER M. BRASWELL, A

Walter M. Braswell

Date Received at Agency:

2-5-09

Mailed to Parties

Laura Sanders

DIRECTOR AND  
CHIEF ADMINISTRATIVE LAW JUDGE

OFFICE OF ADMINISTRATIVE LAW

DATE

FEB 5 2009

ljb



**RIKER  
DANZIG  
SCHERER  
HYLAND  
PERRETTI<sup>LLP</sup>**

ATTORNEYS AT LAW

**Edward K. DeHope**  
Partner

Direct:  
973.451.8422  
edehope@riker.com  
Reply to: Morristown

January 30, 2009

**VIA FEDERAL EXPRESS**

Honorable Walter Braswell, ALJ  
State of New Jersey  
Office of Administrative Law  
33 Washington Street  
Newark, NJ 07102-3011

Re: I/M/O the Petition of Environmental Disposal Corp.  
for an Increase in Rates  
BPU Docket No. WR07090715  
OAL Docket No. PUCRL11169-2007N

Dear Judge Braswell:

Enclosed please find a Stipulation of Settlement signed by counsel for Staff of the Board of Public Utilities, Rate Counsel and Environmental Disposal Corp. in connection with the above-referenced matter. Attorneys for The Township of Bedminster have also attested to not objecting to the filing of the Stipulation. Should Your Honor agree that the Stipulation is an appropriate disposition of the rate case, we respectfully request that an initial decision adopting said Stipulation be issued.

Thank you for Your Honor's patience in handling this matter.

Respectfully yours,

Edward K. DeHope

cc: All Counsel of Record, w/encl., via Electronic Mail

3922552.1

## 150

The Parties to this proceeding are EDC, Staff, Rate Counsel and Bedminster. The Township of Bernards, which contains a portion of EDC's franchise service territory, the Township of Peapack and Gladstone, whose sewage is treated at EDC's sewerage treatment plant by virtue of a bulk service contract approved by the Board, and the Borough of Far Hills, whose

sewage also is treated by EDC in accordance with a similar contract, were served with EDC's Petition and supporting testimony. None of these municipalities filed a motion to intervene in this proceeding.

### **PROCEDURAL HISTORY**

On September 28, 2007, Petitioner EDC, a public utility of the State of New Jersey, subject to the jurisdiction of the Board of Public Utilities (hereinafter "Board") pursuant to Title 48 of the Revised Statutes of New Jersey, filed a petition in accordance with N.J.S.A. 48:2-21 and N.J.A.C. 14:1-5.12 requesting approval for an increase in rates for sewer collection and treatment service to generate \$524,353 in additional revenues over projected 2007 revenues at current rates, an overall increase of 9.79%. More specifically, EDC sought increases in monthly rates for specific customer classes as follows:

#### **Franchise Customers** (Monthly Billing – Flat Rate)

|              |   | <u>Present Rate</u> | <u>Proposed Rate</u> | <u>Increase</u> |
|--------------|---|---------------------|----------------------|-----------------|
| Residential: | Detached and Semi-detached Single Family and Two-Family | \$70.00             | \$77.28              | 10.4%           |
|              | Townhouses and Condominiums                             | \$58.32             | \$64.37              | 10.4%           |
| Commercial:  | Per unit*   | \$70.00             | \$77.28              | 10.4%           |

\* One unit is based on design criteria of 235 gallons per day demand capacity.

#### **Bulk User Customers** (Monthly Billing)

|                       | <u>Present Rate</u> | <u>Proposed Rate</u> | <u>Increase</u> |
|-----------------------|---------------------|----------------------|-----------------|
| Rate per 1000 gallons | \$7.41              | \$7.93               | 7.0%            |

In support of its Petition, EDC submitted the pre-filed testimony of five witnesses. The filing incorporated a pro forma test year ending December 31, 2007. The test year was updated for actual results during the discovery period. Rate Counsel, Board Staff and Intervener Bedminster propounded extensive discovery that was responded to by EDC. In addition, discovery/negotiation meetings were held on April 10 and May 1, 2008.

Upon transmittal of the case to the Office of Administrative Law, it was assigned to the Hon. Walter Braswell, who conducted a prehearing conference on November 14, 2007 and issued a Prehearing Order on November 20, 2007. ALJ Braswell also granted the Township of Bedminster intervention status. Following appropriate notice, a public hearing was held in EDC's service territory at The Hills Highlands Recreation Center on January 14, 2008. Approximately 150 members of the public attended the hearing. There were comments about the level of rate increase sought and several commenters suggested that EDC's rate design be examined.

In addition to the meetings, the Parties engaged in settlement discussions over a period of months. Based upon their review of EDC's pre-filed testimony, the discovery materials provided and their independent analysis, the Signatories engaged in negotiations and entered into a Stipulation of Settlement. Accordingly, rather than filing testimony, the Signatories negotiated this Stipulation. Given the intention of the Signatories to reasonably, fully and finally resolve the matters set forth herein, and in consideration of the recitals and mutual promises and covenants set forth herein, the Signatories, having given due consideration to filed materials and information exchanged and the various issues addressed therein, **DO HEREBY STIPULATE AND AGREE AS FOLLOWS:**

Test Year. The twelve months ended December 31, 2007 is a reasonable test year and has been used for purposes of this stipulation.

2. Rate of Return. The capital structure and weighted cost of capital, as agreed to by the Parties, yield an overall rate of return of 8.52%. This reflects EDC's actual capital structure as of December 31, 2007 of 60.57% long-term debt and 39.43% equity, with cost rates of 7.36% and 10.30%, respectively. (See Attachment D.)

3. Utility Plant in Service and Rate Base. The rate base has been calculated based upon the end of the Test Year plant as adjusted, which amounts to \$15,487,687. (See Attachment B.)

4. Operating Revenue and Expenses and Revenue Increase. The Signatory Parties agree that the pro forma present rate revenues are \$5,460,526. Petitioner's anticipated revenue increase is stipulated at \$122,166, or 2.24%. A summary of the revenue requirement is provided on Attachment A. The revenue requirement increase resulting in a revenue requirement of \$ 5,582,692 reflects adjustments by the Signatory Parties to various components of Operating and Maintenance expenses. It is projected that \$80,109 of the increased revenues will be derived from EDC's franchise territory customers and \$42,057 will be derived from its municipal bulk service customers. (See Attachment C.)

5. Tariff Design. For franchise customers, flat rate monthly charges will increase for Single Family customers by 1.8% from \$70.00 to \$71.25, an increase of \$1.25 per month; for Townhouse/Condominium customers by 1.8% from \$58.32 to \$59.35, an increase of \$1.03 per month; and for Commercial customers by 1.8% from \$70.00 to \$71.25 per equivalent residential connection, an increase of \$1.25 per month. (See Attachment E.) The rate per thousand gallons of sewerage for municipal bulk rate service customers will increase by 4.5%

from \$7.41 to \$7.74 per thousand gallons, an increase of \$.33 per thousand gallons, and will be billed monthly. (See Attachment F.) These flat rate charges for franchise customers and the rate per thousand gallons for municipal bulk rate service customers set forth in this paragraph will go into effect upon the effective date of a Board order approving this Stipulation.

6. Tariff Design Considerations. The Board's Order Adopting Initial Decision dated July 6, 2005 in Docket No. WR04080760 directed initiation of a Phase II proceeding to determine the appropriateness of implementing a rate design for EDC's franchise customers based in part on their water usage. At the suggestion of Board Staff, EDC commissioned a rate design study utilizing more recent water usage data for the winter months of 2006 by a representative sampling of EDC's franchise customers. The study was conducted by Applied Water Management and was filed with the Board on December 7, 2006. When EDC announced it would be filing a rate case in 2007, it was determined that this rate design question be addressed and resolved in EDC's new rate case. The Signatory Parties have reviewed the rate design study submitted by EDC and EDC's prefiled testimony on the rate design issue, have independently considered the issue and have agreed that the disadvantages of implementing a partially usage based rate design in EDC's franchise territory outweigh the advantages. Accordingly, the Signatory Parties recommend that the Board authorize the continuation of utilizing a fixed rate billing rate design currently used by EDC for its franchise customers, without prejudice to adopting a usage-based system at some future time, as part of a formal rate design process.

7. Expedition ALJ Approval. Each Signatory Party agrees to use its best efforts to ensure that this Stipulation will be submitted to ALJ Braswell for approval as soon as

possible. Each Signatory Party also agrees to use its best efforts to obtain the approval by ALJ Braswell of this Stipulation without modification or condition.

8. Tariff. EDC will prepare tariff sheets, which will reflect the settlement provisions of this Stipulation, for submission to Board Staff and Rate Counsel for review and approval by the Board within ten (10) days of the date of the Board Order approving this Stipulation.

9. Revenue Requirement. The revenue requirement increase stipulated to herein is \$122,166 or 2.24% over present rate revenues, and is a level of revenue appropriate to ensure that EDC will continue to provide safe, adequate and proper wastewater collection and treatment service to its customers. The Revenue Requirement is summarized on Attachment A.

10. Stay Out. EDC will not file a petition seeking an increase in the rates set forth herein for a period of twelve months from the date of the Board Order approving this Stipulation, should the Board choose to issue such an order. In the event EDC's financial position deteriorates to the extent that it imminently endangers its ability to provide safe, adequate and proper sewage collection and treatment service, EDC may file a petition for an increase in the rates set forth herein prior to the end of the stay-out period set forth above. All rates remain subject to audit by the Board.

11. Reservations.

(a) Except as expressly provided herein, the Signatories agree that this Stipulation has been made exclusively for the purpose of this proceeding and that the Stipulation contained herein, in total or by specific items, is in no way binding upon the Signatories in other proceedings before the Board or in other forums or jurisdictions, nor are the contents of this Stipulation, in total or by specific items,



by inference, inclusion or deletion, in any way to be considered or used by another party as any indication of the position of any party hereto on any issue litigated or to be litigated in other proceedings. If any provisions of this Stipulation of Settlement are held to be invalid or unenforceable by a Court of competent jurisdiction, its other provisions shall remain in full force and effect.

(b) The Signatories further agree that the purpose of this Stipulation is to reach a fair and reasonable settlement, and that the settlement will serve to avoid protracted and costly litigation of certain issues and that with respect to any policy or other issues which were compromised in the spirit of reaching an agreement, none of the Signatories shall be prohibited from or prejudiced in arguing a different policy or position before the Board in any other proceeding, as such agreements pertain only to this matter and to no other matter.

(c) This Stipulation contains terms, each of which is interdependent with the others and essential in its own right to the signing of this Stipulation. Each term is vital to the agreement as a whole, since the Signatories expressly and jointly state that they would not have signed the agreement had any term been modified in any way. Each Signatory is entitled to certain procedures in the event that any modifications whatever are made to this Stipulation by the Board. If any modification is made to the terms of this Stipulation by the Board, the Signatories each must be given the right to be placed in the position it was in before the stipulation was entered. Therefore, if any modification is made to the terms of this Stipulation by the Board, it is essential that each signatory be given the option, before the implementation of any new rate resulting from this action,

either to modify its own position to accept the proposed changes, or to resume the proceeding as if no agreement had been reached. It is also the intent of the Signatories to this Stipulation that this settlement, once accepted and approved by the Board, shall govern all issues specified and agreed to herein for the purposes of this proceeding only. The Signatories to this Stipulation specifically agree that if adopted in its entirety by the Board, no appeal shall be taken by them from the Order adopting same as to those issues upon which the Parties have stipulated. The Signatories agree that the within Stipulation reflects a mutual balancing of various issues and positions and is intended to be accepted and approved in its entirety.

(d) The Signatories agree that this Stipulation is voluntary, consistent with law, and fully dispositive of the issues addressed herein.

12. Captions. The subject headings of the sections of this Stipulation are inserted solely for the purpose of convenient reference and are not intended to, nor shall they, affect the meaning of any provision of this Stipulation.

13. Execution. This Stipulation may be executed in one or more counterparts. Each signatory has caused its duly authorized representative to execute below and deliver this Stipulation.

ENVIRONMENTAL DISPOSAL CORP.


1/21/09  
Dated

By: Edward K. DeHope  
Edward K. DeHope  
Riker, Danzig, Scherer, Hyland & Perretti LLP  
Attorneys for Petitioner

01/29/09  
Dated

Ronald K. Chen  
Public Advocate of New Jersey

Stefanie A. Brand  
Director, Division of Rate Counsel

By:   
Susan E. McClure  
Debra F. Robinson  
Assistant Deputy Public Advocate

01/27/09  
Dated

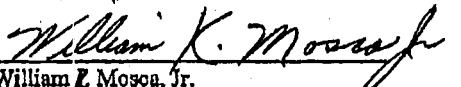
ANNE MILGRAM  
ATTORNEY GENERAL OF NEW JERSEY  
Attorney for Staff of the Board of Public  
Utilities

By:   
Alex Moreau, Deputy Attorney General  
Cynthia Holland, Deputy Attorney General

THE TOWNSHIP OF BEDMINSTER DOES NOT OBJECT TO THE FILING OF THIS STIPULATION

TOWNSHIP OF BEDMINSTER

1/29/09

By:   
William K. Mosca, Jr.  
Bevan, Mosca, Giuditta & Zarillo, P.C.  
Special Counsel for the Township of  
Bedminster

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Attachment A

Docket No. WR07090715 Stipulation

**ENVIRONMENTAL DISPOSAL CORPORATION**  
Revenue Requirement

|                           | <u>Settlement</u>       |
|---------------------------|-------------------------|
| Rate Base                 | \$15,487,687            |
| Rate of Return            | <u>8.52%</u>            |
| Income Required           | ,319,430                |
| Pro Forma Income          | <u>1,249,388</u>        |
| Income Deficiency         |                         |
| Revenue Conversion Factor | <u>1.74417</u>          |
| Revenue Requirement       | <u><u>\$122,166</u></u> |
| Percentage Increase       |                         |

## ENVIRONMENTAL DISPOSAL CORPORATION

## Rate Base

|                                      | Per Books<br>12/31/2006 | Adjustments      | Ref. | As Adjusted<br>12/31/2006 | As Filed<br>Adjustments | Ref. | Slip<br>Adjustment  | Pro Forma<br>12/31/2007 |
|--------------------------------------|-------------------------|------------------|------|---------------------------|-------------------------|------|---------------------|-------------------------|
| Utility Plant In Service             | \$ 32,895,179           | \$ -             |      | \$ 32,895,179             | \$ 380,600              | 1a   | \$ (241,587)        | \$ 33,034,192           |
| Accumulated Depreciation             | (11,338,540)            | 8,749            | 2a   | (11,329,791)              | (1,074,415)             | 2b,c | 4,059               | (12,400,147)            |
| Contributions In Aid of Construction | (6,474,759)             | -                |      | (6,474,759)               | -                       |      |                     | (6,474,759)             |
| Accum. Amortization of CIAC          | 1,225,419               | 25,529           | 3a   | 1,250,948                 | 129,495                 | 3b   | (38,293)            | 1,342,150               |
| Net Investment                       | \$ 16,307,300           | \$ 34,278        |      | \$ 16,341,577             | \$ (564,320)            |      | \$ (275,821)        | \$ 15,501,436           |
| Deferred Taxes                       | (18,870)                | -                |      | (18,870)                  | 5,120                   |      |                     | (13,750)                |
| Rate Base                            | <u>\$ 16,288,430</u>    | <u>\$ 34,278</u> |      | <u>\$ 16,322,707</u>      | <u>\$ (559,200)</u>     |      | <u>\$ (275,821)</u> | <u>\$ 15,487,687</u>    |

## ENVIRONMENTAL DISPOSAL CORPORATION

## Pro Forma Income Statement

|   | 12/31/2005    | Adjustments | Ref. | As Adjusted<br>12/31/2005 | Adjustments | Ref. | Present Rates<br>12/31/2007 | Pro Forma<br>Adjustments | Ref. | Stip<br>Adjustment | Pro Forma<br>12/31/2007 |
|---|---------------|-------------|------|---------------------------|-------------|------|-----------------------------|--------------------------|------|--------------------|-------------------------|
| Operating Revenue:                      |               |             |      |                           |             |      |                             |                          |      |                    |                         |
| 461 Flat Rate Sales                     | \$ 4,288,889  | \$ 42,398   | 1a   | \$ 4,331,287              | \$ 186,552  | 1b   | \$ 4,517,839                | 349,232                  | 1c   | (269,124)          | \$ 4,597,947            |
| 463 Bulk Service Sales                  | 931,385       | (0)         | 2a   | 931,384                   | 11,303      | 2b   | 942,688                     | 69,744                   | 2c   | (27,687)           | 984,745                 |
| Total Operating Revenue                 | \$ 5,220,274  | \$ 42,398   |      | \$ 5,262,671              | \$ 197,855  |      | \$ 5,460,526                | \$ 418,977               |      | \$(296,811)        | \$ 5,582,692            |
| Collecting Expense                      |               |             |      |                           |             |      |                             |                          |      |                    |                         |
| 701 Supervision, Engineering, and Labor | 45,584        |             |      | 45,584                    | 4,320       | 3a   | 49,904                      |                          |      | 1,497              | 51,401                  |
| 703 Miscellaneous Supplies and Expense  | -             |             |      | -                         |             |      | -                           |                          |      |                    | -                       |
| 801 Maintenance of Collecting System    | 4,040         |             |      | 4,040                     | 13,546      | 4    | 17,586                      |                          |      |                    | 17,586                  |
| Pumping Expense                         |               |             |      |                           |             |      |                             |                          |      |                    |                         |
| 711 Power and Fuel                      | 41,903        | 3,277       | 5a   | 45,180                    | 14,292      | 5c   | 59,472                      |                          |      | 2,647              | 62,119                  |
| 712 Miscellaneous Supplies and Expense  | 327           |             |      | 327                       |             |      | 327                         |                          |      |                    | 327                     |
| 802 Maintenance of Pumping System       | 106,833       | (11,855)    | 6a   | 94,978                    | (39,430)    | 6b   | 55,548                      |                          |      |                    | 55,548                  |
| Treatment and Disposal Expense          |               |             |      |                           |             |      |                             |                          |      |                    |                         |
| 721 Supervision, Engineering, and Labor | 358,972       |             |      | 358,972                   | 34,020      | 3b   | 392,992                     |                          |      | 11,790             | 404,782                 |
| 723 Miscellaneous Supplies and Expense  | 141,116       | 3,323       | 7a   | 144,439                   | 27,705      | 7b   | 172,144                     |                          |      | 16,058             | 188,202                 |
| 711 Power and Fuel                      | 237,452       | 18,569      | 5b   | 256,021                   | 80,989      | 5d   | 337,010                     |                          |      | 16,848             | 353,858                 |
| 724 Chemical Treatment Expense          | 59,840        |             |      | 59,840                    | 1,105       | 8    | 60,945                      |                          |      | 19,739             | 80,684                  |
| 803 Maintenance of T&D System           | 68,757        |             |      | 88,757                    | 52,134      | 9    | 140,891                     |                          |      |                    | 140,891                 |
| Commercial Expense                      |               |             |      |                           |             |      |                             |                          |      |                    |                         |
| 731 Supervision & Meter Reading         | 102,563       |             |      | 102,563                   | 29,644      | 3c   | 132,207                     |                          |      | 3,966              | 136,173                 |
| 734 Billing, Collecting, and Accounting | -             |             |      | -                         |             |      | -                           |                          |      |                    | -                       |
| 735 Uncollectible Accounts              | (85,157)      |             |      | (85,157)                  | 85,157      | 10a  | -                           | 48,671                   | 10b  | (48,671)           | -                       |
| Administrative & General Expense        |               |             |      |                           |             |      |                             |                          |      |                    |                         |
| 741 Salaries                            | 232,678       |             |      | 232,678                   | 5,940       | 3d   | 238,618                     |                          |      | 2,059              | 240,677                 |
| 742 Office Supplies and Other Expenses  | 20,478        |             |      | 20,478                    | 512         | 11   | 20,990                      |                          |      | 7,633              | 28,623                  |
| 743 Professional Services               | 104,518       | (6,185)     | 12a  | 98,333                    | 5,000       | 12b  | 103,333                     |                          |      |                    | 103,333                 |
| 744 Property Insurance                  | 231,417       |             |      | 231,417                   | 731         | 13   | 232,148                     |                          |      |                    | 232,148                 |
| 747 Franchise Requirements              | 8,719         |             |      | 8,719                     |             |      | 8,719                       |                          |      | 4,337              | 13,056                  |
| 748 Regulatory Commission Expense       | 11,620        |             |      | 11,620                    | 183,299     | 14   | 194,919                     |                          |      | (111,559)          | 83,360                  |
| 750 Miscellaneous General Expense       | 1,645         |             |      | 1,645                     | 41          | 15   | 1,686                       |                          |      |                    | 1,686                   |
| 805 Maintenance of General Equipment    | 9,776         |             |      | 9,776                     | 13,050      | 16   | 22,826                      |                          |      | (5,133)            | 17,693                  |
| Expense Credit for CoBank Dividends     |               |             |      |                           |             |      |                             |                          |      | (26,509)           | (26,509)                |
| Total Operation & Maintenance Exp.      | 1,723,080     |             |      | 1,730,209                 |             |      | 2,242,263                   |                          |      |                    | 2,185,636               |
| 403 Depreciation Expense                | 983,304       | (16,385)    | 17a  | 966,919                   | 23,401      | 17b  | 990,320                     |                          |      |                    | 990,320                 |
| 404 Amortization Expense                | -             |             |      | -                         | 48,720      | 18   | 48,720                      |                          |      | (20,259)           | 28,461                  |
| 408 Taxes, Other                        | 685,815       | 7,476       | 19a  | 693,292                   | 25,482      | 19b  | 718,773                     | 16,041                   | 19c  |                    | 734,814                 |
| 409 Income Taxes                        | 344,842       | (10,118)    | 20a  | 334,724                   | (46,776)    | 20b  | 287,948                     | 36,082                   | 20c  |                    | 324,030                 |
| Total Operating Expense                 | \$ 3,737,041  |             |      | \$ 3,725,144              |             |      | \$ 4,288,025                |                          |      |                    | \$ 4,263,262            |
| Net Operating Income                    | \$ 1,483,233  |             |      | \$ 1,537,528              |             |      | \$ 1,172,502                |                          |      |                    | \$ 1,319,430            |
| Rate Base                               | \$ 16,322,707 |             |      | \$ 16,322,707             |             |      | \$ 15,487,687               |                          |      |                    | \$ 15,487,687           |
| Rate of Return                          | 9.09%         |             |      | 9.42%                     |             |      | 7.57%                       |                          |      |                    | 8.52%                   |

**ENVIRONMENTAL DISPOSAL CORPORATION****Capital Structure as of 12/31/2007 - Stipulated**

| <u>Capital</u> | <u>Amount</u>        | <u>Ratio</u> | <u>Cost Rate</u> | <u>Weighted Cost</u> | <u>Return Req'd<br/>on Rate Base</u> |
|----------------|----------------------|--------------|------------------|----------------------|--------------------------------------|
| Long-Term Debt | \$ 11,071,497        | 60.57%       | 7.36%            | 4.46%                | \$ 690,430                           |
| Common Equity  | <u>7,207,445</u>     | 39.43%       | 10.30%           | <u>4.06%</u>         | <u>629,000</u>                       |
| Total          | <u>\$ 18,278,942</u> |              |                  | <u>8.52%</u>         | <u>\$ 1,319,430</u>                  |
| Rate Base      | <u>\$ 15,487,687</u> |              |                  |                      |                                      |

**ENVIRONMENTAL DISPOSAL CORPORATION****Pro Forma Billing Analysis at Present Rates  
for 12 Months Ended December 31, 2007**

|                   | <u>Year-End<br/>Customers</u>         | <u>Monthly<br/>Rate</u>     | <u>Annual<br/>Revenue</u> |
|-------------------|---------------------------------------|-----------------------------|---------------------------|
| Flat Rate Service |                                       |                             |                           |
| Single Family     | 1,363.0                               | \$ 70.00                    | \$ 1,144,920              |
| Townhouse / Condo | 3,958.0                               | \$ 58.32                    | 2,769,967                 |
| Commercial (ERCs) | 717.8                                 | \$ 70.00                    | <u>602,952</u>            |
|                   |                                       |                             | \$ 4,517,839              |
|                   | <u>Annual Flows<br/>(1,000 gals.)</u> | <u>Rate<br/>(per 1,000)</u> | <u>Annual<br/>Revenue</u> |
| Bulk Rate Service | 127,218.3                             | \$ 7.41                     | \$ 942,688                |
|                   |                                       | Total Revenue               | <u>\$ 5,460,526</u>       |

**Pro Forma Billing Analysis at Proposed Rates  
for 12 Months Ended December 31, 2007**

|                   | <u>Year-End<br/>Customers</u>         | <u>Monthly<br/>Rate</u>     | <u>Annual<br/>Revenue</u> |
|-------------------|---------------------------------------|-----------------------------|---------------------------|
| Flat Rate Service |                                       |                             |                           |
| Single Family     | 1,363.0                               | \$ 71.25                    | \$ 1,165,365              |
| Townhouse / Condo | 3,958.0                               | \$ 59.35                    | 2,818,888                 |
| Commercial (ERCs) | 717.8                                 | \$ 71.25                    | <u>613,719</u>            |
|                   |                                       |                             | \$ 4,597,972              |
|                   | <u>Annual Flows<br/>(1,000 gals.)</u> | <u>Rate<br/>(per 1,000)</u> | <u>Annual<br/>Revenue</u> |
| Bulk Rate Service | 127,218.3                             | \$ 7.74                     | \$ 984,670                |
|                   |                                       | Total Revenue               | <u>\$ 5,582,641</u>       |

Franchise Customer -

Flat Rate Service

1.8% Proposed Increase

Bulk Service Customer -

Bulk Rate Service

4.5% Proposed Increase



## ENVIRONMENTAL DISPOSAL CORPORATION

Summary of Revenue Requirement Allocation  
and Sewerage Service Rate Calculation

|                      | Pro Forma<br>Test Year | Support<br>Schedule | Allocation<br>Symbol | Bulk<br>Service   | Flat Rate<br>Franchise Service |
|----------------------|------------------------|---------------------|----------------------|-------------------|--------------------------------|
| O & M Expense        | \$ 2,185,636           | F-2                 |                      | \$ 416,534        | \$ 1,769,102                   |
| Depreciation Expense | 990,320                | F-3                 |                      | 180,125           | 810,195                        |
| Amortization Expense | 28,461                 |                     | D                    | -                 | 28,461                         |
| Revenue Taxes        | 718,995                |                     | E                    | 126,825           | 592,170                        |
| Property Taxes       | 15,819                 | F-4                 |                      | 2,146             | 13,674                         |
| Income Taxes         | 324,030                | F-6                 |                      | 51,088            | 272,942                        |
| Return Requirement   | 1,319,430              | F-6                 |                      | 208,028           | 1,111,402                      |
| Revenue Requirement  | <u>\$ 5,582,692</u>    |                     |                      | <u>\$ 984,745</u> | <u>\$ 4,597,947</u>            |

Bulk Service Demand (1,000 gallons)

127,218.3

Bulk Service Rate - per 1,000 gallons

\$ 7.74

Flat Rate per ERC (Monthly)

\$ 71.25