

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for transfer
of Certificate No. 495-S in
Charlotte County from
Sandalhaven Utility, Inc. to
Utilities, Inc. Of Sandalhaven.

DOCKET NO. 981221-SU
ORDER NO. PSC-99-2114-PAA-SU
ISSUED: October 25, 1999

The following Commissioners participated in the disposition of
this matter:

JOE GARCIA, Chairman
J. TERRY DEASON
SUSAN F. CLARK
E. LEON JACOBS, JR.

ORDER APPROVING TRANSFER AND
DECLINING TO INITIATE A SHOW CAUSE PROCEEDING
AND
NOTICE OF PROPOSED AGENCY ACTION
ORDER ESTABLISHING RATE BASE AND DECLINING TO INCLUDE AN
ACQUISITION ADJUSTMENT IN THE CALCULATION OF RATE BASE FOR
TRANSFER PURPOSES

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the actions discussed herein regarding the establishment of rate base and declining to approve an acquisition adjustment for transfer purposes are preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

BACKGROUND

Sandalhaven Utility, Inc. (Sandalhaven or utility) is a Class C utility, serving approximately 623 wastewater customers in Charlotte County. The annual report for 1996 shows operating revenues of \$161,918 and a net operating loss of \$41,249.

Sandalhaven was transferred and merged with CHP Utility, Inc. (CHP) in 1996. We approved this transfer by Order No. PSC-97-1150-FOF-SU, issued September 30, 1997, in Docket No. 970381-SU. As a

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FPSC-REGISTRATION/REPORTING

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result of the transfer to CHP, Sandalhaven became a non-profit utility. CHP received all of Sandalhaven's assets and customer service area. Because CHP satisfied the requirements for exemption pursuant to Section 367.022(7), Florida Statutes, Sandalhaven's Certificate No. 495-S was canceled. The CHP/Sandalhaven membership was comprised of utility customers receiving service from the utility and all members held one vote as stated in the Articles of Incorporation. Only members of the non-profit corporation received wastewater service.

On May 1, 1998, a Motion to Rescind Order No. PSC-97-1150-FOF-SU was filed, stating that a settlement could not be reached regarding the use of CHP, a member-owned not-for-profit corporation, to own and operate the Sandalhaven facilities. By Order No. PSC-98-1248-FOF-SU, issued September 21, 1998, in Docket No. 970381-SU, we granted the motion to rescind. Certificate No. 495-S was reinstated to Sandalhaven when Order No. PSC-97-1150-FOF-SU was rescinded.

On September 24, 1998, Utilities, Inc. of Sandalhaven (Utilities, Inc.) filed an application for authority to transfer Certificate No. 495-S from Sandalhaven to Utilities, Inc.

NO SHOW CAUSE REQUIRED

Sandalhaven closed on the transfer of its facilities to Utilities, Inc., on March 30, 1999, prior to obtaining Commission approval. Section 367.071(1), Florida Statutes, states that, "No utility shall sell, assign, or transfer its certificate of authorization, facilities or any portion thereof..., without determination and approval of the [C]ommission that the proposed sale, assignment, or transfer is in the public interest."

Section 367.161(1), Florida Statutes, authorizes the Commission to assess a penalty of not more than \$5,000 for each offense, if a utility is found to have knowingly refused to comply with, or to have willfully violated any provision of Chapter 367, Florida Statutes. In closing on the transfer of its facilities prior to Commission approval, the utility's act was "willful" in the sense intended by Section 367.161, Florida Statutes. In Order No. 24306, issued April 1, 1991, in Docket No. 890216-TL, titled In Re: Investigation Into The Proper Application of Rule 25-14.003, Florida Administrative Code, Relating To Tax Savings Refund For 1988 and 1989 For GTE Florida, Inc., the Commission having found that the company had not intended to violate the rule, nevertheless

found it appropriate to order it to show cause why it should not be fined, stating that "[i]n our view, 'willful' implies an intent to do an act, and this is distinct from an intent to violate a statute or rule."

Although Sandalhaven's failure to obtain our approval prior to closing on the transfer of its facilities to Utilities, Inc., is an apparent violation of Section 367.071(1), Florida Statutes, there are circumstances which appear to mitigate the utility's apparent violation. According to a letter dated March 26, 1999, Sandalhaven closed on the transfer of its facilities to Utilities, Inc., so that Utilities, Inc., could take immediate action on fifteen possible violations cited by the Florida Department of Environmental Protection (DEP) observed at the utility. Furthermore, there is a provision in the contract between Sandalhaven and Utilities, Inc., which states that the sale is subject to our jurisdiction.

Based on the foregoing, we do not find that the apparent violation of Section 367.071, Florida Statutes, rises in these circumstances to the level which warrants the initiation of a show cause proceeding. Therefore, Sandalhaven shall not be required to show cause for failure to obtain Commission approval prior to transferring its facilities to Utilities, Inc.

APPLICATION

Except as discussed previously, the application is in compliance with Section 367.071, Florida Statutes, and other pertinent statutes and provisions of the Florida Administrative Code. The application contained a check in the amount of \$1,500, which is the correct filing fee pursuant to Rule 25-30.020(c), Florida Administrative Code.

The application also included evidence, in the form of a warranty deed, that the utility owns the land upon which its facilities are located as required by Rule 25-30.037(2)(q), Florida Administrative Code. The deed was recorded in accordance with Section 695.01, Florida Statutes. A description of the territory served by the utility is in Attachment A of this Order, which by reference is incorporated herein.

In addition, the application contains proof of compliance with the noticing provisions set forth in Rule 25-30.030, Florida Administrative Code, including notice to the customers of the

system to be transferred. Two customers timely filed objections to the transfer of the utility. Both our staff and the utility replied to the objection letters, and our staff inquired as to whether they wanted to pursue a formal hearing. The customers did not contact the Commission within the time period specified and did not indicate a desire to commence a formal proceeding. No other objections to the notice of application have been received, and the time for filing such has expired.

The application states that the transfer is in the public interest because Utilities, Inc.'s primary business is operating water and wastewater utilities. Additionally, the application contains a statement that Utilities, Inc., will fulfill the commitments, obligations and representations of Sandalhaven with regard to utility matters. In contrast, Sandalhaven states that it is no longer interested in owning and operating the utility systems.

Regarding its technical ability to provide service, Utilities, Inc., is a holding company which, as of December 31, 1997, owned and operated approximately 350 water and wastewater utility systems through 63 subsidiary operating companies. Utilities, Inc., has approximately 31 years of experience in the water and wastewater utility industry. In addition, Utilities, Inc., has 22 years of experience in operating water and wastewater utilities under the regulation of this Commission. At the present time, Utilities, Inc., provides safe and reliable water and wastewater service to approximately 200,000 customers in fifteen states.

The application states that Utilities, Inc., conducted a reasonable investigation of the wastewater system. Utilities, Inc., also conducted a review of the files at the DEP and determined that there are no outstanding consent orders, but that there are fifteen possible violations with the DEP for this system. As previously noted, these possible violations dictated the early closing of the sale.

Regarding its financial ability to provide service, the application states that Utilities, Inc., has the ability to raise cash when necessary to finance its operations to ensure consistent compliance with environmental regulations. Utilities, Inc., has provided the company's consolidated financial statement, along with additional information regarding its sources of annual income. Additionally, Utilities, Inc., is a wholly-owned subsidiary of Utilities, Inc. of Florida, which has approximately \$265,563,000 of

assets and a total capitalization of \$84,000,000. Utilities, Inc., has the capability to provide investment capital at reasonable rates to Sandalhaven.

The application contains a copy of the purchase agreement, which includes the purchase price, terms of payment and a list of the assets purchased. According to the purchase agreement, the purchase price for the utility facilities and the treatment plant, including land, equipment and personal property, is \$500,000. The total purchase was a cash transaction. Based on the application, there are no guaranteed revenue contracts, developer agreements, utility debt, or customer advances that must be disposed of in association with this transfer.

Sandalhaven will remain responsible for the existing debts of the utility incurred or accrued up to closing, which includes regulatory assessment fees. According to our records, the utility is current on its regulatory assessment fees and has filed an annual report for 1996 and all prior years. The utility was exempt from filing an annual report and regulatory assessment fees for the year 1997 and part of 1998. Sandalhaven owes regulatory assessment fees for 1998 from December 7, 1998 through December 31, 1998. Utilities, Inc., will be responsible for the regulatory assessment fees associated with revenues collected up to and including the date of transfer, which is March 30, 1999. Utilities, Inc., will be responsible for the payment of regulatory assessment fees after the transfer.

Based on the foregoing, we find the transfer of Certificate No. 495-S from Sandalhaven to Utilities, Inc., to be in the public interest, and it is approved.

RATE BASE

According to the application, the proposed net book value of the system being transferred is \$690,669 for the wastewater system, as of December 31, 1997. By Order No. PSC-95-0478-FOF-SU, issued April 13, 1995, in Docket No. 941341-SU, we granted the utility original certificates and approved rates that were initially established by the Charlotte County Board of County Commissioners. However, we have never formally established rate base. The proposed wastewater rate base included in this application is based upon the utility's books and records.

Our staff conducted an audit of the books and records of the utility to determine the rate base (net book value) as of August 31, 1998. The rate base was determined from company-provided historical records and supporting source documentation. The utility's books and records were not consistently in compliance with our directives and the books were not in conformance with the NARUC Uniform System of Accounts as required by Rule 25-30.115, Florida Administrative Code. The audit report contained several exceptions. The utility did not file a response to the audit report. The following adjustments were made based on the audit.

Utility Plant-In-Service

Wastewater plant-in-service was increased by a total of \$212,456. The total increase to the related accumulated depreciation is \$34,709.

In 1991 and 1995, Sandalhaven did not record plant assets totaling \$212,456 contributed by the developers, Eagle Preserve and Cape Haze. The plant additions included lift stations, force main lines, and services. Consequently, we increased the collection force main account by \$31,402; collection gravity account by \$72,122; manholes account by \$21,715; services account by \$19,317; and lift station account by \$67,900.

Because this is contributed property, the contributions-in-aid-of-construction (CIAC) accounts and accumulated amortization of CIAC were adjusted to reflect this unrecorded property. In addition, we increased the respective CIAC account by \$212,456 and the accumulated amortization account by \$34,709. Based on these adjustments, the plant-in-service balance is \$1,381,000 for the wastewater system as of August 31, 1998.

Accumulated Depreciation

The utility had not adjusted its books for 1997 and 1998 for accumulated depreciation and accumulated amortization. Therefore, we calculated the depreciation expense using the utility's balances and service life rates previously established to accurately reflect the balances as of August 31, 1998.

Rule 25-30.140(3), Florida Administrative Code, states that, "Except as listed in Subsections (5) and (6) of this rule, average service life depreciation rates based on the guideline lives and salvages shall be used in rate proceedings before this Commission."

Rule 25-30.140(5), Florida Administrative Code, provides that a utility may petition for average service life depreciation rates different from those contained in this rule. Rule 25-30.140(6), Florida Administrative Code, specifies the conditions under which a utility may apply for guidelines for a proposal for implementation of remaining life depreciation rates. In the past, we have not implemented new rules and guideline depreciation rates until the utility participated in a proceeding before us either for: (1) revised water and/or wastewater rates and charges; or (2) a specific request for changes in depreciation rates (not necessarily advisable without matching revenues).

The utility has never appeared before us in a rate proceeding. Because this docket is not a rate proceeding, it would not be appropriate to change the utility's depreciation rates at this time. We have allowed other utilities to continue using depreciation rates that were established prior to our regulation or prior to a rate proceeding. See Order No. PSC-95-0622-FOF-WS, issued May 22, 1995, in Docket No. 940850-WS, concerning the transfer of Colonies Water Company. Therefore, we find it appropriate to require the utility to continue using the approved depreciation rates established by Charlotte County, which results in an accumulated depreciation balance of \$507,749 for wastewater.

To achieve an accumulated depreciation balance of \$507,749, we increased accumulated depreciation by \$62,362 to reflect the entries not made in 1997 and 1998 by the utility. An adjustment of \$34,709 was made in relation to the unrecorded plant, as previously discussed. These net adjustments result in a total accumulated depreciation balance of \$507,749 for wastewater as of August 8, 1998.

Land

The utility's general ledger reports a land balance of \$225,000. The land was deeded to Sandalhaven on December 31, 1998 from a related company. The utility's land value is based on an appraisal performed on August 3, 1991. The appraisers used a vacant land lot that is located in a significantly more expensive area to assess the value of the land. The land that was used in the comparison to establish the value was water-front property; however, the utility's land is not water-front property. The appraisers assessed a value \$225,000 for the land.

Our field auditors verified the utility's ownership of the land. However, the auditors were unable to determine from court records when the land was actually purchased by the related party. Pursuant to Order No. 11180, issued September 21, 1982, in Docket No. 810333-SU, land is recorded on the books of the utility at market value. Florida is an original cost jurisdiction and Chapter 367, Florida Statutes, requires that we consider the cost of the utility assets at the time those assets are dedicated to public service.

Our policy is that when land is transferred from an affiliate company, it should be valued at the cost to the related company. However, if the land is not placed into service until a later time, the land should be based on comparable sales when the land was first placed into service. Based on the above information, the appraisal value of the land is \$225,000 for 1.58 acres, which may be overstated due to some of the dissimilar characteristics of the compared lots. However, the utility hired an unrelated company to perform the appraisal, which would support that this was an arms-length transaction. Because we were unable to determine the original cost of the land and the disparity between the properties, we find it appropriate to use the present appraisal in this case. However, the issue of the value of the land shall be revisited in a future rate proceeding.

CIAC

The utility did not record connection fees of \$1,250 that were received in 1995. According to the utility's 1995 cash receipt summary, the utility collected connection fees totaling \$93,115. Our staff verified the cash receipt summary amount to be correct. The 1995 CIAC schedule had a total recorded amount of \$91,865. Therefore, the CIAC account was increased by \$1,250 and the related accumulated amortization was increased by \$99 to reflect this collection.

Pursuant to Order No. PSC-98-1142-FOF-SU, issued August 24, 1998, in Docket No. 980120-SU, the utility was required to refund \$28,059 in gross-up collections for 1995. The utility refunded the money as required, but it never booked the refund in its general ledger. The utility did not record anything in its books after December 1996. Therefore, CIAC was decreased by \$28,059 and the related accumulated amortization was decreased by \$486 to reflect this adjustment. As discussed above, the utility did not record contributed plant that amounted to \$212,456, which should have been

recorded as CIAC in 1991 and 1995. Based on these adjustments, we find that the CIAC balance is \$1,539,376 for the wastewater system as of August 31, 1998.

Accumulated Amortization of CIAC

The utility had not adjusted its books for 1996 through 1998 for accumulated amortization. Therefore, we calculated the amortization expense using the utility's balances and rates previously established to accurately reflect the balances as of August 31, 1998. The accumulated amortization was adjusted by \$63,467 to record entries not made by the utility from 1996 to 1998.

As discussed above, in 1991 and 1995, the utility neglected to record plant assets totaling \$212,456, which are contributed property. To accurately reflect this contributed property, an adjustment of \$34,709 was recorded in the accumulated amortization of CIAC accounts. Based upon these adjustments, accumulated amortization of CIAC is hereby increased by \$98,176 to reflect a balance of \$471,504.

Rate base is shown on Schedule No. 1, which by reference is incorporated herein. Adjustments to rate base are itemized on Schedule No. 2, which by reference is incorporated herein. Based on the adjustments, the utility's rate base shall be established as \$30,378 for the wastewater system as of August 31, 1998. This rate base calculation is used solely to establish the net book value of the property being transferred and does not include the usual rate making adjustments of working capital and used and useful calculations.

ACQUISITION ADJUSTMENT

An acquisition adjustment results when the purchase price differs from the rate base for transfer purposes. The acquisition adjustment resulting from the transfer of Sandalhaven would be calculated as follows:

Purchase Price:	\$ 500,000
Commission Calculated Rate Base:	<u>30,378</u>
Positive Acquisition Adjustment:	<u>\$ 469,622</u>

An acquisition adjustment was not requested by Utilities, Inc. The company stated that the purchase price of \$500,000 was the best price it was able to negotiate for the system, and no other justification for the agreed upon price was provided. In the absence of extraordinary circumstances, it has been our practice that a subsequent purchase of a utility system at a premium or discount shall not affect the rate base calculation. Because there are no extraordinary circumstances regarding this purchase that would justify an acquisition adjustment to rate base, and because Utilities, Inc., stated that it was not seeking an acquisition adjustment, a positive acquisition adjustment shall not be approved.

RATES AND CHARGES

The utility's current rates and charges for service were approved by Order No. PSC-95-0478-FOF-SU, issued April 13, 1995, in Docket No. 941341-SU. The utility's approved rates and charges are as follows:

Monthly Service Rates

Residential Service

Base Facility Charge

Meter Size:

All Meter Sizes \$ 12.00

Gallonage Charge

per 1,000 gallons \$ 2.59
(Maximum 8,000 gallons)

General Service

Base Facility Charge

Meter Size:

5/8" x 3/4" \$ 12.00

1" 30.00

1-1/2" 60.00

1-1/2" (Restaurant only - 15 ERC's) 180.00

2" 96.00

Gallonage Charge

per 1,000 gallons \$ 2.59

Multi-Residential Service
Base Facility Charge

Meter Size:

All Meter Sizes \$ 12.00 per living
unit whether
occupied or not

Gallonage Charge
per 1,000 gallons: \$ 2.59
(Maximum 8,000 gallons per living
unit excluding amenities)

Customer Deposits

Residential: N/A

General Service: Estimated charges
for service for 2
billing periods

Miscellaneous Service Charges

Initial Connection \$ 15.00
Normal Reconnection 15.00
Violation Reconnection Actual Cost
Premises Visit (in lieu
of disconnection) 10.00

Service Availability Charges

Plant Capacity Charge:

Residential - per ERC (190 GPD) \$ 1,250.00
All others - per gallon 6.58

Customer Connection (Tap-in) Charge:

All Meter Sizes Actual Cost

Inspection Fee: Actual Cost

Plan Review Charge: Actual Cost

Guaranteed Revenue Charge:

With Prepayment of Service Availability Charges:

Residential - per ERC/month	N/A
All others - per gallon/month	N/A

Without Prepayment of Service Availability Charges:

Residential - per ERC/month	Applicable BFC per month
All others - per gallon/month	Applicable BFC per month

Rule 25-9.044(1), Florida Administrative Code, provides that:

In case of change of ownership or control of a utility which places the operation under a different or new utility, . . . the company which will thereafter operate the utility business must adopt and use the rates, classification and regulations of the former operating company (unless authorized to change by the Commission).

Utilities, Inc., has not requested a change in the rates and charges for the utility. Accordingly, the utility shall continue charging the rates and charges approved for Sandalhaven until authorized to change by the Commission in a subsequent proceeding. The utility has filed a revised tariff reflecting the transfer of ownership. The tariff shall be effective for service rendered or connections made on or after the stamped approval date on the tariff sheets.

If no timely protest is received upon the expiration of the protest period, the Order shall become final and effective upon the issuance of a consummating order.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the transfer of Certificate No. 495-S from Sandalhaven Utility, Inc., 6800 Placida Road, Englewood, Florida 34224, to Utilities, Inc. of Sandalhaven, 200 Weathersfield Avenue, Altamonte Springs, Florida 32714, is hereby approved. It is further

ORDERED that all matters contained in the attachments and schedules attached hereto are incorporated herein by reference. It is further

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ORDERED that a show cause proceeding shall not be initiated against Sandalhaven Utility, Inc., for its apparent violation of Section 367.071(1), Florida Statutes. It is further

ORDERED that rate base for transfer purposes shall be \$30,378, which is the net book value as of August 31, 1998. It is further

ORDERED that Utilities, Inc. of Sandalhaven shall continue using the approved depreciation rates established by Charlotte County, which results in an accumulated depreciation balance of \$507,749 for wastewater. It is further

ORDERED that the present appraisal value of the land shall be used in this case. The issue of the value of the land shall be revisited in a future rate proceeding. It is further

ORDERED that a positive acquisition adjustment shall not be included in the calculation of rate base for transfer purposes. It is further

ORDERED that Utilities, Inc. of Sandalhaven shall continue to charge the rates and charges approved for Sandalhaven Utility, Inc., until authorized to change by the Commission in a subsequent proceeding. It is further

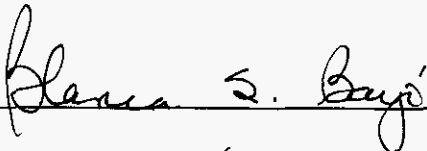
ORDERED that the tariff reflecting the change in ownership shall be effective for service rendered or connections made on or after the stamped approval date on the tariff sheets. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that in the event this Order becomes final, this docket shall be closed.

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By ORDER of the Florida Public Service Commission this 25th
day of October, 1999.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

(S E A L)

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. 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.

As identified in the body of this order, our actions regarding the establishment of rate base and our decision not to approve an acquisition adjustment are preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting, at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on November 15, 1999. If such a petition is filed, mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing. In the absence of such a petition, this order shall become effective and final upon the issuance of a Consummating 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.

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Any party adversely affected by the Commission's final action in this matter may request: (1) reconsideration of the decision by filing a motion for reconsideration with the Director, Division of Records and Reporting within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or (2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water or wastewater 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 after the issuance 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 9.900(a), Florida Rules of Appellate Procedure.

ATTACHMENT A

UTILITIES, INC. OF SANDALHAVEN INC.

CHARLOTTE COUNTY

TERRITORY DESCRIPTION

The following described lands located in portions of Sections 21, 27, 28, 33 and 34, Township 41 South, Range 20 East, AND Section 3, Township 42 South, Range 20 East, Charlotte County, Florida:

Township 41 South, Range 20 East:

Section 21

All that portion of the Southwest 1/4 of said Section 21 lying South of Buck Creek and East of Lemon Bay AND that portion of the Southwest 1/4 of the Southeast 1/4 lying South of Buck Creek and West of State Road 775 as it is now constructed.

Section 27

The West 2400 feet more or less of said Section 27.

Section 28

All that portion of said Section 28 lying East of Lemon Bay.

Section 33

All that portion of said Section 33 lying East of Lemon Bay.

Section 34

The West 2400 feet more or less of said Section 34.

Township 42 South, Range 20 East:

Section 3

All that portion of the Northwest 1/4 of said Section 3 lying East of Lemon Bay and North and West of an existing canal.

SANDALHAVEN UTILITY, INC.
SCHEDULE OF WASTEWATER RATE BASE
As of August 31, 1998

<u>DESCRIPTION</u>	<u>BALANCE PER UTILITY</u>	<u>COMMISSION ADJUSTMENTS</u>	<u>BALANCE PER COMMISSION</u>
Utility Plant in Service	\$1,168,544	\$212,456	\$1,381,000
Land	\$ 225,000		\$ 225,000
Accumulated Depreciation	(\$ 410,679)	(\$ 97,071)	(\$ 507,749)
Contributions-in- aid-of-Construction	(\$1,353,729)	(\$185,647)	(\$1,539,376)
Amortization of Accumulated CIAC	<u>\$ 373,328</u>	<u>\$ 98,176</u>	<u>\$ 471,504</u>
TOTAL	<u>\$ 2,464</u>	<u>\$ 27,914</u>	<u>\$ 30,378</u>

SANDALHAVEN UTILITY, INC.
SCHEDULE OF WASTEWATER RATE BASE

<u>EXPLANATION</u>	<u>ADJUSTMENT</u>
Utility Plant in Service	
1) To reflect unrecorded contributed plant	<u>\$212,456</u>
Accumulated Depreciation	
1) Adjustment related to contributed plant	(\$ 34,709)
2) Adjustment to reflect unrecorded entries	(\$ 62,362)
Total	<u>(\$ 97,071)</u>
CIAC	
1) Adjustment related to contributed plant	(\$212,456)
2) Adjustment to reflect refunded Gross-up collections	(\$ 28,059)
3) To reflect actual connections	(\$ 1,250)
Total	<u>(\$185,647)</u>
Accumulated Amortization of CIAC	
1) Adjustment related to contributed plant	\$ 34,709
2) To reflect unrecorded entries for 1996-98	\$ 63,467
Total	<u>\$ 98,176</u>