

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-**

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**DATE:** May 25, 2022

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

**FROM:** Division of Accounting and Finance (Richards) *ALM*  
Division of Economics (Bethea, Hudson) *JCH*  
Division of Engineering (Ellis, Phillips) *TB*  
Office of the General Counsel (Rubottom, J. Crawford) *JSC*

**RE:** Docket No. 20220066-WS – Application for increase in water rates in Washington County, by Sunny Hills Utility Company.

**AGENDA:** 06/07/22 – Regular Agenda – Decision on Suspension of Rates and Interim Rates – Participation is at the Discretion of the Commission

**COMMISSIONERS ASSIGNED:** All Commissioners

**PREHEARING OFFICER:** La Rosa

**CRITICAL DATES:** 06/06/22 (60-Day Suspension Date and Decision On Interim Rates, Waived to June 7, 2022)

**SPECIAL INSTRUCTIONS:** None

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## Case Background

Sunny Hills Utility Company (Utility or Sunny Hills) is a Class B water and wastewater utility serving approximately 585 residential customers and 18 general service customers in Washington County. The Utility has not had rates established since its transfer from Aqua Utilities Florida, Inc.<sup>1</sup> The Utility's last rate case was in 2012.<sup>2</sup> According to the Utility's 2021

<sup>1</sup>Order No. PSC-2014-0315-PAA-WS, issued June 13, 2014, in Docket No. 20130172-WS, *In re: Application for approval of transfer of certain water and wastewater facilities and Certificate Nos. 501-W and 435-S of Aqua Utilities Florida, Inc. to Sunny Hills Utility Company in Washington County.*

<sup>2</sup>Order No. PSC-2012-0102-FOF-WS, issued March 5, 2012, in Docket No. 20100330-WS, *In re: Application for increase in water/wastewater rates in Alachua, Brevard, DeSoto, Hardee, Highlands, Lake, Lee, Marion, Orange,*

Annual Report, Sunny Hills reported net operating revenues of \$342,786 and net operating expenses of \$369,129. On April 7, 2022, Sunny Hills filed its application for the rate increase at issue in the instant docket.<sup>3</sup> In its application, the Utility is seeking a rate increase for the water system only.

On May 3, 2022, staff sent the Utility a letter indicating deficiencies in the filing of its minimum filing requirements (MFRs).<sup>4</sup> All deficiencies were subsequently corrected, and an official filing date was established of May 6, 2022.<sup>5</sup>

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 period ended December 31, 2021. Sunny Hills requested an interim revenue increase of \$52,872 (16.08 percent). The Utility requested a final revenue increase of \$90,740 (25.79 percent).

On April 18, 2022, Sunny Hills provided a waiver of the 60-day statutory deadline for interim rates to June 7, 2022, so the item could be considered at the June 7, 2022 Commission Agenda.<sup>6</sup> On May 16, 2022, the Utility also provided a waiver of the 60-day suspension date pursuant to Section 367.081(6), Florida Statutes (F.S.), to June 7, 2022, so the item could be considered at the June 7, 2022 Commission Agenda.<sup>7</sup> This recommendation addresses the suspension of the Utility's requested final rates and its requested interim rates. The Commission has jurisdiction pursuant to Sections 367.081 and 367.082, F.S.

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*Palm Beach, Pasco, Polk, Putnam, Seminole, Sumter, Volusia, and Washington Counties by Aqua Utilities Florida, Inc.*

<sup>3</sup>Document No. 02296-2022, filed on April 7, 2022.

<sup>4</sup>Document No. 02778-2022, filed on May 3, 2022.

<sup>5</sup>Document No. 03123-2022, filed on May 24, 2022.

<sup>6</sup>Document No. 02512-2022, filed on April 18, 2022.

<sup>7</sup>Document No. 02936-2022, filed on May 16, 2022.

## Discussion of Issues

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

**Recommendation:** Yes. Sunny Hills' proposed final water rates should be suspended. (Richards)

**Staff Analysis:** Section 367.081(6), F.S., provides that the Commission may, for good cause, withhold consent to the implementation of requested rates within 60 days after the date the rate request is filed. Further, Section 367.081(10), 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) the Commission's action is protested by a party other than the Utility.

Staff reviewed the filing and considered the information filed in support of the rate application and the proposed final rates. Staff believes that further investigation of this information, including potential on-site reviews, is needed. Staff initiated an audit of Sunny Hills' books and records. The audit is tentatively due on June 21, 2022. In addition, staff sent its first data request to the Utility on May 24, 2022.<sup>8</sup> The Utility's response to the data request is due on June 13, 2022. Based on the foregoing, staff recommends Sunny Hills' proposed final water rates be suspended.

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<sup>8</sup>Document No. 03094-2022, filed on May 24, 2022.

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

**Recommendation:** Yes. Sunny Hills should be authorized to collect annual 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	\$364,255	\$21,472	\$385,727	5.89%

(Richards, Phillips, Bethea)

**Staff Analysis:** On April 7, 2022, Sunny Hills filed its rate base, cost of capital, and operating statements to support its requested interim increase in 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 367.082(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 reviewed Sunny Hills' interim request, as well as the order from the Utility's most recent rate proceeding, and believes adjustments are necessary as 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, with the adjustments shown on Schedule No. 1-B. Capital structure is labeled as Schedule No. 2. Operating income is labeled as Schedule No. 3-A, with the adjustments shown on Schedule No. 3-B.

### Rate Base

Pursuant to Section 367.082, F.S., the method used to calculate Used and Useful (U&U) in the Utility's last rate case must be used for interim purposes. In Order No. PSC-2012-0102-FOF-WS, the Commission found Sunny Hills' water treatment system to be 91 percent U&U. Additionally, the Commission found the Utility's water storage system to be 100 percent U&U, and the water distribution system to be 10 percent U&U. Based on a review of the prior order, staff recommends that the water treatment system be 91 percent U&U, its storage system be 100 percent U&U, and the water distribution system be 10 percent U&U.

In its filing, the Utility recorded a net plant balance of \$1,805,063, which included a reduction of \$2,156,891 for non-used and useful; and a net accumulated depreciation balance of \$1,103,305, which included a reduction of \$1,244,518 for non-used and useful. The Utility recorded a land balance of \$10,779. Staff made no adjustments to these accounts, and therefore recommends a plant balance of \$1,805,063, an accumulated depreciation balance of \$1,103,305, and a land balance of \$10,779.

Sunny Hills recorded a net contributions in aid of construction (CIAC) balance of \$344,016, which included a reduction of \$381,292 for non-used and useful. Staff made an adjustment increasing CIAC by \$252 to reflect the appropriate amount of CIAC. The Utility recorded a net amortization of CIAC balance of \$152,754, which included a reduction of \$183,509 for non-used and useful. Staff increased amortization of CIAC by \$10 to reflect the appropriate amount. Therefore, staff recommends CIAC balance of \$344,268 ( $\$344,016 + \$252$ ) and an amortization of CIAC balance of \$152,764 ( $\$152,754 + \$10$ ).

In its filing, the Utility recorded a net acquisition adjustment of \$698,925, which included a decrease of \$839,646 for non-used and useful. The Utility also recorded a net accumulated amortization of acquisition adjustment of \$539,516, which included a decrease of \$608,568 for non-used and useful. Staff made no adjustments to either of these accounts, and therefore recommends an acquisition adjustment of \$698,925, and an accumulated amortization of acquisition adjustment of \$539,516.

Sunny Hills recorded a working capital allowance \$37,282 in its filing. Section 367.081(9), F.S., prohibits a utility from earning a return on the unamortized balance of rate case expense. As such, staff decreased working capital allowance by \$561 to reflect the removal of rate case expense. Therefore, staff recommends a working capital allowance of \$36,721 ( $\$37,282 - \$561$ ).

In its MFR Schedule G-2, the Utility recorded total water rate base of \$399,148. Based on the adjustments above, staff decreased rate base by \$803 ( $\$252 - \$10 + \$561$ ). Therefore, staff recommends interim water rate base of \$398,345 ( $\$399,148 - \$803$ ).

### **Cost of Capital**

Pursuant to Section 367.082(2)(a), F.S., in a proceeding for an interim increase in rates, the Commission shall authorize, within 60 days of the filing of such relief, the collection of rates sufficient to earn the minimum range of return calculated in accordance with subparagraph (5)(b)2. Since its previous rate case, the Utility was transferred from Aqua Utilities Florida, Inc. to Sunny Hills Utility Company.<sup>9</sup> Commission practice has established that an approved return on equity (ROE) does not survive a transfer.<sup>10</sup>

Therefore, staff has used the 2021 leverage formula to calculate an ROE of 7.85 percent.<sup>11</sup> As the Rule requires the use of the bottom of the range, staff recommends an ROE for purposes of determining the interim rate of return for Sunny Hills of 6.85 percent.

The Utility's capital structure consists of common equity and customer deposits. Staff has reconciled investor sources of capital with rate base, and recommends an overall cost of capital of 6.47 percent.

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<sup>9</sup>Order No. PSC-2014-0315-PAA-WS.

<sup>10</sup>Order No. PSC-2006-0670-FOF-WS, issued August 7, 2006, in Docket No. 20060261-WS, *In re: Application for increase in water and wastewater rates in Lake County by Utilities, Inc. of Pennbrooke*; Order No. PSC-2012-0554-PCO-WS, issued October 17, 2012, in Docket No. 20120152-WS, *In re: Application for increase in water and wastewater rates in Orange County by Pluris Wedgefield, Inc.*

<sup>11</sup>Order No. PSC-2021-0244-PAA-WS, issued July 6, 2021, in Docket No. 20210006-WS, *In re: Water and wastewater industry annual reestablishment of authorized range of return on common equity for water and wastewater utilities pursuant to Section 367.081(4)(f), F.S.*

### **Net Operating Income**

In its MFR Schedule G-4, the Utility recorded test year revenues of \$351,891. The Utility had a rate change during the test year.<sup>12</sup> Staff increased test year revenues by \$12,364 to reflect the annualization of test year revenues, and therefore recommends that the appropriate test year operating revenues, before any revenue increase, is \$364,255 ( $\$351,891 + \$12,364$ ).

In its filing, the Utility reflected an O&M expense of \$298,257. Upon review of the corresponding MFR Schedules, staff made several adjustments to O&M.

Rule 25-30.4325(1)(e), F.A.C., describes excessive unaccounted for water (EUW) as unaccounted for water in excess of 10 percent of the amount produced. Based on its MFRs, the Utility applied an EUW adjustment of 4.5 percent to purchased power and chemicals expenses. This resulted in an adjustment to decrease purchased power by \$696 and to decrease chemicals by \$64. However, in its previous rate case, EUW was set at 2.10 percent.<sup>13</sup>

In its filing, the Utility recorded test year amounts for purchased power of \$15,373 and chemicals of \$1,419. After applying a 4.5 percent EUW adjustment to both accounts, the Utility made an adjustment decreasing these accounts by \$696 and \$64 for purchased power and chemicals, respectively. Staff then increased these amounts by \$373 for purchased power, and \$34 for chemicals, to correct the adjustment and reflect the 2012 ordered EUW adjustment of 2.10 percent. Therefore, staff recommends purchased power expense of \$15,050 ( $\$15,373 - \$696 + \$373$ ), and chemicals expense of \$1,389 ( $\$1,419 - \$64 + \$34$ ).

The Utility recorded amortized rate case expense of \$1,509 for the instant case. Staff removed this amount from interim rates, and therefore recommends rate case expense of zero ( $\$1,509 - \$1,509$ ).

In its filing, the Utility recorded bad debt expense as \$7,246, which reflects the amount recorded in its 2021 annual report. Staff notes that in its previous rate case, bad debt expense was calculated using a three-year average. Based on the Utility's annual reports, Sunny Hills recorded bad debt expense of \$2,074, \$2,256, and \$7,246, for the years 2019, 2020, and 2021, respectively. The three-year average of these amounts is \$3,859 ( $(\$2,074 + \$2,256 + \$7,246) \div 3$ ). Therefore, staff made an adjustment decreasing bad debt expense by \$3,387, and recommends a bad debt expense of \$3,859 ( $\$7,246 - \$3,387$ ).

The adjustments to purchased power, chemicals, amortized rate case expense, and bad debt expense referenced above represent a total reduction to O&M expense of \$4,489. Therefore, staff recommends O&M expense of \$293,768 ( $\$298,257 - \$4,489$ ).

On interim MFR Schedule G-4, the Utility reflected depreciation expense of \$47,475. Upon review of corresponding MFR Schedule B-13, staff determined that the total amount included \$5,757 of depreciation expense associated with pro forma items. As a result, staff decreased depreciation expense by \$5,757. Therefore, staff recommends depreciation expense of \$41,718 ( $\$47,475 - \$5,757$ ).

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<sup>12</sup>The Utility was approved for a 2021 price index rate increase which became effective July 6, 2021.

<sup>13</sup>Order No. PSC-2012-0102-FOF-WS, page 178.

On interim MFR Schedule G-4, the Utility reflected taxes other than income (TOTI) expense of \$37,411. Upon review of corresponding MFR Schedule B-15, staff determined that the amount included \$2,868 of property taxes associated with pro forma items. As a result, staff decreased TOTI by \$2,868. Therefore, staff recommends TOTI balance of \$34,543 ( $\$37,411 - \$2,868$ ).

### **Revenue Requirement**

Based on the above adjustments, staff recommends a revenue requirement of \$385,727. This represents an interim increase in annual revenues of \$21,472 (or 5.89 percent). This increase will allow the Utility the opportunity to recover its operating expenses and earn a 6.47 percent return on its rate base.

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

**Recommendation:** The interim rate increase of 5.98 percent for water should be applied as an across-the-board increase to the water service rates. The rates, as shown on Schedule No. 4, should be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), Florida Administrative Code (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. (Bethea)

**Staff Analysis:** Staff recommends that interim service rates for Sunny Hills be designed to allow the Utility the opportunity to generate annual operating revenues of \$385,727 for water. Before removal of miscellaneous revenues, this would result in an increase of \$21,472 (5.89 percent). To determine the appropriate percentage 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  
 Percentage Service Rate Increase**

	<u>Water</u>
1 Total Test Year Revenues	\$364,255
2 Less: Miscellaneous Revenues	<u>\$5,275</u>
3 Test Year Revenues from Service Rates	\$358,980
4 Revenue Increase	<u>\$21,472</u>
5 Percentage Service Rate Increase (Line 4/Line 3)	5.98%

Source: Staff's Interim Recommended Revenue Requirement

Staff recommends that the interim rate increase of 5.98 percent for water be applied as an across-the-board increase to the water service rates. The rates, as shown on Schedule No. 4, 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.

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

**Recommendation:** The appropriate security to guarantee the funds collected subject to refund is a corporate undertaking. (Richards)

**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 recommended total annual interim revenue increase is \$21,472. Staff calculated the potential refund of revenues and interest collected under interim conditions in accordance with Rule 25-30.360, F.A.C., and determined the amount to be \$14,366. This amount is based on an estimated eight months of revenue being collected from staff's recommended interim rates over the Utility's current authorized rates.

The owner/president provided the most recent three years of his personal financial net worth.<sup>14</sup> Staff reviewed the confidential personal financial information provided by the owner/president. Staff believes that in this circumstance the owner/president has demonstrated the financial ability and wherewithal to guarantee the interim refund in this rate increase, if necessary. Further, the owner/president provided a personal guarantee in the amount of \$14,366 in this docket.<sup>15</sup>

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. Under no circumstances 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.

Accordingly, the appropriate security to guarantee the funds collected subject to refund is a corporate undertaking.

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<sup>14</sup>Document No. 02578-2022, filed on April 21, 2022.

<sup>15</sup>Document No. 02514-2022, filed on April 18, 2022.

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

**Recommendation:** The docket should remain open pending the Commission's PAA decision on the Utility's requested rate increase. (Rubottom)

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

<b>Sunny Hills Utility Company</b>		<b>Schedule No. 1-A</b>			
<b>Schedule of Water Rate Base</b>		<b>Docket No. 20220066-WS</b>			
<b>Test Year Ended 12/31/2021</b>					
<b>Description</b>	<b>Test Year Per Utility</b>	<b>Utility Adjust- ments</b>	<b>Adjusted Test Year Per Utility</b>	<b>Staff Adjust- ments</b>	<b>Staff Adjusted Test Year</b>
1 Plant in Service	\$3,961,954	(\$2,156,891)	\$1,805,063	\$0	\$1,805,063
2 Land and Land Rights	10,779	0	10,779	0	10,779
3 Accumulated Depreciation	(2,347,823)	1,244,518	(1,103,305)	0	(1,103,305)
4 CIAC	(725,308)	381,292	(344,016)	(252)	(344,268)
5 Amortization of CIAC	336,263	(183,509)	152,754	10	152,764
6 Acquisition Adjustment	(1,538,571)	839,646	(698,925)	0	(698,925)
7 Accum. Amort. Acq. Adj.	1,148,084	(608,568)	539,516	0	539,516
8 Working Capital	<u>37,282</u>	<u>0</u>	<u>37,282</u>	<u>(561)</u>	<u>36,721</u>
9 Water Rate Base	<u>\$882,660</u>	<u>(\$483,512)</u>	<u>\$399,148</u>	<u>(\$803)</u>	<u>\$398,345</u>

<b>Sunny Hills Utility Company</b>		<b>Schedule No. 1-B</b>
<b>Adjustments to Rate Base</b>		<b>Docket No. 20220066-WS</b>
<b>Test Year Ended 12/31/2021</b>		
	<b>Explanation</b>	<b>Water</b>
	<u>CIAC</u>	
	To reflect appropriate CIAC balance.	<u>(\$252)</u>
	<u>Amortization of CIAC</u>	
	To reflect appropriate amortization of CIAC.	<u>\$10</u>
	<u>Working Capital Allowance</u>	
	To reflect 1/8 O&M.	<u>(\$561)</u>

<b>Sunny Hills Utility Company</b>						<b>Schedule No. 2</b>			
<b>Capital Structure – Simple Average</b>						<b>Docket No. 20220066-WS</b>			
<b>Test Year Ended 12/31/2021</b>									
<b>Description</b>	<b>Total Capital</b>	<b>Specific Adjustments</b>	<b>Subtotal</b>	<b>Pro rata Adjustments</b>	<b>Capital Reconciled to Rate Base</b>	<b>Ratio</b>	<b>Cost Rate</b>	<b>Weighted Cost</b>	
<b><u>Per Utility</u></b>									
1. Long-term Debt					\$0	0.00%	0.00%	0.00%	
2. Short-term Debt					0	0.00%	0.00%	0.00%	
3. Common Equity					388,259	97.27%	7.74%	7.53%	
4. Customer Deposits					<u>10,889</u>	<u>2.73%</u>	2.00%	<u>0.05%</u>	
5. Total Capital					<u>\$399,148</u>	<u>100.00%</u>		<u>7.58%</u>	
<b><u>Per Staff</u></b>									
1. Long-term Debt	\$0	\$0	\$0	\$0	\$0	0.00%	0.00%	0.00%	
2. Short-term Debt	0	0	0	0	0	0.00%	0.00%	0.00%	
3. Common Equity	1,121,274	0	1,121,274	(754,377)	366,897	92.11%	6.85%	6.31%	
4. Customer Deposits	<u>31,448</u>	<u>0</u>	<u>31,448</u>	<u>0</u>	<u>31,448</u>	<u>7.89%</u>	2.00%	<u>0.16%</u>	
5. Total Capital	<u>\$1,152,722</u>	<u>\$0</u>	<u>\$1,152,722</u>	<u>(\$754,377)</u>	<u>\$398,345</u>	<u>100.00%</u>		<u>6.47%</u>	
						<b><u>Range of Reasonableness</u></b>	<b><u>Low</u></b>	<b><u>High</u></b>	
						Return on Equity	6.85%	8.85%	
						Rate of Return	6.47%	8.31%	

Sunny Hills Utility Company							Schedule No. 3-A	
Schedule of Water Operations							Docket No. 20220066-WS	
Test Year Ended 12/31/2021								
Description	Test Year Per Utility	Utility Adjust- ments	Adj. Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Req.	
1 Operating Revenues	\$351,891	\$0	\$351,891	\$12,364	\$364,255	\$21,472	\$385,727	5.89%
Operating Expenses								
2 O&M Expense	\$297,508	\$749	\$298,257	(\$4,489)	\$293,768	\$0	\$293,768	
3 Depreciation	47,475	0	47,475	(5,757)	41,718	0	41,718	
4 Amort. Acq. Adj.	(18,059)	0	(18,059)	0	(18,059)	0	(18,059)	
5 Amort. Deferred Assets	7,029	0	7,029	0	7,029	0	7,029	
6 TOTI	37,411	0	37,411	(2,868)	34,543	966	35,509	
7 Income Taxes	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
8 Total Operating Expense	<u>\$371,364</u>	<u>\$749</u>	<u>\$372,113</u>	<u>(\$13,114)</u>	<u>\$358,999</u>	<u>\$966</u>	<u>\$359,965</u>	
9 Operating Income	(\$19,473)	(\$749)	(\$20,222)		\$5,256		\$25,761	
10 Rate Base	<u>\$882,660</u>	<u>(\$483,512)</u>	<u>\$399,148</u>	<u>(\$803)</u>	<u>\$398,345</u>		<u>\$398,345</u>	
11 Rate of Return	(2.21%)		(5.07%)					6.47%

<b>Sunny Hills Utility Company</b>		<b>Schedule No. 3-B</b>
<b>Adjustments to Operating Income</b>		<b>Docket No. 20220066-WS</b>
<b>Test Year Ended 12/31/2021</b>		
<b>Explanation</b>	<b>Water</b>	
<u>Operating Revenues</u>		
To reflect appropriate test year revenues.	<u>\$12,364</u>	
 <u>Operation &amp; Maintenance Expense</u>		
1. To reflect appropriate EUW adjustment to Purchased Power.	\$373	
2. To reflect appropriate EUW adjustment to Chemicals.	34	
3. To reflect removal of RCE for interim rates.	(1,509)	
4. To reflect 3-year average for Bad Debt Expense.	<u>(3,387)</u>	
Total	<u>(\$4,489)</u>	
 <u>Depreciation Expense</u>		
To reflect removal for pro forma plant.	<u>(\$5,757)</u>	
 <u>Taxes Other Than Income</u>		
To reflect removal of property taxes on pro forma plant.	<u>(\$2,868)</u>	

<b>Sunny Hills Utility Company</b>		<b>Schedule No. 4</b>	
<b>Monthly Water Rates</b>		<b>Docket No. 20220066-WS</b>	
<b>Test Year Ended 12/31/2021</b>			
	<b>CURRENT RATES</b>	<b>UTILITY REQUESTED RATES</b>	<b>STAFF RECOMMENDED INTERIM RATES</b>
<b>Residential and General Service</b>			
Base Facility Charge by Meter Size			
5/8"X3/4"	\$19.77	\$22.95	\$20.95
3/4"	\$29.66	\$34.43	\$31.43
1"	\$49.43	\$57.38	\$52.38
1-1/2"	\$98.85	\$114.75	\$104.75
2"	\$158.16	\$183.60	\$167.60
3"	\$316.32	\$367.20	\$335.20
4"	\$494.25	\$573.74	\$523.75
6"	\$988.50	\$1,147.49	\$1,047.50
8"	\$1,581.60	\$1,835.98	\$1,676.00
10"	\$2,273.55	\$2,613.86	\$2,409.25
<b>Gallage Charge - Residential Service</b>			
0 - 6,000 Gallons	\$6.82	\$7.92	\$7.23
6,001 - 12,000 Gallons	\$10.24	\$11.89	\$10.85
Over 12,000 Gallons	\$13.63	\$15.82	\$14.45
<b>Charge per 1,000 gallons - General Service</b>	\$7.64	\$8.87	\$8.10
<b>Private Fire Protection</b>			
2"	\$13.18	\$14.65	\$13.97
3"	\$26.36	\$29.29	\$27.93
4"	\$41.19	\$45.77	\$43.65
6"	\$82.38	\$91.53	\$87.29
8"	\$131.80	\$146.45	\$139.67
10"	\$189.46	\$210.51	\$200.77
<b><u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u></b>			
2,000 Gallons	\$33.41	\$38.79	\$35.41
4,000 Gallons	\$47.05	\$54.63	\$49.87
6,000 Gallons	\$60.69	\$70.47	\$64.33