
DATE: July 30, 1997

TO: Division of Auditing and Financial Analysis (Vandiver)

FROM: Division of Water and Wastewater (Walker)

RE: Docket No. 970822-WU - Joint Application for transfer of facilities from SH Utilities, Inc. To Lindrick Service Corporation; Cancellation of Certificate No. 111-W; and Amendment of Certificate No. 157-W to include Shamrock Heights' service area in Pasco County

An audit of the utility's books and records is needed for the above referenced proceeding. An ASR (Audit Service Request) form is attached. Completion of the audit report by October 24, 1997 is necessary.

Attachments

CC: Division of Records and Reporting (2 copies)
Division of Legal Services (Crosby)
Division of Water and Wastewater (Redemann)

ACK _____
AFS _____
A&F _____
CRO _____
R&R _____
L&S _____
W&W _____
/

DOCUMENT # _____ DATE
07916 AUG-56
PASS-RECORDS/REPORTING

Per a purchase agreement dated May 28, 1997, Lindrick Service Corporation has purchased the utility assets of SH Utilities, Inc. A rate base determination that coincides with the transfer date is needed for this docket. The reported purchase price is \$150,000. SH Utilities' balance sheet (Exhibit E) shows an apparent \$24,355 net rate base balance at 12/31/96. Rate base inclusion of an acquisition adjustment was not requested in this proceeding

HIGH PRIORITY - STANDARD REQUIREMENTS

1. The rate base objectives per the rate case audit guide of the DAFA audit manual should be used in auditing utility plant, accumulated depreciation, CIAC, and accumulated amortization.
2. Determine whether any assets on the seller's books are not being transferred (i.e., vehicles and computer equipment), and exclude those items from the rate base calculation.
3. Verify that land dedicated to utility service is included in the proposed transfer to Lindrick Service Corporation.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Request of S. H. Utilities,)
Inc., for Staff assistance on a)
rate increase.)

DOCKET NO. 860920-WU
ORDER NO. 17434
ISSUED: 4-20-87

The following Commissioners participated in the disposition of this matter:

KATIE NICHOLS, Chairman
THOMAS M. BEARD
JOHN T. HERNDON
MICHAEL McK. WILSON

NOTICE OF PROPOSED AGENCY ACTION
ORDER GRANTING INCREASED WATER RATES

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for formal proceeding pursuant to Rule 25-22.29, Florida Administrative Code.

Background

This utility was originally issued Certificate No. 111-W by Order No. 5613 on December 27, 1972. The certificate was issued to David and Evelyn Brown d/b/a/ Pasco Water Supply. The service area is a subdivision in New Port Richey known as Shamrock Heights.

On September 21, 1977, by Order No. 7970, this Commission granted the transfer of Certificate No. 111-W to S.H. Utilities, Inc. Rate base was not established at the time of this transfer.

On December 19, 1983, this Commission received an application from S.H. Utilities, Inc. for a transfer of stock to James A. Cochran, as trustee under the James A. Cochran revocable trust agreement, dated December 3, 1983. By Order No. 12969, dated February 9, 1983, this Commission approved the transfer. Because the transfer was solely for stock and did not affect the rate base, rate base was not established at that time.

On July 8, 1986, the Commission received the utility's request for staff assistance. Staff assistance was granted on August 13, 1986, and the utility paid the correct filing fee on August 20, 1986.

An informal customer meeting was held on February 20, 1987. The only person in attendance at the meeting, other than staff, was the utility's president.

Quality of Service:

To insure that water quality standards are met, the Department of Environmental Regulation (DER) requires periodic testing of water. The utility provided DER with the results for primary and secondary chemical testing during June, 1985. During April, 1986, DER was provided with the results of 127 chemical tests. The results of these tests were satisfactory.

DOCUMENT NUMBER: 86-10

1986 APR 20 10

REG-RECORDS/REPORTING

During the test year DER required the utility to make specific plant-in-service repairs. DER has determined that the utility's cooperation and progress is satisfactory. As stated above, no customers took the opportunity to register complaints or voice disagreement to the proposed rate increase. In-house records were checked and no complaints were found in either the Water and Sewer Division's files or the files of the Division of Consumer Affairs. The quality of service is, therefore, considered satisfactory.

Plant-in-Service:

The Tampa Auditing and Financial Analysis Division formally requested that the engineer on staff perform an original cost study. The results of that study, by NARUC account number, are:

<u>NARUC #</u>	<u>Account Description</u>	<u>Cost Estimated</u>
304	Structures and Improvements	\$ 3,262.00
307	Wells and Springs	2,090.00
309	Supply Mains	1,125.00
310	Power Generation Equipment	6,063.00
311	Pumping Equipment	4,057.00
320	Water Treatment Equipment	744.00
330	Distribution Reservoirs and standpipes	2,205.00
331	Transmission and Distribution Mains	17,108.00
333	Services	<u>9,613.00</u>
	TOTAL	<u>\$46,467.00</u>

Consideration for the cost of customer meters and meter installations was not included in the initial original cost study. The estimated cost to be included for meters and meter installations totals \$26,345. This amount was calculated by the utility's current expense of installation being trended backward and multiplied by the average growth per year over the age of the system. It is estimated that \$6,586 should be posted to NARUC account number 346 and \$19,759 be posted to account number 347.

On July 7, 1986, DER ordered the utility to comply with the regulatory standards of Chapter 17-22, Florida Administrative Code, and complete the following repairs:

1. Repair a "heavy leak from the storage tank"
2. Clean and paint storage tank after repairing the leak
3. Repair pump at well house number one.

Before the utility can begin making the corrections ordered by DER, the capability of the system to support a peak gallon per minute use had to be considered. Down time for repairs of this nature is approximately a week. The two wells which serve as the source of water are capable of providing 180 gallons per minute. Standard engineering practice requires peak flow (rated in gpm) to be the determining factor of demand evaluation. The philosophy concerning adequate peak flow for each single family

residential customer ranges from a minimum of 2 gpm to a maximum of 11 gpm. The gallons per minute flow per customer, without a hydropneumatic tank, indicates the utility will have difficulties in providing flows above the minimum of the range. It is, therefore, evident that the system will need a hydropneumatic tank at the second well site to temper the instantaneous flow demands while the main tank is disengaged.

The reality of the costs involved in completing the necessary repairs, as ordered by DER, makes it necessary for the inclusion of all these expenses. The utility submitted an application to DER on August 21, 1986 requesting a construction permit for all work needed to comply with Chapter 17-22, F.A.C. It is estimated that the installation of the new hydropneumatic tank, at the second well-site, will cost approximately \$8500. It is estimated that the dismantling, welding, and reconnection of the existing hydro tank will cost approximately \$2500. Specially approved paints must be used to coat the tank after sandblasting. It is estimated that cleaning and painting will cost an additional \$1300 which is estimated to extend the tank's life 10 years. Repairs to the main pump are estimated to cost \$2300, and should extend the life of the pump 7 years. All repairs are estimated to cost a total of \$14,600. We find these estimates to be appropriate.

Used and Useful:

The utility service area is essentially "built-out", with three non-contiguous vacant lots remaining. No future commercial customers are anticipated due to a surrounding municipal system. The water treatment plant has two wells, a hydropneumatic tank and a disinfection unit for each well. Because the utility serves more than 350 persons, it is required to have two wells in order to be in compliance with Rule 17-22.106, Florida Administrative Code. No less of a system would be in compliance with the regulatory standards. Therefore, we find that the utility is 100% used and useful.

Upon consideration, we find the distribution system serving Shamrock Heights to be prudently constructed, and the minimum network of mains capable of providing service. No less of a system could serve the existing customers. Therefore, we find that the distribution systems is 100% used and useful.

Value of Land:

The company could not provide source documentation to verify the recorded value for land of \$988. As a result, land was included as a component to be valued in the original cost study. Since the original cost study, more accurate information concerning early and mid-sixties property values in the New Port Richey area has been obtained. The value estimated for a 60' x 100' lot in 1964 was \$1650, and in 1966 was \$1800. These values reflect the basic cost of raw land, clearing and grubbing, surveying, design engineering and general administrative expenses. The company's balance was compared to the cost study valuation and increased accordingly. Based on the above, we find the original cost for land to be \$3,450.

Acquisition Adjustment:

In recording the purchase, the utility improperly recorded the prior owner's acquisition adjustment. The adjustment was never approved by this Commission and should be removed from the books. Commission policy is to disallow both positive and

negative acquisition adjustments and, therefore, an acquisition adjustment will not be included in rate base.

CIAC:

This system was constructed in 1964. As stated previously, prior to Mr. Cochran's acquiring the utility, there had been two previous transfers. Rate base has never been established for S.H. Utilities. When Mr. Cochran purchased the utility, he was not provided the original cost documentation regarding the plant and, in addition, tax returns of the prior owners were not available. As a result, a cost study was requested and performed.

In cases where a utility's system can only be documented through the use of an original cost study, and the system consists of a distribution system, Commission policy is to impute the distribution system as Contributions-in-Aid-of-Construction (CIAC). The cost of the distribution system determined by Staff engineers was adjusted to an average balance of \$52,498. This amount was then imputed as CIAC. Based on the average balances for plant and CIAC, the utility is 72.42% contributed.

Accumulated Depreciation:

The value of plant-in-service was determined using an original cost study. This balance was then depreciated using the standard rate of 2 1/2% from construction in 1964 to March, 1984, the effective date of Rule 25-30.140, Florida Administrative Code. From inception of the depreciation rule, this Commission has used the composite rate of 3.1%, for small utilities, to depreciate plant. Staff's balance was also adjusted to a 13-month average. As a result, the appropriate balance of accumulated depreciation is \$32,509.

Accumulated Amortization:

The prior owner's acquisition adjustment, which is carried on the utility's books, was never approved by this Commission. We find that the acquisition adjustment should be removed from rate base. In addition, we find that the associated amortization should also be removed from rate base.

Accumulated Amortization of CIAC:

The CIAC imputed, per Commission policy, should be amortized at the same rate at which plant-in-service is depreciated. Based on the average balances of depreciable plant and accumulated depreciation, the plant is 44.84% depreciated. Applying this percentage to the average balance of CIAC determines the average balance of accumulated amortization, which we find to be \$23,540.

Working Capital Allowance:

The working capital allowance was calculated using the balance sheet approach. The company's trial balance reflects a negative allowance. This Commission has adjusted current assets to include the deferred portion of rate case expense, water testing expense, and legal costs. We find that the adjusted balance determines an allowance of \$528, as the appropriate working capital allowance.

13-Month Average Rate Base:

The utility's books and records reflect an average rate base of \$39,110. This Commission has calculated, as the appropriate

13-month average rate base, the amount of \$29,605. This is the first time rate base will be established for S.H. Utilities.

Long-Term Debt:

The utility's records reflect \$28,487 in long-term debt. The owner has indicated that the long-term debt was an obligation of the prior owner and was carried-over onto the books of S.H. Utilities. The obligation for payment of the debt was not assumed by Mr. Cochran or S.H. Utilities, and no payment has ever been made. It is not known who held or currently holds the note. We find that this long-term debt balance will more appropriately be reflected as equity.

Return on Equity:

Based on the leverage graph established by Order No. 16975, issued on December 18, 1986, the return on equity for a utility with an equity ratio of 100% is 11.29%. Thus, the appropriate return on equity for this Utility is 11.29%.

Rate of Return:

Based on a capital structure consisting of 100% equity with a return of 11.29%, an overall rate of return of 11.29% is appropriate. The capital structure is presented on the attached Schedule No. 6.

O&M Expenses:

The utility's books and records reflected the balance of operations and maintenance (O&M) expenses at \$15,348. This Commission, based on the following adjustments, increased the balance by \$2,196, to arrive at the approved balance of \$17,544.

The following adjustments are found to be appropriate:

<u>Description</u>	<u>Amount</u>
A. Remove excess power expense	\$ (82)
B. Reflect reasonable chemical expense	210
C. Proforma adjustment to reflect new rate for billing service	1,170
D. Reflect unrecorded maintenance expense	743
E. Reflect unrecorded accounting and legal expenses	426
F. Amortize major repair and water testing fee	(486)
G. Reflect additional transportation allowance	177
H. Reflect rate case filing fee amortized over four years	38
TOTAL	<u>\$2,196</u>

A breakdown of the O&M expense accounts is reflected on the attached Schedule No.5.

Depreciation Expense:

A new composite depreciation rate of 4.18% was calculated in accordance with Rule 25-30.140, Florida Administrative Code. This rate was applied to average plant to arrive at test year depreciation expense. The composite rate was also applied to the average balance of imputed CIAC to determine test year CIAC amortization expense and then netted with depreciation. Based on the above, this Commission finds that the appropriate balance of depreciation expense is \$876.

Net Operating Income:

Based on the adjustments outlined herein, the net operating income for S.H. Utilities, Inc. is a \$1,654 loss. The operating statement is reflected on Schedule No. 3. The adjustments are outlined on Schedule No. 4.

Revenue Request:

Based on the adjustments outlined herein, we find a revenue requirement of \$23,027 to be appropriate. This results in an increase of \$5,124 (28.62%) over test year revenues of \$17,903.

Rates:

Currently, the utility's rates are structured utilizing the base facility charge rate design. We find it appropriate to continue that rate structure. We also find that the following rates for water service, designed to generate the foregoing revenue requirement, should be approved. The current rates are shown for purposes of comparison.

WATER

General and Residential Service Rates

<u>Meter Size</u>	<u>Current</u>	<u>Approved</u>
5/8" x 3/4"	\$ 3.47	\$ 3.82
1"	8.67	9.55
1 1/2"	17.51	19.10
Gallage Charge: Per 1,000 gallons	\$.95	\$ 1.26

Interim Rates

This Order will propose a prospective increase in rates. A timely protest would delay this rate increase, resulting in a loss of revenue to the utility. Therefore, in the event of a protest, by anyone other than the utility, the utility shall collect the proposed rates as interim rates, subject to refund, provided security for a refund is established. The security should be either a bond, corporate undertaking, or letter of credit in the amount of \$3,555. The Utility is authorized to implement these interim rates only after providing security for a refund, and the filing of revised tariff sheets. Should a refund be required, the refund would be with interest, pursuant to Rule 25-30.360, Florida Administrative Code. This portion of this Order is not issued as proposed agency action and will be valid under the conditions set out above.

Miscellaneous Service Charges:

The utility has requested the establishment of Miscellaneous Service Charges in accordance with Staff Advisory Bulletin No. 13, First Revised. This Commission finds that in those instances where a utility service is directly attributable to a particular customer, that customer should be responsible for the associated cost.

The following miscellaneous service charges are approved. The circumstances when these charges would be levied is also explained. It should be noted that these charges cannot be combined with another miscellaneous service charge.

Initial Connection (1)	- During Normal Business Hours	\$10.00
	- After Normal Business Hours	\$15.00
Normal Reconnection (2)	- During Normal Business Hours	\$10.00
	- After Normal Business Hours	\$15.00
Violation Reconnection (3)	- During Normal Business Hours	\$10.00
	- After Normal Business Hours	\$15.00
Premise Visit Charge (4)	- During Normal Business Hours	\$10.00

(1) Initial Connection: This charge is to be levied for service initiation at a location where service did not exist previously.

(2) Normal Reconnection: This charge is to be levied for transfer of service to a new customer account at the same location or reconnection of service subsequent to a customer requested disconnection. This fee is not levied for non-payment of a bill.

(3) Violation Reconnection: This charge is to be levied subsequent to disconnection of service for cause including a delinquency in bill payment.

(4) Premises Visit Charge (In Lieu of Disconnection): This charge would be levied in the case in which a utility's service person visits the customer's premises for the purpose of collecting payment on an overdue account and no service disconnection was initiated by the utility.

The utility has requested violation reconnection charges of \$35 and \$45 during normal business hours and after regular business hours, respectively. These higher costs are based on pulling the meter, plugging the water line and closing the account after the five day written notice. We do not believe it is necessary to pull the meter unless the customer tampers with the meter after it has been shut off. If tampering occurs, we find that it would be appropriate to pull the meter and plug the line. In such cases, the \$35 and \$45 fee would be appropriate.

Service Availability Charges:

There are three vacant lots in the service area that can be connected to the system. These lots are not expected to be developed in the near future; however, we find that service availability charges should be established.

The customer connection charge for a 5/8" x 1/4" meter is based on the following cost estimates provided by the company

Valves	\$ 30.40
Meter and box	60.00
Fittings	15.00
Tap and Labor (3 hours)	54.00
TOTAL	<u>\$159.40</u>

The fees are itemized below:

WATER

Plant Capacity Charge:	
Per ERC (350 GPD = 1 ERC)	\$ 97.00
Customer Connection Charge:	
5/8" x 3/4"	\$160.00
All other sizes	Actual Cost

We find these fees to be appropriate.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the application of S.H. Utilities, Inc. for an increase in rates for water service provided to customers in Pasco County is granted, in the amounts and on the terms and conditions set forth in the body of this Order. It is further

ORDERED that all matters contained herein and/or attached hereto, whether in the form of discourse or schedules are, by this reference, specifically made integral parts of this Order. It is further

ORDERED that the utility shall file appropriate tariff sheets reflecting the rates and charges approved herein. It is further

ORDERED that the Utility shall implement the new rates and charges set forth and approved herein after the effective date of this Order and that such shall be effective for service rendered on or after that date. It is further

ORDERED that in the event that this Order becomes final, the Utility shall notify each affected customer of the increases. The form of such notice and explanation shall be submitted to the Commission for its prior approval. It is further

ORDERED that this Commission will either issue a notice of further proceedings or an order acknowledging that the provisions of this Notice have become final if all conditions hereof have been met. It is further

ORDERED that the provisions of this Order, issued an proposed agency action, shall become final unless an appropriate petition in the form provided by Rule 25-22.36, Florida Administrative Code, is received by the Director, Division of Records and Reporting, at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on May 8, 1987. It is further

ORDERED that in the event a timely objection to this order is filed in accordance with Commission requirements by a party other than the utility, the utility is authorized to collect the rates proposed herein, subject to refund with interest calculated pursuant to Rule 25-30.360, Florida Administrative Code. The utility shall file revised tariff sheets consistent with the rates set forth herein as a prerequisite to its implementation of the proposed rates. The utility shall also provide an appropriate notice and explanation to its customers, as approved by the Commission, prior to implementation of the proposed rates.

By ORDER of the Florida Public Service Commission, this 10th
day of APRIL, 1987.


STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

JLW

"This fee includes the cost of the meter, meter box, lateral, parts, and labor.

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes (1985), to notify parties of any administrative hearing or judicial review of Commission orders that may be available, as well as the procedures and time limits that apply to such further proceedings. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

The action proposed herein is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on May 8, 1987. In the absence of such a petition, this order shall become effective May 9, 1987 as provided by Rule 25-22.09(6), Florida Administrative Code, and as reflected in a subsequent order.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

If this order becomes final and effective on May 9, 1987, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or sewer utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the effective date of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.001(a), Florida Rules of Appellate Procedure.

S. H. UTILITIES, INC.
 SCHEDULE OF WATER RATE BASE
 TEST YEAR ENDED 7/31/86

SCHEDULE NO. 1
 DOCKET NO. 860920-WU

	TEST YEAR PER UTILITY	CONTR. ADJUST. TO UTIL. BAL.	BALANCE PER CONTR.
UTILITY PLANT IN SERVICE	\$ 29843	\$ 51751 AS	87894
LAND/NON-DEPRECIABLE ASSETS	988	2462 B	2450
PLANT HELD FOR FUTURE USE	0	0	0
ACQUISITION ADJUSTMENT	48549	-48549 C	0
C.M.I.P.	908	-908 D	0
C.I.A.C.	0	-52498 E	-52498
ACCUMULATED DEPRECIATION	-25898	-6611 F	-32509
AMORTIZATION OF ACQUISITION ADJUSTMENT	-7272	7272 G	0
AMORTIZATION OF C.I.A.C.	0	23548 H	23548
WORKING CAPITAL ALLOWANCE	0	528 I	528
WATER RATE BASE	\$ 39118	\$ -9585	\$ 29685

	WATER
A. UTILITY PLANT IN SERVICE	\$
1. REMOVE COMPANY RECORDED AMOUNTS	-29843
2. REFLECT COST STUDY PER ENGINEER	72812
3. REFLECT CONST PER ENGINEER	15500
4. ADJUST TO AVERAGE BALANCES	-1218
TOTAL	\$ <u>57251</u>
B. LAND/NON-DEPRECIABLE ASSETS	\$
1. REFLECT ADDITIONAL LAND COSTS PER ENG	2462
TOTAL	\$ <u>2462</u>
C. ACQUISITION ADJUSTMENT	\$
1. REMOVE UNAUTHORIZED ACQUISITION ADJUST	-43549
TOTAL	\$ <u>-48549</u>
D. CONSTRUCTION WORK IN PROGRESS	\$
1. REMOVE CWIP REFLECTED BY COMPANY	-900
TOTAL	\$ <u>-900</u>
E. CONTRIBUTIONS IN AID OF CONSTRUCTION	\$
1. REFLECT DISTRIBUTION SYSTEM IMPUTED AS CIAC	-52498
TOTAL	\$ <u>-52498</u>
F. ACCUMULATED DEPRECIATION	\$
1. REFLECT DEPR NOT TAKEN BY COMPANY	-7735
2. ADJUST TO AVERAGE BALANCES	1124
TOTAL	\$ <u>-6611</u>

ORDER NO. 17434
DOCKET NO. 860920-WU
Page 12

S. H. UTILITIES, INC.
ADJUSTMENTS TO THE RATE BASE

SCHEDULE NO. 2
DOCKET NO. 860920-WU
PAGE 2 OF 2

	<u>WATER</u>
G. AMORT. ACQUISITION ADJUSTMENT	
1. REMOVE AMORT. REFLECTED BY THE UTILITY	\$ 7272
TOTAL	\$ <u>7272</u>
H. AMORTIZATION OF CLAC	
1. REFLECT AMORT. CALCULATED BY STAFF	\$ 23548
TOTAL	\$ <u>23548</u>
I. WORKING CAPITAL ALLOWANCE	
1. REFLECT ALLOWANCE CALCULATED BY STAFF	\$ 528
TOTAL	\$ <u>528</u>

E. H. UTILITIES, INC.
 SCHEDULE OF WATER OPERATING STATEMENT
 TEST YEAR ENDED 7/31/86

SCHEDULE NO. J
 DOCKET NO. 866928-MU

	TEST YEAR PER UTILITY	CDM. ADJUST. TO UTIL. BAL.	CDM. ADJUST. TEST YEAR	CDM. ADJUST. PER INCREASE	BALANCE PER CDM.
OPERATING REVENUES	\$ 18218	\$ -387 AS	\$ 17983	\$ 5124 ES	23827
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	15348	2196 B	17544	0	17544
DEPRECIATION	2771	-1895 C	876	0	876
AMORTIZATION	0	0	0	0	0
TAXES OTHER THAN INCOME TAXES	1147	-18 D	1137	128 F	1265
INCOME TAXES	0	0	0	0	0
TOTAL OPERATING EXPENSES	\$ 19266	\$ 291	\$ 19557	\$ 128	\$ 19685
OPERATING INCOME/(LOSS)	\$ -1856	\$ -598	\$ -1654	\$ 4996	\$ 3442
WATER RATE BASE	\$ 39118	\$	\$ 39605	\$	\$ 39605
RATE OF RETURN	-2.70%		-5.59%		11.29%

ORDER NO. 17434
DOCKET NO. 860920-WU
Page 14 S. H. UTILITIES, INC.
ADJUSTMENTS TO THE OPERATING STATEMENT

SCHEDULE NO. 4
DOCKET NO. 860920-WU
PAGE 1 OF 2

	WATER
A. OPERATING REVENUE	\$
1. ADJUST UNRECORDED REVENUE TO BILLING ANALYSIS	-387
TOTAL	\$ -387
B. OPERATION AND MAINTENANCE EXPENSES	\$
1. REMOVE EXCESS POWER PER ENGINEER	-82
2. REFLECT CHEMICAL ALLOWANCE PER ENGINEER	218
3. REFLECT NEW RATE FOR BILLING SERVICE	1170
4. REFLECT UNRECORDED MAINT. EXPENSE	743
5. REFLECT UNRECORDED ACCT/LEGAL EXPENSE	426
6. AMORTIZE REPAIR AND WATER TESTING	-486
7. REFLECT ADDITIONAL TRANSPORTATION PER ENG	177
8. REFLECT UNRECORDED RATE CASE FILING FEE AMORTIZED OVER FOUR YEARS	38
TOTAL	\$ 2196
C. DEPRECIATION EXPENSE	\$
1. REFLECT DEPR AT NEW COMPOSIT RATE NET OF CIAC AMORTIZATION	-1895
TOTAL	\$ -1895
D. TAXES OTHER THAN INCOME TAXES	\$
1. REMOVE EXCESS REGULATORY ASSESSMENT FEES	-18
TOTAL	\$ -18

ORDER NO. 17434
DOCKET NO. 860920-WU
Page 15 S. H. UTILITIES, INC.
ADJUSTMENTS TO THE OPERATING STATEMENT

SCHEDULE NO. 4
DOCKET NO. 860920-WU
PAGE 2 OF 2

	<u>WATER</u>
E. OPERATING REVENUE	\$ 5124
1. REFLECT INCREASE NECESSARY	
TOTAL	<u>\$ 5124</u>
F. TAXES OTHER THAN INCOME TAXES	\$ 128
1. REFLECT ADDITIONAL FEES DUE TO INCREASE	
TOTAL	<u>\$ 128</u>

SCHEIDT NO. 5
 DOCKET NO. 860920-44
 PAGE 1 OF 1

S. H. UTILITIES, INC.
 ANALYSIS OF WATER O & M EXPENSES

ACCOUNT TITLE	BALANCE PER UTIL.	CONTR. ADJUST.	FINAL BALANCE
SALARIES AND WAGES - EMPLOYEES	4000	-4000	0
SAVINGS AND BONDS - EMPLOYEES	0	4000	4000
PENSIONS AND BENEFITS	0	0	0
PURCHASED WATER	0	0	0
PURCHASED POWER	1530	-62	1468
FUEL FOR POWER PRODUCTION	0	0	0
OPERONLS	0	210	210
MATERIALS AND SUPPLIES	0	0	0
CONTRACTUAL SERVICES	8476	1053	10329
RENTS	0	0	0
TRAINING/ON-TION EXPENSES	274	176	450
INSURANCE EXPENSE	206	0	206
REGULATORY COMMISSION EXPENSES	18	39	57
BAD DEBT EXPENSE	0	0	0
MISCELLANEOUS EXPENSES	44	0	44
TOTAL	\$ 15340	\$ 2196	\$ 17544

ORDER NO. 17434
 DOCKET NO. 860920-WU
 Page 16

S. H. UTILITIES, INC.
 SCHEDULE OF CAPITAL STRUCTURE
 TEST YEAR ENDED 7/31/66

SCHEDULE NO. 6
 DOCKET NO. (66)928-44

	BALANCE PER UTILITY	COMM. ADJUST. TO UTIL. BAL.	BALANCE PER COMM.	PERCENT OF TOTAL	COST	WEIGHTED COST
LONG-TERM DEBT	\$ 29487	\$ -29487 A	0	0.00%	0.00%	0.00%
SHORT-TERM DEBT	0	0	0	0.00%	0.00%	0.00%
PREFERRED EQUITY	0	0	0	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	0	0	0	0.00%	0.00%	0.00%
COMMON EQUITY	18740	18865 B	29605	100.00%	11.29%	11.29%
INVESTMENT TAX CREDITS	0	0	0	0.00%	0.00%	0.00%
DEFERRED TAXES	0	0	0	0.00%	0.00%	0.00%
OTHER	0	0	0	0.00%	0.00%	0.00%
TOTAL	\$ 39227	\$ -9622	\$ 29605	100.00%		11.29%

INDEX OF REASONABLENESS
 RETURN ON EQUITY
 OVERALL RATE OF RETURN

	LOW	HIGH	A. RECLASSIFY TO EQUITY.	B. NET ADJUSTMENT TO EQUATE RATE BASE AND CAPITAL STRUCTURE.	C. NEW LEVERAGE GRAPH AS APPROVED AT THE DECEMBER 2, 1966 MEETING.
RETURN ON EQUITY	18.29%	12.29%			
OVERALL RATE OF RETURN	18.29%	12.29%			