

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Investigation of
possible overearnings by
Sanlando Utilities Corporation
in Seminole County.

DOCKET NO. 980670-WS
ORDER NO. PSC-98-0892-PCO-WS
ISSUED: July 6, 1998

The following Commissioners participated in the disposition of
this matter:

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

ORDER INITIATING INVESTIGATION INTO RATES AND CHARGES, SUBJECTING
REVENUES TO REFUND, AND REQUIRING SECURITY

BY THE COMMISSION:

BACKGROUND

Sanlando Utilities Corporation (Sanlando or utility) is a Class A water and wastewater utility located in Altamonte Springs, Florida, which operates three water and two wastewater plants. According to the 1997 annual report, Sanlando serves approximately 9,872 water and 8,889 wastewater customers. The revenue collected in 1997 by the utility was \$2,034,193 for the water system and \$2,898,138 for the wastewater system. Sanlando's entire service area lies within the St. John's River Water Management District (SJRWMD), which has declared its entire district as a water use caution area.

By Order No. PSC-92-1356-FOF-WS, issued November 23, 1992, in Docket No. 900338-WS, the Commission approved a water conservation plan for Sanlando, which plan includes the construction of an effluent reuse system. As required by that order, on March 10, 1993, Sanlando filed a petition for a limited proceeding to implement the water conservation plan.

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By Proposed Agency Action Order No. PSC-93-1771-FOF-WS, issued December 10, 1993, in Docket No. 930256-WS, the Commission approved Sanlando's petition and required the utility to file a proposed charge for reclaimed water. Moreover, the Commission authorized increased gallonage charges in order to generate revenue for the conservation plan and required the utility to establish an escrow account to deposit those funds and any excess revenues.

Several timely protests were filed to Order No. PSC-93-1771-FOF-WS, and the Office of Public Counsel (OPC) and SJRWMD intervened in the docket. Consequently, the matter was set for formal hearing. The parties reached a settlement and submitted a proposed stipulation for our approval, which they later revised. The overall goal of the stipulation was to fund the construction of the proposed reuse facilities without incurring income tax liability, and thereby reduce the total cost of the project by approximately 40%. To accomplish this goal, the parties agreed to create a non-profit corporation which would own the reuse facilities and which would seek tax exempt status from the Internal Revenue Service (IRS). By Order No. PSC-95-0536-S-WS, issued April 28, 1995, we approved the revised stipulation, with modifications, and ordered the docket to remain open pending the issuance of an IRS letter ruling on the parties' proposed plan. We also ordered the parties to report the results of the IRS ruling to the Commission, and authorized the parties to implement the terms of the stipulation if the ruling were favorable to the proposed plan.¹ Sanlando requested a tax ruling by letter dated June 15, 1995, to the IRS. By letter ruling dated March 15, 1996, the IRS ruled that the monies received by the utility in connection with the reuse facility would not qualify as contributions to capital.

On September 10, 1997, the utility filed a Motion to Hold Docket No. 930256-WS in Abeyance Pending Commission's Ruling on Application for Approval of Reuse Project Plan and Increase for Wastewater Rates. By Order No. PSC-97-1460-PCO-WS, issued November 19, 1997, we granted Sanlando's motion and ordered that Docket 930256-WS be held open in monitor status pending a ruling on the merits of Sanlando's application filed in Docket No. 971186-SU.

¹By Order No. PSC-95-1213-S-WS, issued October 2, 1995, the Commission modified Order No. PSC-95-0536-S-WS, striking a paragraph unrelated to the IRS ruling and substituting new language in its place, and otherwise affirmed the order.

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By Order No. PSC-97-1337-PCO-SU, issued October 27, 1997, the Commission acknowledged the intervention of OPC. By Order No. PSC-97-1582-PCO-SU, issued December 17, 1997, SJRWMD was granted intervention.

A recommendation concerning Sanlando's reuse application was filed on April 30, 1998, and scheduled to be brought before us at our May 12, 1998, agenda conference. Our staff recommended that the reuse project plan be approved, but that the monies to fund the project should come from existing revenues because of overearnings of \$219,142 (10.84% of total water revenues) in water revenues and \$301,883 (10.57% of total wastewater revenues) in wastewater revenues in 1996. The staff recommended that all overearnings be held in escrow.

On May 11, 1998, the utility sent a "Response to Commission staff's memorandum dated April 30, 1998," and requested a deferral of the recommendation for two months to enable the utility time to respond more fully to the staff's recommendation and to provide additional information regarding financing requirements and other matters which the utility believes will be helpful to us in deciding the relevant issues. The Chairman's office deferred the item on May 11, 1998.

The utility's 1997 annual report was received on May 1, 1998. Due to the observations made in Docket No. 971186-SU concerning overearnings, our staff completed an expedited review of the annual report.

INITIATION OF OVEREARNINGS INVESTIGATION AND PLACING
REVENUES SUBJECT TO REFUND

Based on a desk audit of the utility's 1997 annual report, along with a limited scope audit completed in Docket No. 971186-SU, we find it appropriate to initiate a full investigation of earnings of Sanlando's water and wastewater systems. A review of the utility's 1997 annual report indicates that Sanlando's water system earned an achieved rate of return on equity of 18.76% and its wastewater system earned an achieved rate of return on equity of 48.25% in 1997. Therefore, we find it appropriate to conduct a full audit of the utility's books for the test year ending December 31, 1997. We also find it appropriate to establish water and wastewater rate base, since both were last set by the Commission as of December 31, 1991.

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Furthermore, based upon the foregoing, we find it appropriate to require Sanlando to hold annual water revenues of \$106,536 and annual wastewater revenues of \$289,267 subject to refund.

In the utility's last rate proceeding, by Order No. 23809, issued November 27, 1990, in Docket No. 900338-WS, the Commission approved an overall rate of return of 11.51% with a range of 11.27% to 11.75%, and established a rate of return on equity of 13.51% with a range of 12.51% to 14.51%.

Using the upper boundary of 14.51% for equity, and appropriate interest rates for other components in the capital structure, a 9.05% overall cost of capital is indicated. Additionally, our preliminary review suggests that the utility achieved an overall 38.54% return on equity in 1997.

Section 367.082(5)(b), Florida Statutes, requires that adjustments be made consistent with those made in the last individual rate proceeding in arriving at the achieved rate of return of the utility. Additionally, the statute requires the annualization of any rate changes that occurred during the test period. Our adjustments are outlined below.

RATE BASE

Our calculation of the appropriate rate bases for the purpose of this proceeding for water and wastewater are shown on Schedules Nos. 1A and 1B, respectively, and our adjustments to rate base are shown on Schedule No. 1C. Those adjustments which are self-explanatory or which are essentially mechanical in nature are reflected on those schedules without further discussion in the body of this Order. The major adjustments are discussed below.

Working Capital

Section 367.082(5)(b)1, Florida Statutes, requires that, in calculating interim rates, adjustments be made consistent with those in the utility's last rate proceeding. Consistent with the treatment allowed by Order No. 23809, Sanlando's last rate proceeding, we have calculated working capital using the formula method. Based on our preliminary review and the use of the formula method, we hereby approve a working capital allowance of \$201,131 for water and \$255,445 for wastewater.

We find that rate base for interim purposes, as adjusted, is \$1,012,253 and \$2,071,497 for water and wastewater, respectively.

COST OF CAPITAL

Our calculation of the appropriate cost of capital, including our adjustments, is shown on Schedule No. 2. Those adjustments which are self-explanatory or which are essentially mechanical in nature are reflected on that schedule without further discussion in the body of this Order. The major adjustments are discussed below.

By Order No. 23809, Sanlando's return on equity was established at 13.51%, with a range of 12.51% to 14.51%. Consistent with Section 367.082(2)(b), Florida Statutes, the appropriate rate of return on equity for interim refund purposes is calculated using the maximum of the range of the last authorized rate of return on equity. Using the high-end of the range to calculate any potential overearnings, we find it appropriate to establish an overall rate of return of 9.05% for interim purposes.

NET OPERATING INCOME

Our calculation of net operating income for water and wastewater are shown on Schedules Nos. 3A and 3B, respectively, and our adjustments to net operating income are shown on Schedule No. 3C. Those adjustments which are self-explanatory or which are essentially mechanical in nature are reflected on those schedules without further discussion in the body of this Order. The major adjustments are discussed below.

Operating Revenue

On or about December 5, 1997, the utility implemented a price index adjustment that increased water revenues by \$27,337 and wastewater revenues by \$39,630 on an annual basis. In accordance with the interim statute, the full revenue impact of that adjustment has been annualized and is reflected in an increase of \$25,390 to water revenues and \$36,807 to wastewater revenues.

Operation and Maintenance Expenses

We find it appropriate to make the following adjustments to the utility's 1997 operation and maintenance expenses consistent with those made in the last individual rate proceeding:

Contractual Services - Legal

The utility recorded \$21,264 in water and \$65,008 in wastewater legal contractual services for 1997. During the limited scope audit of the utility's books conducted in Docket No. 971186-SU, we discovered that legal retainer fees from a related party did not show hours or hourly rates on the invoices, and most listed general services as a description. The NARUC Class "A" Accounting Instruction No. 2, General Records, states, in part, that "[e]ach entry shall be supported by such detailed information as will permit a ready identification, analysis and verification of all facts relevant thereto."

By Order No. 23809, the Commission found that "[i]n its response to the audit report, the utility listed many general areas of service provided by the attorney." Additionally, the Commission was not persuaded by the utility's audit response. The Commission found that it was

not provided with sufficient description of legal work performed, legal proceedings or any detail supporting the benefit derived by the utility. All utilities are held to the same requirement that expenses recovered through rates must be justified as reasonable and prudently incurred. Just because the utility incurred these amounts does not lend any support to the reasonableness or prudence thereof. The fact that the attorney is a related party requires an even greater degree of scrutiny to assure that expenses are incurred on an arm's-length basis.

Finally, the Commission placed the utility on notice that: "in future rate proceedings it must provide greater detail to justify contract or outside legal services." Order No. 23809 at 11.

For purposes of this interim proceeding, we use the \$40,000 base figure approved by Order No. 23809 and increased it using the Commission approved yearly index figures to arrive at our approved total contractual legal services figure of \$47,792.

We find it appropriate to make an adjustment of (\$9,620) to water legal contractual services, and an adjustment of (\$28,860) to wastewater legal contractual services using the same percentage allocation of legal costs as in the utility's 1997 annual report. Based on the foregoing, we hereby approve legal contractual services in the amounts of \$11,644 for water and \$36,148 for wastewater.

Contractual Services - Management Fees

The utility's 1997 annual report showed \$121,857 in water and \$109,743 in wastewater management contractual services. These amounts included \$125,000 of director's fees. The utility had five directors who were paid \$25,000 each during 1997. In the utility's last rate proceeding in Docket No. 900338-WS, the utility was allowed director's fees of \$6,500 each, split \$3,510 for water, and \$2,993 for wastewater. In that docket the Commission indexed the director's fees from the last rate case by the index growth. We used the same methodology and increased these figures using the Commission approved yearly index figures to calculate director's fees of \$7,932, split \$4,230 to water and \$3,702 to wastewater for each director for purposes of this interim proceeding. We hereby make an adjustment of (\$45,512) to water and (\$39,828) to wastewater to reduce total director's fees to \$21,151 for the water system and \$18,509 for the wastewater system for this interim proceeding. This is a total reduction of \$85,340 to director's fees.

The utility's annual report included \$81,600 in consulting fees charged by Greater Construction Corporation, an affiliated company. The consulting fee was allocated \$43,656 to water and \$37,944 to wastewater based on the same methodology used by the utility in its 1996 annual report. In Docket No. 900338-WS, the Commission allowed a total consulting fee of \$25,000 for Greater Construction Corporation. We increased the previously approved consulting amount for Greater Construction Corporation using the Commission approved yearly index figures, and made an adjustment of (\$27,339) to the water and (\$23,761) to wastewater for a total Greater Construction consulting fee of \$30,500. Therefore, we find it appropriate to approve a Greater Construction consulting fee allocation of \$16,317 for water and \$14,183 for wastewater.

Based on the foregoing, we hereby approve \$49,006 in water and \$46,154 in wastewater management contractual services.

Operation and Maintenance Expense Summary

The above adjustments to operation and maintenance expenses total (\$82,471) for water and (\$92,449) for wastewater. We hereby approve operation and maintenance expenses of \$1,609,049 for water and \$2,043,559 for wastewater for this interim proceeding.

Taxes Other Than Income

The 1997 utility annual report shows \$166,208 in water and \$245,852 in wastewater taxes other than income. We have made adjustments of \$1,143 to water and \$1,656 to wastewater to reflect regulatory assessment fees on our approved test-year increase in revenue.

We find it appropriate to approve test-year taxes other than income of \$167,351 for water and \$247,508 for wastewater.

Income Taxes

The utility recorded income taxes of (\$774) for water and \$87,881 for wastewater in its 1997 annual report. Based on our adjustments which increased operating income, we have made an adjustment of \$49,197 to water and \$36,818 to wastewater to reflect income taxes on our approved test-year figures.

Test Year Net Operating Income

The above adjustments result in operating revenues of \$2,059,583 for water and \$2,934,945 for wastewater, with operating expenses of \$1,904,483 for water and \$2,575,106 for wastewater, resulting in net operating incomes of \$155,100 for water and \$359,839 for wastewater.

REVENUE REQUIREMENT

As shown above, water operating revenues total \$2,059,583 for water and \$2,934,945 for wastewater for the test year. This represents a 15.32% overall rate of return for water and a 17.37% overall rate of return for wastewater. Our calculation of revenue requirements for purposes of interim rates indicates a revenue requirement of \$1,953,047 for water, which represents a \$106,536 (5.17%) decrease in revenue, and a revenue requirement of \$2,645,678 for wastewater, which represents a \$289,267 (9.86%) decrease in revenue. We find that this will allow the utility the

opportunity to recover its expenses and earn our approved return of 9.05% on its investment.

REVENUES SUBJECT TO REFUND

Based upon the foregoing, the following amounts shall be held subject to refund:

		Amount	
	Test Year	Subject	% Subject
	<u>Revenues</u>	<u>To Refund</u>	<u>To Refund</u>
Water	\$2,059,583	\$106,536	5.17%
Wastewater	\$2,934,945	\$289,267	9.86%

SECURITY

Pursuant to Section 367.082, Florida Statutes, the utility is authorized to continue collecting the previously authorized rates. As reflected above, the amount of potential overearnings in the water system is \$106,536, and the amount of potential overearnings in the wastewater system is \$289,267 on an annual basis. On December 5, 1997, the utility implemented a price index of \$27,337 for the water system, and \$39,630 for the wastewater system.

Pursuant to Section 367.081(4)(d), Florida Statutes, we may order a utility to refund, with interest, a price index and/or pass-through rate adjustment if, within 15 months after the filing of a utility's annual report, we find that the utility exceeded the range of its last authorized rate of return on equity after an index and/or pass-through rate adjustment was implemented within the year for which the annual report was filed or was implemented in the preceding year. The utility's 1997 annual report was filed on April 30, 1998. Consequently, fifteen months from that date is July 30, 1999.

As noted above, the utility implemented a price index of \$27,337 for water and \$39,630 for wastewater on December 5, 1997. The 1997 index revenues which are already subject to refund are \$1,947 for water and \$2,823 for wastewater. The statute also provides that indexes implemented in the previous year of the annual report which caused the utility to overearn in the year of

the annual report are also subject to refund. The utility implemented a price index of \$32,048 for water and \$45,157 for wastewater on September 8, 1996. This caused the utility to overearn by those amounts in 1997. Therefore, an additional \$32,048 of water revenues and \$45,157 of wastewater revenues is also already subject to refund as shown below.

	<u>WATER</u>	<u>WASTEWATER</u>
Amount of potential 1997 overearnings	\$106,536	\$289,267
1997 overearnings from 12/05/97 index	(1,947)	(2,823)
1997 overearnings from 09/08/96 index	<u>(32,048)</u>	<u>(45,157)</u>
Incremental to hold subject to refund	\$ 72,541	\$241,287

Since \$33,995 of water revenue and \$47,980 of wastewater revenue is already subject to refund, the remaining \$72,541 in annual water revenues, and \$241,287 in annual wastewater revenues shall be collected under guarantee, subject to refund with interest. Assuming a nine-month time frame, the potential refund amount is \$235,371. Interest, calculated in accordance with Rule 25-30.360, Florida Administrative Code, is \$9,780, making the total \$241,151, which amount shall be collected under guarantee, subject to refund with interest.

We find a corporate undertaking signed by Sanlando to be sufficient to protect the potential refund. Therefore, the utility shall provide a corporate undertaking in the amount of \$241,151 as guarantee of any potential refund of wastewater revenues collected under the interim conditions.

Further, an accurate and detailed account of all monies received shall be kept by the utility. By no later than the twentieth day of each month, the utility shall file a report showing the amount of revenues collected each month subject to refund. Should a refund be required, the refund shall be with interest and undertaken in accordance with Rule 25-30.360, Florida Administrative Code.

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

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Based upon our findings made herein, we shall conduct a full audit of the utility's books for the year ending December 31, 1997. This docket shall remain open pending the results of that audit and the completion of our overearnings investigation.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that an investigation of the water and wastewater rates and charges of Sanlando Utilities Corporation shall be initiated. It is further

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

ORDERED that Sanlando Utilities Corporation shall collect water service revenues of \$72,541 and wastewater service revenues of \$241,287 on an annual basis subject to refund with interest in accordance with Rule 25-30.360, Florida Administrative Code, to the extent set forth in the body of this Order. It is further

ORDERED that Sanlando Utilities Corporation shall provide the Commission with a corporate undertaking in the amount of \$241,151 as a guarantee of any potential refund of water and wastewater revenues collected under interim conditions. It is further

ORDERED that by no later than the twentieth day of each month, Sanlando Utilities Corporation shall file a report with the Commission showing the amount of revenues collected each month and the amount of revenues collected to date relating to the amount subject to refund. It is further

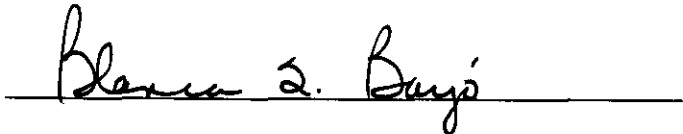
ORDERED that should a refund be required, the refund shall be made with interest and undertaken in accordance with Rule 25-30.360, Florida Administrative Code. It is further

ORDERED that no maintenance or administrative costs associated with any refund shall be borne by the customers. It is further

ORDERED that this docket shall remain open.

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By ORDER of the Florida Public Service Commission this 6th
day of July, 1998.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

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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.

Any party adversely affected by the Commission's final action in this matter may request: 1) reconsideration of the decision by filing a motion for reconsideration with the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, 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 and/or wastewater utility by filing a notice of appeal with the Director, Division of Records and reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

SCHEDULE NO. 1 A
 DOCKET NO. 980670-WS

SANLANDO UTILITIES CORPORATION
 TEST YEAR ENDING DECEMBER 31, 1997
 SCHEDULE OF WATER RATE BASE

	BALANCE PER UTILITY 1997 ANN.RPT	COMM. ADJUST. TO UTIL. BAL.	BALANCE PER COMM.
LAND AND LAND RIGHTS	\$ 116,578	\$ 0	\$ 116,578
UTILITY PLANT IN SERVICE	12,095,967	0	12,095,967
NON-USED AND USEFUL PLANT	0	0	0
ACCUMULATED DEPRECIATION	(5,554,127)	0	(5,554,127)
CIAC	(10,330,056)	0	(10,330,056)
ACCUMULATED AMORTIZATION OF CIAC	4,482,760	0	4,482,760
WORKING CAPITAL	211,440	(10,309) A	201,131
WATER RATE BASE	\$ 1,022,562	\$ (10,309)	\$ 1,012,253

SANLANDO UTILITIES CORPORATION
 TEST YEAR ENDING DECEMBER 31, 1997
 SCHEDULE OF WASTEWATER RATE BASE

SCHEDULE NO. 1 B
 DOCKET NO. 980670-WS

	BALANCE PER UTILITY 1997 ANN.RPT	COMM. ADJUST. TO UTIL. BAL.	BALANCE PER COMM.
LAND AND LAND RIGHTS	\$ 202,552	\$ 0	\$ 202,552
UTILITY PLANT IN SERVICE	13,510,739	0	13,510,739
NON-USED AND USEFUL PLANT	0	0	0
ACCUMULATED DEPRECIATION	(7,079,969)	0	(7,079,969)
CIAC	(10,405,022)	0	(10,405,022)
ACCUMULATED AMORTIZATION OF CIAC	5,587,752	0	5,587,752
WORKING CAPITAL	267,001	(11,556) A	255,445
WASTEWATER RATE BASE	\$ 2,083,053	\$ (11,556)	\$ 2,071,497

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SANLANDO UTILITIES CORPORATION
TEST YEAR ENDING DECEMBER 31, 1997
ADJUSTMENTS TO RATE BASE

SCHEDULE NO. 1 C
DOCKET NO. 980670-WS

A. WORKING CAPITAL ALLOWANCE
1. To adjust for 1/8 of commission approved O & M.

<u>WATER</u>	<u>WASTEWATER</u>
\$ <u>(10,309)</u>	\$ <u>(11,556)</u>

SANLANDO UTILITIES CORPORATION
 TEST YEAR ENDING DECEMBER 31, 1997
 SCHEDULE OF CAPITAL STRUCTURE

SCHEDULE NO. 2
 DOCKET NO. 980670-WS

	BALANCE PER UTILITY 1997 ANN.RPT	SPECIFIC ADJUSTMENTS	PRO-RATA ADJUSTMENTS	ADJUSTED BALANCE	RATIO	COST RATE	WEIGHTED COST
COMMON EQUITY	\$ 482,945	\$ 0	\$ (130,165)	\$ 352,780	11.44%	14.51%	1.66%
LONG TERM DEBT	3,216,075	0	(866,809)	2,349,266	76.18%	8.43%	6.42%
NOTES PAYABLE	351,061	0	(94,619)	256,442	8.32%	8.75%	0.73%
CUSTOMER DEPOSITS	171,481	0	(46,218)	125,263	4.06%	6.00%	0.24%
INVESTMENT TAX CREDITS	0	0	0	0	0.00%	0.00%	0.00%
DEFERRED INCOME TAXES	0	0	0	0	0.00%	0.00%	0.00%
TOTAL	\$ 4,221,562	\$ 0	\$ (1,137,812)	\$ 3,083,750	100.00%		9.05%

RANGE OF REASONABLENESS

LOW HIGH

RETURN ON EQUITY	12.51%	14.51%
OVERALL RATE OF RETURN	8.82%	9.05%

SANLANDO UTILITIES CORPORATION
 TEST YEAR ENDING DECEMBER 31, 1997
 SCHEDULE OF WATER OPERATING INCOME

SCHEDULE NO. 3 A
 DOCKET NO. 980670-WS

	BALANCE PER UTILITY 1997 ANN.RPT	COMM. ADJ. TO UTILITY	COMMISSION ADJUSTED TEST YEAR	ADJUST. FOR INCREASE/ (DECREASE)	TOTAL PER COMM.
OPERATING REVENUES	\$ 2,034,193	\$ 25,390 A	\$ 2,059,583	\$ (106,536) E -5.17%	\$ 1,953,047
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	1,691,520	(82,471) B	1,609,049	0	1,609,049
DEPRECIATION (NET)	79,660	0	79,660	0	79,660
AMORTIZATION (OTHER)	0	0	0	0	0
TAXES OTHER THAN INCOME	166,208	1,143 C	167,351	(4,794) F	162,556
INCOME TAXES	(774)	49,197 D	48,423	(38,285) G	10,138
TOTAL OPERATING EXPENSES	\$ 1,936,614	\$ (32,131)	\$ 1,904,483	\$ (43,080)	\$ 1,861,403
OPERATING INCOME/(LOSS)	\$ 97,579		\$ 155,100		\$ 91,644
WATER RATE BASE	\$ 1,022,562		\$ 1,012,253		\$ 1,012,253
RATE OF RETURN	9.54%		15.32%		9.05%

SANLANDO UTILITIES CORPORATION
 TEST YEAR ENDING DECEMBER 31, 1997
 SCHEDULE OF WASTEWATER OPERATING INCOME

SCHEDULE NO. 3 B
 DOCKET NO. 980670-WS

	BALANCE PER UTILITY 1996 ANN.RPT	COMM. ADJ. TO UTILITY	COMMISSION ADJUSTED TEST YEAR	ADJUST. FOR INCREASE/ (DECREASE)	TOTAL PER COMM.
OPERATING REVENUES	\$ 2,898,138	\$ 36,807 A	\$ 2,934,945	\$ (289,267) E -9.86%	\$ 2,645,678
OPERATING EXPENSES:					
OPERATION AND MAINTENANCE	2,136,008	(92,449) B	2,043,559	0	2,043,559
DEPRECIATION	159,340	0	159,340	0	159,340
AMORTIZATION	0	0	0	0	0
TAXES OTHER THAN INCOME	245,852	1,656 C	247,508	(13,017) F	234,491
INCOME TAXES	87,881	36,818 D	124,699	(103,953) G	20,746
TOTAL OPERATING EXPENSES	\$ 2,629,081	\$ (53,975)	\$ 2,575,106	\$ (116,970)	\$ 2,458,136
OPERATING INCOME/(LOSS)	\$ 269,057		\$ 359,839		\$ 187,542
WASTEWATER RATE BASE	\$ 2,083,053		\$ 2,071,497		\$ 2,071,497
OVERALL RATE OF RETURN	12.92%		17.37%		9.05%

SANLANDO UTILITIES CORPORATION
TEST YEAR ENDING DECEMBER 31, 1997
ADJUSTMENTS TO OPERATING INCOME

SCHEDULE NO. 3 C
DOCKET NO. 980670-WS

	<u>WATER</u>	<u>WASTEWATER</u>
A. OPERATING INCOME		
1. To annualize price index effective 12/05/97.	\$ <u>25,390</u>	\$ <u>36,807</u>
B. OPERATION AND MAINTENANCE EXPENSES		
1. Contractual Services - Legal		
a. To reduce legal fees to commission approved level.	\$ <u>(9,620)</u>	\$ <u>(28,860)</u>
2. Contractual Services - Mgt. Fees		
a. To reduce directors fees to commission approved level.	\$ (45,512)	\$ (39,828)
b. To reduce Greater Construction consulting fees.	(27,339)	(23,761)
	\$ <u>(72,851)</u>	\$ <u>(63,589)</u>
TOTAL O & M ADJUSTMENTS	\$ <u>(82,471)</u>	\$ <u>(92,449)</u>
C. TAXES OTHER THAN INCOME		
1. To reflect regulatory assessment fees on revenue adjustment.	\$ <u>1,143</u>	\$ <u>1,656</u>
D. INCOME TAXES		
1. To adjust income taxes on test year operating income.	\$ <u>49,197</u>	\$ <u>36,818</u>
E. OPERATING REVENUES		
1. To reflect commission approved decrease in revenue.	\$ <u>(106,536)</u>	\$ <u>(289,267)</u>
F. TAXES OTHER THAN INCOME		
1. To reflect regulatory assessment fee associated with commission approved revenue requirement.	\$ <u>(4,794)</u>	\$ <u>(13,017)</u>
G. INCOME TAXES		
1. To adjust for recommended revenue requirement.	\$ <u>(38,285)</u>	\$ <u>(103,953)</u>

MEMORANDUM

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98 JUL -6 PM 1:58

July 6, 1998

RECORDS AND
REPORTING

TO: DIVISION OF RECORDS AND REPORTING

FROM: DIVISION OF LEGAL SERVICES (GERVASI) *ps*

RE: DOCKET NO. 980670-WS - INVESTIGATION OF POSSIBLE
OVEREARNINGS BY SANLANDO UTILITIES CORPORATION IN
SEMINOLE COUNTY. *pcd*

98-0892-EPF-WS

Attached is an ORDER INITIATING INVESTIGATION INTO RATES AND CHARGES, SUBJECTING REVENUES TO REFUND, AND REQUIRING SECURITY, to be issued in the above-referenced docket.

(Number of pages in order - 19)

RG/dr

Attachment

cc: Division of Water and Wastewater (Willis, Casey, Rendell)

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ATTACHMENT(S) NOT ON-LINE