

BEFORE THE PUBLIC SERVICE COMMISSION

In re: Application for increase in water and  
wastewater rates in Lake County by Utilities,  
Inc. of Pennbrooke.

DOCKET NO. 060261-WS  
ORDER NO. PSC-06-0670-FOF-WS  
ISSUED: August 7, 2006

The following Commissioners participated in the disposition of this matter:

LISA POLAK EDGAR, Chairman  
J. TERRY DEASON  
ISILIO ARRIAGA  
MATTHEW M. CARTER II  
KATRINA J. TEW

ORDER SUSPENDING PROPOSED FINAL RATES AND  
GRANTING INTERIM RATES SUBJECT TO REFUND

BY THE COMMISSION:

BACKGROUND

Utilities, Inc. of Pennbrooke (Pennbrooke or utility) is a Class B utility providing service to approximately 1,344 water and 1,244 wastewater customers in Lake County. The utility is a wholly-owned subsidiary of Utilities, Inc. (UI). Rates were last established for Pennbrooke in its 2000 rate proceeding.<sup>1</sup> In 2003, Utilities, Inc. of Pennbrooke purchased the assets of Pennbrooke Utilities, Inc., and rate base was established for the utility.<sup>2</sup>

On May 15, 2006, Pennbrooke filed its Application for Rate Increase at issue in the instant docket. The utility requested that the application be processed using the Proposed Agency Action (PAA) procedure and requested interim rates. The utility had deficiencies in the Minimum Filing Requirements (MFRs). The deficiencies will not be corrected until after the statutory 60-day timeframe to suspend the requested interim rates, therefore the official filing date has not yet been established. The test year established for interim and final rates is the historical twelve-month period ended December 31, 2005.

Pennbrooke requested interim rates for only its wastewater system. The utility requested interim rates designed to generate annual wastewater revenues of \$433,422, an increase of \$125,464 or 40.74%. The utility requested final rates designed to generate annual water

<sup>1</sup> See Order No. PSC-01-1246-PAA-WS, issued June 4, 2001, in Docket No. 001382-WS, In re: Application for staff-assisted rate case in Lake County by Pennbrooke Utilities, Inc.

<sup>2</sup> See Order No. PSC-03-1000-PAA-WS, issued September 5, 2003, in Docket No. 030236-WS, In re: Application for transfer of facilities and Certificate Nos. 466-W and 400-S from Pennbrooke Utilities, Inc. to Utilities, Inc. of Pennbrooke, in Lake County.

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FPSC-COMMISSION CLERK

revenues of \$367,418, an increase of \$26,233 or 7.69% and annual wastewater revenues of \$463,867, an increase of \$155,909 or 50.63%.

The original 60-day statutory deadline for us to suspend the utility's requested final rates was July 14, 2006. However, by letter dated June 5, 2006, the utility agreed to extend the time by which we are required to authorize interim rates. We have jurisdiction to address the suspension of Pennbrooke's requested final rates and the utility's requested interim rates pursuant to Sections 367.081 and 367.082, Florida Statutes (F.S.).

#### SUSPENSION OF RATES

Section 367.081(6), F.S., provides that we may, for good cause, withhold consent to the implementation of the requested rates by a vote to that effect within 60 days after the date the rate request is filed. Further, Section 367.081(8), F.S., permits the proposed rates to go into effect (secured and subject to refund) at the expiration of five months if: (1) we have not acted upon the requested rate increase; or (2) if our PAA action is protested by a party other than the utility.

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

#### INTERIM RATES

The utility filed rate base, cost of capital and operating statements to support its requested wastewater increase. Pursuant to Section 367.082(5)(b)1., F.S., the achieved rate of return for interim purposes must be calculated by applying adjustments consistent with those used in the utility's most recent rate proceeding and annualizing any rate changes. We have reviewed the utility's interim request, as well as Order No. PSC-03-1000-PAA-WS, in which we last established rate base, and Order No. PSC-01-1246-PAA-WS, in which we last established rates. The approved adjustments are discussed below. Attached are accounting schedules to illustrate the approved rate base, capital structure, and test year operating income amounts. The rate base schedule is labeled as No. 1-A, with adjustments shown on No. 1-B. The capital structure schedule is No. 2, and the operating income schedule is labeled as No. 3-A, with adjustments shown on No. 3-B. Schedule No. 4 reflects the monthly service rates.

#### RATE BASE

Based on an analysis of the MFRs and on Order Nos. PSC-03-1000-PAA-WS and PSC-01-1246-PAA-WS from the utility's last rate proceeding, we find that the following adjustments are necessary to the utility's rate base.

Construction Work in Progress (CWIP)

The utility included CWIP of \$2,235 in rate base. Pursuant to Rule 25-30.116, Florida Administrative Code (F.A.C.), CWIP may accrue an allowance for funds used during construction (AFUDC). AFUDC is an accounting entry designed to permit a utility to recover the cost associated with financing eligible construction activities. By Order No. PSC-04-0262-PAA-WS,<sup>3</sup> Pennbrooke was granted a 9.03% AFUDC rate. We find it appropriate that CWIP be removed from rate base because the utility is already earning a return through AFUDC. Further, in the last rate case, no CWIP was included in rate base. Based on the above, rate base shall be decreased by \$2,235.

Working Capital

The utility used the formula approach (1/8 of operation and maintenance (O&M) expenses) to calculate working capital. Based on our approved adjustments to O&M expenses, working capital shall be decreased by \$953, and their working capital is \$27,690.

Based on the above adjustments, we approve an interim rate base of \$1,042,523.

COST OF CAPITAL

In its MFRs, Pennbrooke used a simple average capital structure, which consisted of allocated investor sources of capital from UI and Pennbrooke's actual accumulated deferred income taxes (ADIT) and customer deposits. In its interim request, Pennbrooke used an 11.78% return on equity (ROE). The utility erred in reconciling capital structure to rate base and in using the midpoint ROE. The utility reconciled capital structure to a \$1,574,813 rate base. The utility's wastewater rate base reflected in MFR Interim Schedule A-2 is \$1,045,711. Pursuant to Section 367.082(5)(b)3., F.S., in calculating an interim increase, the minimum of the range of the last authorized ROE shall be used. Utilizing the 2005 leverage formula, the utility used the midpoint of its ROE instead of the minimum of the range.

Pennbrooke's ROE was last established at 9.94% by Order No. PSC-01-1246-PAA-WS. However, the ROE for Pennbrooke authorized by that order will not be used because the ROE does not survive a transfer.<sup>4</sup> As mentioned previously, Order No. PSC-03-1000-PAA-WS, authorized the transfer of assets to Utilities, Inc. of Pennbrooke, a wholly owned subsidiary of UI. Therefore, the current leverage formula shall be used to determine ROE for Pennbrooke, and the minimum of the range shall be used.

Pennbrooke included a simple average balance of \$40,071 in credit ADITs in its capital structure. The utility's balance sheet, in MFR Schedules A-18 and A-19, reflected simple average balances of \$6,322 in debit ADITs and \$40,071 in credit ADITs. Rule 25-30.433(3), F.A.C., states:

<sup>3</sup> Issued March 8, 2004, in Docket No. 031006-WS, In re: Petition by Utilities, Inc. for approval of allowance for funds used during construction (AFUDC) rate for its Florida subsidiaries including Water Service Corp.

<sup>4</sup> See PSC-01-2094-FOF-SU, issued October 22, 2001, in Docket No. 011190-SU, In re: Investigation of possible overearnings by Tierra Verde Utilities, Inc. in Pinellas County, p. 3.

Used and useful debit deferred taxes shall be offset against used and useful credit deferred taxes in capital structure. Any resulting net debit deferred taxes shall be included as a separate line item in the rate base calculation. Any resulting net credit deferred taxes shall be included in the capital structure calculation. No other deferred debits shall be considered in rate base when the formula method of working capital is used.

Pennbrooke did not net its debit and credit ADITs. Therefore, in accordance with Rule 25-30.433(3), F.A.C., the net credit ADIT balance of \$33,749 (\$40,071 less \$6,322) shall be included in the capital structure calculation. As such, the utility's ADIT balance shall be decreased by \$6,322.

The utility's capital structure was reconciled with the approved rate base. Using the current approved leverage formula,<sup>5</sup> the return on equity is 11.53% with a range of 10.53% - 12.53%. Using the 10.53% minimum of the range, we approve an interim weighted average cost of capital of 7.78%.

#### NET OPERATING INCOME

Based on our review, we are approving several adjustments to operating expenses. The utility included adjustments to increase expenses by \$4,022 for salaries and wages, \$1,455 for employee benefits, \$1,744 for purchased power costs, and \$400 for additional testing. Pursuant to Section 367.082(5)(b)1., F.S., only those adjustments consistent with the most recent individual rate proceeding of the utility and annualizing any rate changes occurring during such period may be made. These increases are pro forma in nature, and expenses shall therefore be decreased by \$7,621.

The utility included an adjustment to Taxes Other Than Income (TOTI) to increase payroll taxes by \$549. This increase is pro forma in nature, and TOTI shall therefore be decreased by \$549.

On MFR Schedule B-15, the utility included \$13,738 for regulatory assessment fees (RAFs) on historical per books revenues of \$308,977. Using the .045 RAF rate, pursuant to Section 367.145, F.S., and Rule 25-30.120, F.A.C., we have calculated RAFs of \$13,904. As such, the utility's historical per book RAFs are understated and shall be increased by \$166.

Based on the adjustments discussed above, the appropriate test year operating income, before any revenue increase, for wastewater is \$13,141.

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<sup>5</sup> Order No. PSC-06-0476-PAA-WS, issued June 5, 2006, in Docket No. 060006-WS, In Re: Water and Wastewater industry annual reestablishment of authorized range of return on common equity for water and wastewater utilities pursuant to Section 367.081(4)(f), F.S.; consummated by Order No. PSC-06-0554-CO-WS, issued June 27, 2006.

### REVENUE REQUIREMENT

Based on the above adjustments, we find it appropriate to approve a revenue requirement of \$422,113 for wastewater. This represents an interim increase in annual revenues of \$114,155 or 37.07%. This will allow the utility the opportunity to recover its operating expenses and earn a 7.78% return on its rate base.

### INTERIM RATES

Interim wastewater service rates for Pennbrooke shall be designed to allow the utility the opportunity to generate annual operating revenues of \$422,113 for wastewater operations. This reflects an increase of \$114,155 for wastewater, or 37.07%, before removal of miscellaneous revenues. To determine the appropriate percentage increase to apply to the service rates, miscellaneous service revenues shall be removed from the test year revenues. The calculation is as follows:

	<u>Wastewater</u>
1 Total Test Year Revenues	\$307,958
2 Less: Miscellaneous Revenues	<u>\$2,029</u>
3 Test Year Revenues from Service Rates	\$305,929
4 Revenue Increase	<u>\$114,155</u>
5 % Service Rate Increase (Line 4/Line3)	<u>37.31%</u>

The interim rate increase of 37.31% for wastewater shall be applied as an across-the-board increase to the service rates in effect as of December 31, 2005. The approved rates shall be effective for service rendered as of the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), F.A.C. The rates shall not be implemented until Commission staff verifies that the tariff sheets are consistent with our decision, the proposed customer notice is adequate, and the required security has been filed. The utility shall provide proof of the date notice was given within 10 days after the date of notice.

The utility's test year, proposed interim and final wastewater rates, and the approved interim wastewater rates are shown on Schedule No. 4.

### SECURITY FOR REFUND

Pursuant to Section 367.082, F.S., revenues collected under interim rates shall be placed under bond, escrow, letter of credit, or corporate undertaking subject to refund with interest at a rate ordered by this Commission. As discussed previously, the total annual interim increase is \$114,155 for wastewater. In accordance with Rule 25-30.360, F.A.C., we have calculated the potential refund of revenues and interest collected, under interim conditions to be \$67,566. This

amount is based on an estimated seven months of revenue being collected from the approved interim rates over the utility's current authorized rates shown on Schedule No. 4.

Pennbrooke is a wholly-owned subsidiary of UI, which provides all investor capital to its subsidiaries. UI has requested a corporate undertaking to secure any interim increases granted in Dockets Nos. 060254-SU, 060255-SU, 060256-SU, 060257-WS, 060258-WS, 060260-WS, 060261-WS, and 060262-WS. As such, we have reviewed the financial statements of the parent company. As a result of the interim action taken in all of the above dockets, the total requested cumulative corporate undertaking amount is \$718,575, which includes \$67,566 subject to refund for this docket.

The criteria for a corporate undertaking includes sufficient liquidity, ownership equity, profitability, and interest coverage to guarantee any potential refund. We have reviewed UI's financial statements from 2003 to 2005 to determine the financial condition of the parent company. Our analysis shows that UI has experienced a significant decline in liquidity and interest coverage during 2005 compared to prior years. However, UI's average equity ratio over the three-year period has been 40%. Additionally, net income has been on average six times greater than the requested cumulative corporate undertaking amount. UI's financial performance has demonstrated adequate levels of both profitability and equity capitalization to offset the recent decline in liquidity and interest coverage. Based upon this analysis, we find that a cumulative corporate undertaking of \$718,575 is acceptable contingent upon the receipt of the written guarantee of UI and written confirmation that UI does not have any outstanding guarantees on behalf of UI-owned utilities in other states.

Pursuant to Rule 25-30.360(6), F.A.C., the utility shall provide a report by the 20th day of each month indicating the monthly and total revenue collected subject to refund. Should a refund be required, the refund shall be with interest and undertaken in accordance with Rule 25-30.360, F.A.C.

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

Based on the foregoing, it is

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

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

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

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

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

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

ORDERED that Utilities, Inc., shall file a corporate undertaking on behalf of its subsidiaries to guarantee any potential refunds of revenues collected under interim conditions, as set forth in the body of this Order, contingent upon receipt of the written guarantee of Utilities, Inc. and written confirmation of UI's continued attestation that it does not have any outstanding guarantees on behalf of UI-owned utilities in other states, and in the cumulative amount of \$718,575, which includes an amount of \$67,566 subject to refund in this docket. It is further

ORDERED that, pursuant to Rule 25-30.360(6), F.A.C., the utility shall provide a report by the 20th of each month indicating the monthly and total revenue collected subject to refund. It is further

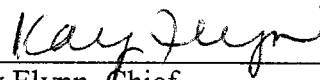
ORDERED that, should a refund be required, the refund shall be with interest and undertaken in accordance with Rule 25-30.360, F.A.C. It is further

ORDERED that this docket shall remain open pending the Commission's final action on the utility's requested rate increase.

By ORDER of the Florida Public Service Commission this 7th day of August, 2006.

BLANCA S. BAYÓ, Director  
Division of the Commission Clerk  
and Administrative Services

By:

  
\_\_\_\_\_  
Kay Flynn, Chief  
Bureau of Records

( S E A L )

JSB

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Any party adversely affected by this order, which is non-final in nature, may request (1) reconsideration within 15 days pursuant to 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. A motion for reconsideration shall be filed with the Director, Division of the Commission Clerk and Administrative Services, in the form prescribed by Rule 25-22.060, Florida Administrative Code. Citizens of the State of Florida v. Mayo, 316 So.2d 262 (Fla. 1975), states that an order on interim rates is not final or reviewable until a final order is issued. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.



Utilities, Inc. of Pennbrooke Schedule of Wastewater Rate Base Test Year Ended 12/31/05			Schedule No. 1-A Docket No. 060261-WS Interim		
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Comm. Adjust- ments	Comm. Adjusted Test Year
1 Plant in Service	\$2,464,671	\$29,568	\$2,494,239	\$0	\$2,494,239
2 Land and Land Rights	\$57,035	\$0	57,035	0	57,035
3 Non-used and Useful Components	\$0	\$0	0	0	0
4 Construction Work in Progress	\$2,235	\$0	2,235	-2,235	0
5 Accumulated Depreciation	-\$673,618	-\$9,724	-683,342	0	-683,342
6 CIAC	\$1,216,875	\$0	-1,216,875	0	-1,216,875
7 Amortization of CIAC	\$363,776	\$0	363,776	0	363,776
8 Acquisition Adjustments	\$0	\$0	0	0	0
9 Accum. Amort. of Acq. Adj..	\$0	\$0	0	0	0
10 Working Capital Allowance	\$27,690	\$953	28,643	-953	27,690
11 Other	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
12 <b>Rate Base</b>	<u>\$1,024,914</u>	<u>\$20,797</u>	<u>\$1,045,711</u>	<u>-\$3,188</u>	<u>\$1,042,523</u>

Utilities, Inc. of Pennbrooke  
 Adjustments to Rate Base  
 Test Year Ended 12/31/05

Schedule No. 1-B  
 Docket No. 060261-WS  
 Interim

Explanation		Wastewater
<u>Plant In Service</u>		
1		\$0
2		\$0
3		\$0
	Total	<u>\$0</u>
<u>Land</u>		
1		\$0
2		\$0
3		\$0
	Total	<u>\$0</u>
<u>Non-used and Useful</u>		
	To reflect net non-used and useful adjustment	<u>\$0</u>
<u>Construction Work in Progress</u>		
1	Remove CWIP	<u>(\$2,235)</u>
<u>Accumulated Depreciation</u>		
1		\$0
2		\$0
3		\$0
4		\$0
	Total	<u>\$0</u>
<u>CIAC</u>		
1		\$0
2		\$0
3		\$0
	Total	<u>\$0</u>
<u>Accumulated Amortization of CIAC</u>		
1		\$0
4		\$0
5		\$0
	Total	<u>\$0</u>
<u>Working Capital</u>		
	To reflect 1/8 Commission adjusted O&M expense	<u>(\$953)</u>

Utilities, Inc. of Pennbrooke  
Capital Structure-Simple Average  
Test Year Ended 12/31/05

Schedule No. 2  
Docket No. 060261-WS  
Interim

Description	Total Capital	Specific Adjustments	Subtotal Adjusted Capital	Prorata Adjustments	Capital Reconciled to Rate Base	Ratio	Cost Rate	Weighted Cost	
<b>Per Utility</b>									
1 Long-term Debt	\$124,044,203	\$0	\$124,044,203	-\$123,207,566	\$836,637	53.13%	6.81%	3.62%	
2 Short-term Debt	11,347,000	0	\$11,347,000	-11,270,468	\$76,532	4.86%	2.00%	0.10%	
3 Preferred Stock	0	0	\$0	0	\$0	0.00%	0.00%	0.00%	
4 Common Equity	90,787,422	0	\$90,787,422	-90,175,091	\$612,331	38.88%	11.78%	4.58%	
5 Customer Deposits	9,242	0	\$9,242	0	\$9,242	0.59%	6.00%	0.04%	
6 Deferred Income Taxes	40,071	0	\$40,071	0	\$40,071	2.54%	0.00%	0.00%	
7 <b>Total Capital</b>	<u>\$226,227,938</u>	<u>\$0</u>	<u>\$226,227,938</u>	<u>-\$224,653,125</u>	<u>\$1,574,813</u>	<u>100.00%</u>		<u>8.33%</u>	
<b>Per Commission</b>									
8 Long-term Debt	\$124,044,203	\$0	\$124,044,203	-\$123,496,025	\$548,178	52.58%	6.81%	3.58%	
9 Short-term Debt	11,347,000	0	\$11,347,000	-\$11,296,855	50,145	4.81%	2.00%	0.10%	
10 Preferred Stock	0	0	\$0	\$0	0	0.00%	0.00%	0.00%	
11 Common Equity	90,787,422	0	\$90,787,422	-\$90,386,213	401,209	38.48%	10.53%	4.05%	
12 Customer Deposits	9,242	0	\$9,242	\$0	9,242	0.89%	6.00%	0.05%	
13 Deferred Income Taxes	40,071	-6,322	\$33,749	\$0	33,749	3.24%	0.00%	0.00%	
14 <b>Total Capital</b>	<u>\$226,227,938</u>	<u>-\$6,322</u>	<u>\$226,221,616</u>	<u>-\$225,179,093</u>	<u>\$1,042,523</u>	<u>100.00%</u>		<u>7.78%</u>	
						<b>LOW</b>	<b>HIGH</b>		
						10.53%	12.53%		
						7.78%	8.55%		
						RETURN ON EQUITY			
						OVERALL RATE OF RETURN			

Utilities, Inc. of Pennbrooke  
 Statement of Wastewater Operations  
 Test Year Ended 12/31/05

Schedule No. 3-A  
 Docket No. 060261-WS  
 Interim

Description	Test Year Per Utility	Utility Adjustments	Adjusted Test Year Per Utility	Comm. Adjustments	Comm. Adjusted Test Year	Revenue Increase	Revenue Requirement
1 <b>Operating Revenues:</b>	<u>\$308,977</u>	<u>\$124,445</u>	<u>\$433,422</u>	<u>\$125,464</u>	<u>\$307,958</u>	<u>\$114,155</u>	<u>\$422,113</u>
						37.07%	
<b>Operating Expenses</b>							
2 Operation & Maintenance	\$221,517	\$7,621	\$229,138	-\$7,621	\$221,517		\$221,517
3 Depreciation	45,071	3,981	49,052	0	49,052		49,052
4 Amortization	268	0	268	0	268		268
5 Taxes Other Than Income	39,394	6,315	45,709	-6,195	39,514	5,137	44,651
6 Income Taxes	<u>-20,668</u>	<u>42,815</u>	<u>22,147</u>	<u>-37,681</u>	<u>-15,534</u>	<u>41,024</u>	<u>25,489</u>
7 <b>Total Operating Expense</b>	<u>285,582</u>	<u>60,732</u>	<u>346,314</u>	<u>-51,497</u>	<u>294,817</u>	<u>46,161</u>	<u>340,977</u>
8 <b>Operating Income</b>	<u>\$23,395</u>	<u>\$63,713</u>	<u>\$87,108</u>	<u>-\$73,967</u>	<u>\$13,141</u>	<u>\$67,995</u>	<u>\$81,136</u>
9 <b>Rate Base</b>	<u>\$1,024,914</u>		<u>\$1,045,711</u>		<u>\$1,042,523</u>		<u>\$1,042,523</u>
10 <b>Rate of Return</b>	<u>2.28%</u>		<u>8.33%</u>		<u>1.26%</u>		<u>7.78%</u>

Utilities, Inc. of Pennbrooke  
Adjustment to Operating Income  
Test Year Ended 12/31/05

Schedule No. 3-B  
Docket No. 060261-WS  
Interim

Explanation	Wastewater
<u>Operating Revenues</u>	
1 Remove requested final revenue increase	(\$125,464)
2	\$0
3	\$0
4	<u>\$0</u>
Total	<u>(\$125,464)</u>
<u>Operation and Maintenance Expense</u>	
1 Remove pro forma salaries and wages	(\$4,022)
2 Remove pro forma employee benefits	(\$1,455)
3 Remove proforma purchased power costs	(\$1,744)
4 Remove proforma testing	(\$400)
5	\$0
6	\$0
7	\$0
8	\$0
9	<u>\$0</u>
10 Total	<u>(\$7,621)</u>
<u>Depreciation Expense - Net</u>	
1	\$0
2	\$0
3	\$0
4	\$0
5 To remove net depreciation on non-U&U adjustment above.	\$0
6	<u>\$0</u>
Total	<u>\$0</u>
<u>Amotization-Other Expense</u>	
	<u>\$0</u>
<u>Taxes Other Than Income</u>	
1 RAFs on revenue adjustments above	(\$5,812)
2 To reflect the appropriate historical test year RAFs	\$166
3 To remove pro forma payroll taxes	(\$549)
4	<u>\$0</u>
Total	<u>(\$6,195)</u>
<u>Income Taxes</u>	
1 To adjust to test year income tax expense	<u>(\$37,681)</u>

<b>Utilities, Inc. of Pennbrooke Wastewater Monthly Service Rates Test Year Ended 12/31/05</b>		<b>Schedule 4 Docket No. 060261-WS Interim</b>		
	<b>Rates Prior to Filing</b>	<b>Utility Requested Interim</b>	<b>Utility Requested Final</b>	<b>Comm. Approved Interim</b>
<b><u>Residential</u></b>				
Base Facility Charge by Meter Size:				
5/8" x 3/4"	\$7.85	\$11.09	\$11.85	\$10.78
1"	\$19.62	\$27.72	\$29.62	\$26.94
1-1/2"	\$39.23	\$55.42	\$59.22	\$53.87
2"	\$62.77	\$88.72	\$94.74	\$86.19
3"	\$125.54	\$177.35	\$189.52	\$172.38
4"	\$196.15	\$277.10	\$296.11	\$269.34
Gallonge Charge - Per 1,000 gallons (10,000 gallon cap)				
	\$1.96	\$3.32	\$3.54	\$2.69
<b><u>General Service</u></b>				
Base Facility Charge by Meter Size:				
5/8" x 3/4"	\$7.85	\$11.09	\$11.85	\$10.78
1"	\$19.62	\$27.72	\$29.62	\$26.94
1-1/2"	\$39.23	\$55.41	\$59.22	\$53.87
2"	\$62.77	\$88.71	\$94.74	\$86.19
3"	\$125.54	\$177.35	\$189.52	\$172.38
4"	\$196.15	\$277.10	\$296.11	\$269.34
6"	\$0.00	\$0.00	\$0.00	\$0.00
8"	\$0.00	\$0.00	\$0.00	\$0.00
Gallonge Charge, per 1,000 Gallons				
	\$2.35	\$3.32	\$3.54	\$3.23
<b><u>Typical Residential Bills 5/8" x 3/4" Meter</u></b>				
3,000 Gallons	\$13.73	\$21.05	\$22.47	\$18.84
5,000 Gallons	\$17.65	\$27.69	\$29.55	\$24.23
10,000 Gallons	\$27.45	\$44.29	\$47.25	\$37.68
(Wastewater Gallonge Cap - 10,000 Gallons)				