

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for increase in water and wastewater rates in Marion County by Tradewinds Utilities, Inc. | DOCKET NO. 100127-WS
ORDER NO. PSC-10-0731-PCO-WS
ISSUED: December 15, 2010

The following Commissioners participated in the disposition of this matter:

ART GRAHAM, Chairman
LISA POLAK EDGAR
NATHAN A. SKOP
RONALD A. BRISÉ
EDUARDO E. BALBIS

ORDER SUSPENDING PROPOSED RATES AND GRANTING INTERIM RATES

BY THE COMMISSION:

Tradewinds Utilities, Inc. (Tradewinds or Utility) is a Class B utility providing water and wastewater service to approximately 501 water and 292 wastewater customers in Marion County. Water and wastewater rate base was last established for this Utility in 1994.¹

On September 28, 2010, Tradewinds filed its application for a rate increase at issue in the instant docket. The Utility had several deficiencies in the Minimum Filing Requirements (MFRs), and as of our vote on the suspension of the proposed rates and request for interim rates, those deficiencies remained outstanding. Although the MFRs are deficient, by statute, we must address Tradewinds' interim request within 60 days of the date of filing such request. 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 simple average period ended December 31, 2009.

Tradewinds requested interim rates designed to generate annual water revenues of \$204,434 and wastewater revenues of \$237,338. This represents a revenue increase on an annual basis of \$80,900 (65.49 percent) for water and \$32,950 (16.12 percent) for wastewater. The Utility requested final rates designed to generate annual water revenues of \$207,284 and wastewater revenues of \$240,138. This represents a revenue increase of \$83,750 (67.80 percent) for water and \$35,750 (17.49 percent) for wastewater.

The original 60-day statutory deadline for us to suspend the Utility's requested final rates was November 27, 2010. However, by letter dated November 3, 2010, the Utility agreed to extend the statutory time frame through November 30, 2010. This Order addresses the

¹ See Order No. PSC-94-0245-FOF-WS, issued March 4, 1994, in Docket No. 930524-WS, In re: Application for a staff-assisted rate case in Marion County by Tradewinds Utilities, Inc. This order was effectuated through a stipulation approved by Order No. PSC-95-0064-S-WS, issued January 12, 1995.

DOCUMENT NUMBER DATE
09945 DEC 15 2010
FPSC-COMMISSION CLERK

suspension of Tradewinds' requested final rates and the Utility's requested interim rates. We have jurisdiction pursuant to Sections 367.081 and 367.082, Florida Statutes (F.S.).

Suspension of Water and Wastewater Rates

Section 367.081(6), F.S., provides that we 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) we have not acted upon the requested rate increase; or (2) if our PAA action is protested by a party other than the Utility.

We have reviewed the filing and considered the information filed in support of the rate application and the proposed final rates. Based on this review, we find that it is necessary to require further investigation of this information, including on-site investigations by staff accountants and engineers. Based on the foregoing, the Utility's proposed rate increase shall be suspended.

Interim Rates

Tradewinds has filed rate base, cost of capital, and operating statements to support its requested interim increase in water and wastewater rates. Pursuant to Section 367.082(1), F.S., in order to establish a prima facie entitlement for interim relief, the Utility shall demonstrate that it is earning outside the range of reasonableness on its rate of return. Pursuant to Section 367.081(2)(a), F.S., in a proceeding for an interim increase in rates, we 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 our adjustments below, we find 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. We have reviewed Tradewinds' interim request, as well as Order Nos. PSC-94-0701-FOF-WS and PSC-95-0064-S-WS, in which we last established rate base. We have attached accounting schedules to illustrate our calculation of the appropriate 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.

A. Rate Base

In the last rate case, the Utility's water treatment plant was found to be 88 percent used and useful (U&U) based on minimum flow requirements along with consideration for fire flow and margin reserve. According to the order, Tradewinds was serving approximately 299 water customers in 1993. The Utility's three wells and pumps had a total capacity of 1,400 gallons per

minute (gpm), and the fire flow requirement was 500 gpm for four hours. According to its filing, Tradewinds is currently serving approximately 446 residential customers and 52 general service customers and it appears that the capacity of the wells has not changed since the last rate case.

The Utility's wastewater treatment plant was found to be 71.56 percent U&U in the last rate case based on the highest five consecutive days in the peak month, a margin reserve allowance, and the permitted capacity of the wastewater treatment plants. According to the order, Tradewinds was serving approximately 170 wastewater customers. The Utility's two wastewater treatment plants had a combined capacity of 81,000 gallons per day (gpd). According to its filing, Tradewinds is currently serving approximately 253 residential customers and 37 general service customers.

Although there has been a significant increase in the capacity of the distribution and collection systems and in the total investment in both water and wastewater assets, there does not appear to be a change in the capacity of the water or wastewater treatment plants since the last rate case. At this time, we find that no U&U adjustments shall be made for the water and wastewater treatment plants and distribution and collection systems in calculating the interim revenue requirement. We will address the appropriate U&U calculations in the final order.

In accordance with Rule 25-30.433(2), Florida Administrative Code (F.A.C.), the Utility calculated its working capital allowance based on the formula method, which is one-eighth of operation and maintenance (O&M) expenses. As discussed below, we are approving O&M expense reductions of \$7,725 for water and \$8,236 for wastewater. As such, the Tradewinds' working capital allowance shall be reduced by \$965 and \$1,029 for water and wastewater, respectively. Therefore, we calculate the Tradewinds' rate base for water and wastewater for purposes of determining interim rates to be \$706,291 and \$240,891, respectively.

B. Cost of Capital

For purposes of its interim request, Tradewinds used a return on equity (ROE) of 10.85 percent. This return was determined by using our 2010 leverage formula. Pursuant to Section 367.082(2)(a), F.S., the appropriate ROE for purposes of determining an interim rate increase is the minimum authorized ROE from the last rate case. In accordance with Order Nos. PSC-94-0701-FOF-WS and PSC-95-0064-S-WS, the Utility's last authorized ROE was 10.97 percent with a range of plus or minus 100 basis points. As such, Tradewinds' authorized minimum ROE is 9.97 percent. Based on the above, we calculate the appropriate overall cost of capital to be 5.96 percent for interim purposes.

C. Net Operating Income

Pursuant to Section 367.082(5)(b)1., F.S., the only adjustments that should be made to the interim test year are adjustments consistent with the most recent individual rate proceeding or adjustments to annualize rate changes occurring during the interim test year. Based on our staff's review of the MFRs, we find an adjustment to operating revenues is appropriate. To reflect the appropriate amount of annualized revenues, we have decreased operating revenues by \$191 for water and increased operating revenues by \$4,491 for wastewater.

Additionally, we find an adjustment to operating expenses is appropriate. Tradewinds included adjustments to increase water expenses by \$3,526 for salaries, \$721 for healthcare costs, and \$3,478 for bad-debt expense. The Utility also included adjustments to increase wastewater expenses by \$3,526 for salaries, \$721 for healthcare costs, and \$3,989 for bad-debt expense. We find the Utility’s proposed adjustments are pro forma in nature because they are outside the interim test year. As such, Tradewinds’ pro forma expense adjustments shall be removed from the interim net operating income calculation.

Based on the above, we find that the appropriate test year operating loss, before any revenue increase, is \$30,182 for water and \$5,431 for wastewater.

D. Revenue Requirement

Based on the above adjustments, we find that the appropriate revenue requirement is \$199,011 for water and \$229,595 for wastewater. Therefore, Tradewinds shall 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	\$123,343	\$75,669	\$199,011	61.35%
Wastewater	\$208,879	\$20,716	\$229,595	9.92%

This represents an interim increase in annual revenues of \$75,669 or 61.35 percent for water and \$20,716 or 9.92 percent for wastewater. This increase will allow the Utility the opportunity to recover its operating expenses and earn a 5.96 percent return on its rate base.

E. Interim Rates

As stated above, interim water and wastewater service rates for Tradewinds shall be designed to allow the Utility the opportunity to generate annual water revenues of \$199,011 and wastewater revenues of \$229,595. This reflects an increase of \$75,669 (61.35 percent) for water and \$20,716 (9.92 percent) for wastewater, before removal of miscellaneous revenues. To determine the appropriate percentage increase to apply to the service rates, miscellaneous service revenues shall be removed from the test year revenues. Our calculation is as follows:

	<u>Water</u>	<u>Wastewater</u>
1 Total Test Year Revenues	\$123,343	\$208,879
2 Less: Miscellaneous Revenues	<u>3,095</u>	<u>0</u>
3 Test Year Revenues from Service Rates	\$120,248	\$208,879
4 Revenue Increase	<u>\$75,669</u>	<u>\$20,716</u>
5 % Service Rate Increase (Line 4/Line3)	<u>62.93%</u>	<u>9.92%</u>

The interim rate increase of 62.93 percent for water and 9.92 percent for wastewater shall be applied as an across-the-board increase to the service rates in effect as of December 31, 2009. The approved rates shall be effective for service rendered as of the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), F.A.C. The rates shall not be implemented until our staff verifies that the tariff sheets are consistent with our decision, the proposed customer notice is adequate, and the required security has been filed. The Utility shall provide proof of the date notice was given within 10 days after the date of notice.

The Utility's current rates, proposed interim and final rates, and our approved interim rates are shown on Schedule No. 4-A for water and Schedule No. 4-B for wastewater.

Appropriate Security

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 this Commission. As approved above, the total annual interim increase is \$96,385 for water and wastewater combined. In accordance with Rule 25-30.360, F.A.C., our staff calculated the potential refund of revenues and interest collected under interim conditions to be \$56,265. This amount is based on an estimated seven months of revenue being collected from the approved interim rates over the Utility's current authorized rates shown on Schedules Nos. 4-A and 4-B.

The criteria for a corporate undertaking include sufficient liquidity, ownership equity, profitability, and interest coverage to guarantee any potential refund. We used Tradewinds' Annual Reports for 2007, 2008, and 2009 to calculate these ratios. Tradewinds' average equity ratio and relative level of liquidity over the most recent three-year period are not within acceptable parameters. In addition, both of these measures have steadily declined over the review period. Furthermore, the Utility reports low interest coverage and net losses over the same period. Net losses have steadily increased and have averaged almost \$72,000 per year. For these reasons, we find Tradewinds does not have the financial capability to support a corporate undertaking in the amount of \$56,265. Based on this analysis, Tradewinds shall be required to

secure a surety bond, letter of credit, or escrow agreement to guarantee any potential refunds of wastewater revenues. This brief financial analysis is only appropriate for deciding if the Utility can support a corporate undertaking in the amount proposed and shall not be considered a finding regarding our position on other issues in this proceeding.

If the security provided is an escrow account, said account shall be established between the Utility and an independent financial institution pursuant to a written escrow agreement. The Commission shall be a party to the written escrow agreement and a signatory to the escrow account. The written escrow agreement shall 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 Office of Commission Clerk; the account shall be interest bearing; information concerning the 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.

If the security provided is an escrow account, the Utility shall deposit 38.02 percent of water revenues and 9.03 percent of wastewater revenues into the escrow account each month. The escrow agreement shall 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 shall be in the amount of \$56,265. If the Utility chooses a surety bond as security, the surety bond shall 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 shall 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 shall 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 shall be with interest and undertaken in accordance with Rule 25-30.360, F.A.C.

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

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the final water and wastewater rates proposed by Tradewinds Utilities, Inc., are hereby suspended. It is further

ORDERED that the request for an interim rate increase for water and wastewater rates by Tradewinds Utilities, Inc., is hereby granted, subject to our modifications, as set forth in the body of this Order. It is further

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

ORDERED that the approved interim rates shall be effective for service rendered as of the stamped approval date on the tariff sheet pursuant to Rule 25-30.475(1)(a), F.A.C. It is further

ORDERED that the interim rates shall not be implemented until our staff verifies that the tariff sheets are consistent with our decision, the proposed customer notice is adequate, and the required security is filed. It is further

ORDERED that Tradewinds Utilities, Inc., shall provide proof of the date notice was given within 10 days after the date of notice. It is further

ORDERED that Tradewinds Utilities, Inc., shall file an appropriate security, as set forth in the body of this Order, prior to the implementation of the interim rates, to guarantee any potential refunds of revenues collected under interim conditions, as set for the in the body of this Order. It is further

ORDERED that Tradewinds Utilities, Inc., shall keep an accurate and detailed account of all monies it receives, and that pursuant to Rule 25-30.360(6), F.A.C., it shall provide a report by the 20th of each month indicating the monthly and total revenue collected subject to refund. It is further

ORDERED that should a refund be required, the refund shall be with interest and undertaken in accordance with Rule 25-30.360, F.A.C. It is further

ORDERED that this docket shall remain open pending our Proposed Agency Action decision on Tradewinds Utilities, Inc.'s requested rate increase.

By ORDER of the Florida Public Service Commission this 15th day of December, 2010.



ANN COLE
Commission Clerk

(S E A L)

RRJ

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.

Any party adversely affected by this order, which is non-final in nature, may request (1) reconsideration within 10 days pursuant to Rule 25-22.0376, 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. A motion for reconsideration shall be filed with the Office of Commission Clerk, in the form prescribed by Rule 25-22.0376, Florida Administrative Code. Citizens of the State of Florida v. Mayo, 316 So.2d 262 (Fla. 1975), states that an order on interim rates is not final or reviewable until a final order is issued. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.

Tradewinds Utilities, Inc. Schedule of Water Rate Base Test Year Ended 12/31/09			Schedule No. 1-A Docket No. 100127-WS		
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Commission Adjust- ments	Commission Adjusted Test Year
1 Plant in Service	\$1,075,251	\$0	\$1,075,251	\$0	\$1,075,251
2 Land and Land Rights	182,500	0	182,500	0	182,500
3 Non-Used and Useful Component	0	0	0	0	0
4 Accumulated Depreciation	(483,494)	0	(483,494)	0	(483,494)
5 CIAC	(328,985)	0	(328,985)	0	(328,985)
6 Amortization of CIAC	246,641	0	246,641	0	246,641
7 Working Capital Allowance	<u>0</u>	<u>15,343</u>	<u>15,343</u>	<u>(965)</u>	<u>14,378</u>
8 Rate Base	<u>\$691,913</u>	<u>\$15,343</u>	<u>\$707,256</u>	<u>(\$965)</u>	<u>\$706,291</u>

Tradewinds Utilities, Inc. Schedule of Wastewater Rate Base Test Year Ended 12/31/09			Schedule No. 1-B Docket No. 100127-WS		
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Commission Adjust- ments	Commission Adjusted Test Year
1 Plant in Service	\$949,207	\$0	\$949,207	\$0	\$949,207
2 Land and Land Rights	93,388	0	93,388	0	93,388
3 Non-Used and Useful Component	0	0	0	0	0
4 Accumulated Depreciation	(698,111)	0	(698,111)	0	(698,111)
5 CIAC	(531,404)	0	(531,404)	0	(531,404)
6 Amortization of CIAC	405,694	0	405,694	0	405,694
7 Working Capital Allowance	<u>0</u>	<u>23,146</u>	<u>23,146</u>	<u>(1,029)</u>	<u>22,117</u>
8 Rate Base	<u>\$218,774</u>	<u>\$23,146</u>	<u>\$241,920</u>	<u>(\$1,029)</u>	<u>\$240,891</u>

Tradewinds Utilities, Inc. Capital Structure-Simple Average Test Year Ended 12/31/09						Schedule No. 2 Docket No. 100127-WS			
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	\$856,725	\$0	\$856,725	(\$84,574)	\$772,151	81.29%	5.13%	4.17%	
2 Short-term Debt	0	0	0	0	0	0.00%	0.00%	0.00%	
3 Preferred Stock	0	0	0	0	0	0.00%	0.00%	0.00%	
4 Common Equity	176,616	0	176,616	(17,435)	159,181	16.76%	10.85%	1.82%	
5 Customer Deposits	20,544	0	20,544	(2,028)	18,516	1.95%	6.00%	0.12%	
6 Deferred Income Taxes	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>	0.00%	<u>0.00%</u>	
7 Total Capital	<u>\$1,053,885</u>	<u>\$0</u>	<u>\$1,053,885</u>	<u>(\$104,037)</u>	<u>\$949,848</u>	<u>100.00%</u>		<u>6.11%</u>	
Per Commission									
8 Long-term Debt	\$856,725	\$0	\$856,725	(\$86,741)	\$769,984	81.29%	5.13%	4.17%	
9 Short-term Debt	0	0	0	0	0	0.00%	0.00%	0.00%	
10 Preferred Stock	0	0	0	0	0	0.00%	0.00%	0.00%	
11 Common Equity	176,616	0	176,616	(17,882)	158,734	16.76%	9.97%	1.67%	
12 Customer Deposits	20,544	0	20,544	(2,080)	18,464	1.95%	6.00%	0.12%	
13 Deferred Income Taxes	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>	0.00%	<u>0.00%</u>	
14 Total Capital	<u>\$1,053,885</u>	<u>\$0</u>	<u>\$1,053,885</u>	<u>(\$106,703)</u>	<u>\$947,182</u>	<u>100.00%</u>		<u>5.96%</u>	
						LOW	HIGH		
RETURN ON EQUITY						<u>9.97%</u>	<u>11.97%</u>		
OVERALL RATE OF RETURN						<u>5.96%</u>	<u>6.29%</u>		

Tradewinds Utilities, Inc.
 Statement of Water Operations
 Test Year Ended 12/31/09

Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Commission Adjust- ments	Commission Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	<u>\$123,534</u>	<u>\$80,900</u>	<u>\$204,434</u>	<u>(\$81,091)</u>	<u>\$123,343</u>	<u>\$75,669</u> 61.35%	<u>\$199,011</u>
Operating Expenses							
2 Operation & Maintenance	\$115,021	\$7,725	\$122,746	(\$7,725)	\$115,021	\$0	\$115,021
3 Depreciation	26,857	0	26,857	0	26,857	0	26,857
4 Amortization	0	0	0	0	0	0	0
5 Taxes Other Than Income	8,006	3,641	11,647	0	11,647	3,405	15,052
6 Income Taxes	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
7 Total Operating Expense	<u>\$149,884</u>	<u>\$11,366</u>	<u>\$161,250</u>	<u>(\$7,725)</u>	<u>\$153,525</u>	<u>\$3,405</u>	<u>\$156,930</u>
8 Operating Income	<u>(\$26,350)</u>	<u>\$69,534</u>	<u>\$43,184</u>	<u>(\$73,366)</u>	<u>(\$30,182)</u>	<u>\$72,263</u>	<u>\$42,081</u>
9 Rate Base	<u>\$691,913</u>		<u>\$707,256</u>		<u>\$706,291</u>		<u>\$706,291</u>
10 Rate of Return	<u>(3.81%)</u>		<u>6.11%</u>		<u>(4.27%)</u>		<u>5.96%</u>

Tradewinds Utilities, Inc. Statement of Wastewater Operations Test Year Ended 12/31/09						Schedule No. 3-B Docket No. 100127-WS	
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Commission Adjust- ments	Commission Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	<u>\$204,388</u>	<u>\$32,950</u>	<u>\$237,338</u>	<u>(\$28,459)</u>	<u>\$208,879</u>	<u>\$20,716</u> 9.92%	<u>\$229,595</u>
Operating Expenses							
2 Operation & Maintenance	\$239,436	(\$54,264)	\$185,172	(\$8,236)	\$176,936		\$176,936
3 Depreciation	11,143	0	11,143	0	11,143		11,143
4 Amortization	0	0	0	0	0		0
5 Taxes Other Than Income	24,748	1,483	26,231	0	26,231	932	27,163
6 Income Taxes	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
7 Total Operating Expense	<u>\$275,327</u>	<u>(\$52,781)</u>	<u>\$222,546</u>	<u>(\$8,236)</u>	<u>\$214,310</u>	<u>\$932</u>	<u>\$215,242</u>
8 Operating Income	<u>(\$70,939)</u>	<u>\$85,731</u>	<u>\$14,792</u>	<u>(\$20,223)</u>	<u>(\$5,431)</u>	<u>\$19,784</u>	<u>\$14,352</u>
9 Rate Base	<u>\$218,774</u>		<u>\$241,920</u>		<u>\$240,891</u>		<u>\$240,891</u>
10 Rate of Return	<u>(32.43%)</u>		<u>6.11%</u>		<u>(2.25%)</u>		<u>5.96%</u>

Tradewinds Utilities, Inc. Adjustment to Operating Income Test Year Ended 12/31/09		Schedule No. 3-C Docket No. 100127-WS	
Explanation	Water	Wastewater	
<u>Operating Revenues</u>			
1 Remove requested final revenue increase.	(\$80,900)	(\$32,950)	
2 To reflect the appropriate amount of annualized revenues.	<u>(191)</u>	<u>4,491</u>	
3 Total	<u>(\$81,091)</u>	<u>(\$28,459)</u>	
<u>Operation and Maintenance Expense</u>			
1 Remove pro forma salaries.	(\$3,526)	(\$3,526)	
2 Remove pro forma healthcare costs.	(721)	(721)	
3 Remove pro forma bad debt expense.	<u>(3,478)</u>	<u>(3,989)</u>	
4 Total	<u>(\$7,725)</u>	<u>(\$8,236)</u>	
<u>Taxes Other Than Income</u>			
RAFs on revenue adjustments above.	<u>(\$3,649)</u>	<u>(\$1,281)</u>	

Tradewinds Utilities, Inc. Water Monthly Service Rates Test Year Ended 12/31/09		Schedule No. 4-A Docket No. 100127-WS		
	Test Year Rates	Utility Requested Interim (1)	Utility Requested Final (2)	Commission Approved Interim
<u>Residential</u>				
Base Facility Charge by Meter Size:				
All Meter Sizes	\$9.39	\$15.70	\$15.52	\$15.30
Gallonage Charge, per 1,000 Gallons	\$1.55	\$2.59	\$2.57	\$2.53
<u>General Service</u>				
Base Facility Charge by Meter Size:				
5/8" x 3/4"	\$9.39	\$15.70	\$15.52	\$15.30
1"	\$23.45	\$39.20	\$38.74	\$38.21
1-1/2"	\$46.93	\$78.45	\$77.53	\$76.46
2"	\$75.02	\$125.41	\$123.94	\$122.23
3"	\$150.08	\$250.89	\$247.95	\$244.52
4"	\$234.58	\$392.15	\$387.55	\$382.19
Gallonage Charge, per 1,000 Gallons	\$1.55	\$2.59	\$2.57	\$2.53
<u>Typical Residential Bills 5/8" x 3/4" Meter</u>				
3,000 Gallons	\$14.04	\$23.47	\$23.23	\$22.89
5,000 Gallons	\$17.14	\$28.65	\$28.37	\$27.95
10,000 Gallons	\$24.89	\$41.61	\$41.22	\$40.60
<u>Notes:</u>				
(1) Tradewinds' interim rates contained a calculation error resulting in an understatement. The Utility's stated interim rates equated to an across-the-board increase of 62.93 percent; however, its requested interim revenue requirement should have resulted in an across-the-board increase of 67.17 percent. Thus, we have corrected the calculation error in the Utility's requested interim rates.				
(2) It appears that the requested final rates contain a calculation error as well because they are less than the Utility's corrected interim rates.				

Tradewinds Utilities, Inc. Wastewater Monthly Service Rates Test Year Ended 12/31/09		Schedule No. 4-B Docket No. 100127-WS		
	Test Year Rates	Utility Requested Interim	Utility Requested Final	Commission Approved Interim
<u>Residential</u>				
Base Facility Charge All Meter Sizes:	\$19.16	\$21.87	\$22.15	\$21.06
Gallage Charge - Per 1,000 gallons (10,000 gallon cap)	\$5.90	\$6.76	\$6.85	\$6.49
<u>General Service</u>				
Base Facility Charge by Meter Size:				
5/8" x 3/4"	\$20.98	\$23.94	\$24.23	\$23.06
1"	\$52.51	\$59.93	\$60.64	\$57.72
1-1/2"	\$104.95	\$119.78	\$121.20	\$115.36
2"	\$167.92	\$191.66	\$193.92	\$184.57
3"	\$335.84	\$383.31	\$387.83	\$369.15
4"	\$524.76	\$598.93	\$606.00	\$576.80
6"	\$1,049.63	\$1,198.00	\$0.00	\$1,153.73
Gallage Charge, per 1,000 Gallons	\$7.09	\$8.12	\$8.19	\$7.79
<u>Typical Residential Bills 5/8" x 3/4" Meter</u>				
3,000 Gallons	\$36.86	\$42.15	\$42.70	\$40.53
5,000 Gallons	\$48.66	\$55.67	\$56.40	\$53.51
10,000 Gallons	\$78.16	\$89.47	\$90.65	\$85.96
(Wastewater Gallage Cap - 10,000 Gallons)				