

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

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

DATE: September 22, 2014

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Engineering (Graves, Hill, Rieger) *RE: 12 SD*
Division of Accounting and Finance (Brown, Frank, Springer, D. Buys) *MD DPB CABB*
Division of Economics (Thompson) *ALM*
Office of the General Counsel (Young) *JSC*

RE: Docket No. 140060-WS – Application for increase in Water and Wastewater rates in Seminole County by Sanlando Utilities Corporation.

AGENDA: 10/02/14 Regular Agenda – Decision on Suspension of Rates and Interim Rates – Participation is at the Discretion of the Commission

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Balbis

CRITICAL DATES: 60-Day Suspension Waived Through 10/02/14

SPECIAL INSTRUCTIONS: None

Case Background

Sanlando Utilities Corporation (Sanlando or Utility) is a Class A utility providing water and wastewater service to approximately 10,172 water and 8,428 wastewater customers in Seminole County. Water and wastewater rates were last established for this Utility in its 2011 rate case.¹

On July 1, 2014, Sanlando filed its application for the rate increase at issue. The Utility's application did not meet the minimum filing requirements (MFRs). On July 29, 2014, staff sent Sanlando a letter indicating deficiencies in the filing of its MFRs. Corrections to the MFRs are

¹ See Order No. PSC-13-0085-PAA-WS, issued February 14, 2013, in Docket No. 110257-WS, In re: Application for increase in water and wastewater rates in Seminole County by Sanlando Utilities Corporation.

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due no later than September 30, 2014. 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 December 31, 2013.

Sanlando requested an interim revenue increase of \$324,552 (7.8 percent) for water and no revenue increase for wastewater. The Utility requested final revenue increases of \$654,796 (15.7 percent) for water and \$537,442 (13.7 percent) for wastewater.

The original 60-day statutory deadline for the Commission to suspend the Utility's requested final rates and approve interim rates was September 1, 2014. However, by letter dated July 11, 2014, the Utility agreed to extend the time by which the Commission is required to suspend the proposed rates and authorize interim rates through the September 4, 2014, Commission Conference. By a subsequent letter dated August 19, 2014, the Utility agreed to extend the time by which the Commission is required to suspend the proposed rates and authorize interim rates through the October 2, 2014 Commission Conference.

This recommendation addresses the suspension of Sanlando's requested final rates and its 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. Sanlando's proposed final water and wastewater rates should be suspended. (Graves, Rieger, Hill)

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. As previously stated, the Utility has extended the 60 day deadline until October 2, 2014. 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 recommends that further investigation of this information, including on-site investigations by Commission staff, is warranted. Based on the foregoing, staff recommends that the Utility's proposed final rate increase be suspended.

Issue 2: Should any interim revenue increases be approved?

Recommendation: Yes. Sanlando has demonstrated the need for an interim rate increase for the water system. Sanlando should be authorized to collect annual water and wastewater revenues as indicated below:

	<u>Adjusted Test Year Revenues</u>	<u>\$ Increase</u>	<u>Revenue Requirement</u>	<u>% Increase</u>
Water	\$4,168,292	\$102,527	\$4,270,819	2.46%
Wastewater	\$3,935,620	\$0	\$3,935,620	0%

(D. Buys)

Staff Analysis: On July 1, 2014, Sanlando filed its rate base, cost of capital, and net operating income 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., for its water system.

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 Sanlando's interim request, as well as Order No. PSC-13-0085-PAA-WS,² in which the Commission last established rates for this utility. 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 for water and wastewater are labeled as Schedule Nos. 1-A and 1-B, respectively, with the adjustments shown on Schedule No. 1-C. Capital structure is labeled as Schedule No. 2. Operating income for water and wastewater are labeled as Schedule Nos. 3-A and 3-B, respectively, with the adjustments shown on Schedule No. 3-C.

RATE BASE

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. Based on staff's review, adjustments are necessary to remove amounts from the plant in service balances associated with the Utility's Phoenix Project. Those amounts equate to reductions of \$65,372 for water and \$51,593 for wastewater. A corresponding adjustment is also necessary to decrease accumulated depreciation for water and wastewater by \$3,269 and \$2,580, respectively. In addition, accumulated depreciation should be further

² See Order No. PSC-13-0085-PAA-WS, issued February 14, 2013, in Docket No. 110257-WS, In re: Application for increase in water and wastewater rates in Seminole County by Sanlando Utilities Corporation.

reduced by \$47,900 for water, and \$37,377 for wastewater, to reflect the adjustment made in the last rate case to increase the depreciation life of the Phoenix Project. This adjustment is consistent with the methodology used in the Utility's last rate case.

In its MFRs, the Utility included an adjustment to increase accumulated depreciation for wastewater by \$105,929 to annualize accumulated depreciation for plant additions related to the Wekiva-Apopka Reuse Main and the Welova Belt Press. Staff believes the Utility's proposed adjustments for annualizing the accumulated depreciation are pro forma because they are outside the interim historic test year and recommends that the Utility's adjustment be removed from the interim test year wastewater accumulated depreciation balance.

Pursuant to Rule 25-30.433(2), Florida Administrative Code (F.A.C.), working capital for class A utilities shall be calculated using the Balance Sheet Method. In the Utility's MFRs, unamortized rate case expense was not included in working capital for the interim test year. To appropriately reflect the amount of unamortized rate case expense from the last two rate cases, staff increased working capital by \$117,449 for water and \$92,505 for wastewater. These adjustments were calculated by taking one-half of the total rate case expense for the last two rate cases.^[3,4] This treatment is consistent with the methodology applied in the last rate case.

Pursuant to Section 367.082, F.S., the method used to calculate Used and Useful (U&U) in Sanlando's last rate case must be used for interim purposes. By Order No. PSC-13-0085-PAA-WS, the Commission found that Sanlando's water and wastewater systems were 100 percent U&U. Therefore, no U&U adjustments are necessary for interim purposes.

Based on the above, staff recommends that Sanlando's interim water rate base is \$8,543,246, and the wastewater rate base is \$11,343,389.

COST OF CAPITAL

In its MFRs, Sanlando requested a weighted average cost of capital of 7.47 percent based on a return on common equity of 9.60 percent. Based on staff's review of the MFRs and Order No. PSC-13-0085-PAA-WS from the Utility's last rate case proceeding, staff believes no cost of capital adjustments are necessary. Therefore, staff recommends that the appropriate interim weighted average cost of capital is 7.47 percent.

NET OPERATING INCOME

To attain the appropriate amount of interim test year operating revenues, staff removed the Utility's requested interim revenue increase of \$324,552 for water. Sanlando did not request an interim increase for wastewater. 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. Based on staff's review, several adjustments to operation and maintenance (O&M) expenses, depreciation expense, and taxes other than income (TOTI) are necessary for interim purposes.

³ Id.

⁴ See Order No. PSC-10-0423-WS, issued July 1, 2010, in Docket No. 090402-WS, In re: Application for increase in water and wastewater rates in Seminole County by Sanlando Utilities Company, p. 23.

First, regarding O&M expenses, staff reduced the expense for salaries and pensions by \$296,448 (\$229,370 + \$67,078) for water and increased the expense for salaries and pensions for wastewater by \$234,363 (\$176,773 + \$57,590) to reflect the benchmark adjustment for customer growth and inflation used in the Utility's last rate case.

Second, in the Utility's last rate proceeding, the Commission disallowed the costs associated with duplicative billing related to a separate water bill in addition to a reuse bill. Accordingly, staff reduced O&M expenses by \$5,985 for water to remove the cost for duplicative bills.

Third, staff reduced depreciation expense by \$6,537 for water and \$5,159 for wastewater to reflect the adjustment made to rate base for the Phoenix Project, discussed earlier. In addition, an adjustment to reduce depreciation expense by \$24,299 for water and \$18,961 for wastewater is also necessary to reflect the appropriate depreciation expense related to the Phoenix Project depreciation life of 10 years. These adjustments are consistent with those made in the last rate case.

Fourth, in its MFRs, the Utility recorded an annual amortization for rate case expense of \$63,137 for water and \$49,789 for wastewater. To reflect the Commission-approved annual amortization amounts associated with the Utility's last two rate cases, staff reduced rate case expense by \$4,524 for water and \$3,695 for wastewater.

Fifth, Sanlando included an adjustment to increase depreciation expense for wastewater by \$105,929 to annualize depreciation expense for plant additions related to the Wekiva-Apopka Reuse Main and the Welova Belt Press. Staff believes the Utility's proposed adjustments for annualizing the depreciation expense are pro forma because they are outside the interim historic test year and recommends that the adjustment be removed from the interim net operating income calculation.

Sixth, staff made adjustments to TOTI to reflect the revenue and O&M adjustments cited above. Staff reduced the regulatory assessment fees (RAFs) for water by \$14,605 to reflect the removal of the Utility's requested revenue increase. Next, to reflect staff's adjustment to salary expense, staff decreased payroll tax expense by \$17,547 for water and increased payroll tax expense by \$13,523 for wastewater.

Based on the above, staff recommends that the appropriate test year operating income, before any interim revenue increase, is \$815,492 for water and \$609,078 for wastewater.

REVENUE REQUIREMENT

In the Utility's last rate case, the Commission shifted \$625,000 from the wastewater revenue requirement to the water revenue requirement to allocate some of the reuse system costs from wastewater to water. The shift in revenue was accomplished through a rate structure design whereby the gallonage charges for water were increased to allow the Utility the opportunity to recover the reuse system costs from water consumption revenue.

In its filing, Sanlando calculated revenue requirements of \$4,492,844 for water and \$3,935,620 for wastewater. In its MFRs, the Utility calculated an interim revenue increase of \$63,202 and \$261,350 for water and wastewater, respectively. Consistent with the methodology

used in the last rate case, the Utility shifted its calculated revenue increase from wastewater to water which resulted in its requested revenue interim increase of \$324,552 for water, and a zero increase for wastewater.

Staff calculated water and wastewater interim revenue requirements of \$4,270,819 and \$3,935,620, respectively. These revenue requirements represent a revenue decrease of \$297,609 for water and a revenue increase of \$400,136 for wastewater. In the Utility's last rate case, the Commission determined that reducing water rates would send an adverse price signal to Sanlando's customers. The Commission found that due to the Utility's high average usage per customer, low rates, and the need to send stronger price signals to achieve conservation, it was appropriate to allocate reuse costs to the water system. Consistent with the methodology used in the last rate case, staff recommends that all of the wastewater revenue increase be shifted to water. When the wastewater revenue increase of \$400,136 is shifted to water, the resulting interim revenue increase is \$102,527 ($\$400,136 - \$297,609$) for water and \$0 for wastewater.

As such, staff recommends water and wastewater revenue requirements of \$4,270,819 and \$3,935,620, respectively, for interim purposes. This results in an increase of \$102,527 (or 2.46 percent) for water and zero for wastewater. The recommended water and wastewater revenue requirement will allow the Utility, on a total company basis, the opportunity to recover its operating expenses and earn the minimum a 7.47 percent return on its total rate base.

Issue 3: What are the appropriate interim water and wastewater rates?

Recommendation: The existing service rates for Sanlando should be increased by 2.48 percent for water to generate the recommended revenue increase for the interim period. The rates, as shown on Schedule No. 4-A, should be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), F.A.C. The Utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. In addition, the approved rates should not be implemented until the required security has been filed, staff has approved the proposed customer notice, and the notice has been received by the customers. The Utility should provide proof of the date notice was given within 10 days of the date of the notice. (Thompson)

Staff Analysis: Staff recommends that interim service rates for Sanlando be designed to allow the utility the opportunity to generate annual operating revenues of \$4,270,819 for water. Before removal of miscellaneous revenues, this would result in an increase of \$102,527 (2.46 percent) for water. To determine the appropriate increase to apply to the service rates, miscellaneous revenues should be removed from the test year revenues. The calculation is as follows:

Table 3-1

	<u>Water</u>
1 Total Test Year Revenues	\$4,168,292
2 Less: Miscellaneous Revenues	<u>\$33,940</u>
3 Test Year Revenues from Service Rates	\$4,134,352
4 Revenue Increase	<u>\$102,527</u>
5 % Service Rate Increase (Line 4/Line 3)	2.48%

The interim rate increase of 2.48 percent for water should be applied as an across-the-board increase to the existing rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), F.A.C. The Utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved interim rates. In addition, the approved rates should not be implemented until the required security has been filed, staff has approved the proposed customer notice, and the notice has been received by the customers. The Utility should provide proof of the date notice was given within 10 days of the date of the notice.

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

Recommendation: A cumulative corporate undertaking is acceptable contingent upon receipt of the written guarantee of the parent company, Utilities, Inc. (UI), and written confirmation that the cumulative outstanding guarantees on behalf of UI-owned utilities in other states will not exceed \$1.2 million (inclusive of all Florida utilities). UI should be required to file a corporate undertaking on behalf of its subsidiaries to guarantee any potential refunds of revenues collected under interim conditions. UI's total guarantee should be a cumulative amount of \$109,441, which includes an amount of \$59,819 subject to refund in this docket. 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. (D. 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. Sanlando has requested an annual interim revenue increase of \$324,552 for water only. As recommended in Issue 2, the annual interim increase for water is \$102,257. 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 \$59,819. This amount is based on an estimated seven months of revenue being collected under the recommended interim rates shown on Schedule No. 4.

Sanlando is a wholly-owned subsidiary of UI, which provides all investor capital to its subsidiaries. Based on the amount subject to refund for the Utility, the incremental increase in UI's corporate undertaking is \$59,819. The current cumulative corporate undertaking amount outstanding for other UI systems is \$49,622.⁵ The new request will bring the cumulative amount outstanding to \$109,441.

The criteria for a corporate undertaking include sufficient liquidity, ownership equity, profitability, and interest coverage to guarantee any potential refund. Staff reviewed UI's 2011, 2012, and 2013 financial statements to determine if the Company can support a corporate undertaking on behalf of its subsidiary. In its financial statements, UI reported both an insufficient working capital amount and an inadequate current ratio in 2012 and 2013. In 2013, UI had an insufficient interest coverage ratio. However, in all other time periods, the Company achieved sufficient liquidity and interest coverage ratios. In addition, UI reported adequate ownership equity over the three-year review period. UI also reported net income in excess of \$5 million a year in all periods.

Based on staff's review of the financial reports submitted by UI, staff believes UI has adequate resources to support a corporate undertaking in the amount requested. Based on this analysis, staff recommends that a cumulative corporate undertaking of \$109,441 is acceptable contingent upon receipt of the written guarantee of UI and written confirmation that the

⁵ By Order No. PSC-13-0673-FOF-WS, the Commission approved an annual interim revenue increase of \$85,052 for water for Cypress Lakes Utilities, Inc., which is also a wholly-owned subsidiary of UI. Specifically, the Commission approved a corporate undertaking of \$49,622 to secure the interim rate increase granted. Issued December 19, 2013, in Docket No. 130212-WS, In re: Application for increase in water/wastewater rates in Polk County by Cypress lakes Utilities, Inc.

cumulative outstanding guarantees on behalf of UI-owned utilities in other states will not exceed \$1.2 million (inclusive of all Florida utilities).

Pursuant to Rule 25-30.360(6), F.A.C., the Utility should 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. The costs are the responsibility of, and should be borne by, the Utility.

Issue 5: Should this docket be closed?

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

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

Sanlando Utilities Corporation Schedule of Water Rate Base Test Year Ended 12/31/2013			Schedule No. 1-A Docket No. 140060-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	\$26,039,977	(\$1,497,684)	\$24,542,293	(\$65,372)	\$24,476,921
2 Land and Land Rights	97,286	(18)	97,268	0	97,268
3 Non-used and Useful Components	0	0	0	0	0
4 Accumulated Depreciation	(15,022,215)	1,146,809	(13,875,406)	51,169	(13,824,237)
5 CIAC	(11,147,950)	(463)	(11,148,413)	0	(11,148,413)
6 Amortization of CIAC	8,755,443	0	8,755,443	0	8,755,443
7 Construction Work in Progress	174,744	(174,744)	0	0	0
8 Working Capital Allowance	<u>0</u>	<u>68,815</u>	<u>68,815</u>	<u>117,449</u>	<u>186,264</u>
9 Rate Base	<u>\$8,897,285</u>	<u>(\$457,285)</u>	<u>\$8,440,000</u>	<u>\$103,246</u>	<u>\$8,543,246</u>

Sanlando Utilities Corporation Schedule of Wastewater Rate Base Test Year Ended 12/31/2013			Schedule No. 1-B Docket No. 140060-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	\$27,282,234	\$1,468,824	\$28,751,058	(\$51,593)	\$28,699,465
2 Land and Land Rights	203,894	(14)	203,880	0	203,880
3 Non-used and Useful Components	0	0	0	0	0
4 Accumulated Depreciation	(15,335,542)	(1,229,790)	(16,565,332)	145,886	(16,419,446)
5 CIAC	(11,976,178)	(420)	(11,976,598)	0	(11,976,598)
6 Amortization of CIAC	10,603,129	0	10,603,129	0	10,603,129
7 Construction Work in Progress	1,792,058	(1,792,058)	0	0	0
8 Working Capital Allowance	<u>0</u>	<u>140,455</u>	<u>140,455</u>	<u>92,505</u>	<u>232,960</u>
9 Rate Base	<u>\$12,569,595</u>	<u>(\$1,413,003)</u>	<u>\$11,156,592</u>	<u>\$186,797</u>	<u>\$11,343,389</u>

Sanlando Utilities Corporation		Schedule No. 1-C	
Adjustments to Rate Base		Docket No. 140060-WS	
Test Year Ended 12/31/2013			
Explanation	Water	Wastewater	
<u>Plant In Service</u>			
Reflect COA Phoenix Project Adjustment for divestitures.	<u>(\$65,372)</u>	<u>(\$51,593)</u>	
<u>Accumulated Depreciation</u>			
1 Reflect COA Phoenix Project Adjustment for divestitures.	\$3,269	\$2,580	
2 Reflect COA for Phoenix Project 10-yr. Dep. Life.	47,900	37,377	
3 Remove annualized Accumulated Dep.	<u>0</u>	<u>105,929</u>	
Total	<u>\$51,169</u>	<u>\$145,886</u>	
<u>Working Capital</u>			
Reflect appropriate Deferred rate case expense.	<u>\$117,449</u>	<u>\$92,505</u>	

Sanlando Utilities Corporation Capital Structure-13-Month Test Year Ended 12/31/2013						Schedule No. 2 Docket No. 140060-WS		
Description	Total Capital	Specific Adjust- ments	Subtotal Adjusted Capital	Prorata Adjust- ments	Capital Reconciled to Rate Base	Ratio	Cost Rate	Weighted Cost
Per Utility								
1 Long-term Debt	\$180,000,000	\$0	\$180,000,000	(\$170,798,254)	\$9,201,746	46.96%	6.64%	3.12%
2 Short-term Debt	9,315,385	0	9,315,385	(8,839,401)	475,984	2.43%	2.82%	0.07%
3 Preferred Stock	0	0	0	0	0	0.00%	0.00%	0.00%
4 Common Equity	170,208,617	0	170,208,617	(161,508,583)	8,700,034	44.40%	9.60%	4.26%
5 Customer Deposits	49,549	0	49,549	0	49,549	0.25%	6.00%	0.02%
6 Deferred Income Taxes	<u>1,169,279</u>	<u>0</u>	<u>1,169,279</u>	<u>0</u>	<u>1,169,279</u>	<u>5.97%</u>	0.00%	<u>0.00%</u>
7 Total Capital	<u>\$360,742,830</u>	<u>\$0</u>	<u>\$360,742,830</u>	<u>(\$341,146,238)</u>	<u>\$19,596,592</u>	<u>100.00%</u>		<u>7.47%</u>
Per Staff								
8 Long-term Debt	\$180,000,000	\$0	\$180,000,000	(\$171,337,811)	\$9,346,262	47.00%	6.64%	3.12%
9 Short-term Debt	9,315,385	0	9,315,385	(8,867,098)	483,689	2.43%	2.82%	0.07%
10 Preferred Stock	0	0	0	0	0	0.00%	0.00%	0.00%
11 Common Equity	170,208,617	0	170,208,617	(162,017,622)	8,837,857	44.44%	9.60%	4.27%
12 Customer Deposits	49,549	0	49,549	0	49,549	0.25%	6.00%	0.01%
13 Deferred Income Taxes	<u>1,169,279</u>	<u>0</u>	<u>1,169,279</u>	<u>0</u>	<u>1,169,279</u>	<u>5.88%</u>	0.00%	<u>0.00%</u>
14 Total Capital	<u>\$360,742,830</u>	<u>\$0</u>	<u>\$360,742,830</u>	<u>(\$342,222,532)</u>	<u>\$19,886,635</u>	<u>100.00%</u>		<u>7.47%</u>
						LOW	HIGH	
RETURN ON EQUITY						<u>9.60%</u>	<u>11.60%</u>	
OVERALL RATE OF RETURN						<u>7.47%</u>	<u>8.36%</u>	

Sanlando Utilities Corporation Statement of Water Operations Test Year Ended 12/31/2013						Schedule No. 3-A Docket No. 140060-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 Operating Revenues:	<u>\$4,076,016</u>	<u>\$416,828</u>	<u>\$4,492,844</u>	<u>(\$324,552)</u>	<u>\$4,168,292</u>	<u>\$102,527</u> 2.46%	<u>\$4,270,819</u>
Operating Expenses							
2 Operation & Maintenance	\$2,054,858	(\$18,845)	\$2,036,013	(\$306,687)	\$1,729,326	0	\$1,729,326
3 Depreciation	911,369	(3,903)	907,466	(30,836)	876,630	0	876,630
4 Amortization	0	0	0	0	0	0	0
5 Taxes Other Than Income	478,042	(25,904)	452,138	(32,152)	419,986	4,6140	424,600
6 Income Taxes	<u>380,867</u>	<u>(69,778)</u>	<u>311,089</u>	<u>15,768</u>	<u>326,857</u>	<u>36,845</u>	<u>363,702</u>
7 Total Operating Expense	<u>3,825,136</u>	<u>(118,430)</u>	<u>3,706,706</u>	<u>(353,428)</u>	<u>3,352,800</u>	<u>41,4580</u>	<u>3,394,258</u>
8 Operating Income	<u>\$250,880</u>	<u>\$535,258</u>	<u>\$786,138</u>	<u>\$29,354</u>	<u>\$815,492</u>	<u>\$61,068</u>	<u>\$876,561</u>
9 Rate Base	<u>\$8,897,285</u>		<u>\$8,440,000</u>		<u>\$8,543,246</u>		<u>\$8,543,246</u>
10 Rate of Return	<u>2.82%</u>		<u>9.31%</u>		<u>9.55%</u>		<u>10.26%</u>

Sanlando Utilities Corporation Statement of Wastewater Operations Test Year Ended 12/31/2013						Schedule No. 3-B Docket No. 140060-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 Operating Revenues:	<u>\$3,888,457</u>	<u>\$47,163</u>	<u>\$3,935,620</u>	<u>\$0</u>	<u>\$3,935,620</u>	<u>\$0</u> 0.00%	<u>\$3,935,620</u>
Operating Expenses							
2 Operation & Maintenance	2,009,026	(15,374)	1,993,652	230,668	2,224,320	0	2,224,320
3 Depreciation	538,829	103,169	641,998	(130,049)	511,949	0	511,949
4 Amortization	0	0	0	0	0	0	0
5 Taxes Other Than Income	384,902	43,660	428,562	13,523	442,085	0	442,085
6 Income Taxes	<u>39</u>	<u>193,644</u>	<u>193,683</u>	<u>(45,495)</u>	<u>148,188</u>	<u>0</u>	<u>148,188</u>
7 Total Operating Expense	<u>\$2,932,796</u>	<u>\$325,099</u>	<u>\$3,257,895</u>	<u>\$68,647</u>	<u>\$3,326,542</u>	<u>\$0</u>	<u>\$3,326,542</u>
8 Operating Income	<u>\$955,661</u>	<u>(\$277,936)</u>	<u>\$677,725</u>	<u>(\$68,647)</u>	<u>\$609,078</u>	<u>\$0</u>	<u>\$609,078</u>
9 Rate Base	<u>\$12,569,595</u>		<u>\$11,156,592</u>		<u>\$11,343,389</u>		<u>\$11,343,389</u>
10 Rate of Return	<u>7.60%</u>		<u>6.07%</u>		<u>5.37%</u>		<u>5.37%</u>

Sanlando Utilities Corporation		Schedule No. 3-C	
Adjustment to Operating Income		Docket No. 140060-WS	
Test Year Ended 12/31/2013			
Explanation	Water	Wastewater	
<u>Operating Revenues</u>			
Remove requested interim revenue increase.	<u>(\$324,552)</u>	<u>\$0</u>	
<u>Operation and Maintenance Expense</u>			
1 Reflect COA for appropriate amount of total salaries.	(\$229,370)	\$176,773	
2 Reflect COA for appropriate amount of pensions & benefits.	(67,078)	57,590	
3 Reflect COA for duplicative bills.	(5,985)	0	
4 Reflect approved RCE from prior rate cases.	<u>(4,254)</u>	<u>(3,695)</u>	
Total	<u>(\$306,687)</u>	<u>\$230,668</u>	
<u>Depreciation Expense - Net</u>			
1 Reflect COA for Phoenix Project.	(\$6,537)	(\$5,159)	
2 Reflect COA for Phoenix Project 10-yr. Depreciation Adj.	(24,299)	(18,961)	
3 Remove annualized Dep. Exp.	0	(105,929)	
Total	<u>(\$30,836)</u>	<u>(\$130,049)</u>	
<u>Taxes Other Than Income</u>			
1 RAFs on revenue adjustments above.	(\$14,605)	\$0	
2 Reflect payroll taxes consistent with LRC.	<u>(17,547)</u>	<u>13,523</u>	
Total	<u>(\$32,152)</u>	<u>\$13,523</u>	

SANLANDO UTILITY CORPORATION		SCHEDULE NO. 4		
TEST YEAR ENDED DECEMBER 31, 2013		DOCKET NO. 140060-WS		
MONTHLY WATER RATES				
	CURRENT RATES	UTILITY REQUESTED INTERIM	UTILITY REQUESTED FINAL	STAFF RECOMMENDED INTERIM
<u>Residential, Multi-Residential, Bulk, and General Service</u>				
Base Facility Charge by Meter Size				
5/8"X3/4"	\$4.45	\$4.85	\$5.20	\$4.56
3/4"	\$6.69	\$7.28	\$7.80	\$6.86
1"	\$11.14	\$12.13	\$13.00	\$11.42
1-1/2"	\$22.29	\$24.25	\$26.00	\$22.84
2"	\$36.66	\$38.80	\$41.60	\$37.57
3"	\$71.31	\$72.75	\$78.00	\$73.08
4"	\$111.43	\$121.25	\$130.00	\$114.19
6"	\$222.85	\$242.50	\$260.00	\$228.38
8"	\$401.60	\$388.00	\$416.00	\$411.56
Charge per 1,000 Gallons - Residential				
0-6,000 Gallons	\$0.88	\$0.96	\$1.03	\$0.90
6,001 - 10,000 Gallons	\$0.96	\$1.05	\$1.12	\$0.98
10,000 - 15,000 Gallons	\$1.44	\$1.56	\$1.67	\$1.48
Over 15,000 Gallons	\$1.91	\$2.07	\$2.22	\$1.96
Charge per 1,000 Gallons - Multi-Residential, Bulk, and General Service				
	\$1.41	\$1.53	\$1.64	\$1.44
<u>Private Fire Protection</u>				
1-1/2"	\$1.86	\$2.02	\$2.17	\$1.91
2"	\$2.97	\$3.23	\$3.46	\$3.04
4"	\$9.28	\$10.09	\$10.83	\$9.51
6"	\$18.58	\$20.18	\$21.67	\$19.04
8"	\$33.47	\$36.32	\$39.00	\$34.30
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>				
3,000 Gallons	\$7.09	\$7.73	\$8.29	\$7.26
5,000 Gallons	\$8.85	\$9.65	\$10.35	\$9.06
10,000 Gallons	\$13.57	\$14.81	\$15.86	\$13.88