

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for increase in wastewater rates in Charlotte County by Utilities, Inc. of Sandalhaven.

DOCKET NO. 150102-SU
ORDER NO. PSC-15-0320-PCO-SU
ISSUED: August 10, 2015

The following Commissioners participated in the disposition of this matter:

ART GRAHAM, Chairman
LISA POLAK EDGAR
RONALD A. BRISÉ
JULIE I. BROWN
JIMMY PATRONIS

ORDER SUSPENDING PROPOSED FINAL RATES
AND GRANTING INTERIM RATES

BY THE COMMISSION:

Utilities, Inc. of Sandalhaven (Sandalhaven or utility) is a Class B wastewater utility serving 835 wastewater customers in Charlotte County. Water service to the area is supplied by Charlotte County. According to the utility's 2014 annual report, the utility had operating revenues of \$668,757 and operating expenses of \$841,708.

Sandalhaven has been in existence since 1983 and was granted an original certificate in 1995 following Charlotte County adopting a resolution giving the Florida Public Service Commission (Commission) jurisdiction over privately owned water and wastewater utilities.¹ Effective September 25, 2007, the Commission's jurisdiction was rescinded by Charlotte County and the utility's certificate was cancelled.² Subsequently, in 2013, Charlotte County transferred jurisdiction back to the Commission. Effective February 12, 2013, Sandalhaven was granted Certificate No. 567-S.³ This Commission set rate base for the utility in 2007.⁴ However, the utility's current rates were established by Charlotte County, by Resolution 2012-209, adopted November 13, 2012, based upon a December 31, 2010 test year.

On June 4, 2015, Sandalhaven filed its application for the rate increase at issue in the instant docket. A deficiency letter was sent to the utility on July 1, 2015, and corrections to the minimum filing requirements (MFRs) were filed on July 6, 2015, which was established as the

¹Order No. PSC-95-0478-FOF-SU, issued April 13, 1995, in Docket No. 941341-SU, In re: Application for certificate to provide wastewater service in Charlotte County by Sandalhaven Utility, Inc.

²Order No. PSC-07-0984-FOF-WS, issued December 10, 2007, in Docket No. 070643-WS, In re: Resolution No. 2007-143 by Charlotte County Board of Commissioners, in accordance with Section 367.171, F.S., rescinding Florida Public Service Commission jurisdiction over private water and wastewater systems in Charlotte County.

³Order No. PSC-13-0178-FOF-SU, issued April 29, 2013, in Docket No. 130053-SU, In re: Application for grandfather certificate to operate wastewater utility in Charlotte County by Utilities, Inc. of Sandalhaven.

⁴Order No. PSC-07-0865-PAA-SU, issued October 29, 2007, in Docket No. 060285-SU, In re: Application for rates in Charlotte County by Utilities, Inc. of Sandalhaven.

official date of filing pursuant to Section 367.083, Florida Statutes (F.S.). The utility requested that the application be processed using the Proposed Agency Action (PAA) procedure and requested interim rates. The test year established for interim and final rates is the period ended December 31, 2014. The utility is requesting an increase to recover reasonable and prudent costs for providing service and a reasonable rate of return on investment, including pro forma plant improvements. Sandalhaven requested an interim revenue increase of \$724,062 (106.2 percent) and a final revenue increase of \$939,540 (137.9 percent).

The 60-day statutory deadline for suspension of the utility's requested final rates is August 3, 2015. This order addresses the suspension of the utility's requested final rates and the requested interim rates. We have jurisdiction pursuant to Sections 367.081 and 367.082, F.S.

SUSPENSION OF FINAL RATES

Section 367.081(6), F.S., provides that we may, for good cause, withhold consent to the implementation of requested rates 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 from the official date of filing 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.

Having reviewed the filing and considered the information filed in support of the rate application and the proposed final rates, we find that further investigation of this information, including on-site inspections, is needed. Commission staff has initiated an audit of Sandalhaven's books and records, as well as an audit of the utility's proposed allocation of parent company investment and operating expenses. Both of these audits are tentatively due on August 31, 2015. In addition, Commission staff sent its first data request to the utility on July 8, 2015. The utility's response to the data request is due on July 22, 2015. Based on the foregoing, Sandalhaven's proposed final wastewater rates are hereby suspended.

INTERIM REVENUE REQUIREMENTS

On June 4, 2015, Sandalhaven filed its rate base, cost of capital, and net operating income MFR Schedules to support its requested interim increase in wastewater rates. Pursuant to Section 367.082(1), F.S., in order to establish a prima facie entitlement for interim relief, the utility shall demonstrate that it is earning outside the range of reasonableness on its rate of return. Pursuant to Section 367.082(2)(a), F.S., in a proceeding for an interim increase in rates, this Commission shall authorize, within 60 days of the filing for such relief, the collection of rates sufficient to earn the minimum of the range of the rate of return. Based on the utility's filing and the adjustments approved below, we find that the utility has demonstrated a prima facie entitlement in accordance with Section 367.082(1), F.S., for its wastewater system.

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 adjustments made in the utility's most recent rate proceeding and annualizing any rate changes. We have reviewed Sandalhaven's interim request, as well as Order No. PSC-07-0865-PAA-SU, in which we last established rates

for this utility.⁵ Our adjustments are discussed below. Attached are accounting schedules stating the rate base, capital structure, and test year operating income amounts. Rate base is labeled as Schedule No. 1-A, with the adjustments shown on Schedule No. 1-B. Capital structure is labeled as Schedule No. 2. Operating income is labeled as Schedule No. 3-A, with the adjustments shown on Schedule No. 3-B.

Rate Base

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 adjustments made in the utility's most recent rate proceeding.

Pursuant to Rule 25-30.433(2), Florida Administrative Code (F.A.C.), working capital for class B utilities shall be calculated using the formula method which is one-eighth of operation and maintenance (O&M) expenses. Based on our adjustment of \$40,787 to O&M expenses, working capital was reduced by \$5,098. Therefore, we find that Sandalhaven's interim working capital allowance is \$68,245.

Pursuant to Section 367.082, F.S., the method used to calculate Used and Useful (U&U) in Sandalhaven's last rate case must be used for interim purposes. In Order No. PSC-07-0865-PAA-SU, the Commission made no U&U adjustment to Sandalhaven's wastewater treatment plant but did make used and useful adjustments to the interconnection with the Englewood Water District (EWD), a master lift station, and a force main based upon the projected usage of the EWD interconnection. Using the same methodology with actual flow data contained in Schedule F-2, the resulting U&U values are 26.54% for EWD interconnection, 7.96% for the force main, and 15.92% for the master lift station. In addition, a non-U&U adjustment of \$73,089 shall be made to reduce the land balance. The utility made this adjustment in its MFRs for final rates, but overlooked this adjustment in its calculation of rate base for interim rates. This adjustment is consistent with the methodology used in Sandalhaven's last rate case. No other U&U adjustments are necessary for interim purposes.

Based on the above, we find that Sandalhaven's wastewater rate base for interim purposes is \$678,176.

Cost of Capital

In its MFRs, Sandalhaven requested a weighted average cost of capital of 10.21 percent based on a return on common equity (ROE) of 11.00 percent and an equity ratio of 57.57 percent. While the 11.00 percent ROE is appropriate in this instance, based on an analysis of the MFRs and our review of Order No. PSC-07-0865-PAA-SU, we find that an adjustment to the utility's capital structure and weighted average cost of capital is necessary.

On MFR Schedule D-2 for interim, the utility reflected a negative amount of \$540,800 for accumulated deferred income taxes (ADITs) in the capital structure. In Sandalhaven's last rate case, the debit ADITs from taxes paid on plant capacity charges (Def Tax Tap Fee Post 2000) and the credit ADITs for acquisition costs (Orgn Exp) were disallowed for ratemaking purposes. Accordingly, we find that the debit ADITs for Tap Fees of \$618,138 and the credit

⁵Id.

ADITs for acquisition costs of \$35,048 shall be removed from the debit ADIT balance of \$540,800. In addition, an adjustment of \$2,235 shall be made to reduce the credit ADIT balance to reflect the appropriate non-used and useful credit ADITs related to the EWD Impact Fees, main lift station, and force main. The net adjustment is \$580,855 ($\$618,800 - \$35,048 - \$2,235$) which results in a positive ADIT balance of \$40,055 in the capital structure.

The adjustment to the ADIT balance in the capital structure yields an equity ratio of 46.35 percent and an overall weighted average cost of capital of 8.24 percent. Accordingly, we find that the appropriate weighted average cost of capital for interim purposes is 8.24 percent.

Net Operating Income

To attain the appropriate amount of interim test year operating revenues, we have removed the utility's requested interim revenue increase of \$724,062 for wastewater. Also, the utility did not use the wastewater gallons at its tariffed gallonage cap when determining the interim test year operating revenues. We have further decreased the interim test year operating revenues by \$12,199 to reflect the appropriate interim operating revenues using the wastewater gallons at the appropriate gallonage cap. 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 adjustments made in the utility's most recent rate proceeding and annualizing any rate changes. Based on our review, several adjustments to operation and maintenance (O&M) expenses are necessary for interim purposes.

First, Sandalhaven included an adjustment to increase the amortization of deferred charges included in miscellaneous expenses by \$1,798 to annualize test year additions. We find that the utility's proposed adjustment is pro forma because it is outside the interim historic test year, and that it is appropriate to remove the adjustment from the interim net operating income calculation.

Second, using the same methodology in the last rate case for excessive inflow and infiltration (excessive I&I), we find that excessive I&I is 20.16 percent. The process for determining excessive I&I involves the following steps:

1. Calculate the infiltration allowance using the pipe sizes and lengths provided in the utility's MFRs, and add to it the allowable inflow based on the flows reported by the utility, to obtain the total allowable I&I.
2. Calculate the estimated returns at 80 percent of the residential water gallons sold plus 90 percent of the non-residential water gallons sold.
3. Subtract the estimated returns from the amount of wastewater treated to get the estimated I&I.
4. Subtract the total allowable I&I from the estimated I&I to yield the excessive I&I.

Using this process in the last rate case, there was no excessive I&I. However, in the instant docket, using the data provided by the utility in its MFRs, we have calculated the excessive I&I stated above. This result differs from that of the utility as reported on Schedule F-6 of the MFRs due to an apparent error on line 14 of Schedule F-6. Consistent with our prior

practice, we find that an adjustment shall be made to reduce the chemicals, purchased power, and purchased sewage treatment expenses by 20.16 percent. Accordingly, we find that Chemicals Expense shall be reduced by \$664, Purchased Power Expense shall be reduced by \$4,199, and Purchased Sewage Treatment shall be reduced by \$34,126, for a total reduction of \$38,989.

Third, we have made adjustments to taxes other than income (TOTI) to reflect the change in property taxes associated with the U&U adjustments, revenue and O&M expense adjustments cited above. Further, we have reduced the regulatory assessment fees (RAFs) by \$33,132 to reflect the removal of the utility's requested revenue increase.

Based on the above, we find that the appropriate test year operating loss, before any interim revenue increase, is \$15,361.

Revenue Requirement

Based on the above adjustments, we hereby establish a revenue requirement of \$788,590. This represents an interim increase in annual revenues of \$119,553 or 17.87 percent.

INTERIM WASTEWATER RATES

We find that the interim service rates for Sandalhaven shall be designed to allow the utility the opportunity to generate annual operating revenues of \$788,590. Before removal of miscellaneous revenues, this will result in an increase of \$119,553 (17.87 percent). To determine the appropriate increase to apply to the service rates, miscellaneous revenues shall be removed from the test year revenues. The calculation is as follows:

Table No. 1

Percentage Increase Less Miscellaneous Revenues

		<u>Wastewater</u>
1	Total Test Year Revenues	\$669,037
2	Less: Miscellaneous Revenues	<u>\$1,848</u>
3	Test Year Revenues from Service Rates	<u>\$667,189</u>
4	Revenue Increase	\$119,553
5	% Service Rate Increase (Line 4/Line 3)	<u>17.92%</u>

We find that the interim rate increase of 17.92 percent shall be applied as an across-the-board increase to the utility's existing service rates. The rates, as shown on Schedule No. 4, shall be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), F.A.C. The utility shall file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. In addition, the approved rates shall not be implemented until the required security has been filed, Commission staff has approved the

proposed customer notice, and the notice has been received by the customers. The utility shall provide proof of the date notice was given within 10 days of the date of the notice.

CORPORATE UNDERTAKING

Pursuant to Section 367.082(2)(a), 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 the Commission. Sandalhaven has requested an annual interim revenue increase of \$724,062 for wastewater. The annual interim increase is \$119,553. In accordance with Rule 25-30.360, F.A.C., we find that the potential refund of revenues and interest collected under interim conditions to be \$69,757. This amount is based on an estimated seven months of revenue being collected under the approved interim rates shown on Schedule No. 4.

Sandalhaven is a wholly-owned subsidiary of UI, which provides all investor capital to its subsidiaries. Based on the amount subject to refund for Sandalhaven the incremental increase in UI's corporate undertaking is \$69,757. There are no other current corporate undertaking amounts outstanding for other UI systems in Florida, so therefore, the total cumulative outstanding guarantee is \$69,757.

The criteria for a corporate undertaking include sufficient liquidity, ownership equity, profitability, and interest coverage to guarantee any potential refund. We have reviewed UI's 2012, 2013, and 2014 financial statements to determine if the company can support a corporate undertaking on behalf of its subsidiary. In its financial statements, UI reported both an insufficient working capital amount and an inadequate current ratio in 2012 and 2013. In 2013, UI had an insufficient interest coverage ratio. In 2014, the company's working capital amount, current ratio, and interest coverage ratio improved to sufficient levels. In addition, UI achieved sufficient profitability and reported adequate ownership equity over the three-year review period.

Based on our review of the financial reports submitted by UI, we find that UI has adequate resources to support a corporate undertaking in the amount requested. Based on this analysis, we find that a cumulative corporate undertaking of \$69,757 is acceptable contingent upon receipt of the written guarantee of UI and written confirmation that the cumulative outstanding guarantees on behalf of UI-owned utilities in other states will not exceed \$1.2 million (inclusive of all Florida utilities). The utility has volunteered, for its administrative ease, to provide a corporate undertaking of \$356,608, since it has already taken action to secure this amount based on Commission staff's July 9, 2015 recommendation. This amount exceeds the \$69,757 we have found to be required and will be more than sufficient to cover any potential customer refund.

The brief financial analysis above is only appropriate for deciding if UI can support a corporate undertaking in the amount proposed and shall not be considered a finding regarding our position on other issues in this proceeding.

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 the 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 wastewater increase requested by Utilities Inc. of Sandalhaven is hereby suspended in accordance with Section 367.081(6), Florida Statutes. It is further

ORDERED that the request of Utilities Inc. of Sandalhaven's request for interim increase in wastewater rates is hereby granted to the extent set forth in the body of this Order. It is further

ORDERED that each of the finding made in the body of this Order is hereby approved in every respect. It is further

ORDERED that all matters contained in the schedules and attachments to this Order are incorporated herein by reference and hereby approved. It is further

ORDERED that 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)(a), F.A.C., provided customers have received notice. It is further

ORDERED that 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. It is further

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

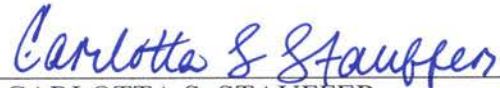
ORDERED that a corporate undertaking is an acceptable security contingent upon receipt of a written guarantee by Utilities, Inc. and written confirmation that Utilities, Inc. does not have any outstanding guarantees on behalf of Utilities, Inc. owned utilities in other states. It is further

ORDERED that Utilities, Inc. shall file a corporate undertaking on behalf of its subsidiary Utilities, Inc. of Sandalhaven to guarantee any potential refunds of revenues collected under interim rates. The total guarantee shall be in the amount of \$356,608. It is further

ORDERED that pursuant to Rule 25-30.360(6), F.A.C., Utilities, Inc. of Sandalhaven shall provide a report by the 20th 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. It is further

ORDERED that this docket shall remain open pending our final action on Utilities, Inc. of Sandalhaven's requested rate increase.

By ORDER of the Florida Public Service Commission this 10th day of August, 2015.



CARLOTTA S. STAUFFER
Commission Clerk
Florida Public Service Commission
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Tallahassee, Florida 32399
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Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

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

Any party adversely affected by this order, which is non-final in nature, may request (1) reconsideration within 10 days pursuant to Rule 25-22.0376, 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 Office of Commission Clerk, in the form prescribed by Rule 25-22.0376, 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 Sandalhaven			Schedule No. 1-A		
Schedule of Wastewater Rate Base			Docket No. 150102-SU		
Test Year Ended 12/31/14					
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Comm. Adjust- ments	Approved Adjusted Test Year
1 Plant in Service	\$8,571,371	(\$16,502)	\$8,554,869	\$0	\$8,554,869
2 Land and Land Rights	157,487	209	157,696		157,696
3 Non-used and Useful Components	0	0	0	(2,728,449)	(2,728,449)
4 Accumulated Depreciation	(3,712,738)	20,172	(3,692,566)	0	(3,692,566)
5 CIAC	(3,276,640)	0	(3,276,640)	0	(3,276,640)
6 Amortization of CIAC	1,595,021	0	1,595,021	0	1,595,021
7 Construction Work in Progress	134,200	(134,200)	0	0	0
8 Working Capital Allowance	<u>0</u>	<u>73,343</u>	<u>73,343</u>	<u>(5,098)</u>	<u>68,245</u>
9 Rate Base	<u>\$3,468,701</u>	<u>(\$56,978)</u>	<u>\$3,411,723</u>	<u>(\$2,733,547)</u>	<u>\$678,176</u>

Utilities, Inc. of Sandalhaven		Schedule No. 1-B
Adjustments to Rate Base		Docket No. 150102-SU
Test Year Ended 12/31/14		
Explanation	Wastewater	
<u>Plant In Service</u>		<u>\$0</u>
<u>Non-used and Useful</u>		
1 Reflect non-used and useful adjustment to land.		(\$73,089)
2 Reflect net non-used & useful adjustment for Impact Fees to EWD.		(\$1,260,830)
3 Reflect net non-used & useful adjustment for Master Lift Station & Force Main.		<u>(1,394,530)</u>
Total		<u>(\$2,728,448)</u>
<u>Accumulated Depreciation</u>		<u>\$0</u>
<u>CIAC</u>		<u>\$0</u>
<u>Accumulated Amortization of CIAC</u>		<u>\$0</u>
<u>Working Capital</u>		
To reflect the appropriate working capital allowance		<u>(\$5,098)</u>

Utilities, Inc. of Sandalhaven Capital Structure-Simple Average Test Year Ended 12/31/14							Schedule No. 2 Docket No. 150102-SU		
Description	Total Capital	Specific Adjust- ments	Subtotal Adjusted Capital	Prorata Adjust- ments	Capital Reconciled to Rate Base	Ratio	Cost Rate	Weighted Cost	
Per Utility									
1 Long-term Debt	\$180,000,000	\$0	\$180,000,000	(\$178,061,256)	\$1,938,744	56.83%	6.64%	3.77%	
2 Short-term Debt	\$4,000,000	\$0	\$4,000,000	(\$3,956,917)	\$43,083	1.26%	7.77%	0.10%	
3 Preferred Stock	\$0	\$0	\$0	\$0	\$0	0.00%	0.00%	0.00%	
4 Common Equity	\$182,354,550	\$0	\$182,354,550	(\$180,390,445)	\$1,964,105	57.57%	11.00%	6.33%	
5 Customer Deposits	\$6,591	\$0	\$6,591	\$0	\$6,591	0.19%	2.00%	0.00%	
6 Deferred Income Taxes	<u>(\$540,800)</u>	<u>\$0</u>	<u>(\$540,800)</u>	<u>\$0</u>	<u>(\$540,800)</u>	<u>-15.85%</u>	<u>0.00%</u>	<u>0.00%</u>	
7 Total Capital	<u>\$365,820,341</u>	<u>\$0</u>	<u>\$365,820,341</u>	<u>(\$362,408,618)</u>	<u>\$3,411,723</u>	<u>100.00%</u>		<u>10.21%</u>	
Per Commission									
8 Long-term Debt	\$180,000,000	\$0	\$180,000,000	(\$179,689,712)	\$310,288	45.75%	6.64%	3.04%	
9 Short-term Debt	\$4,000,000	\$0	\$4,000,000	(\$3,993,105)	\$6,895	1.02%	7.77%	0.08%	
10 Preferred Stock	\$0	\$0	\$0	\$0	\$0	0.00%	0.00%	0.00%	
11 Common Equity	\$182,354,550	\$0	\$182,354,550	(\$182,040,203)	\$314,347	46.35%	11.00%	5.10%	
12 Customer Deposits	\$6,591	\$0	\$6,591	\$0	\$6,591	0.97%	2.00%	0.02%	
13 Deferred Income Taxes	<u>(\$540,800)</u>	<u>\$580,855</u>	<u>\$40,055</u>	<u>\$0</u>	<u>\$40,055</u>	<u>5.91%</u>	<u>0.00%</u>	<u>0.00%</u>	
14 Total Capital	<u>\$365,820,341</u>	<u>\$580,855</u>	<u>\$366,401,196</u>	<u>(\$365,723,020)</u>	<u>\$678,176</u>	<u>100.00%</u>		<u>8.24%</u>	
						LOW	HIGH		
RETURN ON EQUITY						<u>11.00%</u>	<u>13.00%</u>		
OVERALL RATE OF RETURN						<u>8.24%</u>	<u>9.16%</u>		

Utilities, Inc. of Sandalhaven Statement of Wastewater Operations Test Year Ended 12/31/14						Schedule No. 3-A Docket No. 150102-SU	
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Comm. Adjust- ments	Comm. Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	<u>\$668,757</u>	<u>\$736,541</u>	<u>\$1,405,298</u>	<u>(\$736,261)</u>	<u>\$669,037</u>	<u>\$119,553</u> 17.87%	<u>\$788,590</u>
Operating Expenses							
2 Operation & Maintenance	\$581,100	\$5,646	\$586,746	(\$40,787)	\$545,959	\$0	\$545,959
3 Depreciation	264,739	(87,157)	177,582	(118,057)	59,525	0	59,525
5 Taxes Other Than Income	113,952	48,580	162,532	(61,518)	101,014	5,380	106,394
6 Income Taxes	<u>(118,083)</u>	<u>248,359</u>	<u>130,276</u>	<u>(152,377)</u>	<u>(22,101)</u>	<u>42,963</u>	<u>20,862</u>
7 Total Operating Expense	<u>841,708</u>	<u>215,428</u>	<u>1,057,136</u>	<u>(372,738)</u>	<u>684,398</u>	<u>48,343</u>	<u>732,741</u>
8 Operating Income	<u>(\$172,951)</u>	<u>\$521,113</u>	<u>\$348,162</u>	<u>(\$363,523)</u>	<u>(\$15,361)</u>	<u>\$71,209</u>	<u>\$55,849</u>
9 Rate Base	<u>\$3,468,701</u>		<u>\$3,411,723</u>		<u>\$678,176</u>		<u>\$678,176</u>
10 Rate of Return	<u>-4.99%</u>		<u>10.20%</u>		<u>-2.26%</u>		<u>8.24%</u>

Utilities, Inc. of Sandalhaven	Schedule No. 3-B
Adjustment to Operating Income	Docket No. 150102-SU
Test Year Ended 12/31/14	
Explanation	Wastewater
<u>Operating Revenues</u>	
Remove requested final revenue increase.	(\$724,062)
Reflect the appropriate amount of annualized revenues.	<u>(12,199)</u>
Total	<u>(\$736,261)</u>
<u>Operation and Maintenance Expense</u>	
Remove annualization of amortization of deferred charges.	(\$1,798)
Excessive I&I adjustment. (Issue 2)	<u>(38,989)</u>
Total	<u>(\$40,787)</u>
<u>Depreciation Expense - Net</u>	
Reflect net non-used & useful adjustment for Impact Fees to EWD.	(\$45,484)
Reflect net non-used & useful adjustment for Lift Station & Force Main.	<u>(72,573)</u>
Total	<u>(\$118,057)</u>
<u>Taxes Other Than Income</u>	
RAFs on revenue adjustments above.	(\$33,132)
Reflect property taxes related to the non-used & useful adjustment.	<u>(28,386)</u>
Total	<u>(\$61,518)</u>

Utilities, Inc. of Sandalhaven			Schedule No. 4	
Monthly Wastewater Rates			Docket No. 150102-SU	
Test Year Ended 12/31/14				
	CURRENT	UTILITY	UTILITY	COMM.
	RATES	REQUESTED	REQUESTED	APPROVED
		INTERIM	FINAL	INTERIM
<u>Residential</u>				
Base Facility Charge - All Meter Sizes	\$29.34	\$60.69	\$70.12	\$34.60
Charge per 1,000 Gallons- Residential 8,000 gallon cap	\$6.59	\$13.63	\$15.75	\$7.77
<u>General Service and Multi-Residential</u>				
Base Facility Charge by Meter Size				
5/8" x 3/4"	\$29.34	\$60.69	\$70.12	\$34.60
1"	\$73.35	\$151.72	\$175.31	\$86.50
1-1/2"	\$146.69	\$303.42	\$350.59	\$173.00
2"	\$234.71	\$485.49	\$560.96	\$276.80
3"	\$469.43	\$971.00	\$1,121.94	\$553.60
4"	\$733.47	\$1,517.17	\$1,752.99	\$865.00
6"	\$1,466.94	\$3,034.33	\$3,505.99	\$1,730.00
Restaurant 1"	\$73.35	\$151.72	\$175.31	\$86.50
Charge per 1,000 Gallons - General Service	\$7.92	\$16.38	\$18.93	\$9.34
Reserved Capacity - Flat Charge per unit	\$28.42	\$58.79	\$67.92	\$33.51
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>				
3,000 Gallons	\$49.11	\$101.58	\$117.37	\$57.91
5,000 Gallons	\$62.29	\$128.84	\$148.87	\$73.45
8,000 Gallons	\$82.06	\$169.73	\$196.12	\$96.76