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FLORIDA PUBLIC SERVICE COMMISSION
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Tallahassee, Florida 32399-0850

MEMORANDUM

OCTOBER 23, 1997

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO)

FROM: DIVISION OF WATER & WASTEWATER (MONIZ SM AUSTIN) ^{SA} PWN ^M
DIVISION OF LEGAL SERVICES (JAEGER)

RE: DOCKET NO. - 961364-WS - LINDRICK SERVICE CORPORATION. -
INVESTIGATION OF WATER AND WASTEWATER RATES FOR POSSIBLE
OVEREARNINGS
COUNTY: PASCO

AGENDA: 11/04/97 - REGULAR AGENDA - PROPOSED AGENCY ACTION -
INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: S:\PSC\WAW\WP\961364WS.RCM

DOCUMENT NUMBER-DATE
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FPSC-RECORDS/REPORTING

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CASE BACKGROUND

Lindrick Service Corporation (Lindrick or utility) is a Class B utility providing water and wastewater service for approximately 2,255 water and 2,221 wastewater customers in Pasco County. For the test year ended December 31, 1995, the utility reported water operating revenues of \$583,545 and a net operating loss of \$163,575. Wastewater operating revenues were \$605,249, with a net operating income of \$7,485.

Lindrick's last rate case was finalized on November 16, 1983, in Order No. 12691, Docket No. 830062-WS. In that order, rate base was established and the return on equity was set at 14.38% for both water and wastewater. In Docket No. 860089-SU, the Commission initiated an overearnings investigation and lowered rates for the wastewater system only. Pursuant to Order No. 16142, issued May 23, 1986, the return on equity was lowered to 12.65% for the wastewater system. The Commission approved index and pass-through increases in both March and December of 1995.

Based on staff's review of the 1994 Annual Report, we requested an audit of the utility's books and records. As a result of the staff auditor's suggested adjustments for the average test year ended December 31, 1995, it appeared that the utility was under earning by \$34,584 for its water system and overearning by \$154,668 for its wastewater system. Pursuant to Order No. PSC-97-0076-FOF-WS, issued January 27, 1997, this Commission initiated an investigation of the rates and charges for Lindrick's water and wastewater systems. The Commission also declared that \$119,884 of the utility's revenues would be subject to refund if an overearnings condition was confirmed.

This recommendation addresses Lindrick's 1995 earnings level and the disposition of \$119,884 in wastewater revenues collected subject to refund in accordance with Rule 25-30.360, Florida Administrative Code. We also address the \$15,844 in revenues for the two indexes implemented in 1995, pursuant to Section 367.081(4)(d), Florida Statutes.

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DISCUSSION OF ISSUES

ISSUE 1: Did Lindrick earn above the range of its authorized rate of return for 1995?

RECOMMENDATION: Yes, Lindrick's earnings for its wastewater system were above the range, but the earnings for the water system were below the range. On a total company basis the utility earned below the range of its rate of return. (MONIZ, AUSTIN)

STAFF ANALYSIS: Based on staff's analysis, we are recommending several adjustments to the utility's 1995 general ledger balances. Our adjustments are discussed below.

RATE BASE

The staff auditor reviewed the utility's books to determine if all adjustments were made to reflect the Commission adjustments per Order No. 12691, issued November 16, 1983, for the water system and per Order No. 16142, issued May 23, 1986, for the wastewater system. The audit report revealed that the utility had failed to book the correct amount of CIAC and accumulated amortization of CIAC. Based on the above, staff recommends that adjustments be made to correct CIAC and accumulated amortization of CIAC.

The auditor also recalculated depreciation expense and accumulated depreciation forward from the amounts established in the orders from the last two rate cases. However, rather than using the depreciation rates approved in these orders, the auditor changed the rates to reflect the rates according to Rule 25-30.140, Florida Administrative Code. Staff does not agree that the rates should be changed from those approved in Orders 12691 and 16142. The above stated rule requires that guideline rates be used in any proceeding before this Commission that involves the setting of rates. It does not require the utility to change its depreciation rates on property placed in service until those rates are included in expenses on a going forward basis in a rate proceeding. Staff believes the utility basically used the correct rates approved in the prior rate cases; however, the utility did make a few errors in its calculations. Based on this, staff has recalculated depreciation using the utility's Commission approved depreciation rates. As a result of these calculations, we recommend increasing accumulated depreciation by \$5,511 for water and decreasing accumulated depreciation by \$26,440 for wastewater. Test year

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depreciation expense should also be increased by \$2,634 for the water system and decreased by \$1,100 for the wastewater system.

Additionally, the auditor disclosed that the utility expensed several items that should have been booked to plant in service. Staff has made the necessary adjustments to increase plant in service, decrease operation and maintenance expenses, decrease accumulated depreciation and increase depreciation expense. To establish a starting point for future cases, the year-end adjustments by primary account are shown on Schedule 1-D, attached to this recommendation.

Staff has also determined that both the water and wastewater systems are 100% used and useful. Therefore, we are not recommending that non-used useful adjustments be made to the utility's rate bases.

Staff has also included an allowance for working capital in rate base. Rule 25-30.433(2), Florida Administrative Code, requires Class B utilities to use the formula method, or one-eighth of operation and maintenance (O&M) expenses, for calculating the working capital allowance. Based on the above and staff's recommended level of O&M expenses, the working capital provision is calculated to be \$78,826 for water and \$61,925 for wastewater.

Based on the above adjustments and the use of a simple average, staff's recommended rate base is \$91,362 and \$222,575 for water and wastewater, respectively. The rate base schedules are attached as Schedules Nos. 1-A and 1-B. The schedule of adjustments to rate base is attached as Schedule No. 1-C.

CAPITAL STRUCTURE

Based upon the components of staff's adjusted capital structure for 1996, the equity ratio for Lindrick is 60.05%. Using the current leverage formula approved in Order No. PSC-97-0660-FOF-WS, issued on June 10, 1997, the appropriate return on equity should be 9.77% with a range of 8.77% to 10.77%. In accordance with Section 367.082(4), Florida Statutes, staff used the mid-point of the range of the utility's return on equity using the current leverage formula to evaluate the refund for the interim collection period. The capital structure schedule using the current leverage graph is attached as Schedule No. 2-A.

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NET OPERATING INCOME

Revenues

The audit report included an adjustment to annualize 1995 water and wastewater revenues. The utility implemented a 1995 index/pass-through which became effective in December 1995. The staff auditors annualized the 1995 index/pass-through and increased the utility's 1995 revenues by \$99,737. Upon review, staff determined that the auditor made an error in the wastewater revenue calculation. The staff auditors did not adjust the residential 5/8" x 3/4" meter customers' gallonage consumption for the 10,000 gallon cap. As a result, the overall residential gallonage consumption used to calculate the 1995 revenues was overstated. Staff recalculated the utility's residential gallonage with the 10,000 gallon cap, for 1995 by dividing the monthly gallonage revenue by the gallonage charge in effect for the given month. Thus, staff determined the number of gallons that the utility billed for each month which included the 10,000 gallon cap. Once the appropriate billing determinants were established, staff annualized the revenues related to the utility's 1995 index/pass-through. Staff's calculation determined that wastewater revenues should only be increased by \$7,800.

Operating Expenses

The staff auditors proposed several adjustments to the utility's operating expenses. These adjustments correct errors, remove undocumented charges and non-utility related charges, correct out of period charges, and reclassify charges between water and wastewater. The audit report explained that in June of 1995, the utility's consultant changed its accounting system and all amounts recorded in the prior system, for January through June, were grouped together by account and recorded as one journal entry in the current general ledger. The auditors requested that the utility submit support for these entries. However, the utility filed its support one week before the end of the audit and due to the volume of the information, the auditors were unable to perform a complete review. Therefore, the auditor made adjustments to disallow a large portion of these expenses. Staff has had a chance to review this information and believes the utility has justified a large portion of the costs that were removed by the auditor. Our adjustments are outlined on Schedule No. 3-C.

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In December of 1995, the utility's purchased water charges were increased by its supplier. Staff believes that since adjustments are made to annualize revenues, adjustments should also be made to annualize expenses for any known changes. We have adjusted purchased water by multiplying the December 1995 rate by the amount of gallons purchased in 1995.

Additionally, our adjustments include allowances for income taxes and regulatory assessment fees.

Test Year Net Operating Income

Based on the adjustments discussed above, staff recommends that the test year operating income for the water system is a \$39,395 deficit. The current recommended test year operating income for the water system is \$37,655. The schedules for operating income are attached as Schedules Nos. 3-A and 3-B and the adjustments are shown on Schedule No. 3-C.

REVENUE REQUIREMENT

Staff has calculated the revenue requirements using the adjusted operating expenses for the year ended December 31, 1995, and a 9.76% overall rate of return for both water and wastewater using the current leverage graph to calculate the return on equity. As a result, staff's recommended revenue requirements are \$690,997 for water and \$587,283 for wastewater.

NETTING WATER AND WASTEWATER EARNINGS

Staff's recommended adjustments produce an \$81,594 revenue deficiency for the water system and a revenue excess of \$26,910 for the wastewater system. However, on a combined basis the company has a \$54,684 revenue deficiency.

Lindrick's water and wastewater systems operate under common management in identical service areas. The utility also has virtually the same number of water and wastewater customers. The Commission has previously allowed a utility to net its water and wastewater earnings when determining if a refund is required, when the utility had approximately the same number of water and wastewater customers.

In Order No. PSC-96-1205-FOF-WS, issued on September 23, 1996, in the Indiantown Company, Inc. overearnings case, the Commission

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found that it was appropriate to combine the water and wastewater systems for the purpose of establishing overearnings, since the effect of netting was small and both systems had a common service area, and, for the most part, common customers. In Indiantown, the Commission found that the water system was overearning slightly, but the wastewater system was well under its authorized range.

Staff believes that the circumstances in the Lindrick case are very similar to those in the Indiantown case discussed above. The customers and service area are virtually the same for both water and wastewater, and the utility, as a whole, is earning below its authorized rate of return. We recommend this small amount of netting is appropriate and that no refund should be made. We believe that the interests of both the customers and the utility will best be served by allowing the utility to offset the overearnings in the wastewater system by the underearnings in water system.

The utility is in the process of considering options to upgrade and enlarge its wastewater treatment facilities and will probably be making a major investment in its wastewater treatment facility which will increase its rate base. At that point, Staff can address the proper level of water and wastewater rates to be continued on a going forward basis. Based on the above, we recommend that no change in rates be required.

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ISSUE 2: Should Lindrick's return on equity (ROE) be adjusted to the rate reflected in the current leverage formula?

RECOMMENDATION: Yes, the utility's authorized ROE should be lowered in order to establish a more appropriate return on a going-forward basis. Using the current leverage formula, the rate of return on equity for both water and wastewater should be reduced to 9.77%, with a range of 8.77% to 10.77%. (MONIZ)

STAFF ANALYSIS: The middle of the range of Lindrick's return on equity was last established at 14.38%, in Order No. 12691, issued November 16, 1983, for its water system, and at 12.65%, in Order No. 16142, issued May 23, 1986, for its wastewater system. Considering the length of time since the utility's last rate proceedings, staff believes it is appropriate to update the utility's return on equity using the current leverage graph formula approved by Order No. PSC-97-0660-FOF-WS, issued June 10, 1997, in Docket No. 970006-WS.

Based upon the components of the utility's capital structure, as shown on Schedule No. 2-B, the equity ratio for Lindrick is 60.05%. Staff recommends that the return on equity should be reduced to 9.77% with a range of 8.77% to 10.77%.

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ISSUE 3: Should this docket be closed and the letter of credit be released?

RECOMMENDATION: Yes. This docket should be closed if no person, whose interests are substantially affected by the proposed action, files a protest within the 21-day protest period. (MONIZ, JAGER)

STAFF ANALYSIS: Staff recommends that this docket be closed. No further action by the Commission is necessary pertaining to 1996 earnings unless a person whose interests are substantially affected by the proposed action herein files a protest within the 21-day protest period. The utility's letter of credit should also be released.

LINDRICK UTILITY CORPORATION
 SCHEDULE OF WATER RATE BASE
 TEST YEAR ENDED DECEMBER 31, 1996

SCHEDULE NO. 1-A
 DOCKET NO. 961364-WS

COMPONENT	BALANCE PER BOOK DEC 31, 1996	AVERAGING ADJUSTMENTS	AVG BALANCE DEC 31, 1996	STAFF ADJUSTMENTS	BALANCE PER STAFF DEC 31, 1996
1 UTILITY PLANT IN SERVICE	\$1,141,047	(\$7,090)	\$1,133,957	\$4,465	\$1,138,422
2 LAND & LAND RIGHTS	\$2,911	\$0	\$2,911	\$0	\$2,911
3 NON-USED & USEFUL COMPONENTS	\$0	\$0	\$0	\$0	\$0
4 CWIP	\$0	\$0	\$0	\$0	\$0
5 ACCUMULATED DEPRECIATION	(\$553,506)	\$13,258	(\$540,249)	(\$5,726)	(\$545,973)
6 CIAC	(\$912,200)	\$100	(\$912,100)	(\$138,358)	(\$1,050,458)
7 AMORTIZATION OF CIAC	\$390,119	(\$7,909)	\$382,211	\$89,702	\$471,912
8 ACQUISITION ADJUSTMENT	(\$11,719)	\$0	(\$11,719)	\$0	(\$11,719)
9 AMORTIZATION -ACQUISITION ADJUSTMEN	\$7,319	\$123	\$7,442	\$0	\$7,442
10 ADVANCES FOR CONSTRUCTION	\$0	\$0	\$0	\$0	\$0
11 WORKING CAPITAL ALLOWANCE	\$0	\$0	\$0	\$78,826	\$78,826
12 OTHER	\$0	\$0	\$0	\$0	\$0
RATE BASE	\$63,971	(\$1,518)	\$62,453	\$28,909	\$91,362

LINDRICK UTILITY CORPORATION
 SCHEDULE OF WASTEWATER RATE BASE
 TEST YEAR ENDED 12/31/95

SCHEDULE NO. 1-B
 DOCKET NO. 961364-W8

COMPONENT	BALANCE PER BOOKS 12/31/95	AVERAGING ADJUSTMENTS	AVG BALANCE 12/31/95	STAFF ADJUSTMENTS	BALANCE PER STAFF 12/31/95
1 UTILITY PLANT IN SERVICE	\$2,564,761	(\$10,205)	\$2,554,556	\$6,495	\$2,561,051
2 LAND & LAND RIGHTS	\$19,353	\$0	\$19,353	\$0	\$19,353
3 NON-USED & USEFUL COMPONENTS	\$0	\$0	\$0	\$0	\$0
4 CWIP	\$0	\$0	\$0	\$0	\$0
5 ACCUMULATED DEPRECIATION	(\$1,160,686)	\$29,000	(\$1,131,686)	\$26,106	(\$1,105,580)
6 CIAC	(\$2,111,625)	(\$18,538)	(\$2,130,163)	(\$53,284)	(\$2,183,446)
7 AMORTIZATION OF CIAC	\$832,880	(\$268)	\$832,593	\$46,106	\$878,699
8 ACQUISITION ADJUSTMENT	(\$24,901)	\$0	(\$24,901)	\$0	(\$24,901)
9 AMORTIZATION -ACQUISITION ADJUSTMEN	\$15,569	(\$95)	\$15,474	\$0	\$15,474
10 ADVANCES FOR CONSTRUCTION	\$0	\$0	\$0	\$0	\$0
11 WORKING CAPITAL ALLOWANCE	\$0	\$0	\$0	\$61,925	\$61,925
12 OTHER	\$0	\$0	\$0	\$0	\$0
RATE BASE	\$135,361	(\$125)	\$135,226	\$87,349	\$222,575

LINDRICK UTILITY CORPORATION
 ADJUSTMENTS TO RATE BASE
 TEST YEAR ENDED 12/31/95

SCHEDULE NO. 1-C
 DOCKET NO. 961364-W5

EXPLANATION	WATER	WASTEWATER
PLANT IN SERVICE To capitalize items that were recorded as contract services (AD 14)	<u>4,465</u>	<u>6,495</u>
ACCUMULATED DEPRECIATION 1) To reflect recalculation using Comm. approved depreciation rates Order 's 16142 & 12691 2) To reflect adjustment to capitalize items	(5,511) <u>(214)</u> <u>(5,725)</u>	26,440 <u>(334)</u> <u>26,106</u>
CIAC To include adjustments from prior orders	<u>(138,358)</u>	<u>(53,284)</u>
ACCUM. AMORT. OF CIAC To reflect correct balance from prior orders	<u>89,702</u>	<u>46,106</u>
WORKING CAPITAL Allowance based on 1/8 O&M	<u>78,826</u>	<u>61,925</u>

LINDRICK UTILITY CORPORATION
 SCHEDULE OF PLANT ADJUSTMENTS
 FOR DECEMBER 31, 1995 YEAR END

SCHEDULE NO. 1-D
 DOCKET NO. 961364-WS

ACCOUNT NO.	ACCOUNT DESCRIPTION	PLANT INCREASE (DECREASE)	DEPRECIATION EXPENSE INCREASE (DECREASE)	ACCUMULATED DEPRECIATION INCREASE (DECREASE)
WATER				
331	TRANSMISSION & DISTRIBUTION MAINS	\$ 1,437	\$ 29	29
334	METERS & METER INSTALLATIONS	7,492	187	187
	TOTAL WATER	\$ 8,929	\$ 216	216
WASTEWATER				
370	RECEIVING WELLS - LIFT STATIONS	\$ 2,385	\$ 40	40
371	PUMPING EQUIPMENT	4,133	115	115
380	TREATMENT & DISPOSAL EQUIPMENT	6,472	180	180
	TOTAL WASTEWATER	\$ 12,990	\$ 334	334

LINDRICK UTILITY CORPORATION
 CAPITAL STRUCTURE
 TEST YEAR ENDED 12/31/95

SCHEDULE NO. 2
 DOCKET NO. 961364-WS

DESCRIPTION	TOTAL CAPITAL	SPECIFIC ADJUSTMENTS (EXPLAIN)	PRO RATA ADJUSTMENTS	CAPITAL RECONCILED TO RATE BASE	RATIO	COST RATE	WEIGHTED COST
PER UTILITY 1995 - YEAR-END							
1 LONG TERM DEBT	0	0	0 \$	0	0.00%	0.00%	0.00%
2 SHORT-TERM DEBT	374,323	0	0	374,323	39.55%	9.75%	3.86%
3 PREFERRED STOCK	0	0	0	0	0.00%	0.00%	0.00%
4 COMMON EQUITY	572,070	0	0	572,070	60.45%	10.93%	6.61%
5 CUSTOMER DEPOSITS	0	0	0	0	0.00%	0.00%	0.00%
6 DEFERRED INCOME TAXES	0	0	0	0	0.00%	0.00%	0.00%
7 DEFERRED ITC'S-ZERO COST	0	0	0	0	0.00%	0.00%	0.00%
8 OTHER	0	0	0	0	0.00%	0.00%	0.00%
9 TOTAL CAPITAL	<u>946,393</u>	0	0 \$	<u>946,393</u>	100.00%		10.46%
PER STAFF 1995 - SIMPLE- AVERAGE							
10 LONG TERM DEBT	0	0	0 \$	0	0.00%	0.00%	0.00%
11 SHORT-TERM DEBT	380,640	0	(255,212)	125,428	39.95%	9.75%	3.90%
12 PREFERRED STOCK	0	0	0	0	0.00%	0.00%	0.00%
13 COMMON EQUITY	572,070	0	(383,562)	188,508	60.05%	9.77%	5.86%
14 CUSTOMER DEPOSITS	0	0	0	0	0.00%	6.00%	0.00%
15 DEFERRED INCOME TAXES	0	0	0	0	0.00%	0.00%	0.00%
16 DEFERRED ITC'S-ZERO COST	0	0	0	0	0.00%	0.00%	0.00%
16 OTHER	0	0	0	0	0.00%	0.00%	0.00%
17 TOTAL CAPITAL	<u>952,710</u>	0	<u>(638,773)</u> \$	<u>313,937</u>	100.00%		9.76%
RANGE OF REASONABLENESS					LOW	HIGH	
RETURN ON EQUITY					<u>8.77%</u>	<u>10.77%</u>	
OVERALL RATE OF RETURN					<u>9.16%</u>	<u>10.36%</u>	

LINDRICK UTILITY CORPORATION
 STATEMENT OF WATER OPERATIONS
 TEST YEAR ENDED 12/31/95

SCHEDULE NO. 3-A
 DOCKET NO. 961364-WS

REVENUE REQUIREMENT	BALANCE PER BOOKS 12/31/95	STAFF ADJUSTMENTS	BALANCE PER STAFF 12/31/95	REVENUE INCREASE (DECREASE)	REVENUE REQUIREMENT
1 OPERATING REVENUES	\$ 571,082	38,321	609,403	81,594	690,997
OPERATING EXPENSES:				13.39%	
2 OPERATION AND MAINTENANCE	\$ 666,936	(36,332)	630,604		630,604
3 DEPRECIATION	10,935	(8,575)	2,360		2,360
4 AMORTIZATION -ACQ ADJ	0	(244)	(244)		(244)
5 TAXES OTHER THAN INCOME	40,680	1,724	42,404	3,672	46,076
6 INCOME TAXES	0	(26,327)	(26,327)	29,610	3,284
7 TOTAL OPERATING EXPENSES	\$ 718,551	(69,753)	648,798	33,282	682,080
8 OPERATING INCOME	\$ (147,469)	108,074	(39,395)	48,312	8,916
9 RATE BASE	\$ 63,971		91,362		91,362
RATE OF RETURN	-230.52%		-43.12%		9.76%

LINDRICK UTILITY CORPORATION
 STATEMENT OF WASTEWATER OPERATIONS
 TEST YEAR ENDED 12/31/95

SCHEDULE NO. 3-B
 DOCKET NO. 961364-WS

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DESCRIPTION	BALANCE PER BOOKS 12/31/95	STAFF ADJUSTMENTS	BALANCE PER STAFF 12/31/95	REVENUE INCREASE (DECREASE)	REVENUE REQUIREMENT
1 OPERATING REVENUES	\$ 606,393	\$ 7,800	\$ 614,193	(26,910)	587,283
OPERATING EXPENSES				-4.38%	
2 OPERATION AND MAINTENANCE	\$ 526,652	(31,250)	495,402		495,402
3 DEPRECIATION	20,348	(13,629)	6,719		6,719
4 AMORTIZATION	0	(518)	(518)		(518)
5 TAXES OTHER THAN INCOME	56,819	351	57,170	(1,211)	55,959
6 INCOME TAXES	0	17,765	17,765	(9,766)	7,999
7 TOTAL OPERATING EXPENSES	\$ 603,819	(27,281)	576,538	(10,976)	565,562
8 OPERATING INCOME	\$ 2,574	35,081	37,655	(15,933)	21,722
9 RATE BASE	\$ 135,351		222,575		222,575
RATE OF RETURN	1.90%		16.92%		9.76%

LINDRICK UTILITY CORPORATION
 ADJUSTMENTS TO OPERATING STATEMENTS
 TEST YEAR ENDED 12/31/95

SCHEDULE NO. SCHEDULE NO. 3-C
 DOCKET NO. 981364-WS

EXPLANATION	WATER	WASTEWATER
OPERATING REVENUES		
Adjustment to annualize revenues (AD 3)	\$ 38,321	\$ 7,800
OPERATION & MAINTENANCE EXPENSE		
1 To annualize & remove out of period purchased water charges	3,039	0
2 To adjust transportation expenses for non utility charges (AD 10)	(3,250)	(5,526)
3 To reclassify and remove out of period purchased water charges (AD 12)	(18,433)	16,761
4 To remove duplicative & non-supported expenses from materials & supplies (AD 13)	(721)	(7,888)
5 To adjust contract services (other) for capitalized, undocumented & duplicative charges (AD 14)	(11,233)	(17,669)
6 To remove duplicative rental expenses (AD 15)	(377)	(643)
7 To adjust Contract Services for duplicative, capitalized, and undocumented charges (AD 16)	(3,680)	(13,414)
8 To remove non-utility related insurance expenses (AD 17)	(1,897)	(3,071)
	\$ (36,332)	\$ (21,250)
DEPRECIATION EXPENSE		
1 To reflect test year depreciation on capitalized items	214	334
2 To reflect adjustment to correct depreciation rates	2,634	(1,100)
3 To reflect correction to amortization rate	(11,423)	(12,863)
	\$ (8,575)	\$ (13,629)
AMORTIZATION OF ACQUISITION ADJUSTMENT		
To reflect correction to amortization rate per Order 12691 (AD 1)	\$ (244)	\$ (518)
TAXES OTHER THAN INCOME TAXES		
Regulatory assessment fees on annualized revenues	\$ 1,724	\$ 351
INCOME TAXES		
To adjust to test year income tax expense	\$ (26,327)	\$ 17,765