

State of Florida



Public Service Commission
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TALLAHASSEE, FLORIDA 32399-0850

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DATE: November 17, 2009
TO: Office of Commission Clerk (Cole)
FROM: Division of Economic Regulation (Linn, Bulecza-Banks, Fletcher, Springer)
Office of the General Counsel (Brubaker, Bennett)
RE: Docket No. 090402-WS – Application for increase in water and wastewater rates
in Seminole County by Sanlando Utilities Corporation.
AGENDA: 12/01/09 – Regular Agenda – Decision on Suspension of Rates and on Interim
Rates – Participation is at the Discretion of the Commission
COMMISSIONERS ASSIGNED: All Commissioners
PREHEARING OFFICER: Edgar
CRITICAL DATES: 60-Day Suspension Date Waived Through 12/01/09
SPECIAL INSTRUCTIONS: None
FILE NAME AND LOCATION: S:\PSC\ECR\WP\090402.RCM.DOC

Case Background

Sanlando Utilities Corporation (Sanlando or Utility) is a Class A utility serving
approximately 12,125 water customers and 9,259 wastewater customers in Seminole County.
Water and wastewater rate base was last established for this Utility in 2007.¹

¹ See Order No. PSC-07-0205-PAA-WS, issued March 6, 2007, in Docket No. 060258-WS, In re: Application for
increase in water and wastewater rates in Seminole County by Sanlando Utilities Corp. The PAA Order was
protested by OPC and cross-protested by Sanlando. Sanlando implemented the PAA rates, which was
acknowledged by the Commission by Order No. PSC-07-0453-PCO-WS, issued May 29, 2007. The protest was
settled and the Settlement Agreement was approved by Order No. PSC-07-0535-AS-WS, issued June 26, 2007. The
Settlement Agreement amended the PAA Order to eliminate the language relating to the determination of the used

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On September 30, 2009, Sanlando filed its application for rate increase at issue in the instant docket. The Utility had several deficiencies in the Minimum Filing Requirements (MFRs). As of the filing of this recommendation, those deficiencies remain outstanding. 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 ending December 31, 2008.

Sanlando requested interim rates designed to generate annual water revenues of \$3,559,820 and wastewater revenues of \$3,964,451. This represents a revenue increase on an annual basis of \$333,492 (10.34 percent) for water and \$401,564 (11.27 percent) for wastewater. The Utility requested final rates designed to generate annual water revenues of \$3,634,507 and wastewater revenues of \$4,145,692. This represents a revenue increase of \$460,784 (14.52 percent) for water and \$582,806 (16.36 percent) for wastewater.

The original 60-day statutory deadline for the Commission to suspend the Utility's requested final rates is November 29, 2009. However, by letter dated October 8, 2009, the Utility agreed to extend the statutory time frame through December 1, 2009. This recommendation addresses the suspension of Sanlando's requested final rates and the Utility's requested interim rates. The Commission has jurisdiction pursuant to Sections 367.081 and 367.082, Florida Statutes (F.S.).

and usefulness of Sanlando's water and wastewater treatment plants. The remainder of the PAA Order including the revenue requirements remained unchanged.

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. (Linn)

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

Staff has reviewed the filing and has considered the information filed in support of the rate application and the proposed final rates. Staff recommends that it is necessary to require further investigation of this information, including on-site investigations by staff accountants and engineers. Based on the foregoing, staff recommends suspension of the Utility's proposed rate increase.

Issue 2: Should an interim revenue increase be approved?

Recommendation: Yes. 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	\$3,226,328	\$171,388	\$3,397,716	5.31%
Wastewater	\$3,562,887	\$401,564	\$3,964,451	11.27%

(Linn)

Staff Analysis: Sanlando has filed rate base, cost of capital, and operating statements to support its requested interim water and wastewater increase. 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 those used 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-07-0205-PAA-WS, in which the Commission last established rate base. Staff's recommended adjustments are discussed below. Staff has attached accounting schedules to illustrate staff's recommended rate base, capital structure, and test year operating income amounts. The water rate base is shown on Schedule No. 1-A, and the wastewater rate base is shown on Schedule No. 1-B. The capital structure is shown on Schedule No. 2. The operating income schedules for water and wastewater are labeled as Schedule Nos. 3-A, and 3-B, respectively. The operating income adjustments are shown on Schedule No. 3-C.

RATE BASE

Based on an analysis of the MFRs and staff's review of Order No. PSC-07-0205-PAA-WS from the Utility's last rate proceeding, staff believes no rate base adjustments are necessary. Thus, staff recommends that rate base for interim purposes should be \$6,122,692 for water and \$11,335,969 for wastewater.

COST OF CAPITAL

The Utility recorded its return on equity (ROE) as 11.24 percent. However, based on Order No. PSC-07-0205-PAA-WS, Sanlando's allowed minimum ROE is 10.46 percent. Therefore, based on this adjustment, staff recommends an interim weighted average cost of capital of 7.81 percent. This represents a thirty-two basis points reduction of the Utility's requested ROE.

NET OPERATING INCOME

Based on an analysis of the MFRs and Order No. PSC-07-0205-PAA-WS, staff believes two adjustments are necessary. In its last rate proceeding, the Commission approved annual amortization of rate case expense of \$22,086 for water and \$16,889 for wastewater. In its MFRs,

the Utility recorded rate case expense of \$33,554 for water and \$26,057 for wastewater. Pursuant to Section 367.082(5)(b)1, F.S., staff reduced expenses by \$11,468 (\$33,554 - \$22,086) for water and \$9,168 (\$26,057 - \$16,889) for wastewater.

Based on the above, staff recommends that the appropriate test year operating income, before any revenue increase, is \$376,364 for water and \$560,011 for wastewater.

REVENUE REQUIREMENT

Based on the above adjustments, staff recommends a water revenue requirement of \$3,397,716. This represents interim increases in annual revenues of \$171,388 (or 5.31 percent) for water. The water increase will allow the Utility the opportunity to recover its water operating expenses and earn a 7.81 percent return on its water rate base.

To allow the Utility to earn a 7.81 percent return on its wastewater rate base, the revenue requirement would be \$4,109,903. The Utility has requested an interim revenue requirement of \$3,964,451. In such circumstances, it has been Commission practice to limit the revenue requirement to the level requested by the Utility. Consistent with Commission practice,² staff recommends a revenue requirement of \$3,964,451 for wastewater. This represents an interim increase in annual revenues of \$401,564 (or 11.27 percent). This will allow the Utility the opportunity to recover its wastewater operating expenses and earn a 7.05 percent return on its wastewater rate base.

² See Order Nos. PSC-06-0675-PCO-SU, issued August 7, 2006, in Docket No. 060255-SU, In re: Application for increase in wastewater rates in Pinellas County by Tierra Verde Utilities, Inc.; PSC-05-0287-PAA-SU, issued March 17, 2005, in Docket No. 040972-SU, In re: Application for rate increase in Pinellas County by Ranch Mobile WWTP, Inc.; and PSC-95-0191-FOF-WS, issued February 9, 1995, in Docket No. 940917-WS, In re: Application for rate increase for increased water and wastewater rates in Seminole, Orange, and Pasco Counties by Utilities, Inc. of Florida.

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

Recommendation: The water and wastewater service rates for Sanlando in effect as of December 31, 2008, should be increased for water by 5.35 percent and for wastewater by 11.29 percent to generate the recommended revenue increase for the interim period. The approved rates should be effective for service rendered as of the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1)(a), Florida Administrative Code (F.A.C.). The rates should not be implemented until staff verifies that the tariff sheets are consistent with the Commission decision, the proposed customer notice is adequate, and the required security has been filed. The Utility should provide proof of the date notice was given within 10 days after the date of notice. (Linn)

Staff Analysis: Staff recommends that interim water and wastewater service rates for Sanlando be designed to allow the Utility the opportunity to generate annual water revenues of \$3,397,716 and wastewater revenues of \$3,964,451. This reflects an increase of \$171,388 (5.31%) for water and \$401,564 (11.27%) for wastewater, before removal of miscellaneous and other revenues. To determine the appropriate percentage increase to apply to the service rates, miscellaneous service revenues should be removed from the test year revenues. The calculation is as follows:

	<u>Water</u>	<u>Wastewater</u>
1 Total Test Year Revenues	\$3,226,328	\$3,562,887
2 Less: Miscellaneous Revenues	<u>24,225</u>	<u>5,571</u>
3 Test Year Revenues from Service Rates	\$3,202,103	\$3,557,317
4 Revenue Increase	<u>\$171,388</u>	<u>\$401,564</u>
5 % Service Rate Increase (Line 4/Line3)	<u>5.35%</u>	<u>11.29%</u>

Sanlando incorrectly applied an increase of approximately 11.07 percent to its test year wastewater rates to calculate its requested interim Base Facility Charge (BFC) and gallonage rates. As stated earlier, staff is recommending an across-the-board increase of 11.29 percent to the Utility's test year base facility and gallonage charges. As such, the Utility understated its requested interim rates. Approving interim rates greater than those requested by the Utility, due to an erroneous application of the across-the-board rate increase in the MFRs, is consistent with a prior Commission order.³

The interim rate increase of 5.35 percent for water and 11.29 percent for wastewater should be applied as an across-the-board increase to the service rates in effect as of December 31, 2008.⁴ The approved rates should be effective for service rendered as of the stamped

³ See Order No. PSC-06-0925-PCO-WS, issued November 6, 2006, in Docket No. 060246-WS, In re: Application for increase in water and wastewater rates in Polk County by Gold Coast Utility Corp.

⁴ The 5.35% and 11.29% represent the percentage rate increases based on rates charged in the historical test year through December 31, 2008. However, in accordance with Section 367.081(4)(a), Florida Statutes, the Utility was

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approval date on the tariff sheets pursuant to Rule 25-30.475(1), F.A.C. The rates should not be implemented until staff verifies that the tariff sheets are consistent with the Commission's decision, the proposed customer notice is adequate, and the required security has been filed. The Utility should provide proof of the date notice was given within 10 days after the date of notice.

The Utility's test year, proposed interim and final rates, and staff's recommended interim rates are shown on Schedule No. 4-A for water and Schedule No. 4-B for wastewater.

granted index increases in March 2009. As a result, the customer will actually experience increases of 5.28% for water and 11.25% for wastewater based on the rates currently in effect.

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

Recommendation: The Utility should be required to open an escrow account or file a surety bond or letter of credit to guarantee any potential refund of revenues collected under interim conditions. If the security provided is an escrow account, the Utility should deposit \$47,746 into the escrow account each month. Otherwise, the surety bond or letter of credit should be in the amount of \$334,451. 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. (Linn, Springer)

Staff Analysis: Pursuant to Section 367.082, F.S., revenues collected under interim rates shall be placed under bond, escrow, letter of credit, or corporate undertaking subject to refund with interest at a rate ordered by the Commission. As recommended in Issue 2, the total annual interim increase is \$572,952 for water and wastewater. In accordance with Rule 25-30.360, F.A.C., staff has calculated the potential refund of revenues and interest collected under interim conditions to be \$334,451. This amount is based on an estimated seven months of revenue being collected from staff's recommended interim rates over the Utility's current authorized rates shown on Schedules Nos. 4-A and 4-B.

Sanlando is a wholly-owned subsidiary of Utilities, Inc. (UI), which provides all investor capital to its subsidiaries. The Commission approved a corporate undertaking in the amount of \$75,165 to secure interim increases granted in Docket No. 080249-WS for UI's Labrador Utilities, Inc. subsidiary.⁵ As such, staff reviewed the financial statements of UI. As a result of staff's interim recommendations in this docket and Docket Nos. 090381-SU⁶ and 090392-WS,⁷ the total requested cumulative corporate undertaking amount is \$683,154, of which \$334,451 is subject to refund for this docket.

The criteria for a corporate undertaking includes sufficient liquidity, ownership equity, profitability, and interest coverage to guarantee any potential refund. Staff reviewed the financial statements of the parent company to determine if UI can support a corporate undertaking on behalf of its subsidiaries. UI's 2006, 2007, and 2008 financial statements were used to determine the financial condition of the Company. Net income has been on average two times greater than the requested cumulative corporate undertaking amount over the three year period. However, UI experienced a net loss in 2008. The company has also experienced a steady decline in its interest coverage ratio and relative level of net income over the three year review period. In addition, UI's average equity ratio has decreased to 40.7 percent from 44.8 percent in 2007.

Staff believes UI has inadequate liquidity, profitability, and interest coverage to support a corporate undertaking in the amount requested. While the existing corporate undertaking amount of \$75,165 secured on behalf of Labrador Utilities, Inc. is still appropriate, staff

⁵ See Order No. PSC-08-0751-PCO-WS, issued November 13, 2008, In re: Application for increase in water and wastewater rates in Pasco County by Labrador Utilities, Inc.

⁶ In re: Application for increase in wastewater rates in Seminole County by Utilities Inc. of Longwood.

⁷ In re: Application for increase in water and wastewater rates in Lake County by Utilities Inc. of Pennbrooke.

recommends that UI be required to secure a surety bond, letter of credit, or escrow agreement to guarantee any new monies collected subject to refund.

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

The Utility should deposit \$47,746 into the escrow account each month for possible refund. The escrow agreement should also state that if a refund to the customers is required, all interest earned on the escrow account shall be distributed to the customers, and if a refund to the customers is not required, the interest earned on the escrow account shall revert to the Utility.

If the security provided is a surety bond or a letter of credit, said instrument should be in the amount of \$334,451. If the Utility chooses a surety bond as security, the surety bond should state that it will be released or terminated only upon subsequent order of the Commission. If the Utility chooses to provide a letter of credit as security, the letter of credit should state that it is irrevocable for the period it is in effect and that it will be in effect until a final Commission order is rendered releasing the funds to the Utility or requiring a refund.

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

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

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Issue 5: Should the docket be closed?

Recommendation: No. The docket should remain open pending the Commission's final action on the Utility's requested rate increase. (Bennett, Linn)

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

Sanlando Utilities Corporation Schedule of Water Rate Base Test Year Ended 12/31/08				Schedule No. 1-A Docket No. 090402-WS Interim	
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year
1 Plant in Service	\$19,643,029	(569,193)	\$19,073,836	\$0	\$19,073,836
2 Land and Land Rights	130,342	(33,628)	96,714	0	96,714
3 Construction Work In Progress	3,021,010	(3,021,010)	0	0	0
4 Accumulated Depreciation	(10,099,856)	78,756	(10,021,100)	0	(10,021,100)
5 CIAC	(11,951,929)	582,948	(11,368,981)	0	(11,368,981)
6 Amortization of CIAC	8,287,105	(144,788)	8,142,317	0	8,142,317
7 Working Capital Allowance	<u>0</u>	<u>199,906</u>	<u>199,906</u>	<u>0</u>	<u>199,906</u>
8 Rate Base	<u>\$9,029,701</u>	<u>(\$2,907,009)</u>	<u>\$6,122,692</u>	<u>0</u>	<u>\$6,122,692</u>

Sanlando Utilities Corporation Schedule of Wastewater Rate Base Test Year Ended 12/31/08				Schedule No. 1-B Docket No. 090402-WS Interim	
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year
1 Plant in Service	\$24,962,220	\$1,569,742	\$26,531,962	\$0	\$26,531,962
2 Land and Land Rights	203,378	6,675	210,053	0	210,053
3 Construction Work In Process	32,289	(32,289)	0	0	0
4 Accumulated Depreciation	(11,968,283)	(469,177)	(12,437,460)	0	(12,437,460)
5 CIAC	(13,236,312)	698,756	(12,537,556)	0	(12,537,556)
6 Amortization of CIAC	9,263,728	10,206	9,273,934	0	9,273,934
7 Working Capital Allowance	<u>0</u>	<u>295,036</u>	<u>295,036</u>	<u>0</u>	<u>295,036</u>
8 Rate Base	<u>\$9,257,020</u>	<u>\$2,078,949</u>	<u>\$11,335,969</u>	<u>\$0</u>	<u>\$11,335,969</u>

Sanlando Utilities Corporation
 Capital Structure - 13-Month Average
 Test Year Ended 12/31/08

Description	Total Capital	Specific Adjustments	Subtotal Adjusted Capital	Prorata Adjustments	Capital Reconciled to Rate Base	Ratio	Cost Rate	Weighted Cost	
Per Utility									
1 Long-term Debt	\$180,000,000	\$0	\$180,000,000	(\$171,917,448)	\$8,082,552	46.30%	6.65%	3.08%	
2 Short-term Debt	39,713,462	0	39,713,462	(37,929,797)	1,783,665	10.22%	4.30%	0.44%	
3 Preferred Stock	0	0	0	0	0	0.00%	0.00%	0.00%	
4 Common Equity	158,595,058	0	158,595,058	(151,473,986)	7,121,072	40.79%	11.24%	4.58%	
5 Customer Deposits	86,777	0	86,777	0	86,777	0.50%	6.00%	0.03%	
6 Deferred Income Taxes	<u>384,596</u>	<u>0</u>	<u>384,596</u>	<u>0</u>	<u>384,596</u>	<u>2.20%</u>	0.00%	<u>0.00%</u>	
7 Total Capital	<u>\$378,779,893</u>	<u>\$0</u>	<u>\$378,779,893</u>	<u>(\$361,321,231)</u>	<u>\$17,458,662</u>	<u>100.00%</u>		<u>8.13%</u>	
Per Staff									
8 Long-term Debt	\$180,000,000	\$0	\$180,000,000	(\$171,917,412)	\$8,082,588	46.30%	6.65%	3.08%	
9 Short-term Debt	39,713,462	0	39,713,462	(37,930,198)	1,783,264	10.21%	4.30%	0.44%	
10 Preferred Stock	0	0	0	0	0	0.00%	0.00%	0.00%	
11 Common Equity	158,595,058	0	158,595,058	(151,473,622)	7,121,436	40.79%	10.46%	4.27%	
12 Customer Deposits	86,777	0	86,777	0	86,777	0.50%	6.00%	0.03%	
13 Deferred Income Taxes	<u>384,596</u>	<u>0</u>	<u>384,596</u>	<u>0</u>	<u>384,596</u>	<u>2.20%</u>	0.00%	<u>0.00%</u>	
14 Total Capital	<u>\$378,779,893</u>	<u>\$0</u>	<u>\$378,779,893</u>	<u>(\$361,321,232)</u>	<u>\$17,458,661</u>	<u>100.00%</u>		<u>7.81%</u>	
						LOW	HIGH		
RETURN ON EQUITY						<u>10.46%</u>	<u>12.46%</u>		
OVERALL RATE OF RETURN						<u>7.81%</u>	<u>8.63%</u>		

Sanlando Utilities Corporation Statement of Water Operations Test Year Ended 12/31/08						Schedule No. 3-A Docket No. 090402-WS Interim	
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>\$3,061,746</u>	<u>\$498,074</u>	<u>\$3,559,820</u>	<u>(\$333,492)</u>	<u>\$3,226,328</u>	<u>\$171,388</u> 5.31%	<u>\$3,397,716</u>
Operating Expenses							
2 Operation & Maintenance	\$2,195,615	(\$154,409)	\$2,041,206	(\$11,468)	\$2,029,738		\$2,029,738
3 Depreciation	424,469	(99,837)	324,632	0	324,632		324,632
4 Amortization	0	0	0	0	0		0
5 Taxes Other Than Income	396,002	18,578	414,580	(15,007)	399,573	7,712	407,285
6 Income Taxes	<u>(37,428)</u>	<u>318,443</u>	<u>281,015</u>	<u>(184,994)</u>	<u>96,021</u>	<u>61,591</u>	<u>157,612</u>
7 Total Operating Expense	<u>\$2,978,658</u>	<u>\$82,775</u>	<u>\$3,061,433</u>	<u>(\$211,469)</u>	<u>\$2,849,964</u>	<u>\$69,304</u>	<u>\$2,919,267</u>
8 Operating Income	<u>\$83,088</u>	<u>\$415,299</u>	<u>\$498,387</u>	<u>(\$122,023)</u>	<u>\$376,364</u>	<u>\$102,084</u>	<u>\$478,449</u>
9 Rate Base	<u>\$9,029,701</u>		<u>\$6,122,692</u>		<u>\$6,122,692</u>		<u>\$6,122,692</u>
10 Rate of Return	<u>0.92%</u>		<u>8.14%</u>		<u>6.15%</u>		<u>7.81%</u>

Sanlando Utilities Corporation Statement of Wastewater Operations Test Year Ended 12/31/08						Schedule No. 3-B Docket No. 090402-WS Interim	
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>\$3,439,261</u>	<u>\$525,190</u>	<u>\$3,964,451</u>	<u>(\$401,564)</u>	<u>\$3,562,887</u>	<u>\$401,564</u> 11.27%	<u>\$3,964,451</u>
Operating Expenses							
2 Operation & Maintenance	\$1,965,278	\$83,077	\$2,048,355	(\$9,168)	\$2,039,187		\$2,039,187
3 Depreciation	352,743	153,698	506,441	0	506,441		506,441
4 Amortization	0	0	0	0	0		0
5 Taxes Other Than Income	359,429	20,655	380,084	(18,070)	362,014	18,070	380,084
6 Income Taxes	<u>(28,582)</u>	<u>134,342</u>	<u>105,760</u>	<u>(10,526)</u>	<u>95,234</u>	<u>144,309</u>	<u>239,543</u>
7 Total Operating Expense	<u>\$2,648,868</u>	<u>\$391,772</u>	<u>\$3,040,640</u>	<u>(\$37,764)</u>	<u>\$3,002,876</u>	<u>\$162,379</u>	<u>\$3,165,255</u>
8 Operating Income	<u>\$790,393</u>	<u>\$133,418</u>	<u>\$923,811</u>	<u>(\$363,800)</u>	<u>\$560,011</u>	<u>\$239,185</u>	<u>\$799,196</u>
9 Rate Base	<u>\$9,257,020</u>		<u>\$11,335,969</u>		<u>\$11,335,969</u>		<u>\$11,335,969</u>
10 Rate of Return	<u>8.54%</u>		<u>8.15%</u>		<u>4.94%</u>		<u>7.05%</u>

Utilities, Inc. of Sanlando		Schedule 3-C	
Adjustments to Operating Income		Docket No. 090402-WS	
Test Year Ended 12/31/08			
Explanation	Water	Wastewater	
<u>Operating Revenues</u>			
Remove requested final revenue increase.	<u>(\$333,492)</u>	<u>(\$401,564)</u>	
<u>Operation and Maintenance Expense</u>			
To reduce rate case expense.	<u>(\$11,468)</u>	<u>(\$9,168)</u>	
<u>Taxes Other Than Income</u>			
RAFs on revenue adjustments above.	<u>(\$8,490)</u>	<u>(\$9,068)</u>	
<u>Taxes Other Than Income</u>			
RAFs on revenue adjustments above.	<u>(\$15,007)</u>	<u>(\$18,070)</u>	

Sanlando Utilities Corporation		Schedule No. 4-A			
Water Monthly Service Rates		Docket No. 090402-WS			
Test Year Ended 12/31/08		Test	Utility	Utility	Staff
		Year	Requested	Requested	Recomm.
		Rates	Interim	Final	Interim
<u>Residential, General Service and Multi-Family</u>					
Base Facility Charge by Meter Size:					
5/8" x 3/4"	\$4.30	\$4.81	\$4.91	\$4.53	
3/4"	\$6.45	\$7.23	\$7.37	\$6.80	
1"	\$10.74	\$12.02	\$12.28	\$11.31	
1-1/2"	\$21.48	\$24.05	\$24.55	\$22.63	
2"	\$34.36	\$38.47	\$39.28	\$36.20	
3"	\$68.73	\$76.94	\$73.65	\$72.41	
4"	\$107.39	\$120.23	\$122.75	\$113.14	
6"	\$214.77	\$240.45	\$245.50	\$226.27	
8"	\$343.64	\$384.73	\$392.80	\$362.03	
Gallonage Charge, Res. 0-10k Gallons	\$0.55	\$0.62	\$0.63	\$0.58	
Gallonage Charge, Res. over 10k Gallons	\$1.08	\$1.21	\$1.24	\$1.14	
Gallonage Charge, per 1,000 Gallons	\$0.85	\$0.95	\$0.97	\$0.90	
<u>Private Fire Protection</u>					
Base Facility Charge by Meter Size:					
1-1/2"	\$1.79	\$2.01	\$2.05	\$1.89	
2"	\$2.86	\$3.20	\$3.26	\$3.01	
4"	\$8.95	\$10.02	\$10.22	\$9.43	
6"	\$17.90	\$20.04	\$20.46	\$18.86	
8"	\$28.63	\$32.06	\$32.73	\$30.16	
<u>Typical Residential Bills 5/8" x 3/4" Meter</u>					
3,000 Gallons	\$6.85	\$7.66	\$7.82	\$7.22	
5,000 Gallons	\$8.55	\$9.56	\$9.76	\$9.01	
10,000 Gallons	\$12.80	\$14.31	\$14.61	\$13.49	

Sanlando Utilities Corporation		SCHEDULE NO. 4-B			
Wastewater Monthly Service Rates		Docket No. 090402-WS			
Test Year Ended 12/31/08		Test	Utility	Utility	Staff
	Year	Requested	Requested	Recomm.	
	Rates	Interim	Final	Interim	
<u>Residential</u>					
Base Facility Charge All Meter Sizes:	\$12.10	\$13.44	\$14.04	\$13.47	
Base Facility Wholesale:	\$25.59	\$28.42	\$29.70	\$28.48	
Gallorage Charge - Per 1,000 gallons (10,000 gallon cap)					
	\$1.60	\$1.78	\$1.85	\$1.78	
<u>Multi-Residential</u>					
Base Facility Charge by Meter Size:					
5/8" x 3/4"	\$12.10	\$13.44	\$14.04	\$13.47	
3/4"	\$18.15	\$0.00	\$21.06	\$20.20	
1"	\$30.23	\$33.58	\$35.10	\$33.64	
1-1/2"	\$60.45	\$67.13	\$70.20	\$67.27	
2"	\$96.71	\$107.41	\$112.32	\$107.63	
3"	\$193.41	\$214.80	\$210.60	\$215.24	
4"	\$302.21	\$335.63	\$351.00	\$336.32	
6"	\$604.45	\$671.30	\$702.00	\$672.68	
8"	\$967.10	\$1,074.06	\$1,123.20	\$1,076.27	
Base Facility Wholesale:	\$25.59	\$28.42	\$29.70	\$28.48	
Gallorage Charge, per 1,000 Gallons					
	\$1.94	\$2.15	\$2.24	\$2.16	
<u>General Service</u>					
Base Facility Charge by Meter Size:					
5/8" x 3/4"	\$12.10	\$13.44	\$14.04	\$13.47	
3/4"	\$18.15		\$21.06	\$20.20	
1"	\$30.23	\$33.58	\$35.10	\$33.64	
1-1/2"	\$60.45	\$66.74	\$70.20	\$67.27	
2"	\$96.71	\$107.41	\$112.32	\$107.63	
3"	\$193.41	\$214.80	\$210.60	\$215.24	
4"	\$302.21	\$335.63	\$351.00	\$336.32	
6"	\$604.45	\$671.30	\$702.00	\$672.68	
8"	\$967.10	\$0.00	\$1,123.20	\$1,076.27	
Base Facility Wholesale:	\$25.59	\$28.42	\$29.70	\$28.48	
Gallorage Charge, per 1,000 Gallons					
	\$1.94	\$2.15	\$2.24	\$2.16	
<u>Reuse</u>					
Residential Reuse	\$3.65	\$4.13	\$4.31	\$4.06	
Gall. Charge, per 1,000 Gallons	\$0.39	\$0.44	\$0.46	\$0.43	
<u>Typical Residential Bills 5/8" x 3/4" Meter</u>					
3,000 Gallons	\$16.90	\$18.78	\$19.59	\$18.81	
5,000 Gallons	\$20.10	\$22.34	\$23.29	\$22.37	
10,000 Gallons	\$28.10	\$31.24	\$32.54	\$31.27	
(Wastewater Gallorage Cap - 10,000 Gallons)					