

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application of SAILFISH POINT)	DOCKET NO. 891114-WS
UTILITY CORPORATION for rate increase)	ORDER NO. 22609
in Martin County)	ISSUED: 2-27-90
)	

The following Commissioners participated in the disposition of this matter:

MICHAEL McK. WILSON, Chairman
 THOMAS M. BEARD
 BETTY EASLEY
 GERALD L. GUNTER
 JOHN T. HERNDON

ORDER SUSPENDING PROPOSED RATES
AND GRANTING INTERIM RATE INCREASE

BEFORE THE COMMISSION:

CASE BACKGROUND

Sailfish Point Utility Corporation, (Sailfish Point or utility) is a Class C utility located in Stuart, Florida. The utility is a wholly owned subsidiary of Sailfish Point Inc., which is wholly owned by Mobil Land Development Corporation. As of June 30, 1989, the utility had 150 water customers and 136 wastewater customers, including 16 general service customers and 3 master-metered condominiums. Water treatment is provided by reverse osmosis. During the twelve months ended June 30, 1989, Sailfish Point realized actual operating revenues of \$114,900 and a net operating loss of \$112,653 for water service and actual operating revenues of \$65,239 and a net operating loss of \$82,661 for wastewater service.

This is Sailfish Point's first full rate proceeding before this Commission. We originally granted Certificates Nos. 330-W and 277-S to Sailfish Point by Order No. 9289, issued March 19, 1980. However, since the facilities had not yet been constructed, we elected to set rates and charges at a later date.

Certificates Nos. 330-W and 277-S expired in July, 1980, when, by the reenactment of Section 367.171, Florida Statutes, Martin County was excluded from the provisions of Chapter 367, Florida Statutes. On September 23, 1980, the Board of County

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PSC-RECORDS/REPORTING

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Commissioners of Martin County adopted Resolution No. 80-9.15, by which it declared the provisions of Chapter 367, Florida Statutes, to be effective in that county.

On July 15, 1981, Sailfish Point filed an application for new certificates. By Order No. 11673, issued March 4, 1983, we granted Certificates Nos. 394-W and 335-S, to Sailfish Point.

At the time that Sailfish Point filed its second application for certificates, Section 367.171(2)(c), Florida Statutes, required that we establish rate base prior to issuing the certificates. Accordingly, a rate case was begun. Prior to the date that we issued the certificates, however, Section 367.171(2)(c), Florida Statutes, was amended to make the establishment of rate base discretionary. The utility indicated that it did not wish to pursue the rate case any further. Accordingly, we "grandfathered in" the rates and charges which were in effect at that time. We acknowledged a price index adjustment in Order No. 12963, issued February 8, 1984. These are the rates currently being charged. We approved the present service availability charges by Order No. 13721, issued September 28, 1984.

On December 18, 1989, Sailfish Point completed the minimum filing requirements for a rate increase, and that date was established as the official date of filing. The test year, for both interim and final rate purposes, is the twelve-month period ending June 30, 1989.

Sailfish Point has requested interim water rates designed to generate annual revenues of \$282,874. These revenues exceed test year revenues by \$160,591 (131.33 percent). The utility has requested interim wastewater rates designed to generate annual revenues of \$197,708. These requested revenues exceed test year revenues by \$132,054 (201.14 percent). The utility states that these increases in revenues are sufficient only to recover operating expenses, without providing any return on rate base. Sailfish Point has also requested that these rates remain in effect through December 31, 1991.

Sailfish Point has requested final water rates designed to generate annual revenues of \$376,429, which exceed test year revenues by \$254,146 (207.83 percent). The utility has requested final wastewater rates designed to generate annual revenues of \$248,416, which exceed test year revenues by \$182,762 (278.37 percent). The utility states that the final

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rates requested would be sufficient to produce only a 5.49 percent rate of return on rate base, or 50 percent of the level to which it believes it is entitled. The utility has requested permission to implement its final rates on January 1, 1992.

SUSPENSION OF PROPOSED RATES

Under Section 367.081(6), Florida Statutes, a utility may implement its proposed rate schedules sixty days after filing unless we have voted to withhold consent thereto. Further, the above-referenced statute permits a utility to place its proposed rates into effect, under bond, eight months after filing unless we have taken final action.

We have reviewed the filing and it appears that Sailfish Point has made substantial plant additions. In addition, since the utility has not had its rates established by this Commission, we have not previously audited its rate base. Further, we note that the utility has proposed numerous adjustments to its rate base and operating statements. Considering the proposed rates, the amount of the additional revenues sought thereunder and the data that has thus far been submitted, we believe that it will be necessary to require further amplification, explanation and corroboration of the data filed by the utility. In addition, we believe that it is appropriate to hold a hearing regarding this matter in the utility's service area. Accordingly, we hereby suspend Sailfish Point's proposed final rate schedules.

INTERIM RATES

Rate Base

Our calculations of Sailfish Point's rate bases, used solely for the purpose of establishing interim rates, are attached as Schedules Nos. 1-A for water and 1-B for wastewater, with our adjustments itemized on Schedule No. 1-C. Those adjustments which are self-explanatory, or which are essentially mechanical in nature, are depicted on those schedules without further discussion in the body of this Order. The major adjustments are discussed below.

We have reduced water plant-in-service by \$10,583 for a calcite contactor which did not tie to the supporting schedule. We have also removed adjustments, for unamortized

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prepaid CIAC tax, of \$21,497 from water rate base and \$12,778 from wastewater rate base. These pro forma adjustments are inappropriate for interim purposes because the utility did not pay federal income taxes during the test year due to net operating losses.

Under Section 367.082, Florida Statutes, interim rates are to be calculated using adjustments consistent with those made in the utility's most recent rate proceeding. Since Sailfish Point has not had a previous rate case and since the Prehearing Officer approved the utility's use of the formula method to calculate working capital by Order No. 22155, issued November 6, 1989, we believe that it is appropriate to use the formula method for interim purposes. Using the formula method and taking into consideration certain adjustments to operation and maintenance expenses, addressed more fully in our discussion of net operating (NOI), we find the appropriate amounts of working capital to be \$22,930 for water and \$16,240 for wastewater.

Also by Order No. 22155, the Prehearing Officer approved Sailfish Point's request to use the simple average method of determining rate base. Using the simple average method and the adjustments discussed above, we find that Sailfish Point's appropriate interim rate bases are \$1,371,685 for water and \$747,709 for wastewater.

Cost of Capital

Our calculation of the appropriate cost of capital, used solely for the purpose of establishing interim rates, is attached as Schedule No. 2. Those adjustments which are self-explanatory, or which are essentially mechanical in nature, are depicted on those schedules without further discussion in the body of this Order. The major adjustments are discussed below.

Sailfish Point used the consolidated capital structure of Mobil, with a reconciliation of the consolidated-subsidary capital structure to calculate its overall rate of return. It determined the appropriate cost of equity using the leverage formula approved by this Commission by Order No. 21775, issued August 23, 1989. We believe that this capital structure is reasonable to use for interim purposes. However, it is our practice, with utilities that do not have an established rate of return, to use the lower end of the range of returns on

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equity. Accordingly, we have substituted an 11.36 percent return on equity, which yields an overall rate of return of 10.31 percent.

While the utility states that a fair rate of return would be 10.98 percent, it has asked only for breakeven rates, or a 0.0 percent rate of return, for interim purposes. Where the revenues requested will produce less than a fair rate of return, it is our practice to limit the increase in revenues to the dollar amount requested by the utility, rather than the rate of return requested. Based upon the utility's application and the adjustments made above, we find that, for interim ratesetting purposes, 1.26 percent is an appropriate rate of return for water and 1.71 percent is an appropriate rate of return for wastewater.

NOI

Our calculations of the appropriate levels of NOI, used solely for the purpose of establishing interim rates, are reflected on Schedules Nos. 3-A for water and 3-B for wastewater. Those adjustments which are self-explanatory, or which are essentially mechanical in nature, are depicted on those schedules without further discussion in the body of this Order. The major adjustments are discussed below.

Sailfish Point made a number of pro forma adjustments to operation and maintenance expenses on its interim NOI schedule. These include an adjustment to rate case expense, adjustments to depreciation expense and amortization of contributions-in-aid-of-construction (CIAC) to reflect the appropriate guideline rates, and an adjustment to bring regulatory assessment fees to 4.5 percent. Under Section 367.082(5)(a), Florida Statutes, however, pro forma adjustments are inappropriate for interim purposes. We have, therefore, removed these adjustments, pending further investigation in this case.

The utility also made an additional adjustment to include income tax expense associated with CIAC. Since Sailfish Point does not pay income taxes due to net operating losses, we have removed these amounts.

Based upon the utility's application, and the adjustments discussed above, we find that the following revenue requirements are appropriate, interim bases:

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	<u>Revenue Requirement</u>	<u>Increase</u>
Water	\$ 282,874	\$ 160,591 (131.33 percent)
Wastewater	\$ 197,708	\$ 132,054 (201.14 percent)

Interim Rates

In order to allow Sailfish Point the opportunity to earn the revenue requirements approved above, we hereby approve the rates set forth below, for interim purposes only. These rates were calculated based upon total revenues, excluding miscellaneous service revenues of \$7,726 for water and \$830 for wastewater. The actual increases in rates, excluding these miscellaneous service revenues, are 140.18 percent for water and 203.71 percent for wastewater. The utility's current rates, its requested interim and final rates, and the interim rates approved herein, are set forth below for comparative purposes.

MONTHLY WATER RATES

Residential and General Service

	<u>Current</u>	<u>Utility Requested Interim</u>	<u>Utility Requested Final</u>	<u>Commission Approved Interim</u>
<u>Base Facility Charge</u>				
Meter Size:				
5/8" x 3/4"	\$ 11.43	\$ 28.00	\$ 37.51	\$ 27.45
1"	28.62	70.00	93.78	68.74
1-1/2"	57.17	140.00	187.55	137.31
2"	91.48	224.00	300.08	219.72
3"	182.96	448.00	600.16	439.44
4"	285.87	700.00	937.75	686.62
6"	571.74	1,400.00	1,875.50	1,373.23
<u>Gallonage charge, per 1,000 gallons</u>	\$ 2.04	\$ 4.79	\$ 6.42	\$ 4.90

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MONTHLY WASTEWATER RATES

Residential Service

	<u>Current</u>	<u>Utility Requested Interim</u>	<u>Utility Requested Final</u>	<u>Commission Approved Interim</u>
<u>Base Facility Charge</u>				
Meter Size:				
All Meter Sizes	\$ 13.84	\$ 41.92	\$ 52.84	\$ 42.03
<u>Gallonge charge,</u>				
per 1,000 gallons				
(10,000 gallon				
cap)	\$ 1.50	\$ 4.57	\$ 5.73	\$ 4.56

General Service

	<u>Current</u>	<u>Utility Requested Interim</u>	<u>Utility Requested Final</u>	<u>Commission Approved Interim</u>
<u>Base Facility Charge</u>				
5/8" x 3/4"	\$ 13.84	\$ 41.92	\$ 52.84	\$ 42.03
1"	34.60	104.80	132.10	105.08
1-1/2"	69.20	209.60	264.20	210.17
2"	110.17	335.36	\$ 422.72	336.24
3"	221.43	670.72	845.44	672.51
4"	345.98	1,048.00	1,321.00	1,050.79
6"	691.97	2,096.00	2,642.00	2,101.60
<u>Gallonge charge,</u>				
per 1,000 gallons	\$ 1.50	\$ 4.57	\$ 5.73	\$ 4.56

Refund Security

Pursuant to Section 367.082, Florida Statutes, the excess of interim rates over the previously authorized rates shall be collected under guarantee, subject to refund in accordance with

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Rule 25-30.360, Florida Administrative Code. In order to guarantee any potential refund, we find it appropriate to require Sailfish Point to submit a corporate undertaking, in the amount of \$292,646, guaranteed by its parent, Sailfish Point, Inc. In addition, pursuant to Rule 25-30.360(6), Florida Administrative Code, Sailfish Point shall provide a report, by the twentieth day of each month, indicating the monthly and total revenues collected subject to refund.

Effective Date

The interim rates approved herein shall be effective for meter readings taken on or after thirty days following the stamped approval date on the revised tariff pages. Prior to its implementation of these rates, however, Sailfish Point shall file and have approved revised tariff pages, a proposed notice to its customers of the increased rates and the reasons therefor, and the corporate undertaking discussed above.

Based upon the discussion above, it is

ORDERED by the Florida Public Service Commission that the final rate schedules proposed by Sailfish Point Utility Corporation are hereby suspended, pursuant to Section 367.081(6), Florida Statutes. It is further

ORDERED that the request by Sailfish Point Utility Corporation for an interim increase in water and wastewater rates is hereby approved, in part, as set forth in the body of this Order. It is further

ORDERED that the increase over the last authorized water and wastewater rates shall be held subject to refund in accordance with Rule 25-30.360, Florida Administrative Code. It is further

ORDERED that Sailfish Point Utility Corporation shall file tariff pages in accordance with the provisions of this Order. It is further

ORDERED that Sailfish Point Utility Corporation shall file a proposed notice to its customers detailing the increased rates and the reasons therefor. This notice shall be submitted to this Commission for prior approval. It is further

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ORDERED that Sailfish Point Utility Corporation shall file a corporate undertaking in the amount of \$292,646, guaranteed by its parent, Sailfish Point, Inc., as guarantee for any potential refund. It is further

ORDERED that the increased water rates approved herein shall be effective for meter readings on or after thirty days from the stamped approval date on the revised tariff pages. The revised tariff pages will be approved upon Staff's verification that they are consistent with the Commission's decision, that the proposed customer notice is adequate, and that the appropriate refund security has been provided.

By ORDER of the Florida Public Service Commission this 27th date of FEBRUARY, 1990.



STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

RJP

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), 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.

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Any party adversely affected by this order, which is preliminary, procedural or intermediate in nature, may request: 1) reconsideration within 10 days pursuant to Rule 25-22.038(2), Florida Administrative Code, if issued by a Prehearing Officer; 2) reconsideration within 15 days pursuant to Rule 25-22.060, Florida Administrative Code, if issued by the Commission; or 3) 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 sewer utility. A motion for reconsideration shall be filed with the Director, Division of Records and Reporting, in the form prescribed by Rule 25-22.060, Florida Administrative Code. Judicial review of a preliminary, procedural or intermediate ruling or order is available if review of the final action will not provide an adequate remedy. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.

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SAILFISH POINT UTILITY CORPORATION
SCHEDULE OF WATER RATE BASE - INTERIM
TEST YEAR ENDED JUNE 30, 1989

SCHEDULE NO. 1-A
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COMPONENT	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	ADJUSTED TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR
1 UTILITY PLANT IN SERVICE	\$ 2,187,608	\$ 88,211	\$ 2,275,819	\$ (10,583)	2,265,236
2					
3 LAND	0	0	0	0	0
4					
5 NON-USED & USEFUL COMPONENTS	0	(126,113)	(126,113)	0	(126,113)
6					
7 C.W.I.P.	0	0	0	0	0
8					
9 C.I.A.C.	(427,243)	(27,710)	(454,953)		(454,953)
10					
11 ACCUMULATED DEPRECIATION	(390,046)	6,730	(383,316)	0	(383,316)
12					
13 AMORTIZATION OF C.I.A.C.	42,336	5,565	47,901	0	47,901
14					
15 UNAMORTIZED PREPAID CIAC TAX	0	21,497	21,497	(21,497)	0
16					
17 WORKING CAPITAL ALLOWANCE	25,657	(1,993)	23,664	(734)	22,930
18					
19 RATE BASE	\$ 1,438,312	\$ (33,813)	\$ 1,404,499	\$ (32,814)	\$ 1,371,685
20					

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SAILFISH POINT UTILITY CORPORATION
 SCHEDULE OF WASTEWATER RATE BASE - INTERIM
 TEST YEAR ENDED JUNE 30, 1989

SCHEDULE NO. 1-B
 DOCKET NO. 891114-WS

COMPONENT	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	ADJUSTED TEST YEAR PER UTILITY	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR
1 UTILITY PLANT IN SERVICE	\$ 1,527,211	\$ 44,012	\$ 1,571,223	\$ 0	\$ 1,571,223
2					
3 LAND	19,500	0	19,500	0	19,500
4					
5 NON-USED & USEFUL COMPONENTS	0	(363,412)	(363,412)	0	(363,412)
6					
7 C.W.I.P.	0	0	0	0	0
8					
9 C.I.A.C.	(338,500)	0	(338,500)	0	(338,500)
10					
11 ACCUMULATED DEPRECIATION	(250,044)	55,995	(194,049)	0	(194,049)
12					
13 AMORTIZATION OF C.I.A.C.	36,707	0	36,707	0	36,707
14					
15 UNAMORTIZED PREPAID CIAC TAX	0	12,778	12,778	(12,778)	0
16					
17 WORKING CAPITAL ALLOWANCE	18,122	(1,147)	16,975	(735)	16,240
18					
19 RATE BASE	\$ 1,012,996	\$ (251,774)	\$ 761,222	\$ (13,513)	\$ 747,709
20					

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SAILFISH POINT UTILITY CORPORATION
 ADJUSTMENTS TO RATE BASE - INTERIM
 TEST YEAR ENDED JUNE 30, 1989

SCHEDULE NO. 1-C
 PAGE 1 OF 1
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EXPLANATION	ADJUSTMENT	
	WATER	WASTEWATER
-----	-----	-----
1 UTILITY PLANT IN SERVICE		
2 A. To adjust plant adjustment for Calcite		
3 Contactor to agree with supporting schedule.	\$ (10,583)	\$ 0
4	-----	-----
5		
6 UNAMORTIZED PREPAID CIAC TAX		
7 A. To remove unamortized prepaid CIAC tax from		
8 rate base.	\$ (21,497)	\$ (12,778)
9	-----	-----
10		
11 WORKING CAPITAL ALLOWANCE		
12 A. To adjust the working capital allowance to		
13 staff calculation.	\$ (734)	\$ (735)
14	-----	-----

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SAILFISH POINT UTILITY CORPORATION
 CAPITAL STRUCTURE - INTERIM
 TEST YEAR ENDED JUNE 30, 1989

SCHEDULE NO. 2
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DESCRIPTION	ADJUSTED TEST YEAR PER UTILITY	WEIGHT	COST	WEIGHTED COST	COMMISSION		WEIGHT	COST	WEIGHT	COST
					ADJUSTMENTS TO UTILITY EXHIBIT	BALANCE PER COMMISSION				
LONG TERM DEBT	\$ 844,438	27.55%	9.58%	2.64%	\$ (260,492)	\$ 583,946	27.55%	9.58%	2.6	
SHORT TERM DEBT	0	0.00%	0.00%	0.00%	0	0	0.00%	0.00%	0.0	
CUSTOMER DEPOSITS	0	0.00%	0.00%	0.00%	0	0	0.00%	0.00%	0.0	
PREFERRED STOCK	0	0.00%	0.00%	0.00%	0	0	0.00%	0.00%	0.0	
COMMON EQUITY	2,069,018	67.51%	12.36%	8.34%	(638,249)	1,430,769	67.51%	11.36%	7.6	
INVESTMENT TAX CREDITS	0	0.00%	0.00%	0.00%	0	0	0.00%	0.00%	0.0	
DEFERRED INCOME TAXES	151,375	4.94%	0.00%	0.00%	(46,696)	104,679	4.94%	0.00%	0.0	
OTHER CAPITAL	0	0.00%	0.00%	0.00%	0	0	0.00%	0.00%	0.0	
TOTAL CAPITAL	\$ 3,064,831	100.00%		10.98%	\$ (945,437)	\$ 2,119,394	100.00%		10.3	

RANGE OF REASONABLENESS	LOW	HIGH
EQUITY	11.36%	13.36%
OVERALL RATE OF RETURN	10.31%	11.66%

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SAILFISH POINT UTILITY CORPORATION
 STATEMENT OF WATER OPERATIONS - INTERIM
 TEST YEAR ENDED JUNE 30, 1989

SCHEDULE NO. 3-A
 DOCKET NO. 891114-WS

DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	UTILITY ADJUSTED TEST YEAR	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	REVENUE INCREASE OR (DECREASE)	REVENUE REQUIREMENT
1 OPERATING REVENUES	\$ 114,900	\$ 167,974	\$ 282,874	\$ (160,591)	\$ 122,283	\$ 160,591	\$ 282,874
2							
3 OPERATING EXPENSES							
4							
5 OPERATION AND MAINTENANCE	\$ 205,258	\$ (15,946)	\$ 189,312	\$ (5,875)	\$ 183,437	\$	\$ 183,437
6							
7 DEPRECIATION	50,449	(2,726)	47,723	(4,249)	43,474		43,474
8							
9 AMORTIZATION	0	0	0	0	0		0
10							
11 TAXES OTHER THAN INCOME	30,345	14,777	45,122	(10,507)	34,615	4,015	38,630
12							
13 INCOME TAXES	(58,500)	59,217	717	(717)	0	0	0
14							
15							
16 TOTAL OPERATING EXPENSES	\$ 227,552	\$ 55,322	\$ 282,874	\$ (21,348)	\$ 261,526	\$ 4,015	\$ 265,541
17							
18							
19 OPERATING INCOME	\$ (112,652)	\$ 112,652	\$ 0	\$ (139,243)	\$ (139,243)	\$ 156,576	\$ 17,333
20							
21							
22 RATE BASE	\$ 1,438,312		\$ 1,404,499		\$ 1,371,685		\$ 1,371,685
23							
24							
25 RATE OF RETURN	-7.83%		0.00%		-10.15%		1.26%
26							

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SAILFISH POINT UTILITY CORPORATION
 STATEMENT OF WASTEWATER OPERATIONS - INTERIM
 TEST YEAR ENDED JUNE 30, 1989

SCHEDULE NO. 3-B
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DESCRIPTION	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS	UTILITY ADJUSTED TEST YEAR	COMMISSION ADJUSTMENTS	COMMISSION ADJUSTED TEST YEAR	REVENUE INCREASE OR (DECREASE)	REVENUE REQUIREMENT
1 OPERATING REVENUES	\$ 65,239	\$ 132,469	\$ 197,708	\$ (132,054)	\$ 65,654	\$ 132,054	\$ 197,708
2							
3 OPERATING EXPENSES							
4							
5 OPERATION AND MAINTENANCE	\$ 144,975	\$ (9,176)	\$ 135,799	\$ (5,875)	\$ 129,924	\$	\$ 129,924
6							
7 DEPRECIATION	31,080	(1,403)	29,677	(2,999)	26,678		26,678
8							
9 AMORTIZATION	0	0	0		0		0
10							
11 TAXES OTHER THAN INCOME	30,345	1,378	31,723	(6,674)	25,049	3,301	28,350
12							
13 INCOME TAXES	(58,500)	59,009	509	(509)	0	0	0
14							
15							
16 TOTAL OPERATING EXPENSES	\$ 147,900	\$ 49,808	\$ 197,708	\$ (16,057)	\$ 181,651	\$ 3,301	\$ 184,952
17							
18							
19 OPERATING INCOME	\$ (82,661)	\$ 82,661	\$ 0	\$ (115,997)	\$ (115,997)	\$ 128,753	\$ 12,756
20							
21							
22 RATE BASE	\$ 1,012,996		\$ 761,222		\$ 747,709		\$ 747,709
23							
24							
25 RATE OF RETURN	-8.16%		0.00%		-15.51%		1.71%
26							

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SAILFISH POINT UTILITY CORPORATION
ADJUSTMENTS TO OPERATING STATEMENT - INTERIM
TEST YEAR ENDED JUNE 30, 1989

SCHEDULE NO. 3-C
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EXPLANATION	ADJUSTMENT	
	WATER	WASTEWATER
1 OPERATING REVENUES		
2 To remove utility's requested increase.	\$ (160,591)	\$ (132,054)
3	=====	=====
4		
5 OPERATION AND MAINTENANCE EXPENSE		
6 A. To remove current rate case expense.	\$ (5,875)	\$ (5,875)
7	=====	=====
8		
9 DEPRECIATION EXPENSE		
10 A. To remove depreciation expense associated with		
11 PSC guideline rates which have not been approved.	\$ (13,437)	\$ (11,656)
12		
13 A. To remove CIAC amortization expense associated		
14 with PSC guideline rates which have not been		
15 approved.	9,188	8,657
16	-----	-----
17 NET ADJUSTMENT	\$ (4,249)	\$ (2,999)
18	=====	=====
19		
20 TAXES OTHER THAN INCOME		
21 A. To remove regulatory assessment fees at 4.5%		
22 related to requested revenues.	\$ (7,227)	\$ (5,942)
23		
24 B. To remove pro forma regulatory assessment fees		
25 associated with increase to percentage which did		
26 not occur in the test year.	(3,280)	(732)
27	-----	-----
28 NET ADJUSTMENT	\$ (10,507)	\$ (6,674)
29	=====	=====
30		
31 INCOME TAXES		
32 A. To remove income tax associated with CIAC.	\$ (717)	\$ (509)
33	=====	=====
34		
35 OPERATING REVENUES		
36 A. To adjust revenues to reflect revenues		
37 which allow a fair rate of return.	\$ 160,591	\$ 132,054
38	=====	=====
39		
40 TAXES OTHER THAN INCOME		
41 A. To reflect regulatory assessment fees		
42 related to staff adjustment to revenues.	\$ 4,015	\$ 3,301
43	=====	=====