

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for staff-assisted rate case in  
Lee County by Useppa Island Utilities Co.,  
Inc.

DOCKET NO. 110260-WS  
ORDER NO. PSC-15-0029-PAA-WS  
ISSUED: January 8, 2015

The following Commissioners participated in the disposition of this matter:

ART GRAHAM, Chairman  
LISA POLAK EDGAR  
RONALD A. BRISÉ  
EDUARDO E. BALBIS  
JULIE I. BROWN

NOTICE OF PROPOSED AGENCY ACTION ORDER SETTING RATES  
AND FINAL ORDER  
GRANTING TEMPORARY RATES IN THE EVENT OF PROTEST  
AND  
ADDRESSING RATE CASE EXPENSE

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 a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

**Case Background**

Useppa Island Utilities Co., Inc. (Useppa or Utility) is a Class C water and wastewater utility currently providing service to approximately 144 water and 138 wastewater customers on Useppa Island in Lee County off the coast of North Fort Myers. There is no bridge to the island, which covers approximately 100 acres. Useppa was granted Certificate Nos. 354-W and 310-S in 1982. On August 29, 2011, Useppa filed an application for a staff-assisted rate case (SARC).

On May 31, 2012, Useppa and the Useppa Island POA, Inc. (Property Owners Association) filed a Joint Motion Requesting Commission Approval of Settlement Agreement which was approved by this Commission by Order No. PSC-12-0406-PAA-WS (Order) and became final upon the issuance of Order No. PSC-12-0457-CO-WS<sup>1</sup> (Joint Motion). As part of the Settlement Agreement, the Parties agreed to the revenue requirement contained in our staff's

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<sup>1</sup> Issued in this Docket respectively on August 10, 2012 and September 5, 2012.

February 10, 2012 Preliminary Report, with the following exceptions: 1) the transportation expense was to be reduced by \$19,000, with an equal \$9,500 reduction for water and wastewater operations, respectively; and 2) all documented pro forma costs associated with construction of the Class V injection well system and costs of operating the injection well were to be allocated equally, 50/50, to the water and wastewater systems. On August 28, 2013, Useppa filed a request for extension of time to complete the required pro forma construction (Request).<sup>2</sup> The Request was unopposed. By Order No. PSC-13-0448-PCO-WS, issued in this Docket on October 2, 2013, we approved the Request.

On July 22, 2014, Useppa filed a letter with this Commission confirming that the deep well injection project for Phase II had been completed. The letter contained invoices that detailed the actual cost of the pro forma plant additions. By this order, we correct Phase I wastewater rates and establish Phase II rates. We have jurisdiction pursuant to Sections 367.081, 367.121, and 367.0814, Florida Statutes.

### **Review and Decision**

#### **Revenue Increases for Phase II Rates**

As part of the Settlement Agreement approved by this Commission, all documented pro forma costs associated with construction of the Class V injection well system and costs of operating the injection well were to be allocated equally 50/50 to the water and wastewater systems for purposes of establishing Phase II rates.

On July 22, 2014, Useppa filed a letter with this Commission confirming that the Class V injection well system for Phase II had been completed. The Utility submitted invoices totaling \$198,121 to support the costs incurred as a result of the project. We reviewed the invoices provided and determined that \$29,569 of costs were already included in the Phase I rates. As a result, we removed \$29,569 from the total cost. Further, we identified an invoice totaling \$3,761, related to the replacement of a wastewater lift station pump. While the replacement of the wastewater lift station pump was not part of the deep well project, we find that the replacement of the pump was a prudent and appropriate expenditure and thus, it shall be included in setting Phase II rates. Based on terms of the Settlement Agreement, \$168,552 (\$198,121-\$29,569) of project costs shall be allocated \$84,276 to water and \$84,276 to wastewater. Further, we shall approve associated accumulated depreciation adjustments of \$4,844 for water and \$4,844 for wastewater. Our approved adjustments, based on analysis of the appropriate amounts that were incurred for these projects, are shown on Schedule No. 1-C.

#### **Phase I Wastewater Revenue Requirement for Establishing Phase II Rates**

In the process of developing the Phase II rates for Useppa, we discovered that the Phase I wastewater revenue requirement and rates set forth in the Order were not consistent with the terms of the approved Settlement Agreement. Accordingly, we have recalculated the Phase I wastewater revenue requirement to incorporate the correct amount of transportation expense

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<sup>2</sup> Work includes an injection well project and reverse osmosis retrofit of its water treatment plant.

reflected in the Settlement Agreement, resulting in a revenue requirement of \$158,183 instead of the \$154,385 reflected in the Order. In addition, we have calculated revised Phase I wastewater rates to incorporate the revised revenue requirement and to correct a scrivener's error in the rates reflected in the Order. The revised rates are shown on Schedule No. 4-B. Despite these errors, the Utility did not over earn. Because the Utility complied with our Order establishing Phase I rates, the corrections shall be made on a prospective basis. The revised Phase I wastewater rates shall be used as a basis for applying the approved Phase II revenue increase.

### **Water and Wastewater Rates for Phase II**

Phase II rates for Useppa shall be designed to allow the Utility the opportunity to generate additional revenues of \$9,334 for both water and wastewater. This will result in an increase of 5.49 percent for water and 5.90 percent for wastewater over the Phase I revenue requirement. The calculation is as follows:

Table 1

Determination of Percentage Service Rate Increase

	<u>Water</u>	<u>Wastewater</u>
1 Phase I Revenue Requirement	\$170,048	\$158,183*
2 Revenue Increase	<u>\$9,334</u>	<u>\$9,334</u>
3 % Service Rate Increase (Line 2/Line 1)	5.49%	5.90%

\*Revised Phase I wastewater revenue requirement

The Phase II rate increases of 5.49 percent for water and 5.90 percent for wastewater shall be applied across-the-board to the existing Phase I water rates and revised Phase I wastewater rates, respectively. The rates, as shown on Schedule Nos. 4-A and 4-B, shall be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), F.A.C. The Utility shall file revised tariff sheets and a proposed customer notice to reflect the approved rates. In addition, the approved rates shall not be implemented until our staff has approved the proposed customer notice and the notice has been received by the customers. The Utility shall provide proof of the date notice was given within 10 days of the date of the notice.

### **Rate Case Expense**

Pursuant to Section 367.0816, F.S., rates must be reduced immediately following the expiration of a four-year period by the amount of the rate case expense previously included in the rates. The reduction must reflect the removal of revenues associated with the amortization of rate case expense, the associated return on working capital, and the gross-up for RAFs. Using the Utility's current revenue, expenses, and customer base, the reduction in revenue will result in the rate decrease. As set forth in the Order, a rate reduction was previously required; however, as

a result of the revised Phase I wastewater rates, the four-year rate reduction amounts also must be revised.

Therefore, wastewater rates shall be reduced, as shown on Schedule No. 4-B, to remove rate case expense grossed-up for RAFs and amortized over a four-year period. The expiration of the four-year amortization of rate case expense is October 2016. Consistent with the Order, Useppa shall be required to file revised tariff sheets no later than one-month prior to the actual date of the required rate reduction. The Utility also shall be required to file a proposed customer notice setting forth the lower rates and the reason for the reduction. If Useppa files this reduction in conjunction with a price index or pass-through rate adjustment, separate data shall be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense.

### **Temporary Rates**

By this order, we propose an increase in water and wastewater rates. A timely protest might delay what may be a justified rate increase resulting in an unrecoverable loss of revenue to the Utility. Therefore, pursuant to Section 367.0814(7), F.S., in the event of a protest filed by a party other than the Utility, the proposed rates shall be approved as temporary rates. In such a circumstance, Useppa shall file revised tariff sheets and a proposed customer notice to reflect the approved rates. The temporary rates shall be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the temporary rates shall not be implemented until our staff has approved the proposed notice, and the notice has been received by the customers. The temporary rates collected by the Utility shall be subject to the refund provisions set forth below.

Useppa shall be authorized to collect the temporary rates upon our staff's approval of an appropriate security for the potential refund and the proposed customer notice. Security shall be in the form of a bond or letter of credit in the amount of \$12,452. Alternatively, the Utility may choose to establish an escrow agreement with an independent financial institution.

If Useppa chooses a bond as security, the bond shall contain wording to the effect that it will be terminated only under the following conditions:

- 1) If this Commission approves the rate increase; or,
- 2) If this Commission denies the increase, the Utility shall refund the amount collected that is attributable to the increase.

If Useppa chooses a letter of credit as a security, it shall contain the following conditions:

- 1) The letter of credit is irrevocable for the period it is in effect, and,
- 2) The letter of credit will be in effect until a final Commission order is rendered, either approving or denying the rate increase.

If security is provided through an escrow agreement, the following conditions shall be part of the agreement:

- 1) No monies in the escrow account may be withdrawn by the Utility without the express approval of this Commission;
- 2) The escrow account shall be an interest bearing account;
- 3) If a refund to the customers is required, all interest earned by the escrow account shall be distributed to the customers;
- 4) If a refund to the customers is not required, the interest earned by the escrow account shall revert to Useppa;
- 5) All information on the escrow account shall be available from the holder of the escrow account to a Commission representative at all times;
- 6) The amount of revenue subject to refund shall be deposited in the escrow account within seven days of receipt;
- 7) This escrow account is established by the direction of the Florida Public Service Commission for the purpose(s) set forth in its order requiring such account. Pursuant to Cosentino v. Elson, 263 So. 2d 253 (Fla. 3d DCA 1972), escrow accounts are not subject to garnishments;
- 8) The Commission Clerk must be a signatory to the escrow agreement; and,
- 9) The account must specify by whom and on whose behalf such monies were paid.

In no instance shall the maintenance and administrative costs associated with the refund be borne by the customers. These costs are the responsibility of, and shall be borne by, the Utility. Without respect to the form of security chosen by Useppa, an account of all funds received as a result of the rate increase shall be maintained by the Utility. If a refund is ultimately required, it shall be paid with interest calculated pursuant to Rule 25-30.360(4), F.A.C.

Useppa shall maintain a record of the amount of the bond, and the amount of revenues that are subject to refund. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., the Utility shall file reports with our Clerk's Office no later than the 20th of each month indicating the monthly and total amount of money subject to refund at the end of the preceding month. The report filed shall also indicate the status of the security being used to guarantee repayment of any potential refund.

### **Adjustment to Books**

To ensure that the Utility adjusts its books in accordance with our decision, Useppa shall provide proof, within 90 days of the final order in this Docket, that the adjustments for all the applicable National Association of Regulatory Utility Commissioners Uniform System of Accounts, primary accounts, have been made.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the appropriate Useppa Island Utilities Co., Inc. revenue increases for Phase II rates are \$9,334 for water and \$9,334 for wastewater. It is further,

ORDERED that Useppa Island Utilities Co., Inc.'s Phase I wastewater revenue requirement is hereby corrected to reflect the stipulated revenue requirement of \$158,183. The revised Phase I wastewater rates shown on Schedule No. 4-B shall be used as the basis for implementing the Phase II revenue increase in this Docket. It is further,

ORDERED that Phase II rate increases of 5.49 percent for water and 5.90 percent for wastewater shall be applied across-the-board to the existing Phase I water rates and revised Phase I wastewater rates, respectively. The rates, as shown on Schedule Nos. 4-A and 4-B, shall be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), F.A.C. The Useppa Island Utilities Co., Inc. shall file revised tariff sheets and a proposed customer notice to reflect the approved rates. In addition, the approved rates shall not be implemented until our staff has approved the proposed customer notice and the notice has been received by the customers. The Useppa Island Utilities Co., Inc. shall provide proof of the date notice was given within 10 days of the date of the notice. It is further,

ORDERED that Useppa Island Utilities Co., Inc.'s wastewater rates shall be reduced, as shown on Schedule No. 4-B, to remove rate case expense grossed-up for RAFs and amortized over a four-year period. The expiration of the four-year amortization of rate case expense is October 2016. No change to the rate reduction for rate case expense for water is necessary. It is further,

ORDERED that, in the event of a protest filed by a party other than Useppa Island Utilities Co., Inc., the approved rates for the Utility are hereby approved on a temporary basis, subject to refund, Useppa Island Utilities Co., Inc. shall file revised tariff sheets and a proposed customer notice to reflect the temporary rates. The temporary rates shall be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the temporary rates shall not be implemented until our staff has approved the proposed notice, and the notice has been received by the customers. Prior to implementation of any temporary rates, the Useppa Island Utilities Co., Inc. shall provide appropriate security. If the rates are approved on a temporary basis, the rates collected by Useppa Island Utilities Co., Inc. shall be subject to the refund provisions set forth in the body of this order. In addition, after

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the increased rates are in effect, Useppa Island Utilities Co., Inc. shall file reports with our Clerk's Office no later than the 20th of each month indicating the monthly and total amount of money subject to refund at the end of the preceding month. The report filed shall also indicate the status of the security being used to guarantee repayment of any potential refund. It is further.

ORDERED that Useppa Island Utilities Co., Inc. shall provide proof, within 90 days of the final order in this Docket, that the adjustments for all the applicable National Association of Regulatory Utility Commissioners Uniform System of Accounts, primary accounts, have been made. It is further,

ORDERED that if no person whose substantial interests are affected by this proposed agency action files a protest within twenty-one days of the issuance of this order, a consummating order shall be issued. This Docket shall remain open for our staff's verification that the revised tariff sheets and customer notice have been filed by the Utility and approved by staff. When the tariff and notice actions are complete, this Docket may be closed administratively.

By ORDER of the Florida Public Service Commission this 8th day of January, 2015.



CARLOTTA S. STAUFFER  
Commission Clerk  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399  
(850) 413-6770  
www.floridapsc.com

Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

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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 action, except for the granting of temporary rates in the event of a protest and addressing rate case expense, is 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 Office of Commission Clerk, at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on January 29, 2015. 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.

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 Office of Commission Clerk, 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 Office of Commission Clerk 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.



USEPPA ISLAND UTILITY, INC. TEST YEAR ENDED 6/30/2011 SCHEDULE OF WATER RATE BASE		SCHEDULE NO. 1-A DOCKET NO. 110260-WS		
DESCRIPTION	COMMISSION APPROVED PHASE I	ADJUSTMENTS	APPROVED PHASE II	
1. UTILITY PLANT IN SERVICE	\$582,169	\$84,726		\$666,895
2. LAND & LAND RIGHTS	10,463	0		10,463
3. NON-USED AND USEFUL COMPONENTS	0	0		0
4. CIAC	(225,670)	0		(225,670)
5. ACCUMULATED DEPRECIATION	(377,363)	(4,844)		(382,207)
6. AMORTIZATION OF CIAC	185,620	0		185,620
7. WORKING CAPITAL ALLOWANCE	<u>15,499</u>	<u>0</u>		<u>15,499</u>
8. WATER RATE BASE	<u>\$190,727</u>	<u>\$79,882</u>		<u>\$270,601</u>

USEPPA ISLAND UTILITY, INC.		SCHEDULE NO. 1-B	
TEST YEAR ENDED 6/30/2011		DOCKET NO. 110260-WS	
SCHEDULE OF WASTEWATER RATE BASE			
DESCRIPTION	COMMISSION APPROVED PHASE I	ADJUSTMENTS.	APPROVED PHASE II
1. UTILITY PLANT IN SERVICE	\$509,587	\$84,726	\$594,313
2. LAND & LAND RIGHTS	3,487	0	3,487
3. NON-USED AND USEFUL COMPONENTS	0	0	0
4. CIAC	(230,187)	0	(230,187)
5. ACCUMULATED DEPRECIATION	(312,576)	(4,844)	(317,420)
6. AMORTIZATION OF CIAC	230,187	0	230,187
7. WORKING CAPITAL ALLOWANCE	<u>13,932</u>	<u>0</u>	<u>13,932</u>
8. WASTEWATER RATE BASE	<u>\$214,430</u>	<u>\$79,882</u>	<u>\$294,312</u>

<b>USEPPA ISLAND UTILITY, INC.</b>		<b>SCHEDULE NO. 1-C</b>	
<b>TEST YEAR ENDED 6/30/2011</b>		<b>DOCKET NO. 110260-WS</b>	
<b>ADJUSTMENTS TO RATE BASE</b>			
	<b><u>WATER</u></b>	<b><u>WASTEWATER</u></b>	
<b><u>UTILITY PLANT IN SERVICE</u></b>			
1. To reflect pro forma Account No. 320 - Water Treatment Equipment.	\$79,580	\$79,580	
2. To reflect pro forma Account No. 370 - Receiving Wells.	\$1,881	\$1,881	
3. To reflect pro forma Account No. 309 - Supply Mains.	<u>\$2,815</u>	<u>\$2,815</u>	
Total	<u>\$84,276</u>	<u>\$84,276</u>	
<b><u>ACCUMULATED DEPRECIATION</u></b>			
To reflect pro forma accumulated depreciation.	<u>(\$4,844)</u>	<u>(\$4,844)</u>	

USEPPA ISLAND UTILITY, INC.							SCHEDULE NO. 2		
TEST YEAR ENDED 6/30/2011							DOCKET NO. 110260-WS		
SCHEDULE OF CAPITAL STRUCTURE									
CAPITAL COMPONENT	PER UTILITY	SPECIFIC ADJUSTMENTS	BALANCE BEFORE PRO RATA ADJUSTMENTS	PRO RATA ADJUSTMENTS	APPROVED BALANCE	PERCENT OF TOTAL	COST	WEIGHTED COST	
1. COMMON EQUITY	\$1,000	\$0	\$1,000						
2. RETAINED EARNINGS	(543,049)	393,049	(150,000)						
3. PAID IN CAPITAL	149,000	0	149,000						
4. TREASURY STOCK	<u>0</u>	<u>0</u>	<u>0</u>						
5. TOTAL COMMON EQUITY	(\$393,049)	\$393,049	0	0	0	0.00%	11.16%	0.00%	
6. NP Southwest Capital Bank	6,173		6,173	(1,835)	4,338	0.77%	6.18%	0.05%	
7. NP Stockholders	<u>797,714</u>		797,714	<u>(237,139)</u>	<u>560,575</u>	<u>99.23%</u>	3.46%	3.43%	
TOTAL LONG TERM DEBT	803,887	0	803,887	(238,974)	564,913	100.00%			
8. CUSTOMER DEPOSITS		<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>	6.00%	<u>0.00%</u>	
9. TOTAL	<u>\$410,838</u>	<u>\$393,049</u>	<u>\$803,887</u>	<u>-\$238,974</u>	<u>\$564,913</u>	<u>100.00%</u>		<u>3.48%</u>	
<b>RANGE OF REASONABLENESS</b>						<b><u>LOW</u></b>	<b><u>HIGH</u></b>		
RETURN ON EQUITY						<u>10.16%</u>	<u>12.16%</u>		
OVERALL RATE OF RETURN						<u>3.48%</u>	<u>3.48%</u>		

USEPPA ISLAND UTILITY, INC.					SCHEDULE NO. 3-A	
TEST YEAR ENDED 6/30/2011					DOCKET NO. 110260-WS	
SCHEDULE OF WATER OPERATING INCOME						
	PHASE I REVENUE REQUIREMENT	ADJUSTMENTS	ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	PHASE II REVENUE REQUIREMENT	
1. OPERATING REVENUES	<u>\$170,119</u>	<u>\$0</u>	<u>\$170,119</u>	<u>\$9,334</u> 5.49%	<u>\$179,453</u>	
<b>OPERATING EXPENSES:</b>						
2. OPERATION & MAINTENANCE	\$124,060	\$0	\$124,060	\$0	\$124,060	
3. DEPRECIATION (NET)	20,087	4,844	24,931	0	24,931	
4. AMORTIZATION	0	0	0	0	0	
5. TAXES OTHER THAN INCOME	19,334	1,306	20,640	420	21,060	
6. INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
7. TOTAL OPERATING EXPENSES	<u>\$163,482</u>	<u>\$6,150</u>	<u>\$169,632</u>	<u>\$420</u>	<u>\$170,052</u>	
8. OPERATING INCOME/(LOSS)	<u>\$6,637</u>		<u>\$487</u>		<u>\$9,402</u>	
9. WATER RATE BASE	<u>\$190,727</u>		<u>\$270,159</u>		<u>\$270,159</u>	
10. RATE OF RETURN	<u>3.48%</u>		<u>0.18%</u>		<u>3.48%</u>	

USEPPA ISLAND UTILITY, INC. TEST YEAR ENDED 6/30/2011 SCHEDULE OF WASTEWATER OPERATING INCOME					SCHEDULE NO. 3-B DOCKET NO. 110260-WS	
	PHASE I REVENUE REQUIREMENT	ADJUSTMENTS	ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	PHASE II REVENUE REQUIREMENT	
1. OPERATING REVENUES	<u>\$158,183</u>	<u>\$0</u>	<u>\$158,183</u>	<u>\$9,334</u> 5.90%	<u>\$167,518</u>	
<b>OPERATING EXPENSES:</b>						
2. OPERATION & MAINTENANCE	\$115,067	\$0	\$115,067	\$0	\$115,067	
3. DEPRECIATION (NET)	16,841	4,844	21,685	0	21,685	
4. AMORTIZATION	0	0	0	0	0	
5. TAXES OTHER THAN INCOME	18,798	1,306	20,104	420	20,524	
6. INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
7. TOTAL OPERATING EXPENSES	<u>\$150,706</u>	<u>\$6,150</u>	<u>\$156,856</u>	<u>\$420</u>	<u>\$157,276</u>	
8. OPERATING INCOME/(LOSS)	<u>7,478</u>		<u>1,328</u>		<u>10,242</u>	
9. WASTEWATER RATE BASE	<u>214,882</u>		<u>294,314</u>		<u>294,314</u>	
10. RATE OF RETURN	<u>3.48%</u>		<u>0.45%</u>		<u>3.48%</u>	

<b>USEPPA ISLAND UTILITY, INC.</b>		<b>SCHEDULE NO. 3-C</b>	
<b>TEST YEAR ENDED 6/30/2011</b>		<b>DOCKET NO. 110260-WS</b>	
<b>ADJUSTMENTS TO OPERATING INCOME</b>			
		<u><b>WATER</b></u>	<u><b>WASTEWATER</b></u>
<b>DEPRECIATION EXPENSE</b>			
To reflect depreciation expense.		<u>\$4,844</u>	<u>\$4,844</u>
<b>TAXES OTHER THAN INCOME</b>			
To reflect the appropriate payroll taxes.		<u>\$1,306</u>	<u>\$1,306</u>

<b>USEPPA ISLAND UTILITIES, INC.</b>		<b>SCHEDULE NO. 4-A</b>	
<b>TEST YEAR ENDED 6/30/2011</b>		<b>DOCKET NO. 110260-WS</b>	
<b>MONTHLY WATER RATES</b>			
	<b>PHASE I RATES</b>	<b>APPROVED PHASE II RATES</b>	
<b><u>Residential and General Service</u></b>			
Base Facility Charge by Meter Size			
5/8" x 3/4"	\$35.58	\$37.53	
3/4"	\$53.37	\$56.30	
1"	\$88.96	\$93.83	
1-1/2"	\$177.91	\$187.65	
2"	\$284.66	\$300.24	
3"	\$569.32	\$600.48	
4"	\$889.56	\$938.25	
6"	\$1,779.11	\$1,876.50	
8"	\$2,879.70	\$3,002.40	
Charge per 1,000 Gallons - Residential	\$6.68	\$7.05	
<b><u>Fire Protection Service</u></b>			
2"	\$23.72	\$25.02	
3"	\$47.45	\$50.04	
<b><u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u></b>			
2,000 Gallons	\$48.94	\$51.63	
5,000 Gallons	\$68.98	\$72.78	
8,000 Gallons	\$89.02	\$93.93	



USEPPA ISLAND UTILITY, INC.		SCHEDULE NO. 4-B		
TEST YEAR ENDED JUNE 30, 2011		DOCKET NO. 110260-WS		
MONTHLY WASTEWATER RATES				
	UTILITY CURRENT RATES	APPROVED REVISED PHASE I RATES	4-YEAR RATE REDUCTION	APPROVED PHASE II RATES
<b><u>Residential</u></b>				
Base Facility Charge - All Meter Sizes	\$47.79	\$48.97	\$0.06	\$51.86
Charge per 1,000 Gallons- Residential 6,000 - gallon cap	\$11.76	\$11.06	\$0.01	\$11.71
<b><u>General Service</u></b>				
Base Facility Charge by Meter Size				
5/8"X3/4"	\$52.06	\$48.97	\$0.06	\$51.86
3/4"	\$78.09	\$73.46	\$0.10	\$77.79
1"	\$130.15	\$122.43	\$0.16	\$129.65
1-1/2"	\$260.30	\$244.85	\$0.32	\$259.30
2"	\$416.48	\$391.76	\$0.51	\$414.88
3"	\$832.96	\$783.52	\$1.02	\$829.76
4"	\$1,301.50	\$1,224.25	\$1.59	\$1,296.50
6"	\$2,603.00	\$2,448.50	\$3.18	\$2,593.00
8"	\$3,492.00	\$3,917.60	\$5.09	\$4,148.80
Charge per 1,000 gallons -General Service	\$14.11	\$13.27	\$0.02	\$14.06
<b><u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u></b>				
2,000 Gallons	\$71.31	\$71.09		\$75.28
5,000 Gallons	\$106.59	\$104.27		\$110.41
8,000 Gallons	\$118.35	\$115.33		\$122.12