`BEFORE THE BOARD OF COUNTY COMMISSIONERS OF CHARLOTTE COUNTY, FLORIDA

***In re:* Application of UTILITIES, INC. OF SANDALHAVEN for an increase in wastewater rates and charges** **Docket No. 2011-001-S**

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RECOMMENDED ORDER

Pursuant to notice, this cause came on for formal evidentiary hearing before Diane K. Kiesling, duly appointed Hearing Officer, on August 22-23, 2012, in Port Charlotte, Florida.

APPEARANCES

For the Applicant, Utilities, Inc. of Sandalhaven:
Martin S. Friedman
Sundstrom, Friedman & Fumero, LLP
766 North Sun Drive, Suite 4030
Lake Mary, Florida 32746

For Charlotte County:
Martha Young Burton
Assistant County Attorney
Charlotte County Attorney's Office
18500 Murdock Circle
Port Charlotte, Florida 33948-1094

For Office of Public Counsel:
Erik L. Sayler
Associate Public Counsel
111 West Madison Street, Room 812
Tallahassee, Florida 32399-1400

ISSUES PRESENTED

The ultimate issue in this case is what wastewater rates, fees and charges are "just, reasonable, compensatory, and not unfairly discriminatory" for the services provided to residential and commercial customers in Charlotte County, Florida, by Utilities, Inc. of Sandalhaven (Utility or Sandalhaven) in its service territory.

BACKGROUND AND PROCEDURAL HISTORY

On September 28, 2011, pursuant to Chapter 3-8, Article II of the Charlotte County Code, the Utility filed an Application with the Charlotte County Board of County Commissioners (Board) for increased wastewater rates based on a historic test year ending December 31, 2010. The Utility is the holder of Certificate 804-S. The Application is assigned Docket No. 2011-001-S, and November 22, 2011, was established as the official date of filing. The Utility has requested a permanent revenue increase for its wastewater system in Charlotte County of $1,059,807 or 219%. The requested increase would produce annual revenues of $1,543,579. The Utility did not request interim rates.

The wastewater Utility was originally established in 1983 when water and wastewater ratemaking regulation was under the jurisdiction of Charlotte County. In 1994, Charlotte County ceded ratemaking jurisdiction to the Florida Public Service Commission (FPSC). The Utility's last rate proceeding before the FPSC was in Docket No. 060285-SU. Rates and charges were established by Order No. PSC-07-0865-PAA-SU, issued October 29, 2007, and made final by consummating Order No. PSC-07-0980-CO-SU, issued December 7, 2007. This is the Utility's first rate case before the Board since the County resumed ratemaking regulation over water and wastewater utilities in 2007.

A duly advertised prehearing conference was held on December 12, 2011, and May 21, 2012. An order establishing pre-hearing schedule was entered on March 7, 2012. An order granting the Office of Public Counsel (OPC) intervention was entered on March 7, 2012. There are no other Intervenors. Witness lists and exhibits lists were exchanged and the procedures and issues for the formal evidentiary hearing were established. The parties filed Prehearing Statements on May 18, 2012, containing a list of witnesses and exhibits, and a list of potential stipulated issues and non-stipulated issues for

adjudication by full administrative hearing. A duly noticed customer meeting was held on May 21, 2012. The parties filed pre-filed testimony and exhibits pursuant to the order establishing pre-hearing schedule.

The parties entered into negotiations that produced stipulations on certain issues. The stipulations on certain issues were memorialized and entered into the record as Exh. Joint-1 (Stipulated Issues). During the technical portion of the hearing, the Utility presented the written and live testimony of Frank Seidman, Erin Aquilino, and Patrick C. Flynn. The County presented the written and live testimony of Roger Davis, David Johnson, Jeffery M. Wilson, and Andrew T. Woodcock, sur-rebuttal witnesses Joan Brown and Jim Evetts. OPC did not offer the testimony of any witnesses. Each witness, as appropriate, adopted his written testimony as his testimony at hearing as if it were fully read. Cross-examination was conducted. The parties rested their cases and agreed to file written briefs with proposed findings of fact and conclusions of law. The record in this proceeding consists of the Stipulated Issues (Exh Joint-1), the admitted exhibits, and the transcript of the oral and written testimony of the witnesses and customers who testified.

The individual issues will be stated, discussed and determined based on the evidence, conclusions of law, and stipulations of the parties.

JURISDICTION AND STANDARDS OF REVIEW

1. The Charlotte County Board of County Commissioners has exclusive jurisdiction to decide the Utility's rate application pursuant to County Code Chapter 3-8 Article II and Board of County Commissioners Resolution No. 2007-143. Section 367.171, FS. However, the Board must follow the minimum standards of regulation found in Section 367.081, FS, concerning rates. Section 367.171(6), FS. The County shall proceed as though the County is the PSC. Section 367.171(8), FS.

2. The County's regulatory function shall operate within the Budget Department, and County Budget Department staff's primary duty is to represent and consider the public interest and see that all relevant facts and issues are clearly presented to the Board for its consideration. County Code Chapter 3-8 Article II Section 3-8-25.

3. The Hearing officer was duly appointed in accordance with County Code Chapter 3-8 Article II and Chapter 1-10 Article XII.

4. Before filing an application for a general rate increase, utilities must submit a written request for a test year, which the Board must approve

within 60 days. County Code Chapter 3-8 Article II Sections 3-8-47 and 3-8-58. The Utility submitted such a request, which was timely approved by the Board.

5. The Utility's Rate Application was sufficient and complete, meeting all required minimum filing requirements. County Code Chapter 3-8 Article II.

6. The public hearings in this case were properly advertised and noticed in accordance with County Code Chapter 3-8 Article II.

7. The Board of County Commissioners is empowered to fix reasonable rates and charges for services rendered by certificated water and wastewater utilities. A Utility's rates and charges shall continue in effect as lawful rates and charges until changed by the Board. County Code Chapter 3-8 Article II Section 3-8-45.

8. All rates and charges must be fair and reasonable and approved by the Board. County Code Chapter 3-8 Section 3-18-18. Any increase approved by the Board of County Commissioners must result in rates which are just, reasonable, compensatory, and not unfairly discriminatory. County Code Chapter 3-8 Article II Section 3-8-14 and Section 367.081(2)(a)1., FS.

9. Charges made by a Utility shall be just and reasonable, allowing the Utility a fair return on investment. County Code Chapter 3-8 Article II Section 3-8-24.

10. In all rate proceedings, the Board shall determine and investigate the actual original cost of the property of each Utility used and useful in public service and keep a current record of the net investment of the Utility in such property, using the value so determined for rate-making purposes, less accrued depreciation. County Code Chapter 3-8 Article II Section 3-8-62. Similarly, the Board shall consider the value and quality of the service and the cost of providing the service, including debt interest; the requirements of the Utility for working capital; maintenance, depreciation, tax, and operating expenses incurred in the operation of all property used and useful in the public service; and a fair return on the investment of the Utility in property used and useful in the public service. Section 367.081(2)(a)1., FS.

11. In each instance, the Utility shall be able to support any schedule submitted as well as any adjustments or allocations relied on by the Utility. Co. Code Chapter 3-8 Article II Section 3-8-55.

12. Rate case expense shall be included as a reimbursable expense. County Code Chapter 3-8 Article II Section 3-8-73(a).

ISSUES

QUALITY OF SERVICE

Issue 1: Is the quality of service provided by the Utility considered satisfactory?

Finding of Fact 1:

The parties agreed to use the process established by the Florida Public Service Commission (PSC) Rule 25-30.433(1), F.A.C., in establishing whether the Quality of Service is satisfactory. ("This shall be derived from an evaluation of three separate components of water and wastewater Utility operations: quality of Utility's product (water and wastewater); operational conditions of Utility's plant and facilities; and the Utility's attempt to address customer satisfaction.") In addition, the parties agreed that the Utility's Wastewater Treatment Plant is operating in compliance with applicable regulatory requirements.

1. *Quality of Utility's product:* All chemical analysis and test results are satisfactory, and the quality of the Utility's product (wastewater) appears to meet or exceed regulatory standards.

2. *Operational conditions of Utility's plant and facilities:* The operational conditions of the Utility's plant and facilities are very good, with the WWTP well operated and very efficient. The Utility is in compliance with its DEP permit.

3. *The Utility's attempt to address customer satisfaction.*

Few customer comments were received under oath at the customer hearings. The vast majority were addressed to the rate increase sought of approximately 219%. Some concerns were expressed about communications, both through the automated telephone system, and with customer representatives after long waits on hold. Some concerns were expressed about the Utility's failure to return calls when requested and promised. Finally, the County was concerned that there was no central complaint log for review. While these concerns need to be addressed, taken as a whole, the Utility is providing satisfactory quality of service.

RATE BASE

Issue 2: Are any adjustments necessary to plant for undocumented additions and if so, in what amount?

Finding of Fact 2:

Based on the parties stipulation, Plant in Service Account 354.3 – Structures and Improvements shall be reduced by ($11,155) related to undocumented plant additions. A corresponding reduction to Accumulated Depreciation Account 354.3 – Structures and Improvements in the amount of ($1,171) shall also be made for the Test Year related to undocumented plant additions.

Issue 3: What are the used and useful percentages of the Utility's wastewater treatment plant, wastewater collection system, impact fees paid to Englewood Water District (EWD) and facilities to interconnect to EWD?

Finding of Fact 3:

The appropriate used and useful percentage for the Utility's wastewater treatment plant (WWTP) is 59.89%. The appropriate used and useful percentage for the impact fees paid to EWD for capacity is 31.57%. The appropriate used and useful percentages for the facilities to interconnect to EWD are as follows:

Master Lift Station – 18.94%
Force Main – 9.47%
Pumping Plant – 34.44%

Discussion

Section 367.81(2)(a)1., Florida Statutes, considers Utility property to be used and useful to serve customers five years after the end of the test year at a growth rate of equivalent residential connections (ERCs) not to exceed five percent per year; if the property is needed to serve customers more than five full years after the end of the test year, the Utility must present justification in the form of clear and convincing evidence. While the PSC Rule 25-30.432, Florida Administrative Code (FAC), addresses only the used and useful determination for the wastewater plant itself, there is nothing that requires a similar formula to

be applied to individual components. The used and useful percentages found above follow the general methodology of the PSC in calculating the used and useful percentages for the Utility's wastewater system: the capacity of each individual component, the test year flow for each component as contained in the Application, adjusted test year flow for five years of projected growth and for excessive inflow and infiltration (I & I), and then divide the resulting adjusted flow by capacity to reach a used and useful percentage. The used and useful percentages of the plant and its components are calculated separately because they represent separate and distinct parts of the system, each with its own individual capacity. The design capacity for the components is corroborated by the Utility's last rate case. (See Application)

The five components will be discussed separately: WWTP, EWD Capacity, and Transmission System; then Prudency and Economies of Scale will be discussed.

WWTP

In determining the appropriate used and useful percentage for the WWTP, one uses the WWTP's 150,000 gallon design capacity rather than the 99,000 gallon DEP permit capacity, because as an investment that becomes a part of the Utility's rate base, it's important to use the real capacity. Even if the plant is presently operating at 99,000 gallons per day, and the DEP permit limits its operations to 99,000 gallons per day, the plant still represents an investment in a 150,000 gallons per day plant, and it's the capacity that is important for valuing the plant as an investment for rate base purposes.

The PSC rule governing WWTP used and useful calculations allows for the consideration of design capacity if there is a difference between permitted and design capacity, the exact situation for the Utility. That is why the original 150,000 gallons per day design capacity is representative of the capacity of the rate base investment.

The difference between a non-used and useful adjustment for the WWTP and the investment that the WWTP represents, especially when it can be rerated to 150,000 gallons per day is not an adjustment to the plant for revenue requirement purposes that would affect rate base for the present rate case, but rather an expense adjustment to delete an expense that no longer existed because the plant had been rerated to 99,000 gallons per day.

No non-used and useful adjustment is proposed for rate making purposes

for the WWTP, because the Utility's contribution level would cause the Utility to incur a negative investment balance. This treatment is consistent with the Utility's most recent PSC rate case and Order No. PSC-07-0865-PAA-SU issued October 29, 2007 in PSC Docket No. 060285-SU. If future investments for improvements are made to the WWTP, this used and useful determinant will be used for the future rate case.

EWD Capacity & Transmission System

Because the remaining components of the Utility's system are all associated with providing treatment capacity to the Utility's service area over and above that of the WWTP, the adjustments for growth and excess I&I are the same for all four components. This is similar to the approach taken by the PSC in the Utility's last rate case In the PSC's most recent used and useful determinations for the Utility's wastewater transmission system, they applied Rule 25-30.432 standards for used and useful determination for a WWTP, and they also applied them to the components of the Utility's wastewater transmission system. There is no reason to disagree with the PSC methodology as applied. While the County is not required to do so, it would be inconsistent to deviate from the PSC's last rate case if it results in disparate rates.

Regulatory certainty is a core principle for the regulated Utility and this Recommendation has endeavored to maintain consistency; ignoring the findings and methods approved in the prior PSC case undermines that certainty. The Utility agreed to the terms of the PSC PAA Order in the prior case, and Utility witness Seidman admitted that the Utility did not appeal the decision.

The Utility's wastewater transmission system is not in the service of the Utility's current customers, so a non-used and useful adjustment must be made. The record clearly shows the underutilization of the new transmission system and the continued use of the existing WWTP. Utility witness Seidman under cross examination stated that the WWTP is still capable of serving the customers with the rerating down to 99,000 gallons per day. The average daily flow treated at Englewood have increased from 52,963 gallons per day (gpd) to 70,345 gpd. The maximum month flow was January 2010 at 92,900 gpd. Utility witness Flynn admitted that the retirement of the WWTP would take place only upon the completion of a force main and lift station along Gasparilla Pines Blvd., that he did not have a future date for this to happen, and that it was not on the Utility's five-year capital planning horizon. Mr. Flynn also testified that the purchase of extra capacity from EWD was to serve future customers. He also testified that sending excess flows to EWD was predominantly

designed to serve future customers. However on rebuttal, in an attempt to rehabilitate that testimony, Mr. Flynn changed his testimony and stated it was designed to serve current and future customers, even though he admitted that "It's not written there." Mr. Flynn's testimony that the purchase of the extra capacity from EWD was to serve future customers was consistent with the PSC's prior Order. His testimony that the purchase of the capacity from EWD was to serve current and future customers is not given any weight. In the PSC's last case, the Utility explicitly stated that Englewood capacity and the interconnection was solely for new and existing customers once the existing WWTP was retired. It has not been retired, but instead has been re-rated for 99,000 gpd.

Prudency

Prudency and being used and useful are two separate concepts that should be considered separately. This is contrary to the Utility's apparent belief that if a decision leading up to a purchase is prudent, then it should also be considered 100% used and useful. Utilities aren't necessarily allowed to recover the interest expense on their prudently invested plant, only on the used and useful portion. Even if the Utility's decision to purchase EWD capacity and construct the transmission facilities was prudent at the time, that doesn't also mean that the same components are 100% used and useful.

One of the fundamental principles of rate making is that costs should follow the cost causer, and current Sandalhaven customers should not therefore pay for future growth; for this reason the PSC has applied the used and useful adjustment and one must be applied here. Utility witness Siedman under cross examination admitted to the cost causer concept, but also stated that the Utility at the time believed the interconnection would serve all customers. This belief was based on assumptions about "potential" future growth that never materialized. In fact the known future growth from developers who had actually contacted the Utility has all occurred and the capacity that is used and useful takes that into account.

Saying that an investment that was prudently made at the time is of necessity considered used and useful does not match the PSC understanding of prudency, which has adopted a rule entitled "Allowance for Funds Prudently Invested" to address that very thing. (Rule 25-30.434, FAC). This rule is a mechanism which allows a Utility the opportunity to recover its return on investment for non-used and useful investments, or to earn an allowed rate of return on prudently constructed plant held for future use by future customers.

But a Utility's investment, although prudent when made, does not guarantee the full recovery of its investment. The rule is meant to allow utilities to have the opportunity to recover from future customers and customer growth. As the Sandalhaven area is not built out and there is only modest growth occurring in the area, the Utility is not entitled to a full recovery of its investment as of this time. Even though the purchase may have been prudent based on the information the Utility had at the time (a position that is not adopted herein), it can only recover from future customers for the portions that are not currently used and useful.

Economies of Scale

"Economies of scale" represent how incremental costs to construct generally go down as a facility gets larger. But constructing larger than needed facilities adds to the operations and maintenance costs of a Utility which in turn will lead to higher rates, which is why any consideration of economies of scale in the context of used and useful should include specific, measurable advantages, along with offsets for corresponding increases in costs in other aspects of the Utility. In the present case, the Utility did not present any evidence supporting its non-used and useful position on the economies of scale. The Utility in its testimony provided no new evidence that would justify the system to be 100% used and useful or a departure from following the method agreed upon in the previous PSC case. When asked if there were any specific schedules or figures in the application on the issue of economies of scale, Utility witness Seidman responded that there were none. On the contrary, the Utility suggests a change in method on the basis that the investment was deemed prudent at the time and because there are economies of scale. Utility witness Flynn, when asked what would be the difference between installing a 10 and a 12 inch pipe, responded that the material cost would be the most important difference, but he did not know what it was.

It thus appears that the Utility wants to take advantage of the two-phase rate structure of the PSC order in the Utility's last rate case, even though the expected growth did not occur. For the phase two rates to apply, the WWTP would be retired; and the used and useful adjustment would be eliminated when the plant reached 80% capacity. But that is not the situation with the Utility, which still has much excess capacity because growth is moving at a much slower pace than what was anticipated. (Ex FS-2 Application, Order No. PSC-07-0865-PAA-SU issued October 29, 2007)

Issue 3A: Should any adjustment be made to Wastewater Treatment Land Account 353.4 for the land, which was purchased for the proposed plant expansion, and if so, in what amount?

Stipulation: Yes, a non-used and useful adjustment in the amount of $73,089 should be made for the .96 acre portion held for future use. (Ex J-1)

Finding of Fact 3A:

A non-used and useful adjustment in the amount of $73,089 should be made for the .96 acre portion held for future use to Account 353.4.

Issue 4: What is the appropriate working capital allowance?

Finding of Fact 4:

Following the standard industry practice of using one-eighth of the Operation and Maintenance Expenses, an adjustment of ($12,778) should be made to the Utility's filed allowance for working capital, resulting in a working capital allowance of $61,017 for the Test Year.

Issue 5: What is the appropriate rate base for the test year period ended December 31, 2010?

Finding of Fact 5:

The appropriate rate base for the test year period ended December 31, 2010, is $854,745.

COST OF CAPITAL

Issue 6: What is the appropriate return on equity?

Stipulation: The parties agree to use the most recent leverage formula approved in Florida Public Service Commission Docket No. 120006-WS at the June 19, 2012 Commission Conference which was memorialized in Order No. PSC-12-0339-PAA-WS, issued June 28, 2012.

Finding of Fact 6:

The PSC's most recent leverage formula was approved in Docket No. 120006-WS at the June 19, 2012 Commission Conference, as memorialized in PSC Order No. PSC-12-0339-PAA-WS issued June 28, 2012. Applying this leverage formula to the components of the Utility's capital structure, the appropriate return on equity is 10.52 percent.

Issue 7: What is the appropriate weighted average cost of capital including the proper components, amounts, and cost rates associated with the capital structure?

Finding of Fact 7:

The appropriate weighted average cost of capital including the proper components, amounts, and cost rates associated with the capital structure are as follows:

	Restated Rate Base	Rate Base Percentage	Cost of Capital	Required Return	Average Weighted Return on Rate Base
Long Term Debt	$275,715	32.26%	6.65%	$18,335	2.15%
Short Term Debt	13,020	1.52%	7.36%	958	0.11%
Preferred Stock	-	0.00%	0.00%	-	0.00%
Common Shareholder Equity	261,930	30.64%	10.52%	27,555	3.22%
Customer Deposits	7,327	0.86%	6.00%	440	0.05%
Accumulated Deferred Taxes	296,752	34.72%	0.00%	-	0.00%
Total Sewer	$854,745	100.00%		$47,288	5.53%

NET OPERATING INCOME

Issue 8: Are any adjustments necessary to test year revenues, and if so, in what amount?

Finding of Fact 8:

The Utility inadvertently did not bill certain residential and general customers who were connected to the Utility during the Test Year. Test year revenues should be increased to reflect the specific additional revenues, bills, and gallons of wastewater consumption from those customers who were not billed during the test year. Based on information provided by the Utility and water consumption data provided by the County, an adjustment in the amount of $53,529 should be made to Test Year Revenues for certain customers who did not receive bills from the Utility during the test year.

Discussion

The Utility based consumption for these extra customers on an average usage for that particular type of customer. It is obviously better to use actual consumption than to use the method of averaging, as used by the Utility. When calculated with the actual consumption for those customers for the test year, based on water consumption data from the County, which provided the water service for these customers, the adjustment in the amount of $53,529 should be made to Test Year Revenues.

Utility witness Aquilino stated the Utility's position that if these customers had actually received bills, they would have reduced their water consumption going forward to lower their resulting sewer bills. However, she did not perform any kind of repression analysis for those previously unbilled customers, so there was no evidence presented to support her position. The majority of the customers affected were living in homes built by Habitat for Humanity and their average water consumption for that time period was already low, with most of it general service consumption, as they don't have a lot of irrigation space. Therefore the Utility's position is not reasonable.

Issue 8A: Are any adjustments necessary to test year expenses, and if so, in what amount?

Finding of Fact 8A:

No adjustments to expenses are necessary due to the post test year re-rating of the wastewater treatment plant.

Discussion:

Pro forma adjustments are those made for known and measurable changes subsequent to the test year. While the Utility has the burden of proof with regard to the schedules it submitted and other material it relies on, the burden of proof in asserting pro forma adjustments lies with the party asserting the adjustment—here the County. The County failed to meet that burden. Without reaching any conclusion about whether the County is taking inconsistent positions, the fact simply is that no proof was offered to show whether the total expense in NARUC Account 6270 included the testing expenses related to or unrelated to the re-rating of the wastewater treatment plant. Without that evidence, the pro forma adjustment cannot be made.

Issue 9: Should any adjustments be made to the Utility's contractual services, testing and other, and if so, in what amount?

Finding of Fact 9:

No adjustments should be made to the Utility's contractual services, testing and other expenses.

Discussion:

The County proposed that an adjustment should be made based on the use of a benchmarking analysis for the contractual services, testing and other expenses. While benchmarking is a practice for utilities in evaluating the reasonableness of how expenses have increased over time, it is not appropriate to be used in this case. Benchmarking is only used to reduce expenses, thereby artificially reducing revenue without a review of reasonableness of each expense. A benchmarking analysis provides an arbitrary result that relieves a regulatory body from having to evaluate the reasonableness of actual expenses in the test year. There is no evidence that any individual expense is unreasonable. Therefore, no adjustments should be made.

Issue 10: Is the Utility's level of inflow and infiltration (I&I) excessive, and if so, what adjustments are necessary?

Finding of Fact 10:

The Utility's level of inflow and infiltration (I&I) is excessive by 10.85%. The corresponding adjustments to purchased wastewater, purchased power and chemicals are ($20,273), ($2,295), and ($1,344) respectively.

Issue 11: Should any adjustments be made to the Utility's miscellaneous expenses, and if so, in what amount?

Finding of Fact :

No adjustments should be made to the Utility's miscellaneous expenses.

Discussion:

Miscellaneous expenses are included in Issue 9 above and no adjustments should be made for the same reasons.

Issue 12: What is the appropriate amount of rate case expense?

Finding of Fact 12:

The appropriate amount of rate case expense is subject to the evidence produced by the Utility up through October 1, 2012. Only prudently incurred rate case expenses should be allowed and amortized over four years. The actual rate case expense in this case that has been proven is $149, 535.

Discussion:

In determining the amount of rate case expense to be awarded, the Hearing Officer fashioned a method designed to determine a precise amount of rate case expense expended over the course of the case. In order to do that, the Utility filed reports of rate case expense with invoices and details at four stages and the other parties had the opportunity to challenge, either by motion or cross-examination those filings. No cross-examination was conducted of the filing made on August 24, 2012. The last filing was to be on October 1, 2012, after the Proposed Recommended Orders was filed. The other parties then were allowed until October 8, 2012, to filed objections to the filing of October 1, 2012. There was no belated opportunity to challenge earlier rate case expense filings if objections had not been timely filed. The Utility had until October 1,

2012, to submit final information, including information showing that staff did perform the work included. In the filings, the Utility is seeking recovery of rate case expense for work performed by Water Services Corporation, but such expense should be allowed only to the extent that it is reasonable. The PSC found in the Utility's previous rate case on Page 37 that the ratepayers should not bear the related costs of having the records located out of state.

The County and OPC timely filed objections compared to the revised totals rate case expense filed on August 23, 2012, which was $158, 017. The County's objection relates specifically to the requested rate case expense associate with "Various Personnel" for Water Services Corp. in the amount of $47,872. At the hearing, the Utility expressed a concern that the salaries of these personnel were confidential and the Utility was offered the opportunity to provide the necessary information by Affidavit necessary to determine actual rate case expense. Now, in review, it is clear that Schedule OI-4 of the Application contains the same information, with the salaries, and it states in extremely general terms, the roles played by each person in this case. Now, in these final Affidavits, the same people are being offered for performing the same general tasks, just without any salary connected to the rate case expense sought. There is no way to determine if these charges constitute "double billing" for these employees or whether they include tasks performed for Water Services Corp. that are entirely unrelated to this rate case.

Therefore, the rate case expense sought by the Utility of $173,471 is going to be adjusted. Since there was evidence that was accepted by the parties earlier in the proceeding that these employees did perform tasks necessary to this rate case, not all of the $47,872 is adjusted. Instead, the Utility is awarded one half of the rate case expense sought of the "Various Personnel", or $23,936, for a total rate case expense of $149, 535.

Issue 13: What is the test year wastewater operating income or loss before any revenue increase?

Finding of Fact 13:

The test year operating loss for the Utility is ($138,786) with an achieved rate of return for the Utility for the test year of (16.24%).

REVENUE REQUIREMENT

Issue 14: What is the appropriate revenue requirement?

Finding of Fact 14:

The appropriate revenue requirement is $751,588 or a 39.88% increase. See Table 3 attached.

Issue 15: What are the appropriate wastewater rates for the Utility?

Finding of Fact 15:

The appropriate wastewater rates for the Utility as based on the Findings of Fact contained herein are set forth in Table 1 attached hereto.

Issue 16: What are the appropriate miscellaneous charges for the Utility?

Finding of Fact 16:

The appropriate miscellaneous charges for the Utility are as follows (See Table 1A):

	Recommended	
Type Charge	Bus. Hrs.	After Hrs.
(a)	(d)	(e)
Initial Connection Fee	$21.00	$42.00
Normal Reconnection Fee	$21.00	$42.00
Violation Reconnection Fee	Actual Cost	Actual Cost
Premises Visit	$21.00	$42.00

	Recommended
System Capacity Charge:	
Residential-per ERC or per Lot	$2,628.00
All others-per Gallon/Day	$13.83/gallon
Other:	
Flow Meter Installation Residential	Actual Cost

All others	Actual Cost
Plan Review Charge	Actual Cost
Inspection Charge	Actual Cost

Issue 17: What are the appropriate Allowance for Funds Prudently Invested (AFPI) charges for the Utility?

Finding of Fact 17:

Following are the recommended AFPI charges for the Utility, as shown on Table 24 and constitute the Finding of Fact on this Issue.

AFPI Charges

	2012	2013	2014	2015	2016
Monthly Add-In Cost Factor	$35.09	$35.09	$35.09	$35.09	$35.09
Average Test Year					
December	$35.09	$456.17	$877.25	$1,298.33	$1,719.41
January	70.18	491.26	912.34	1,333.42	1,754.50
February	105.27	526.35	947.43	1,368.51	1,789.59
March	140.36	561.44	982.52	1,403.60	1,824.68
April	175.45	596.53	1,017.61	1,438.69	1,859.77
May	210.54	631.62	1,052.70	1,473.78	1,894.86
June	245.63	666.71	1,087.79	1,508.87	1,929.95
July	280.72	701.80	1,122.88	1,543.96	1,965.04
August	315.81	736.89	1,157.97	1,579.05	2,000.13
September	350.90	771.98	1,193.06	1,614.14	2,035.22
October	385.99	807.07	1,228.15	1,649.23	2,070.31
November	421.08	842.16	1,263.24	1,684.32	2,105.40

Discussion:

The AFPI charges are a fall-out determination based on the approved amount of non-used and useful plant, expenses and ERCs. The charge increases monthly until 5 years from the effective date at which time the charge is capped. The charge is discontinued when the number of ERCs used to establish the charge has been collected.

The term AFPI, or Allowance for Funds Prudently Invested, is a charge recognized by the PSC to allow a utility to recover its return on investment for non-used and useful investments that the utility might have, and it provides the utility an opportunity to earn an allowed rate of return and to recover from

future customers and customer growth. But it is not a guarantee that the utility will actually receive those funds. If the growth does not materialize, then it is only an opportunity.

It is designed to provide the utility with the opportunity to recover its carrying costs for the non-used and useful plant that is prudently designed. It is not appropriate to make current customers pay for excess capacity held for use by future customers. Funds to support the prudently constructed plant should be collected from the future customers through plant capacity or connection fees. (PSC Rule 25-30.434, FAC).

Issue 18: Should rates be reduced four years after the established effective date to reflect the removal of the amortized rate case expense, and if so, what is the appropriate amount by which rates should be reduced?

Finding of Fact 18:

Rates should be reduced four years after the established effective date to reflect the removal of the amortized rate case expense, in the amount set forth in Table 1. The Utility should follow the procedure for automatic rate reduction and notifying customers as established by the PSC.

Issue 19: Should the Utility be required to provide documentation, within 90 days of an effective order finalizing this docket, to show that it has adjusted its general ledger for all the applicable National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts (USOA) primary accounts associated with the County-approved adjustments?

Finding of Fact 19:

The Utility is required to provide documentation, within 90 days of an effective order finalizing this docket, to show that it has adjusted its general ledger for all the applicable National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts (USOA) primary accounts associated with the County-approved adjustments.

Recommendation

Based on the foregoing Findings of Fact and Conclusions, it is RECOMMENDED that the Charlotte County Board of County Commissioners enter a Final Order and therein approve and adopt this Recommended Order and the rates set forth in the attached Tables 1-24.

Respectfully Submitted this 22nd day of October, 2012.

Diane K. Kiesling, Attorney at Law
Hearing Officer
874 Lake Road
Monticello, Florida 32344
(850)509-7795
(850)997-7114 FAX
Email: dkiesling@aol.com

Martha Young Burton, Assistant County Attorney
18500 Murdock Circle, Suite 573
Port Charlotte, FL 33948
Tel: 941-743-1328
Fax: 941-743-1550
Email: marty.burton@charlottefl.com

Lynda Lafferty, Legal Assistant to Marty Burton, Assistant County Attorney
18500 Murdock Circle, Suite 573
Port Charlotte, FL 33948
Tel: 941-743-1329
Fax: 941-743-1550
Email: Lynda.lafferty@charlottefl.com

Martin S. Friedman, Esq.
Rose, Sundstrom & Bentley, LLP
766 North Sun Drive, Suite 4030
Lake Mary, FL 32746
T: 407-830-6331
F: 407-830-8522
M: 407-310-2077
mfriedman@rsbattorneys.com

Email: www.rsbattorneys.com

Charles J. Rehwinkel, Esq.
Erik Sayler, Esq,
Tricia Merchant
Office of the Public Counsel
c/o The Florida Legislature
111 West Madison Street, 812
Tallahassee, FL 32399-1400
(850) 488-9330
Ms. Merchant—(850) 487-8245
E-mail: rehwinkel.charles@leg.state.fl.us
sayler.erik@leg.state.fl.us
Merchant.Tricia@leg.state.fl.us

Table 1

Utilities, Inc. of Sandalhaven

Recommended Rate Report

Schedule of Recommended Rates
For the Test Year Ended 12/31/2010

Line No.	Category	Billing Unit	Monthly Rates	Recommended Rate Reduction After 4 Years Associated with Current Rate Case Expense Amortization (Table 23)	Adjusted Rates After 4 Years
	Residential				
	Single Family Dwelling				
1	5/8"x3/4" Meter	5/8 X 3/4 in.	$29.08	($1.39)	$27.69
2	1" Meter	Per Unit	$29.08	($1.39)	$27.69
	Gallonage Charge				
3	0 - 8,000 gallons	Per Unit	$6.53	(0.43)	$6.10
	Multi-Family Residential				
4	5/8"x 3/4" Meter	Meter Size	$29.08	($1.39)	$27.69
5	1.0" Meter	Meter Size	$72.71	(3.48)	$69.23
6	1.5" Meter	Meter Size	$145.41	(6.95)	$138.46
7	2.0" Meter	Meter Size	$232.65	(11.12)	$221.53
8	3.0" Meter	Meter Size	$465.32	(22.24)	$443.08
9	4.0" Meter	Meter Size	$727.05	(34.75)	$692.30
10	6.0" Meter	Meter Size	$1,454.09	(69.50)	$1,384.59
11	Gallonage Charge		$7.85	(0.52)	$7.33
	General Service				
12	5/8"x 3/4" Meter		$29.08	($1.39)	$27.69
13	1.0" Meter		$72.71	($3.48)	$69.23
14	1.5" Meter		$145.41	($6.95)	$138.46
15	2.0" Meter		$232.65	($11.12)	$221.53
16	3.0" Meter		$465.32	($22.24)	$443.08
17	4.0" Meter		$727.05	($34.75)	$692.30
18	6.0" Meter		$1,454.09	($69.50)	$1,384.59
19	Gallonage Charge		$7.85	(0.52)	$7.33
20	**Reserved Capacity-Flat Rate**		$28.42	($1.39)	$27.03

Table 1A

Utilities, Inc. of Sandalhaven

Recommended Rate Report

Schedule of Miscellaneous Charges
For the Test Year Ended 12/31/2010

Line No.	Type Charge	Recommended Bus. Hrs.	Recommended After Hrs.
	Wastewater		
1	Initial Connection Fee	$21.00	$42.00
2			
3	Normal Reconnection Fee	$21.00	$42.00
4			
5	Violation Reconnection Fee	Actual Cost	Actual Cost
6			
7	Premises Visit	$21.00	$42.00
8			
9			
10	**System Capacity Charge:**		
11	Residential-per ERC		
12	or per Lot	$2,628.00	
13	All others-per Gallon/Day	$13.83	
14			
15	**Other:**		
16	Flow Meter Installation		
17	Residential	Actual Cost	
18	All others	Actual Cost	
19	Plan Review Charge	Actual Cost	
20	Inspection Charge	Actual Cost	

Table 2

Utilities, Inc. of Sandalhaven

Recommended Rate Report

Residential Service Rate Comparison
For the Test Year Ended 12/31/2010

Line No.	Description	Sewer Existing Rates	As Filed Rates	Difference From Current Rates	Recommended Rates	Difference From Current Rates	Difference From Proposed Rates
	Single Family Residential 5/8" x 3/4" Meter						
1	Base Charge	$20.79	$66.39	$45.60	$29.08	$8.29	($37.31)
2	Usage Charge	$4.67	$14.91	$10.24	$6.53	$1.86	($8.38)
	Usage (Gallons)						
3	0	$20.79	$66.39	$45.60	$29.08	$8.29	($37.31)
4	1,000	25.46	81.30	55.84	35.61	10.15	($45.69)
5	2,000	30.13	96.22	66.09	42.15	12.02	($54.07)
6	3,000	34.80	111.13	76.33	48.68	13.88	($62.45)
7	4,000	39.47	126.04	86.57	55.21	15.74	($70.83)
8	5,000	44.14	140.96	96.82	61.74	17.60	($79.21)
9	6,000	48.81	155.87	107.06	68.28	19.47	($87.59)
10	7,000	53.48	170.78	117.30	74.81	21.33	($95.97)
11	8,000	58.15	185.69	127.54	81.34	23.19	($104.35)

Table 3

Utilities, Inc. of Sandalhaven **Recommended Rate Report**

Company Filed Versus Recommended Revenue Requirements
For the Test Year Ended 12/31/2010

Line No.	Description	Company Filed Sewer	Recommended Sewer	Difference
1	Total Test Year System Revenue Requirements	$ 1,543,579	$ 751,588	$ (791,991)
2				
3	Total Test Year System Rate Revenues Based on Current Rates	483,187	536,717	53,530
4	Miscellaneous Revenues	585	585	-
5				
6	Total Test Year System Revenues at Present Rates	483,772	537,302	53,530
7				
8	Proposed Test Year Additional Revenue Requirement	$ 1,059,807	$ 214,286	$ (845,521)
9				
10	Percentage Increase to Total Test Year System Revenues	219.07%	39.88%	-179.19%

Table 4

Utilities, Inc. of Sandalhaven **Recommended Rate Report**

Determination of Rate Base - Sewer
For the Test Year Ended 12/31/2010

Line No.	Description	As Filed Balance	Adjustments Amount	Adjustments Ref.	Recommended
	Rate Base				
1	**Utility Plant in Service**	$ 8,392,467	$ (11,165)	Table 5	$ 8,381,302
2	**Utility Land & Land Rights**	157,435	(70,385)	Table 5	87,050
3	**Less: Non-Used & Useful Plant**	(131,494)	(3,630,177)	Table 10	(3,761,671)
4	**Construction Work in Progress**	-	-		-
5	**Less: Accumulated Depreciation**	(1,838,615)	1,171	Table 6	(1,837,444)
6	**Less: CIAC**	(3,276,640)	0	Table 7	(3,276,640)
7	**Accumulated Amortization of CIAC**	1,201,130	-	Table 8	1,201,130
8	**Acquisition Adjustments**	-	-		-
9	**Accum. Amort. of Acq. Adjustments**	-	-		-
10	**Advances For Construction**	-	-		-
11	**Provision For Working Capital (1/8 of Operating Expenses)**	73,795	(12,778)	Table 9	61,017
12	**Sewer Rate Base**	$ 4,578,077	$ (3,723,333)		$ 854,745
	Rate of Return on Rate Base				
13	Percentage Return on Sewer Rate Base	8.26%	-2.73%	Table 13	5.53%
14	Return on Sewer Rate Base	$ 378,149	$ (330,861)	Table 11	$47,288

Table 5

Utilities, Inc. of Sandalhaven **Recommended Rate Report**

Sewer System Plant In Service
For the Test Year Ended 12/31/2010

Line No.	Account Name	2010 Sewer Plant Original Cost	Recommended Simple Average Balance	Recommended Adjustments	Recommended Adjusted Simple Average Balance	Company Filed	Recommended Adjustments
	INTANGIBLE PLANT						
1	**351.1 Organization**	$ 6,741	$ 6,741	(6,741)	$ 0	-	0
2	**352.1 Franchises**	13,281	13,280	(9,858)	3,421	3,421	0
3	**389.1 Other Plant & Misc. Equipment**	-	-		-	-	-
4	**COLLECTION PLANT**	-	-		-	-	-
5	**353.2 Land & Land Rights**	157,436	157,436	(157,063)	373	373	(0)
6	**354.2 Structures & Improvements**	3,292,964	3,299,260	(3,299,260)	(0)	-	(0)
7	**355.2 Power Generation Equipment**	170	170	96,319	96,489	96,489	0
8	**360.2 Collection Sewers - Force**	225,681	224,530	2,392,402	2,616,932	2,616,931	0
9	**361.2 Collection Sewers - Gravity**	685,744	685,413	(1)	685,413	685,413	0
10	**361.2 Manholes**	-	-	-	-	-	-
11	**362.2 Special Collecting Structures**	-	-		-		-
12	**363.2 Services to Customers**	-	-	119,225	119,225	119,225	-
13	**364.2 Flow Measuring Devices**	-	-		-	-	-
14	**365.2 Flow Measuring Installations**	-	-		-	-	-
15	**389.2 Other Plant & Misc. Equipment**	-	-		-	-	-
16	**SYSTEM PUMPING PLANT**	-	-		-	-	-
17	**353.3 Land & Land Rights**	-	-		-	-	-
18	**354.3 Structures & Improvements**	2,896,480	2,896,480	5,857	2,902,337	2,913,493	(11,156)
19	**370.3 Receiving Wells**	167,473	167,473	432,925	600,398	600,398	0
20	**371.3 Pumping Equipment**	50,939	40,791	103,570	144,361	144,361	0
21	**389.3 Other Plant & Misc. Equipment**	334	295	(40)	255	255	(0)
22	**TREATMENT AND DISPOSAL PLANT**	-	-		-	-	-
23	**353.4 Land & Land Rights**	-	-	157,072	157,072	157,072	-
24	**355.4 Power Generation Equipment**	-	-	193	193	193	-
25	**354.4 Structures & Improvements**	599,582	594,235	266	594,501	594,501	0
26	**380.4 Treatment & Disposal Equipment**	604,950	593,287	(225,584)	367,703	367,704	(0)
27	**381.4 Plant Sewers**	-	-		-	-	-
28	**382.4 Outfall Sewer Lines**	-	-		-	-	-
29	**389.4 Other Plant & Misc. Equipment**	-	-	39	39	39	(0)
30	**REUSE TREATMENT PLANT**	-	-		-	-	-
31	**353.5 Land & Land Rights**	-	-		-	-	-
32	**354.6 Structures & Improvements - Dist.**	156	156		156	156	(0)
33	**375.3 Transmission & Distribution System**	2,947	2,947		2,947	2,947	0
34	**380.5 Treatment & Disposal Equipment**	1,110	1,110		1,110	1,110	0
35	**381.5 Plant Sewers**	24,162	23,990		23,990	23,990	(0)
36	**390.5 Office Furniture & Equipment**	-	-		-	-	-
37	**396.5 Communication Equipment**	-	-		-	-	-
38	**GENERAL PLANT**	-	-		-	-	-
39	**353.7 Land & Land Rights**	-	-		-	-	-
40	**354.7 Structures & Improvements**	33,425	33,425	5,335	38,760	38,760	(0)
41	**390.7 Office Furniture & Equipment**	121,796	121,331	(5,453)	115,879	115,879	(1)
42	**391.7 Transportation Equipment**	47,655	46,741	(6,631)	40,110	40,110	0
43	**392.7 Stores Equipment**	-	-		-	-	-
44	**393.7 Tools, Shop & Garage Equipment**	30,314	30,064	191	30,255	30,255	0
45	**394.7 Laboratory Equipment**	8,216	8,156		8,156	8,156	0
46	**395.7 Power Operated Equipment**	-	-		-	-	-
47	**396.7 Communication Equipment**	3,747	4,269	96	4,364	4,364	0
48	**397.7 Miscellaneous Equipment**	193	193	(193)	0	-	0
49	**398.7 Other Tangible Plant**	-	-	(15,691)	(15,691)	(15,691)	-
						-	-
50	**TOTAL SEWER UTILITY PLANT IN SERVICE**	$ 8,975,497	$ 8,951,772	$ (413,024)	$ 8,538,747	$ 8,549,902	$ (11,155)

Table 6

Utilities, Inc. of Sandalhaven **Recommended Rate Report**

Sewer System Accumulated Depreciation
For the Test Year Ended 12/31/2010

Line No.	Account Name	Company Filed Simple Average	Company Filed Adjustments	Company Filed Adjusted Average	Recommendation Adjustments Errors in Company Filing	Recommendation Adjustments Undocumented Plant Additions	Recommendation Adjusted Balance
	INTANGIBLE PLANT						
1	**351.1 Organization**	83,796	(83,796)	-	-	-	-
2	**352.1 Franchises**	4,657	(3,597)	1,060	-	-	1,060
3	**389.1 Other Plant & Misc. Equipment**	-	-	-	-	-	-
4	**COLLECTION PLANT**	-	-	-	-	-	-
5	**353.2 Land & Land Rights**				-	-	-
6	**354.2 Structures & Improvements**	335,241	(335,241)	-	-	-	-
7	**355.2 Power Generation Equipment**	12	15,652	-	15,664	-	15,664
8	**360.2 Collection Sewers - Force**	127,756	208,464	336,219	-	-	336,219
9	**361.2 Collection Sewers - Gravity**	321,913	5,588	327,501	-	-	327,501
10	**361.2 Manholes**	-	-	-	-	-	-
11	**362.2 Special Collecting Structures**	-	-	-	-	-	-
12	**363.2 Services to Customers**	-	59,111	59,111	-	-	59,111
13	**364.2 Flow Measuring Devices**	-	-	-	-	-	-
14	**365.2 Flow Measuring Installations**	-	-	-	-	-	-
15	**389.2 Other Plant & Misc. Equipment**	-	-	-	-	-	-
16	**SYSTEM PUMPING PLANT**	-	-	-	-	-	-
17	**353.3 Land & Land Rights**	-	-	-	-	-	-
18	**354.3 Structures & Improvements**	562,410	(27,530)	534,880	-	(1,171)	533,708
19	**370.3 Receiving Wells**	8,627	54,867	63,495	-	-	63,495
20	**371.3 Pumping Equipment**	2,669	19,459	22,128	-	-	22,128
21	**389.3 Other Plant & Misc. Equipment**	21	6	27	-	-	27
22	**TREATMENT AND DISPOSAL PLANT**	-	-	-	-	-	-
23	**353.4 Land & Land Rights**	-	-	-	-	-	-
24	**355.4 Power Generation Equipment**	12	(173)	(161)	-	-	(161)
25	**354.4 Structures & Improvements**	-	9	9	-	-	9
26	**380.4 Treatment & Disposal Equipment**	98,866	(13,493)	85,373	-	-	85,373
27	**381.4 Plant Sewers**	-	588	588	-	-	588
28	**382.4 Outfall Sewer Lines**	-	-	-	-	-	-
29	**389.4 Other Plant & Misc. Equipment**	1	0	1	-	-	1
30	**REUSE TREATMENT PLANT**	-	-	-	-	-	-
31	**353.5 Land & Land Rights**	-	-	-	-	-	-
32	**354.6 Structures & Improvements - Dist.**	11	2	13	-	-	13
33	**375.3 Transmission & Distribution System**	124	3	-	127	-	127
34	**380.5 Treatment & Disposal Equipment**	-	32	32	-	-	32
35	**381.5 Plant Sewers**	636	-	-	636	-	636
36	**390.5 Office Furniture & Equipment**	-	-	-	-	-	-
37	**396.5 Communication Equipment**	-	-	-	-	-	-
38	**GENERAL PLANT**	-	-	-	-	-	-
39	**353.7 Land & Land Rights**	-	-	-	-	-	-
40	**354.7 Structures & Improvements**	291,682	(3,398)	288,284	-	-	288,284
41	**390.7 Office Furniture & Equipment**	52,839	(9,886)	42,952	-	-	42,952
42	**391.7 Transportation Equipment**	36,981	8,601	45,581	-	-	45,581
43	**392.7 Stores Equipment**	-	-	-	-	-	-
44	**393.7 Tools, Shop & Garage Equipment**	11,327	25	11,352	-	-	11,352
45	**394.7 Laboratory Equipment**	2,829	(669)	2,159	-	-	2,159
46	**395.7 Power Operated Equipment**	-	-	-	-	-	-
47	**396.7 Communication Equipment**	1,591	(7)	1,583	-	-	1,583
48	**397.7 Miscellaneous Equipment**	-	-	-	-	-	-
49	**398.7 Other Tangible Plant**	-	-	-	-	-	-
50		-	-	-	-	-	-
51	**TOTAL ACCUMULATED DEPRECIATION**	$ 1,943,997	$ (105,381)	$ 1,822,188	$ 16,427	$ (1,171)	$ 1,837,444

[1] Based on recommended Plant in Service Adjustments shown on Table 5

Table 7

Utilities, Inc. of Sandalhaven **Recommended Rate Report**

Sewer System Contributions In Aid of Construction
For the Test Year Ended 12/31/2010

Line No.	Account Name	Recommendation: Sewer CIAC Ending Balance	Recommendation: Simple Average Balance	Recommendation: Adjustments	Recommendation: Adjusted Simple Average Balance	Company Filed	Recommend Adjustments
	Cash Contributions:						
1	271.21 Sewer Capacity and Extension Fees Collected	$ 1,726,076	$ 1,726,076	$ -	$ 1,726,076	1,671,465	(54,611)
	Contributed Property:						
2	**4030 - Organization**	-	-	-	-	340,846	340,846
3	**4050 - Struct - Pumping Plant**	-	-	-	-	356,584	356,584
4	**4055 - Structures, Treatment Plant**	-	-	-	-	-	-
5	**4070- Struct - General Plant**	-	-	-	-	76,270	76,270
6	**4100 - Force Mains**	327,257	327,257	-	327,257	336,394	9,137
7	**4105 - Gravity Mains**	995,633	995,633	-	995,633	97,788	(897,845)
8	**4110 - Special Coll. Struct. Manholes**	-	-	-	-	62,033	62,033
9	**4115 - Services to Customers**	-	-	-	-	185	185
10	**4150 - Lagoons**	-	-	-	-	62,927	62,927
11	**4165 - Treatment Equip**	227,674	227,674	-	227,674	272,150	44,476
12	**4260 - Other Tangible Plant**	-	-	-	-	-	-
13	**TOTAL CIAC**	$ 3,276,640	$ 3,276,640	$ -	$ 3,276,640	$ 3,276,640	$ 0

Table 8

Utilities, Inc. of Sandalhaven **Recommended Rate Report**

Sewer System Accumulated Amortization of CIAC
For the Test Year Ended 12/31/2010

Line No.	Account Name	Company Filed Simple Average	Company Filed Adjustments	Company Filed Adjusted Average	Recommendation Recommended Adjustments	Recommendation Adjusted Balance
	(a)					
	Cash Contributions:					
1	271.21 Sewer Capacity Fees Collected	238,215	(34,806)	203,409	-	$ 203,409
	Contributed Property:					
2	4030 - Organization	(5,996)	5,996	-	-	-
2	4050 - Struct - Pumping Plant	89,388	7,586	96,974	-	96,974
3	4055 - Structures, Treatment Plant	-	79,334	79,334	-	79,334
3	4070- Struct - General Plant	790,120	(790,120)	-	-	-
4	4100 - Force Mains	34,347	(15,282)	19,065	-	19,065
4	4105 - Gravity Mains	75,529	(19,478)	56,051	-	56,051
5	4110 - Special Coll. Struct. Manholes	-	23,354	23,354	-	23,354
5	4115 - Services to Customers	-	13,327	13,327	-	13,327
6	4150 - Lagoons	45	17	62	-	62
6	4165 - Treatment Equip	21,438	4,809	26,246	-	26,246
7	4260 - Other Tangible Plant	-	683,308	683,308	-	683,308
8	**TOTAL ACCUMULATED AMORTIZATION OF CIAC**	$ 1,243,085	$ (41,956)	$ 1,201,130	$ -	$ 1,201,130

Table 9

Utilities, Inc. of Sandalhaven **Recommended Rate Report**

Working Capital Allowance
For the Test Year Ended 12/31/2010

Line No.			Sewer Test Year Amounts
1	Recommended Operation and Maintanence		
2	Expense Test Year Year	$	488,137
3			
4	1/8 Operations and Maintanence Factor		12.50%
5			
6	Total Recommended Working Capital		
7	for Test Year	$	61,017
8			
9	Company Filed Working Capital		
10	for Test Year		73,795
11			
12	Recommended Working Capital Adjustment		
13	for Test Year	$	(12,778)

Table 10

Utilities, Inc. of Sandalhaven **Recommended Rate Report**

Determination of Non-Used and Useful - Sewer
For the Test Year Ended 12/31/2010

Line No.	Description	Treatment Plant [1]	Capacity Fees Paid to EWD	Master Lift Station	Forcemain	Pumping Plant	Total Non-Used And Useful Amount Recognized
1	Daily Flow Capacity	150,000	300,000	500,000	1,000,000	275,000	
2							
3	Annual Average Daily Flow	84,505	70,345	70,345	70,345	70,345	
4							
5	Current ERC - Test Year 2010	1,162	445	445	445	445	
6							
7	Current Growth Using Linear Regression	186	186	186	186	186	
8							
9	Growth Cap at 5% per Year (Five Years) (Line 5 x 5.0% x 5 years)	291	111	111	111	111	
10	Adjustment for Growth that Cannot be Treated By the Treatment Plant	(91)	91	91	91	91	
11	Adjusted Growth for Margin Reserve Purposes	199	203	203	203	203	
12							
13	Gallons Per Day Per ERC - Annual Average Daily Flow - (Line 3/Line 5)	73	158	158	158	158	
14							
15	Margin Reserve Allowance Based on 5 Year Growth (Line 9 x Line 11)	14,495	31,999	31,999	31,999	31,999	
16							
17	Current Usage Plus Margin Reserve Allowance (Line 3 + Line 15)	99,000	102,344	102,344	102,344	102,344	
18							
19	Excessive Inflow and Infiltration	9,165	7,630	7,630	7,630	7,630	
20							
21	Adjusted Average Daily Flow with Margin Reserve Allowance (Line 17 - Line 19)	89,835	94,714	94,714	94,714	94,714	
22							
23	Used and Useful Percentage (Line 25/Line 1)	59.89%	31.57%	18.94%	9.47%	34.44%	
24	Non-Used and Useful Percentage	40.11%	68.43%	81.06%	90.53%	65.56%	
25	Recognized Non-Used and Useful Percentage for Rate Filing	0.00%	68.43%	81.06%	90.53%	65.56%	
26							
27	Plant In Service Average Balance 12/31/2010	$ 979,141	$ 2,257,118	$ 535,769	$ 2,551,605	$ 104,844	
28	Non-Used and Useful Amount	$ -	$ 1,544,514	$ 434,279	$ 2,309,932	$ 68,734	$ 4,357,459
29							
30	Accumultated Depreciation	$ 173,352	$ 406,281	$ 75,008	$ 267,919	$ 22,017	
31	Non-Used and Useful Amount	$ -	$ 278,013	$ 60,799	$ 242,543	$ 14,434	$ 595,789
32							
33	Depreciation Expense	2.224	$ 90,285	$ 21,431	$ 76,548	$ 6,291	
34	Non-Used and Useful Amount	$ -	$ 61,781	$ 17,371	$ 69,298	$ 4,124	$ 152,574

Table 11

Utilities, Inc. of Sandalhaven **Recommended Rate Report**

Rate of Return
For the Test Year Ended 12/31/2010

Line No.	Component	Restated Rate Base	Recommended Rate Base Percentage	Recommended Cost of Capital	Recommended Required Return	Recommended Average Weighted Return on Rate Base
1	**Sewer**					
2	Long Term Debt	$ 275,715	32.26%	6.65%	$ 18,335	2.15%
3	Short Term Debt	13,020	1.52%	7.36%	958	0.11%
4	Preferred Stock	-	0.00%	0.00%	-	0.00%
5	Common Shareholder Equity	261,930	30.64%	10.52%	27,555	3.22%
6	Customer Deposits	7,327	0.86%	6.00%	440	0.05%
7	Accumulated Deferred Income Taxes	296,752	34.72%	0.00%	-	0.00%
8	**Total Sewer**	$ 854,745	100.00%		$ 47,288	5.53%
9						

Table 12

Utilities, Inc. of Sandalhaven | **Recommended Rate Report**

Schedule of Adjustments to Rate Base
For the Test Year Ended 12/31/2010

Line No.			Sewer Test Year Adjustment
	Plant In Service		
1	**A. Adjustment Related to Plant In Service. Refer to Table 4 for Sewer detail.**		
2	Company Filed	$	8,392,467
3	Recommended		8,381,302
4	**Total Adjustments required to Plant In Services**	$	(11,165)
5			
6	**Non-Used and Useful**		
7	**B. Adjustment Related to Non-Used and Useful. Refer to Table 4 for Sewer detail.**		
8	Company Filed	$	131,494
9	Recommended		3,761,671
10	**Total Adjustments required to Non-Used and Useful**	$	3,630,177
11			
12	**Land**		
13	**C. Adjustment Related to Land. Refer to Table 4 for Sewer detail.**		
14	Company Filed	$	157,435
15	Recommended	$	87,050
16	**Total Adjustments required to Lands**	$	(70,385)
17			
18	**Accumulated Depreciation**		
19	**D. Adjustment Related to Accumulated Depreciation. Refer to Table 4 for Sewer detail.**		
20	Company Filed	$	1,838,615
21	Recommended	$	1,837,444
22	**Total Adjustments required to Accumulated Depreciations**	$	(1,171)
23			
24	**Contributions In Aid of Construction**		
25	**E. Adjustment Related to Contributions In Aid of Construction. Refer to Table 4 for Sewer detail.**		
26	Company Filed	$	3,276,640
27	Recommended		3,276,640
28	**Total Adjustments Required to Contributions In Aid of Construction**	$	(0)
29			
30	**Accumulated Amortization of Contributions In Aid of Construction**		
31	**F. Adjustment Related to Accumulated Amortization of Contributions In Aid of Construction. Refer to Table 4 for Sewer detail.**		
32	Company Filed	$	1,201,130
33	Recommended		1,201,130
34	**Total Adjustments Required to Accumulated Amortization of Contributions In Aid of Construction**	$	-
35			
36	**Working Capital Allowance**		
37	**G. Adjustment Related to Working Capital Allowance. Refer to Table 4 for Sewer detail.**		
38	Company Filed	$	73,795
39	Recommended		61,017
40	**Total Adjustments required to Working Capital Allowances**	$	(12,778)
41			
42	**Total Rate Base Adjustments**	$	(3,723,333)

Table 13

Recommended Rate Report

Utilities, Inc. of Sandalhaven

Constructed Income Statement - Sewer
For the Test Year Ended 12/31/2010

Line No.	Description	Test Year Per Company	Adjustments	Adjusted Test Year	Recommended Adjustments: Revenue Increase	Ref.	Test Year Year Ending 12/31/2010
	Operating Revenues						
1	Measured Revenue	$483,187	$53,530	$536,717	$214,286	Table 22	$751,003
2	Unmeasured Revenue	0	0	0	0	Table 22	0
3	Other Sewer Revenue	585	0	585	0	Table 22	585
4	Total Operating Revenues	$483,772	$53,530	$537,302	$214,286		$751,588
	Operating Expenses						
5	Total Operation & Maintenance Expenses	$521,627	($33,490)	$488,137	$0	Table 14	$488,137
6	Depreciation Expense (Used & Useful)	388,263	(216,088)	172,175	0	Table 17	172,175
7	Amoritization of CIAC	(84,983)	(3,828)	(88,811)	0	Table 8	(88,811)
8	Amortization	0	0	0	0		0
9	Taxes Other than Income	139,708	(35,121)	104,587	10,744	Table 19	115,331
10	Income Taxes	0	0	0	17,468	Table 20	17,468
11	Total Operating Expenses	$964,615	($288,527)	$676,088	$28,212		$704,300
12	Income/(Loss) Before Taxes	($480,843)	$342,057	($138,786)	$186,074		$47,288
13	Rate Base	$4,578,077	($3,723,333)	$ 854,745	$0	Table 5	$854,745
14	Return on Rate Base	(10.50%)	(9.19%)	(16.24%)		Table 11	5.53%

Table 14

Utilities, Inc. of Sandalhaven **Recommended Rate Report**

Sewer Operations and Maintenance Expense
For the Test Year Ended 12/31/2010

Line No.	Account No.	Account Name	As Filed Year Ended 12/31/2010	Recommended Rate Case Expens (See Table 18)	Recommended Other Adjustments (See Table 15)	Recommended Adjusted Year Ended 12/31/2010
1		**OPERATING & MAINTENANCE EXPENSES**				
2	701	Salaries & Wages - Employees	$ 103,510	$ -	$ -	$ 103,510
3	703	Salaries & Wages - Officers, Etc.	5,020	-	-	5,020
4	704	Employees Pensions & Benefits	20,687	-	-	20,687
5	710	Purchased Sewer	186,921	-	(20,273)	166,648
6	711	Sludge Removal	33,280	-	-	33,280
7	715	Purchased Power	21,161	-	(2,295)	18,866
8	716	Fuel for Power Purchased	-	-	-	-
9	718	Chemicals	12,393	-	(1,344)	11,049
10	720	Materials & Supplies	22,138	-	-	22,138
11	731	Contractual Services - Engineering	5	-	-	5
12	732	Contractual Services - Accounting	1,745	-	-	1,745
13	733	Contractual Services - Legal	444	-	-	444
14	734	Contractual Services - Mgmt. Fees	-	-	-	-
15	735	Contractual Services - Testing	-	-	-	-
16	736	Contractual Services - Other	28,474	-	-	28,474
17	741	Rental of Building/Real Prop.	-	-	-	-
18	742	Rental of Equipment	1	-	-	1
19	750	Transportation Expenses	9,068	-	-	9,068
20	756	Insurance - Vehicle	-	-	-	-
21	757	Insurance - General Liability	-	-	-	-
22	758	Insurance - Workman's Comp.	-	-	-	-
23	759	Insurance - Other	8,310	-	-	8,310
24	760	Advertising Expense	-	-	-	-
25	766	Reg. Comm. Exp. - Rate Case Amortization	115,694	(78,311)	-	37,384
26	767	Reg. Comm. Exp. - Other	551	-	-	551
27	770	Bad Debt Expense	(28,168)	-	-	(28,168)
28	775	Miscellaneous Expenses	49,126	-	-	49,126
29						
30		**Total Operating & Maintenance Expenses**	$ 590,360	$ (78,311)	$ (23,913)	$ 488,137

Table 15

Utilities, Inc. of Sandalhaven **Recommended Rate Report**

Sewer Operations and Maintenance Expense - Adjustment To Test Year Expenses
For the Test Year Ended 12/31/2010

Line No.	Description		Recommended Expense Adjustment
1	**Purchased Wastewater Cost Adjustment For Excessive Inflow and Infiltration**		
2	Percent Wastewater Flow Related to Excessive Inflow and Infiltration		-10.85%
3	Requested 2010 Purchased Wastewater Expense	$	186,921
4	Recommended Adjustment to Purchased Wastewater Expense	$	(20,273)
5			
6			
7	**Purchased Power Cost Adjustment For Excessive Inflow and Infiltration**		
8	Percent Wastewater Flow Related to Excessive Inflow and Infiltration		-10.85%
9	Requested 2010 Purchased Power Expense	$	21,161
10	Recommended Adjustment to Purchased Power Expense	$	(2,295)
11			
12			
13	**Chemicals Cost Adjustment**		
14	Percent Wastewater Flow Related to Excessive Inflow and Infiltration		-10.85%
15	Requested 2010 Chemicals Expense	$	12,393
16	Recommended Adjustment to Chemicals Expense	$	(1,344)

Table 16

Utilities, Inc. of Sandalhaven **Recommended Rate Report**

Sewer System Test Year Depreciation Expense
For the Test Year Ended 12/31/2010

Line No.	Account Name	Average Service Life (Yrs)	Annual Depr. Rate	2010 Test Year Depreciation Expense: Average Original Plant	2010 Test Year Depreciation Expense: Depreciation Expense
1	**INTANGIBLE PLANT**				
2	**351.1 Organization**	40	2.50%	$ 0	0
3	**352.1 Franchises**	40	2.50%	3,421	86
4	**389.1 Other Plant & Misc. Equipment**	18	5.56%	-	-
5	**COLLECTION PLANT**				
6	**353.2 Land & Land Rights**			373	
7	**354.2 Structures & Improvements**	32	3.13%	(0)	(0)
8	**355.2 Power Generation Equipment**	20	5.00%	96,489	4,824
9	**360.2 Collection Sewers - Force**	30	3.33%	2,616,932	87,144
10	**361.2 Collection Sewers - Gravity**	45	2.22%	500,213	11,105
11	**361.2 Manholes**	30	3.33%	185,200	6,167
12	**362.2 Special Collecting Structures**	40	2.50%	-	-
13	**363.2 Services to Customers**	38	2.63%	119,225	3,136
14	**364.2 Flow Measuring Devices**	5	20.00%	-	-
15	**365.2 Flow Measuring Installations**	38	2.63%	-	-
16	**389.2 Other Plant & Misc. Equipment**	18	5.56%	-	-
17	**SYSTEM PUMPING PLANT**				
18	**353.3 Land & Land Rights**			-	
19	**354.3 Structures & Improvements**	25	4.00%	2,902,337	116,093
20	**370.3 Receiving Wells**	30	3.33%	600,398	19,993
21	**371.3 Pumping Equipment**	18	5.56%	144,361	8,026
22	**389.3 Other Plant & Misc. Equipment**	18	5.56%	255	14
23	**TREATMENT AND DISPOSAL PLANT**				
24	**353.4 Land & Land Rights**			157,072	
25	**355.4 Power Generation Equipment**	20	5.00%	193	10
26	**354.4 Structures & Improvements**	32	3.13%	594,501	18,608
27	**380.4 Treatment & Disposal Equipment**	18	5.56%	367,703	20,444
28	**381.4 Plant Sewers**	35	2.86%	-	-
29	**382.4 Outfall Sewer Lines**	30	3.33%	-	-
30	**389.4 Other Plant & Misc. Equipment**	18	5.56%	39	2
31	**REUSE TREATMENT PLANT**				
32	**353.5 Land & Land Rights**			-	
33	**354.6 Structures & Improvements - Dist.**	32	3.13%	156	5
34	**375.3 Transmission & Distribution System**	43	2.33%	2,947	69
35	**380.5 Treatment & Disposal Equipment**	18	5.56%	1,110	62
36	**381.5 Plant Sewers**	35	2.86%	23,990	686
37	**390.5 Office Furniture & Equipment**	15	6.67%	-	-
38	**396.5 Communication Equipment**	10	10.00%	-	-
39	**GENERAL PLANT**				
40	**353.7 Land & Land Rights**			-	
41	**354.7 Structures & Improvements**	40	2.50%	38,760	969
42	**390.7 Office Furniture & Equipment**	6	16.67%	115,879	19,317
43	**391.7 Transportation Equipment**	6	16.67%	40,110	6,686
44	**392.7 Stores Equipment**	18	5.56%	-	-
45	**393.7 Tools, Shop & Garage Equipment**	16	6.25%	30,255	1,891
46	**394.7 Laboratory Equipment**	15	6.67%	8,156	544
47	**395.7 Power Operated Equipment**	12	8.33%	-	-
48	**396.7 Communication Equipment**	10	10.00%	4,364	436
49	**397.7 Miscellaneous Equipment**	15	6.67%	0	0
50	**398.7 Other Tangible Plant**	10	10.00%	(15,691)	(1,569)
51					
52	**TOTAL ACCUMULATED DEPRECIATION**			$ 8,538,747	$ 324,749
53					
54	Less Test Year Non-Used and Useful Depreciation Expense				$ (152,574)
55	Net Test Year Depreciation Expense				$ 172,175

Table 17

Utilities, Inc. of Sandalhaven **Recommended Rate Report**

Sewer System Accumulated Amortization of CIAC
For the Test Year Ended 12/31/2010

Line No.	Account Name	Average Service Life (Yrs)	Annual Depr. Rate	Recommended Average Original Plt.	Recommended Amortization Expense
1	Cash Contributions:				
	271.21 Sewer Capacity Fees Collected	40	2.50%	$ 1,726,076	$ 43,152
2	Contributed Property:				
2	4030 - Organization	40	2.50%	-	-
3	4050 - Struct - Pumping Plant	32	3.13%	-	-
3	4055 - Structures, Treatment Plant	32	3.13%	-	-
4	4070- Struct - General Plant	40	2.50%	-	-
4	4100 - Force Mains	30	3.33%	327,257	10,898
5	4105 - Gravity Mains	45	2.22%	995,633	22,103
5	4110 - Special Coll. Struct. Manholes	30	3.33%	-	-
6	4115 - Services to Customers	38	2.63%	-	-
6	4150 - Lagoons	38	2.63%	-	-
7	4165 - Treatment Equip	18	5.56%	227,674	12,659
	4260 - Other Tangible Plant	18	5.56%	-	-
8					
	TOTAL ACCUMULATED AMORTIZATION OF CIAC			$ 3,276,640	$ 88,811

Table 18

Utilities, Inc. of Sandalhaven **Recommended Rate Report**

Rate Case Expense
For the Test Year Ended 12/31/2010

Line No.	Firm or Vendor Name	Company Filed Amounts	Recommended Expense Adjustment	Recommended Recommended Ending 12/31/10
1	Rate Case Expense Amount	245,552	(96,017)	149,535
2				
3	Amortization Period (Years)	4	4	4
4				
5	Amortization Rate Case Expense Current Filing	$ 61,388	$ (24,004)	$ 37,384
6				
7	Total Rate Case Expense Amortization - Sewer	$ 61,388	$ (24,004)	$ 37,384

Table 19

Utilities, Inc. of Sandalhaven

Recommended Rate Report

Taxes Other Than Income Taxes

Line No.	Description	Historical Test Year	Adjustments	Adjusted Test Year
1	**Taxes Other than Income:**			
2				
3	Regulatory Assessment Fees:			
4	Gross Operating Revenues	$536,717	$214,871	$751,588
5				
6	Fees Due:			
7	Total Regulatory Assessment Fees (5.0% of Gross Operating Revenu	26,836	10,744	37,579
8				
9	Property Taxes *	67,955	-	67,955
10	Other Taxes and Licences	219	-	219
11	Payroll Taxes	9,577	-	9,577
12				
13	Total Taxes Other Than Income	$ 104,587	$ 10,744	$ 115,331
14				
15	Footnotes:			
16	*Property Tax Calculation:			
17	Adjusted Test Year Taxable Assests - Used and Useful	4,192,443	-	4,192,443
18	Adjustments	-	-	-
19	Adjusted Test Year Taxable Assests	4,192,443	-	4,192,443
20	Effective Tangible Rate	1.62%	1.62%	1.62%
21	Test Year Amount	67,955	-	67,955

Table 20

Utilities, Inc. of Sandalhaven **Recommended Rate Report**

Income Tax Calculation and System Revenue Requirements
For the Test Year Ended 12/31/2010

Line No.	Description		Recommended Test Year
	Income Tax Calculation:		
1	Rate Base	$	854,745
2	Rate of Return		5.53%
3			
4	Required Operating Income		47,288
5			
6	Less: Interest Charges		
7	Rate Base		854,745
8	Weighted Cost of Debt		2.15%
9			
10	Interest Expense		18,335
11			
12	Taxable Income		28,953
13			
14	Federal Income Tax Rate		34.00%
15	State Income Tax Rate		5.50%
16	Composite Tax Rate		37.63%
17	Pretax Multiplier		160.33%
18	Pretax Net Income		46,421
19			
20	Composite Tax Rate		37.63%
21			
22	Income Tax	$	17,468
23			
24	**Revenue Requirements:**		
25	Operations and Maintance Expense	$	488,137
26	Depreciation (Used & Useful)		172,175
27	Amoritization of CIAC		(88,811)
28	Amortization of Property Loss		-
29	Taxes Other than Income		115,331
30	Income Tax		17,468
31	Required Net Income		47,288
32			
33	Total Revenue Requirements		751,588
34			
35	Less Other Miscellaneous Revenues		585
36			
37	Revenue Requirements Related to Monthly Rates and Charges	$	751,003
38	Adjustments		-
39	Revenue Requirements Related to Metered Revenues	$	751,003

Table 21

Utilities, Inc. of Sandalhaven **Recommended Rate Report**

Adjustments to Opertaing Income
For the Test Year Ended 12/31/2010

Line No.			Sewer Test Year
1	(A) Adjustments to Water Revenues		
2			
3	Company Filed	$	1,542,994
4	Recommended	$	751,003
5			
6	**Total adjustments to Water Revenues**	$	(791,991)
7			
8	(B) Adjustments to Miscellaneous Service and Other Water Revenues		
9			
10	Company Filed	$	585
11	Recommended	$	585
12	**Adjustment required to Miscellaneous Service and Other Water Revenues**	$	-
13			
14	(C) Adjustments to Operating Expenses		
15			
16	Company Filed	$	590,360
17	Recommended	$	488,137
18			
19	**Total adjustments to Operating Expenses**	$	(102,223)
20			
21	(D) Adjustment Related to Depreciation Expense to reflect adjusted Plant in Service and County Authorized Depreciation Rate		
22			
23	Company Filed	$	388,263
24	Recommended	$	172,175
25	**Total Adjustments required to Depreciation Expense**	$	(216,088)
26			
27	(E) Adjustment Related to Accumulated Amortization Expense to reflect adjusted CIAC Balances and County Authorized Amortization Rate		
28			
29	Company Filed	$	(84,983)
30	Recommended	$	(88,811)
31	**Total Adjustments required to Accumulated Amortization Expense**	$	(3,828)
32			
33	(F) Adjustment Related to Amortization Expense		
34			
35	Company Filed	$	-
36	Recommended	$	-
37	**Total Adjustments required to Accumulated Amortization Expense**	$	-
38			
39	(G) Taxes Other Than Income		
40			
41	Company Filed	$	186,008
42	Recommended	$	115,331
43	**Total Adjustments required to Taxes Other than Income**	$	(70,677)
44			
45	(H) Income Tax adjustments related to Recommended Operating Income and Allowed Rate of Return		
46			
47	Company Filed	$	85,782
48	Recommended	$	17,468
49	**Total Adjustments required to Income Taxes**	$	(68,314)
50			
51	Total Operating Expenses Adjustments	$	(461,130)
52			
53	Total Adjustments to Net Operating Income	$	(330,861)

Table 22

Utilities, Inc. of Sandalhaven

Recommended Rate Report

Calculation of Annualized Revenues Under Existing and Proposed Rates
For the Test Year Ended 12/31/2010

Line No.	Description	Company Filed Avg Mon Customers	Company Filed # Annual Bills	Company Filed Consumption in 1,000 gallons	Adjustments Avg Mon Customers	Adjustments # Annual Bills	Adjustments Consumption in 1,000 gallons	Recommended Avg Mon Customers	Recommended # Annual Bills	Recommended Consumption in 1,000 gallons	Annualized Revenues Existing Rates: Existing Rates	Annualized Revenues Existing Rates: Revenue	Annualized Revenues Proposed Rates: Proposed Rates	Annualized Revenues Proposed Rates: Revenue
	Residential													
1	Single Family Dwelling													
2	5/8"x3/4" Meter	735	8,824		13	156		748	8,980		$20.79	$ 186,694	$29.08	$ 261,151
3	1" Meter	1	15		0	0		1	15		$20.79	$ 312	$29.08	$ 436
	1" Meter	0	0		1	12		1	12		$20.79	$ 249	$29.08	$ 349
4	Gallonage Charge													
5	0 - 8,000 gallons			16,935			1,151			18,086	$4.67	$ 84,462	$6.53	$ 118,147
6														
7	Total Residential Single Family	737	8,839	16,935	14	168	1,151	751	9,007	18,086		$ 271,717		$ 380,083
8														
9	Multi-Family Residential													
10	5/8"x 3/4" Meter										$20.79	$ -	$29.08	$ -
11	1.0" Meter										$51.98	$ -	$72.71	$ -
12	1.5" Meter				0	0	0		0	0	$103.95	$ -	$145.41	$ -
13	2.0" Meter								0	0	$166.32	$ -	$232.65	$ -
14	3.0" Meter	1	12	2,118	0	0	0	1	12	2,118	$332.65	$ 3,992	$465.32	$ 5,584
15	4.0" Meter										$519.76	$ -	$727.05	$ -
16	6.0" Meter	2	24	8,416	0	0	0	2	24	8,416	$1,039.51	$ 24,948	$1,454.09	$ 34,898
17												$ 28,940		$ 40,482
18														
19	Gallonage Charge			10,534			0			10,534	$5.61	$ 59,096	$7.85	$ 82,664
20														
21	Total Multi-Family Residential	3	36		0	0		3	36			$ 88,036		$ 123,146
22														
23	**Total Residential**	740	8,875	27,469	14	168	1,151	754	9,043	28,620		$ 359,753		$ 503,229
24														
25	**Commercial**													
26	5/8"x 3/4" Meter	19	224	2,466	3	36	2,638	22	260	5,104	$20.79	$ 5,405	$29.08	$ 7,561
27	1.0" Meter	3	36	1,686	0	0	0	3	36	1,686	$51.89	$ 1,868	$72.58	$ 2,613
28	1.5" Meter	3	36	755	3	36	498	6	72	1,253	$103.95	$ 7,484	$145.41	$ 10,469
29	2.0" Meter	6	72	4,861	3	36	2,957	9	108	7,818	$166.32	$ 17,963	$232.65	$ 25,126
30	3.0" Meter	4	51	1,904	0	0	0	4	51	1,904	$332.65	$ 16,965	$465.32	$ 23,731
31	4.0" Meter	0	0	0	0	0	0	0	0	0	$519.76	$ -	$727.05	$ -
32	6.0" Meter	0	0	0	0	0	0	0	0	0	$1,039.51	$ -	$1,454.09	$ -
33												$ 49,686		$ 69,501
34														
35	Gallonage Charge			11,672			6,093			17,765	$5.61	$ 99,663	$7.85	$ 139,411
36														
37	**Total Commercial**	35	419		9	108		44	527			$ 149,349		$ 208,912
38														
39	**Reserved Capacity-Flat Rate**													
40	5/8"x 3/4" Meter	113	1359	N/A	0	0	0	113	1,359	N/A				
41	**Total Reserved Capacity-Flat Rate**	113	1,359	0	0	0	0	113	1,359	0	$20.32	$ 27,615	$28.42	$ 38,628
42														
43														
44	**Subtotal**	888	10,653	27,469	23	276	1,151	911	10,929	46,385		536,717		750,769

Table 23

Utilities, Inc. of Sandalhaven **Recommended Rate Report**

Calculation of Rate Reduction after Four Year for Rate Case Expense
For the Test Year Ended 12/31/2010

Line No.	Description	Billing Units	EDU/Unit	EDU's	Rate Reduction After 4 Years Associated with Prior Rate Case Expense: Rate	Check
	Sewer					
	Base Charge					
	Single Family Dwelling					
1	5/8"x3/4" Meter	8,839	1.00	8,839	$1.39	$12,286
	Mutli-Family Residential					
2	5/8"x3/4" Meter	0	1.00	0	$1.39	$0
3	1.0" Meter	0	2.50	0	3.48	-
4	1.5" Meter	0	5.00	0	6.95	-
5	2.0" Meter	0	8.00	0	11.12	-
6	3.0" Meter	12	16.00	192	22.24	267
7	4.0" Meter	0	25.00	0	34.75	-
8	6.0" Meter	24	50.00	1,200	69.50	1,668
9	Total Mutli-Family Residential	36		1,392		$1,935
	Commercial					
10	5/8"x3/4" Meter	224	1.00	224	$1.39	$311
11	1.0" Meter	36	2.50	90	3.48	125
12	1.5" Meter	36	5.00	180	6.95	250
13	2.0" Meter	72	8.00	576	11.12	801
14	3.0" Meter	51	16.00	816	22.24	1,134
15	4.0" Meter	0	25.00	0	34.75	-
16	6.0" Meter	0	50.00	0	69.50	-
17	Total Commercial	419		1,886		$2,622
	Reserved Capacity-Flat Rate					
18	5/8"x 3/4" Meter	1,359	1.00	1,359	$1.39	$1,889
19	Total All Classes	10,653		13,476		18,732
	Less Flat Rate Customers			0		
	Adjusted Billing Units			13,476		
20	Base Facility Revenue Requirement				$18,692	
21	Less Revenues from Flat Rate Customers				$0	
22	Adjusted Base Facility Revenue Requiremnts				$18,692	
23	**BASE CHARGE PER EDU**				**$1.39**	
	Consumption Charge		Billing Factor	Factored Gallons		
24	Residential	16,935	1	16935	$ 0.43	$7,282
25	Multi-Family	10,534	1.2	12640.8	0.52	$5,436
26	Commercial	11,672	1.2	14006.4	0.52	$6,023
27	Total	39,141		43,582		$18,740
28	Consumption Revenue Requirement				$18,692	
29	**CONSUMPTION CHARGE - PER 1,000 GALLONS**				**$ 0.43**	
30	Total Sewer Rate Case Expense				$37,384	$37,472

Table 24

Utilities, Inc. of Sandalhaven

Calculation of AFPI - Sewer
For the Test Year Ended 12/31/2010

Line No.	Description	Adjusted Value	Source Schedule
1	Cost of Qualifying Assets (NU&U)	$4,357,459	Table 10
2	Accumulated Depreciation (NU&U)	$595,789	Table 10
3	No. of Future Customers (ERC's) (1)	1,175	
4	Annual Depreciation Expense (NU&U)	$152,574	Table 10
5	Weighted Cost of Equity	3.22%	Table 11
6	Millage Rate	1.62%	
7	Annual Property Tax	$60,973.01	Table 10
8	Annual Other Costs	$0	
9	Cost of Qualifying Assets less Deprec.	$3,761,671	
10	Cost per ERC	3,201.42	
11	Rate of Return	5.53%	Table 11
12	Return per ERC	177.12	
13	Annual Reduction in Return per ERC: (Depr Expn * Rate of Return/ERCs)	7.18	
14	State Income Tax Rate	5.50%	
15	Federal Income Tax Rate	34.00%	
16	Composite Tax Rate	37.63%	
17	Pre-Tax Rate of Return (Equity % Times Tax Rate/1-Tax Rate + After Tax Rate of Return)	7.48%	
18	Tax Factor (Pre-Tax Return/ After Tax Return)	1.3516	
19	Annual Deprec. Expense (NU&U) per ERC	$129.85	
20	Annual Property Tax per ERC	$51.89	

Footnote:
(1) The maximum number of Future Customers (ERC's) was based on System build out of 2,298 ERC Less existing ERC's of 1123 (includes Reserve Capacity). The Company shall be allowed to collect the AFPI charge for a maximum number of 1,175 ERC's

Table 24

Utilities, Inc. of Sandalhaven

Calculation of AFPI - Sewer
For the Test Year Ended 12/31/2010

Calculation of Carrying Cost per ERC

		2010	2011	2012	2013	2014
21	Unfunded Other Costs	-	-	-	-	-
22	Unfunded Annual Depreciation Expense	$129.85	$129.85	$129.85	$129.85	$129.85
23	Unfunded Annual Property Tax	$51.89	$51.89	51.89	51.89	51.89
24	Subtotal Unfunded Annual Expense	181.74	181.74	$181.74	181.74	181.74
25	Unfunded Expense Prior Year	-	181.74	363.48	545.23	726.97
26	Total Unfunded Expenses	181.74	363.48	545.23	726.97	908.71
27	Return on Expenses Prior Year	-	$7.18	$14.37	$21.55	$28.74
28	Return on Plant Current Year (per ERC)	177.12	169.93	162.75	155.56	148.38
29	Earnings Prior Year	-	177.12	354.23	531.35	708.46
30	Compound Earnings from Prior Year	-	-	-	-	-
31	Total Compound Earnings	177.12	354.23	531.35	708.46	885.58
32	Earnings Expansion Factor Taxes	1.352	1.352	1.352	1.352	1.352
33	Revenue Required to Fund Earnings	239.38	478.77	718.15	957.54	1,196.92
34	Revenue Required to Fund Expenses	181.74	363.48	545.23	726.97	908.71
35	Subtotal	421.13	842.25	1,263.38	1,684.50	2,105.63
36	Year over Year		421.13	421.13	421.13	421.13
	Monthly Charge Allocation (FPSC Method)					
37	Monthly Add-In Cost Factor	$35.09	$35.09	$35.09	$35.09	$35.09
	Average Test Year					
38	December	$35.09	$456.17	$877.25	$1,298.33	$1,719.41
39	January	70.18	491.26	912.34	1,333.42	1,754.50
40	February	105.27	526.35	947.43	1,368.51	1,789.59
41	March	140.36	561.44	982.52	1,403.60	1,824.68
42	April	175.45	596.53	1,017.61	1,438.69	1,859.77
43	May	210.54	631.62	1,052.70	1,473.78	1,894.86
44	June	245.63	666.71	1,087.79	1,508.87	1,929.95
45	July	280.72	701.80	1,122.88	1,543.96	1,965.04
46	August	315.81	736.89	1,157.97	1,579.05	2,000.13
47	September	350.90	771.98	1,193.06	1,614.14	2,035.22
48	October	385.99	807.07	1,228.15	1,649.23	2,070.31
49	November	421.08	842.16	1,263.24	1,684.32	2,105.40