

State of Florida



## Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD  
TALLAHASSEE, FLORIDA 32399-0850

### -M-E-M-O-R-A-N-D-U-M-

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**DATE:** July 6, 2006

**TO:** Director, Division of the Commission Clerk & Administrative Services (Bayó)

**FROM:** Division of Economic Regulation (Fletcher, Rendell, Springer)  
Office of the General Counsel (Brubaker)

**RE:** Docket No. 060258-WS – Application for increase in water and wastewater rates in Seminole County by Sanlando Utilities Corp.

**AGENDA:** 07/18/06 – Regular Agenda – Decision on Suspension of Rates and on Interim Rates – Participation is at the Discretion of the Commission

**COMMISSIONERS ASSIGNED:** All Commissioners

**PREHEARING OFFICER:** Arriaga

**CRITICAL DATES:** 07/18/06 (60-Day Suspension Date)

**SPECIAL INSTRUCTIONS:** None

**FILE NAME AND LOCATION:** S:\PSC\ECR\WP\060258.RCM.DOC

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### Case Background

Sanlando Utilities Corp. (Sanlando or utility) is a Class A utility providing water and wastewater service to approximately 10,108 water and 8,201 wastewater customers in Seminole County. Water and wastewater rates were last established for this utility in its 1998 earnings investigation.<sup>1</sup>

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<sup>1</sup> See Order No. PSC-00-1263-PAA-WS, issued July 10, 2000, in Dockets Nos. 971186-SU, In re: Application for approval of reuse project plan and increase in wastewater rates in Seminole County by Sanlando Utilities Corporation., and 980670-WS, In re: Investigation of possible overearnings by Sanlando Utilities Corporation in Seminole County. Order No. PSC-00-2097-AS-WS, issued November 6, 2000, made Order No. PSC-00-1263-PAA-WS final as modified by the settlement agreement.

On May 15, 2006, Sanlando filed the Application for Rate Increase at issue in the instant docket. The utility had a few deficiencies in the Minimum Filing Requirements (MFRs). As of the filing of this recommendation, those deficiencies remain outstanding. 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 13-month average period ending December 31, 2005.

Sanlando requested interim rates designed to generate annual water revenues of \$2,325,450 and wastewater revenues of \$3,773,486. This represents a revenue increase on an annual basis of \$239,493 (11.48%) for water and \$441,802 (13.26%) for wastewater. The utility requested final rates designed to generate annual water revenues of \$2,504,979 and wastewater revenues of \$4,017,897. This represents a revenue increase of \$419,022 (20.08%) for water and \$686,213 (20.60%) for wastewater.

The original 60-day statutory deadline for the Commission 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 statutory time frame by which the Commission is required to address Sanlando's interim rate request. This recommendation addresses the suspension of Sanlando's requested final rates and the utility's requested interim rates. The Commission has jurisdiction pursuant to Sections 367.081 and 367.082, Florida Statutes (F.S.).

**Discussion of Issues**

**Issue 1:** Should the utility's proposed final water and wastewater rates be suspended?

**Recommendation:** Yes. Sanlando's proposed final water and wastewater rates should be suspended. (Fletcher)

**Staff Analysis:** Section 367.081(6), F.S., provides that the Commission 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) the Commission has not acted upon the requested rate increase; or (2) if the Commission's PAA action is protested by a party other than the utility.

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

**Issue 2:** Should any interim revenue increases be approved?

**Recommendation:** Yes, the utility should be authorized to collect annual water and wastewater revenues as indicated below: (Fletcher)

	<u>Adjusted Test Year Revenues</u>	<u>\$ Increase</u>	<u>Revenue Requirement</u>	<u>% Increase</u>
Water	\$2,085,957	\$12,315	\$2,098,272	0.59%
Wastewater	\$3,331,684	\$99,409	\$3,431,093	2.98%

**Staff Analysis:** The utility has filed rate base, cost of capital, and operating statements to support its requested water and wastewater increases. 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. Staff has reviewed the utility's interim request, as well as Order No. PSC-00-1263-PAA-WS, in which the Commission last established rate base. Staff's recommended adjustments are discussed below. Staff has attached accounting schedules to illustrate staff's recommended rate base, capital structure, and test year operating income amounts. The rate base schedules are labeled as Nos. 1-A and 1-B. The capital structure schedule is No. 2, and the operating income schedules for water and wastewater, respectively, are labeled as Nos. 3-A and 3-B, with the adjustments shown on No. 3-C.

RATE BASE

Based on an analysis of the MFRs and Order No. PSC-00-1263-PAA-WS from the utility's last rate proceeding, staff believes that no adjustments are necessary to the utility's rate base. Therefore, staff recommends that Sanlando's interim water rate base should be \$2,833,713. The utility's wastewater rate base should be \$8,571,267.

COST OF CAPITAL

On MFR Schedule D-2, Sanlando reflected a balance of \$171,620 for accumulated deferred income taxes (ADITs) and a balance of \$121,871 for customer deposits. According to MFR Schedule A-19, the \$171,620 amount represents a simple average balance of only the utility's credit ADITs, and the \$121,871 amount represents a simple average balance as well. Rule 25-30.433(3)&(4), Florida Administrative Code (F.A.C.), states:

- (3) Used and useful debit deferred taxes shall be offset against used and useful credit deferred taxes in the 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.

(4) The averaging method used by the Commission to calculate rate base and cost of capital shall be a 13-month average for Class A utilities and the simple beginning and end-of-year average for Class B and C utilities.

On MFR Schedule A-18, Sanlando reflected a 13-month average debit ADITs balance of \$7,063. On MFR Schedule A-19, the utility reflected a 13-month average credit ADITs balance of \$62,405 and a 13-month average customer deposits balance of \$123,053. Therefore, in accordance with Rule 25-30.433(3) and (4), F.A.C., staff recommends that the 13-month average net credit ADITs balance of \$55,342 (\$62,405 less \$7,063) and the 13-month average customer deposits balance of \$123,053 are the appropriate amounts to be included in the capital structure calculation. As such, the utility's ADITs balance should be reduced by \$116,278 (\$171,620 less \$55,342), and its customer deposits balance should be increased by \$1,182 (\$123,053 less \$121,871).

Further, in its interim request, Sanlando used a 11.78% return on equity (ROE) based on the Commission's 2005 leverage formula. By Order No. PSC-00-1263-PAA-WS, the utility's minimum of the range of its last authorized ROE is 8.81%. Based on the above, staff recommends that the interim weighted average cost of capital is 7.48%.

#### NET OPERATING INCOME

Based on its review, staff is recommending several adjustments to operating expenses. The utility included adjustments to increase water and wastewater expenses by \$174,176 and \$167,948, respectively, for salary & wages, employees benefits, and purchased power. Also, Sanlando made corresponding adjustments to increase payroll taxes by \$4,527 for water and \$3,563 for wastewater. 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 the interim test year may be made. Staff believes the above adjustments are pro forma in nature because they are beyond the interim test year. As such, staff recommends that the utility's expense and payroll tax adjustments above should be removed from the interim net operating income calculation.

On MFR Schedule B-15, Sanlando reflected historical per book regulatory assessment fees (RAFs) of \$89,605 for water and \$143,497 for wastewater. Using the 4.50% RAF rate pursuant to Section 367.145, F.S., and Rule 25-30.120, F.A.C., staff calculated RAFs of \$92,361 for water and \$147,937 for wastewater. As such, the utility's historical per book RAFs are understated and should be increased by \$2,756 for water and by \$4,440 for wastewater. Based on the above, staff recommends that the appropriate test year operating income, before any revenue increase, is \$204,569 for water and \$581,744 for wastewater.

#### REVENUE REQUIREMENT

Based on the above adjustments, staff recommends revenue requirements of \$2,098,272 for water and \$3,431,093 for wastewater. This represents interim increases in annual revenues of \$12,315 (or 0.59%) for water and \$99,409 (or 2.98%) for wastewater. This will allow the utility the opportunity to recover its water and wastewater operating expenses and earn a 7.48% return on its water and wastewater rate bases.

**Issue 3:** What are the appropriate interim water and wastewater rates?

**Recommendation:** The water and wastewater service rates for Sanlando in effect as of December 31, 2005, should be increased by 0.59% and 3.00%, respectively, to generate the recommended revenue increase for the interim period. The approved rates should 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. The rates should not be implemented until staff verifies that the tariff sheets are consistent with the Commission decision, the proposed customer notice is adequate, and the required security has been filed. The utility should provide proof of the date notice was given within 10 days after the date of notice. (Fletcher)

**Staff Analysis:** Staff recommends that interim water and wastewater service rates for Sanlando be designed to allow the utility the opportunity to generate annual operating revenues of \$2,098,272 for water operations and \$3,431,093 for wastewater operations. Before removal of miscellaneous revenues, this would result in increases of \$12,315 or 0.59% for water and \$99,409 or 2.98% for wastewater. To determine the appropriate percentage increase to apply to the service rates, miscellaneous service revenues should be removed from the test year revenues. The calculation is as follows:

	<u>Water</u>	<u>Wastewater</u>
1 Total Test Year Revenues	\$2,085,957	\$3,331,684
2 Less: Miscellaneous Revenues	<u>10,833</u>	<u>17,347</u>
3 Test Year Revenues from Service Rates	\$2,075,124	\$3,314,337
4 Revenue Increase	<u>\$12,315</u>	<u>\$99,409</u>
5 % Service Rate Increase (Line 4/Line3)	<u>0.59%</u>	<u>3.00%</u>

The interim rate increase of 0.59% for water and 3.00% for wastewater should be applied as an across-the-board increase to the service rates in effect as of December 31, 2005. The approved rates should 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 should not be implemented until staff verifies that the tariff sheets are consistent with the Commission decision, the proposed customer notice is adequate, and the required security has been filed. The utility should 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 rates, and staff's recommended interim rates are shown on Schedule No. 4-A for water and Schedule No. 4-B for wastewater.

**Issue 4:** What is the appropriate security to guarantee the interim increase?

**Recommendation:** A corporate undertaking is acceptable contingent upon receipt of the written guarantee of the parent company, Utilities, Inc. (UI), 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. UI should be required to file a corporate undertaking on behalf of its subsidiaries to guarantee any potential refunds of revenues collected under interim conditions. UI's total guarantee should be a cumulative amount of \$718,575, which includes an amount of \$66,127 subject to refund in this docket. Pursuant to Rule 25-30.360(6), F.A.C., the utility should 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 should be with interest and undertaken in accordance with Rule 25-30.360, F.A.C. (Fletcher, Springer)

**Staff Analysis:** 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 the Commission. As recommended in Issue 2, the total annual interim increase is \$111,724 for water and wastewater. In accordance with Rule 25-30.360, F.A.C., staff has calculated the potential refund of revenues and interest collected under interim conditions to be \$66,127. This amount is based on an estimated seven months of revenue being collected from staff's recommended interim rates over the utility's current authorized rates shown on Schedules Nos. 4A and 4B.

Sanlando 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, staff reviewed the financial statements of the parent company. As a result of staff's interim recommendations in all of the above dockets, the total requested cumulative corporate undertaking amount is \$718,575, which includes \$66,127 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. Staff has reviewed UI's financial statements from 2003 to 2005 to determine the financial condition of the parent company. Staff's 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, staff recommends 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 should be with interest and undertaken in accordance with Rule 25-30.360, F.A.C.

Docket No. 060258-WS

Date: July 6, 2006

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



Docket No. 060258-WS

Date: July 6, 2006

**Issue 5:** Should the docket be closed?

**Recommendation:** No. The docket should remain open pending the Commission's final action on the utility's requested rate increase. (Fletcher, Brubaker)

**Staff Analysis:** The docket should remain open pending the Commission's final action on the utility's requested rate increase.

<b>Sanlando Utilities Corporation</b>				<b>Schedule No. 1-A</b>	
<b>Schedule of Water Rate Base</b>				<b>Docket No. 060258-WS</b>	
<b>Test Year Ended 12/31/05</b>				<b>Interim</b>	
<b>Description</b>	<b>Test Year Per Utility</b>	<b>Utility Adjust- ments</b>	<b>Adjusted Test Year Per Utility</b>	<b>Staff Adjust- ments</b>	<b>Staff Adjusted Test Year</b>
1 Plant in Service	\$15,392,075	(\$189,106)	\$15,202,969	\$0	\$15,202,969
2 Land and Land Rights	123,772	0	123,772	0	123,772
3 Non-used and Useful Components	0	0	0	0	0
4 Accumulated Depreciation	(8,283,471)	(69,341)	(8,352,812)	0	(8,352,812)
5 CIAC	(11,463,717)	0	(11,463,717)	0	(11,463,717)
6 Amortization of CIAC	7,208,315	0	7,208,315	0	7,208,315
7 Working Capital Allowance	<u>115,186</u>	<u>0</u>	<u>115,186</u>	<u>0</u>	<u>115,186</u>
8 <b>Rate Base</b>	<u>\$3,092,160</u>	<u>(\$258,447)</u>	<u>\$2,833,713</u>	<u>\$0</u>	<u>\$2,833,713</u>

<b>Sanlando Utilities Corporation</b>				<b>Schedule No. 1-B</b>	
<b>Schedule of Wastewater Rate Base</b>				<b>Docket No. 060258-WS</b>	
<b>Test Year Ended 12/31/05</b>				<b>Interim</b>	
<b>Description</b>	<b>Test Year Per Utility</b>	<b>Utility Adjust- ments</b>	<b>Adjusted Test Year Per Utility</b>	<b>Staff Adjust- ments</b>	<b>Staff Adjusted Test Year</b>
1 Plant in Service	\$22,423,326	\$189,106	\$22,612,432	\$0	\$22,612,432
2 Land and Land Rights	202,552	0	202,552	0	202,552
3 Non-used and Useful Components	0	0	0	0	0
4 Accumulated Depreciation	(10,546,485)	69,341	(10,477,144)	0	(10,477,144)
5 CIAC	(12,337,150)	0	(12,337,150)	0	(12,337,150)
6 Amortization of CIAC	8,278,582	0	8,278,582	0	8,278,582
7 Working Capital Allowance	<u>291,995</u>	<u>0</u>	<u>291,995</u>	<u>0</u>	<u>291,995</u>
8 <b>Rate Base</b>	<u>\$8,312,820</u>	<u>\$258,447</u>	<u>\$8,571,267</u>	<u>\$0</u>	<u>\$8,571,267</u>

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Sanlando Utilities Corporation							Schedule No. 2		
Capital Structure - 13-Month Average							Docket No. 060258-WS		
Test Year Ended 12/31/05							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	\$133,025,102	\$0	\$133,025,102	(\$126,572,660)	\$6,452,442	56.58%	6.65%	3.76%	
2 Short-term Debt	4,522,923	0	4,522,923	(4,304,027)	218,896	1.92%	5.01%	0.10%	
3 Preferred Stock	0	0	0	0	0	0.00%	0.00%	0.00%	
4 Common Equity	91,510,699	0	91,510,699	(87,070,548)	4,440,151	38.93%	11.78%	4.59%	
5 Customer Deposits	121,871	0	121,871	0	121,871	1.07%	6.00%	0.06%	
6 Deferred Income Taxes	171,620	0	171,620	0	171,620	1.50%	0.00%	0.00%	
7 <b>Total Capital</b>	<u>\$229,352,215</u>	<u>\$0</u>	<u>\$229,352,215</u>	<u>(\$217,947,235)</u>	<u>\$11,404,980</u>	<u>100.00%</u>		<u>8.51%</u>	
<b>Per Staff</b>									
8 Long-term Debt	\$133,025,102	\$0	\$133,025,102	(\$126,406,852)	\$6,618,250	58.03%	6.65%	3.86%	
9 Short-term Debt	4,522,923	0	4,522,923	(4,297,899)	225,024	1.97%	5.01%	0.10%	
10 Preferred Stock	0	0	0	0	0	0.00%	0.00%	0.00%	
11 Common Equity	91,510,699	0	91,510,699	(86,957,869)	4,552,830	39.92%	8.81%	3.52%	
12 Customer Deposits	121,871	1,182	123,053	(116,931)	6,122	0.05%	6.00%	0.00%	
13 Deferred Income Taxes	171,620	(116,278)	55,342	(52,589)	2,753	0.02%	0.00%	0.00%	
14 <b>Total Capital</b>	<u>\$229,352,215</u>	<u>(\$115,096)</u>	<u>\$229,237,119</u>	<u>(\$217,832,139)</u>	<u>\$11,404,980</u>	<u>100.00%</u>		<u>7.48%</u>	
						<b>LOW</b>	<b>HIGH</b>		
						RETURN ON EQUITY	<u>8.81%</u>	<u>10.81%</u>	
						OVERALL RATE OF RETURN	<u>7.48%</u>	<u>8.28%</u>	

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Sanlando Utilities Corporation		Schedule No. 3-A					
Statement of Water Operations		Docket No. 060258-WS					
Test Year Ended 12/31/05		Interim					
Description	Test Year Per Utility	Utility Adjustments	Adjusted Test Year Per Utility	Staff Adjustments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 <b>Operating Revenues:</b>	<u>\$2,052,465</u>	<u>\$272,985</u>	<u>\$2,325,450</u>	<u>(\$239,493)</u>	<u>\$2,085,957</u>	<u>\$12,315</u> 0.59%	<u>\$2,098,272</u>
<b>Operating Expenses</b>							
2 Operation & Maintenance	\$1,408,097	\$174,176	\$1,582,273	(\$174,176)	\$1,408,097		\$1,408,097
3 Depreciation	181,254	(360)	180,894	0	180,894		180,894
4 Amortization	5,313	0	5,313	0	5,313		5,313
5 Taxes Other Than Income	227,119	19,567	246,686	(15,304)	231,382	554	231,936
6 Income Taxes	<u>35,074</u>	<u>34,061</u>	<u>69,135</u>	<u>(13,432)</u>	<u>55,703</u>	<u>4,426</u>	<u>60,128</u>
7 <b>Total Operating Expense</b>	<u>\$1,856,857</u>	<u>\$227,444</u>	<u>\$2,084,301</u>	<u>(\$202,913)</u>	<u>\$1,881,388</u>	<u>\$4,980</u>	<u>\$1,886,368</u>
8 <b>Operating Income</b>	<u>\$195,608</u>	<u>\$45,541</u>	<u>\$241,149</u>	<u>(\$36,580)</u>	<u>\$204,569</u>	<u>\$7,335</u>	<u>\$211,904</u>
9 <b>Rate Base</b>	<u>\$3,092,160</u>		<u>\$2,833,713</u>		<u>\$2,833,713</u>		<u>\$2,833,713</u>
10 <b>Rate of Return</b>	<u>6.33%</u>		<u>8.51%</u>		<u>7.22%</u>		<u>7.48%</u>

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Sanlando Utilities Corporation							Schedule No. 3-B		
Statement of Wastewater Operations							Docket No. 060258-WS		
Test Year Ended 12/31/05							Interim		
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue	Requirement	
1 <b>Operating Revenues:</b>	<u>\$3,287,485</u>	<u>\$486,001</u>	<u>\$3,773,486</u>	<u>(\$441,802)</u>	<u>\$3,331,684</u>	<u>\$99,409</u> 2.98%	<u>\$3,431,093</u>		
<b>Operating Expenses</b>									
2 Operation & Maintenance	\$1,997,793	\$167,948	\$2,165,741	(\$167,948)	\$1,997,793		\$1,997,793		
3 Depreciation	291,577	360	291,937	0	291,937		291,937		
4 Amortization	2,205	0	2,205	0	2,205		2,205		
5 Taxes Other Than Income	305,428	29,873	335,301	(23,444)	311,857	4,473	316,330		
6 Income Taxes	<u>126,411</u>	<u>122,476</u>	<u>248,887</u>	<u>(102,739)</u>	<u>146,148</u>	<u>35,724</u>	<u>181,872</u>		
7 <b>Total Operating Expense</b>	<u>\$2,723,414</u>	<u>\$320,657</u>	<u>\$3,044,071</u>	<u>(\$294,131)</u>	<u>\$2,749,940</u>	<u>\$40,198</u>	<u>\$2,790,137</u>		
8 <b>Operating Income</b>	<u>\$564,071</u>	<u>\$165,344</u>	<u>\$729,415</u>	<u>(\$147,671)</u>	<u>\$581,744</u>	<u>\$59,211</u>	<u>\$640,955</u>		
9 <b>Rate Base</b>	<u>\$8,312,820</u>		<u>\$8,571,267</u>		<u>\$8,571,267</u>		<u>\$8,571,267</u>		
10 <b>Rate of Return</b>	<u>6.79%</u>		<u>8.51%</u>		<u>6.79%</u>		<u>7.48%</u>		

<b>Sanlando Utilities Corporation</b>		<b>Schedule No. 4-A</b>		
<b>Water Monthly Service Rates</b>		<b>Docket No. 060258-WS</b>		
<b>Test Year Ended 12/31/05</b>		<b>Interim</b>		
	<b>Rates Prior to Filing</b>	<b>Commission Approved Interim</b>	<b>Utility Requested Final</b>	<b>Staff Recomm. Interim</b>
<b>Residential, General Service, Bulk Sales, and Multi-Family</b>				
Base Facility Charge by Meter Size:				
5/8" x 3/4"	\$4.25	\$4.74	\$5.11	\$4.28
3/4"	\$6.36	\$7.09	\$7.65	\$6.40
1"	\$10.58	\$11.81	\$12.71	\$10.64
1-1/2"	\$21.19	\$23.65	\$25.45	\$21.32
2"	\$33.90	\$37.84	\$40.72	\$34.10
3"	\$67.79	\$75.66	\$81.43	\$68.19
4"	\$105.95	\$118.15	\$127.27	\$106.58
6"	\$211.89	\$236.49	\$254.54	\$213.15
8"	\$380.93	\$425.15	\$457.57	\$383.19
Gallonge Charge, per 1,000 Gallons	\$0.4350	\$0.4850	\$0.5230	\$0.4376
<b>Private Fire Protection</b>				
Base Facility Charge by Meter Size:				
1 1/2"	\$86.96	\$96.99	\$104.56	\$87.48
2"	\$139.15	\$155.30	\$167.14	\$139.98
3"	\$278.27	\$310.35	\$334.59	\$279.92
4"	\$434.80	\$485.28	\$522.27	\$437.38
6"	\$869.61	\$970.56	\$1,044.56	\$874.77
8"	\$1,391.41	\$1,552.94	\$1,671.33	\$1,399.67
<b>Typical Residential Bills 5/8" x 3/4" Meter</b>				
3,000 Gallons	\$5.56	\$6.20	\$6.68	\$5.59
5,000 Gallons	\$6.43	\$7.17	\$7.73	\$6.47
10,000 Gallons	\$8.60	\$9.59	\$10.34	\$8.66

<b>Sanlando Utilities Corporation</b>		<b>SCHEDULE NO. 4-B</b>		
<b>Wastewater Monthly Service Rates</b>		<b>Docket No. 060258-WS</b>		
<b>Test Year Ended 12/31/05</b>		<b>Interim</b>		
	<b>Rates Prior to Filing</b>	<b>Commission Approved Interim</b>	<b>Utility Requested Final</b>	<b>Staff Recomm. Interim</b>
<b><u>Residential</u></b>				
Base Facility Charge All Meter Sizes:	\$11.35	\$12.87	\$13.71	\$11.69
Gallonge Charge - Per 1,000 gallons (10,000 gallon cap)	\$1.51	\$1.71	\$1.82	\$1.56
<b><u>Flat Rate Service</u></b>				
Residential Single Family	\$24.00	\$27.22	\$28.98	\$24.72
Multiple Dwelling Unit	\$24.00	\$27.22	\$28.98	\$24.72
General Service	\$24.00	\$27.22	\$28.98	\$24.72
<b><u>Bulk Service</u></b>				
6"	\$566.93	\$642.84	\$684.79	\$583.93
8"	\$907.07	\$1,028.53	\$1,095.65	\$934.28
Gallonge Charge - Per 1,000	\$1.88	\$2.06	\$2.27	\$1.94
<b><u>Multi-Residential and General Service</u></b>				
Base Facility Charge by Meter Size:				
5/8" x 3/4"	\$11.35	\$12.87	\$13.71	\$11.69
3/4"	\$17.01	\$19.29	\$20.55	\$17.52
1"	\$28.35	\$32.16	\$34.23	\$29.20
1-1/2"	\$56.70	\$64.32	\$68.46	\$58.40
2"	\$90.71	\$102.90	\$109.53	\$93.43
3"	\$181.40	\$205.77	\$219.04	\$186.84
4"	\$283.45	\$321.53	\$342.26	\$291.95
6"	\$566.93	\$643.10	\$684.56	\$583.93
8"	\$907.07	\$1,028.94	\$1,095.28	\$934.28
Gallonge Charge, per 1,000 Gallons	\$1.82	\$2.06	\$2.20	\$1.87
<b><u>Typical Residential Bills 5/8" x 3/4" Meter</u></b>				
3,000 Gallons	\$16.81	\$19.05	\$20.31	\$16.37
5,000 Gallons	\$20.45	\$23.17	\$24.71	\$19.49
10,000 Gallons	\$29.55	\$33.47	\$35.71	\$27.29
(Wastewater Gallonge Cap - 10,000 Gallons)				