

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

DOCKET NO. 120037-WS  
ORDER NO. PSC-12-0265-PCO-WS  
ISSUED: May 30, 2012

The following Commissioners participated in the disposition of this matter:

RONALD A. BRISÉ, Chairman  
LISA POLAK EDGAR  
ART GRAHAM  
EDUARDO E. BALBIS  
JULIE I. BROWN

ORDER SUSPENDING PROPOSED RATE INCREASE AND HOLDING WATER  
REVENUES SUBJECT TO REFUND WITH INTEREST

BY THE COMMISSION:

I. Background

Utilities, Inc. of Pennbrooke (Pennbrooke or Utility) is a Class B utility providing water and wastewater service to approximately 1,368 water and 1,230 wastewater customers in Lake County. Water and wastewater rates were last established for this Utility in its 2009 rate case.<sup>1</sup>

On March 29, 2012, Pennbrooke filed its application for an increase in its water and wastewater rates. This initial filing did not meet the minimum filing requirements (MFRs), and the Utility provided corrections to its MFRs on May 9, 2012. Our staff determined that the MFRs were complete on that date, and that date was established as the official date of filing. The Utility requested that the application be processed using the Proposed Agency Action (PAA) procedure. The test year established for interim and final rates is the simple average period ended September 30, 2011.

For interim purposes, Pennbrooke showed that interim revenue increases of \$1,258 (0.26 percent) for water and \$43,664 (8.94 percent) for wastewater would be appropriate. The Utility requested final revenue increases of \$162,305 (33.02 percent) for water and \$116,169 (23.78 percent) for wastewater.

This Order addresses the suspension of Pennbrooke's requested final rates and a review of the Utility's earning position. We have jurisdiction pursuant to Sections 367.081 and 367.082, Florida Statutes (F.S.).

<sup>1</sup> See Order No. PSC-10-0400-PAA-WS, issued June 18, 2010, in Docket No. 090392-WS, In re: Application for increase in water and wastewater rates in Lake County by Utilities, Inc. of Pennbrooke.

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

## II. Suspension of Water and Wastewater Rates

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

Having reviewed the filing and considered the information filed in support of the rate application and the proposed final rates, we believe it is necessary to require further investigation of this information, including on-site investigations by staff accountants and engineers. To date, our staff has initiated an audit of Pennbrooke's books and records, as well as an audit of Utilities, Inc. (UI), the Utility's parent, to examine allocated investment and operating expenses. Both of these audits are tentatively due on June 5, 2012. In addition, our staff sent its first data request on May 9, 2012. The Utility's responses to these data requests are due on June 9, 2012. Further, our staff believes additional requests will be necessary to process this case. Based on the foregoing, we find there is good cause for suspending the Utility's proposed rate increases, and the rate increases are suspended.

## III. Rates Subject to Refund With Interest

On March 29, 2012, Pennbrooke filed its rate base, cost of capital, and operating statements to support its increase in water and wastewater rates. Section 367.082, F.S., governs interim rates, and Section 367.082(1), F.S., authorizes us on our own motion to authorize the collection of interim rates. In any proceeding pertaining to interim rates, whether an increase or decrease, there must be a prima facie showing that the utility is earning outside the range of reasonableness on its rate of return. Pursuant to Section 367.081(2)(a), F.S., in a proceeding for an interim increase in rates, we must authorize, within 60 days of the filing for such relief, the collection of rates sufficient to earn the minimum of the range of rate of return. Based on the Utility's filing and our adjustments below, it appears that not only is the Utility not entitled to an interim rate increase, but it appears that the Utility may be overearning for the water system.

Pursuant to Section 367.082(5)(b)1., F.S., the achieved rate of return for interim purposes must be calculated by applying adjustments consistent with adjustments made in the utility's most recent rate proceeding and annualizing any rate changes. Our staff has reviewed Pennbrooke's filing, as well as Order No. PSC-10-0400-PAA-WS, in which we last established rates. Our adjustments are discussed below. We have attached accounting schedules to illustrate the appropriate rate base, capital structure, and test year operating income amounts for determining whether any interim rate increase or decrease is warranted. Rate base is labeled as Schedule Nos. 1-A and 1-B, capital structure is labeled as Schedule No. 2, and operating income for water and wastewater, respectively, is labeled as Schedule Nos. 3-A and 3-B, with the adjustments shown on Schedule No. 3-C.

#### A. Rate Base

In the Utility's last rate case, we made certain adjustments related to the Phoenix Project, which is the parent company's accounting and billing software. In its filing, the Utility failed to make those adjustments consistent with Order No. PSC-10-0400-PAA-WS. As such, absent the specific test year data necessary, we find the same dollar adjustments shall be made for interim purposes in the instant case. Thus, we shall reduce plant by \$8,406 and \$6,605 for water and wastewater, respectively. In addition, accumulated depreciation shall be reduced by \$7,180 and \$6,116 for water and wastewater, respectively. Finally, depreciation expense shall be reduced by \$2,611 and \$2,224 for water and wastewater, respectively.

Pursuant to Rule 25-30.433(2), Florida Administrative Code (F.A.C.), working capital for class B utilities shall be calculated using the formula method which is one-eighth of operation and maintenance (O&M) expenses. Based on our adjustments to water and wastewater O&M expenses discussed below, we shall reduce working capital by \$8,749 for water and \$4,499 for wastewater. As such, we find the appropriate interim working capital allowance to be \$26,852 and \$28,987 for water and wastewater, respectively.

Based on the above, Pennbrooke's interim water and wastewater rate base shall be \$632,707 and \$1,169,111, respectively.

#### B. Cost of Capital

Based on an analysis of the MFRs, our staff discovered that the Utility made a calculation error in reconciling its requested water and wastewater rate bases. In addition, Pennbrooke utilized our 2011 leverage formula for its requested return on equity (ROE) of 10.37 percent. Pursuant to Section 367.082(5)(b)3., F.S., for interim purposes, the last authorized ROE from the Utility's last rate case shall be used. In the last rate case, by Order No. PSC-10-0400-PAA-WS, we established an ROE of 11.13 percent with a range of plus/minus 100 basis points.

Pursuant to Section 367.082(2)(a), F.S., "[i]n a proceeding for an interim increase in rates, the commission shall authorize, within 60 days of the filing for such relief, the collection of rates sufficient to earn the minimum of the range of rate of return calculated in accordance with subparagraph 5)(b)2." When the lower authorized limit of 10.13 percent is used, we note that a rate decrease for both the water and wastewater systems is indicated.

Pursuant to Section 367.082(2)(b), F.S., in a proceeding for an interim decrease in rates, we are required to authorize the continued collection of the previously authorized rates; however, revenues collected under those rates that are sufficient to reduce the achieved rate of return to the maximum of the rate of return shall be held subject to refund with interest. Using the upper authorized limit of 12.13 percent, it appears that the Utility is earning above the maximum rate of return for water. However, using the upper authorized limit of 12.13 percent for wastewater, it appears that the Utility is earning within its last authorized ROE range, and thus no interim increase or decrease is warranted for wastewater.

Based on the above and using the maximum ROE of 12.13 percent, we calculate an interim weighted average cost of capital of 8.69 percent. This calculation is shown on Schedule No. 2.

### C. Net Operating Income

Pursuant to Section 367.082(5)(b)1., F.S., the achieved rate of return for interim purposes must be calculated by applying adjustments consistent with adjustments made in the Utility's most recent rate proceeding and annualized for any rate changes. Based on our staff's review, several adjustments are necessary for interim purposes.

First, Pennbrooke included adjustments to decrease expenses by \$21,674 for water and \$18,014 for wastewater related to the annualization of salaries. We find the Utility's proposed adjustments for annualizing salaries are pro forma because they are outside the interim test year. As such, these adjustments shall be removed from the interim net operating income calculation.

Second, we find the salaries and pensions expenses shall be reduced by \$73,358 for water and by \$45,597 for wastewater to reflect the benchmark adjustment for customer growth and inflation. This adjustment is consistent with our treatment in the Utility's last rate case.

Third, in its last rate proceeding, we disallowed the costs associated with duplicative billing, i.e., a separate bill for irrigation service. Accordingly, we shall reduce O&M expenses by \$7,834 for wastewater to remove the cost of duplicative billing.

Fourth, in its MFRs, the Utility included annual amortization of rate case expense of \$28,499 for water and \$23,772 for wastewater. In its last rate proceeding, we approved annual amortization of rate case expense of \$17,684 for water and \$15,064 for wastewater. As such, consistent with the Utility's last rate case, O&M expenses shall be reduced by \$10,815 for water and \$8,708 for wastewater.

Fifth, we have adjusted bad debt expense by \$345 for water and by \$294 for wastewater to reflect the 3-year average for bad debt expense consistent with the treatment in the Utility's last rate case.

Based on the above, we find, for interim rate decrease purposes, that the appropriate test year operating income, before any revenue decrease or increase, is \$99,908 for water and \$95,621 for wastewater.

### D. Revenue Requirement

Based on the above adjustments, we find a maximum revenue requirement of \$416,192 for water, which would reflect a decrease in revenues of \$75,385 (or 15.34 percent) from the adjusted test year revenue of \$491,577. This decrease would allow the Utility the opportunity to recover its water operating expenses and earn an 8.69<sup>2</sup> percent return on its water rate base. As

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<sup>2</sup> Includes the 12.13 percent maximum return on equity.

stated above, using the upper authorized limit of 12.13 percent shows that the wastewater system is earning within its last authorized ROE range, and thus neither an interim increase or decrease is warranted.

#### IV. Interim Water and Wastewater Rates

Pursuant to Section 367.082(2)(b), F.S., in a proceeding for an interim decrease in rates, we must authorize, within 60 days of the filing for such relief, the continued collection of the previously authorized rates; however, revenues collected under those rates sufficient to reduce the achieved rate of return to the maximum of the rate of return calculated in accordance with subsection (5) shall be placed under bond, escrow, letter of credit, or corporate undertaking subject to refund with interest at a rate ordered by this Commission.

As stated above, using the upper authorized limit of 12.13 percent shows a revenue decrease for water, but indicates that the wastewater system is earning within its last authorized ROE range. Based on the above, we find the Utility's existing rates are appropriate for interim purposes.

#### V. Appropriate Security to Guarantee the Interim Decrease

Pursuant to Section 367.082, F.S., revenues collected under interim rates shall be placed under bond, escrow, letter of credit, or corporate undertaking subject to refund with interest at a rate ordered by this Commission. As shown above, we calculate the annual interim decrease for water to be \$75,385. Based on an estimated seven months of revenue being collected under the Utility's current authorized rates for water, we calculate, in accordance with Rule 25-30.360, F.A.C., the potential refund of revenues and interest collected under interim conditions to be \$43,990. This amount is shown on Schedule No. 4-A.

Pennbrooke is a wholly-owned subsidiary of UI, which provides all investor capital to its subsidiaries. Based on the amount subject to refund for its Pennbrooke system, the incremental increase in UI's corporate undertaking is \$43,990. The current cumulative corporate undertaking amount outstanding for other UI systems is \$313,433.<sup>3</sup> The new request would bring the cumulative amount outstanding to \$357,423.

The criteria for a corporate undertaking include sufficient liquidity, ownership equity, profitability, and interest coverage to guarantee any potential refund. Our staff reviewed UI's 2009, 2010, and 2011 financial statements to determine if UI can support a corporate undertaking on behalf of its subsidiary. As the attached schedule shows, UI reported deficient liquidity in 2009 and low levels of interest coverage over the review period. However, in 2010 and 2011, UI achieved sufficient liquidity, and its interest coverage ratio has also been trending positively since 2009. In addition, UI reported adequate ownership equity over the three-year review period. UI's profitability in 2010 increased from \$5,276,388 to \$15,576,121 by virtue of a one-

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<sup>3</sup> The other outstanding amounts for Pennbrooke sister companies are: (1) \$77,484 for Utilities, Inc. of Eagle Ridge; (2) \$54,040 for Labrador Utilities, Inc.; and (3) \$181,909 for Mid-County Services, Inc.

time gain on the disposition of utility systems in the amount of \$10,299,733. The amount of the one-time gain is atypical of the amounts UI reported in prior-year financial statements and there is no indication a gain of that magnitude will occur in future years. UI's profitability in 2011 decreased from \$9,601,000 to \$8,032,000 by virtue of a one-time loss on the disposition of utility systems in the amount of \$1,569,000. Replacing both the gain in 2010 and the loss in 2011 with UI's five-year average gain<sup>4</sup> on the disposition of utility systems, UI's average net income over the three-year period from 2009 to 2011 is \$10,041,790, which is nearly 16 times greater than the requested cumulative corporate undertaking amount of \$357,423.

Based on this review of the financial reports submitted by UI, we find UI has adequate resources to support a corporate undertaking in the amount requested. Based on this analysis, we find that a cumulative corporate undertaking of \$357,423 is acceptable contingent upon receipt of the written guarantee of UI and written confirmation that the cumulative outstanding guarantees on behalf of UI-owned utilities in other states will not exceed \$1.2 million (inclusive of all Florida utilities).

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

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

Based on the foregoing, it is

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

ORDERED that \$75,385 (or 15.34 percent) of annual water revenues shall be collected subject to refund with interest. It is further

ORDERED that Utilities, Inc. of Pennbrooke shall be authorized to continue to collect its existing rates. It is further

ORDERED that a cumulative corporate undertaking of \$357,423 is acceptable contingent upon receipt of the written guarantee of the parent company, Utilities, Inc., and written confirmation that the cumulative outstanding guarantees on behalf of UI-owned utilities in other states will not exceed \$1.2 million (inclusive of all Florida utilities). It is further

ORDERED that Utilities, Inc. shall file a cumulative corporate undertaking of \$357,423, which includes an amount of \$43,990 subject to refund in this docket, on behalf of its

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<sup>4</sup> The Company's five-year average gain on the disposition of utility systems was \$4,736,779 in 2010 and \$2,593,326 in 2011.

subsidiaries to guarantee any potential refunds of revenues collected under interim conditions. It is further

ORDERED that pursuant to Rule 25-30.360(6), F.A.C., Utilities, Inc. of Pennbrooke shall provide a report by the 20th of each month indicating the monthly and total revenue collected subject to refund. Should a refund be required, the refund shall be with interest and in accordance with Rule 25-30.360, F.A.C. It is further

ORDERED that in no instance shall maintenance and administrative costs associated with any refund be borne by the customers. The costs are the responsibility of, and shall be borne by, the Utility. It is further

ORDERED that this docket shall remain open pending our decision on the Utility's requested rate increase.

By ORDER of the Florida Public Service Commission this 30th day of May, 2012.



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

RRJ

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

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

Any party adversely affected by this order, which is non-final in nature, may request (1) reconsideration within 10 days pursuant to Rule 25-22.0376, Florida Administrative Code, or (2) judicial review by the Florida Supreme Court, in the case of an electric, gas or telephone utility, or the First District Court of Appeal, in the case of a water or wastewater utility. A motion for reconsideration shall be filed with the Office of Commission Clerk, in the form prescribed by Rule 25-22.0376, Florida Administrative Code. Citizens of the State of Florida v. Mayo, 316 So.2d 262 (Fla. 1975), states that an order on interim rates is not final or reviewable until a final order is issued. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.

Utilities Inc. of Pennbrooke Schedule of Water Rate Base Test Year Ended 09/30/11			Schedule No. 1-A Docket No. 120037-WS		
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Comm'n Adjust- ments	Comm'n Adjusted Test Year
1 Plant in Service	\$2,319,543	(\$6,723)	\$2,312,820	(\$8,406)	\$2,304,414
2 Land and Land Rights	22,054	9	22,063	0	22,063
3 Non-used and Useful Components	0	0	0	0	0
4 Accumulated Depreciation	(1,184,730)	(36,423)	(1,221,153)	7,180	(1,213,973)
5 CIAC	(353,117)	(543,946)	(897,063)	0	(897,063)
6 Amortization of CIAC	248,942	141,471	390,413	0	390,413
7 Construction Work in Progress	1,482	(1,482)	0	0	0
8 Working Capital Allowance	37,655	(2,054)	35,601	(8,749)	26,852
9 Acquisition Adjustments	<u>476,560</u>	<u>(476,560)</u>	<u>0</u>	<u>0</u>	<u>0</u>
10 <b>Rate Base</b>	<u>\$1,568,389</u>	<u>(\$925,708)</u>	<u>\$642,681</u>	<u>(\$9,974)</u>	<u>\$632,707</u>

Utilities Inc. of Pennbrooke Schedule of Wastewater Rate Base Test Year Ended 09/30/11			Schedule No. 1-B Docket No. 120037-WS		
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Comm'n Adjust- ments	Comm'n Adjusted Test Year
1 Plant in Service	\$3,000,682	(\$1,181)	\$2,999,501	(\$6,605)	\$2,992,896
2 Land and Land Rights	28,518	7	28,525	0	28,525
3 Non-used and Useful Components	0	0	0	0	0
4 Accumulated Depreciation	(1,249,707)	9,554	(1,240,153)	6,116	(1,234,037)
5 CIAC	(1,733,772)	517,012	(1,216,760)	0	(1,216,760)
6 Amortization of CIAC	840,579	(271,079)	569,500	0	569,500
7 Working Capital Allowance	<u>35,792</u>	<u>(2,306)</u>	<u>33,486</u>	<u>(4,499)</u>	<u>28,987</u>
<b>8 Rate Base</b>	<b><u>\$922,092</u></b>	<b><u>\$252,007</u></b>	<b><u>\$1,174,099</u></b>	<b><u>(\$4,988)</u></b>	<b><u>\$1,169,111</u></b>

Utilities Inc. of Pennbrooke Adjustments to Rate Base Test Year Ended 09/30/11		Schedule No. 1-C Docket No. 120037-WS	
Explanation	Water	Wastewater	
<u>Plant In Service</u>			
Phoenix Project Adjustment from last rate case.	<u>(\$8,406)</u>	<u>(\$6,605)</u>	
<u>Accumulated Depreciation</u>			
Phoenix Project Adjustment from last rate case.	<u>\$7,180</u>	<u>\$6,116</u>	
<u>Working Capital</u>			
Reflect appropriate interim working capital.	<u>(\$8,749)</u>	<u>(\$4,499)</u>	

Utilities Inc. of Pennbrooke						Schedule No. 2			
Capital Structure-Simple Average						Docket No. 120037-WS			
Test Year Ended 09/30/11									
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	\$180,000,000	\$0	\$180,000,000	(\$179,154,704)	\$845,296	46.53%	6.65%	3.09%	
2 Short-term Debt	0	0	0	0	0	0.00%	0.00%	0.00%	
3 Preferred Stock	0	0	0	0	0	0.00%	0.00%	0.00%	
4 Common Equity	178,088,281	0	178,088,281	(177,251,963)	836,318	46.03%	10.37%	4.77%	
5 Customer Deposits	6,515	0	6,515	0	6,515	0.36%	6.00%	0.02%	
6 Deferred Income Taxes	<u>128,651</u>	<u>0</u>	<u>128,651</u>	<u>0</u>	<u>128,651</u>	<u>7.08%</u>	0.00%	<u>0.00%</u>	
7 <b>Total Capital</b>	<u>\$358,223,447</u>	<u>\$0</u>	<u>\$358,223,447</u>	<u>(\$356,406,667)</u>	<u>\$1,816,780</u>	<u>100.00%</u>		<u>7.89%</u>	
<b>Per Commission</b>									
8 Long-term Debt	\$180,000,000	\$0	\$180,000,000	(\$179,162,225)	\$837,775	46.50%	6.65%	3.09%	
9 Short-term Debt	0	0	0	0	0	0.00%	0.00%	0.00%	
10 Preferred Stock	0	0	0	0	0	0.00%	0.00%	0.00%	
11 Common Equity	178,088,281	0	178,088,281	(177,259,404)	828,877	46.00%	12.13%	5.58%	
12 Customer Deposits	6,515	0	6,515	0	6,515	0.36%	6.00%	0.02%	
13 Deferred Income Taxes	<u>128,651</u>	<u>0</u>	<u>128,651</u>	<u>0</u>	<u>128,651</u>	<u>7.14%</u>	0.00%	<u>0.00%</u>	
14 <b>Total Capital</b>	<u>\$358,223,447</u>	<u>\$0</u>	<u>\$358,223,447</u>	<u>(\$356,421,630)</u>	<u>\$1,801,817</u>	<u>100.00%</u>		<u>8.69%</u>	
						<b>LOW</b>	<b>HIGH</b>		
RETURN ON EQUITY						<u>10.13%</u>	<u>12.13%</u>		
OVERALL RATE OF RETURN						<u>7.77%</u>	<u>8.69%</u>		

Utilities Inc. of Pennbrooke Statement of Water Operations Test Year Ended 09/30/11						Schedule No. 3-A Docket No. 120037-WS	
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Comm'n Adjust- ments	Comm'n Adjusted Test Year	Revenue Increase	Revenue Requirement
1 <b>Operating Revenues:</b>	<u>\$425,271</u>	<u>\$67,564</u>	<u>\$492,835</u>	<u>(\$1,258)</u>	<u>\$491,577</u>	<u>(\$75,385)</u> -15.34%	<u>\$416,192</u>
<b>Operating Expenses</b>							
2 Operation & Maintenance	\$301,241	(\$16,433)	\$284,808	(\$69,988)	\$214,820		\$214,820
3 Depreciation	255,918	(174,324)	81,594	(2,611)	78,983		78,983
4 Amortization	0	0	0	0	0		0
5 Taxes Other Than Income	52,527	1,699	54,226	(4,752)	49,474	(3,392)	46,082
6 Provision for Income Taxes	<u>21,055</u>	<u>(1,420)</u>	<u>19,635</u>	<u>28,757</u>	<u>48,392</u>	<u>(27,091)</u>	<u>21,301</u>
7 <b>Total Operating Expense</b>	<u>\$630,741</u>	<u>(\$190,478)</u>	<u>\$440,263</u>	<u>(\$48,594)</u>	<u>\$391,669</u>	<u>(\$30,483)</u>	<u>\$361,186</u>
8 <b>Operating Income</b>	<u>(\$205,470)</u>	<u>\$258,042</u>	<u>\$52,572</u>	<u>\$47,336</u>	<u>\$99,908</u>	<u>(\$44,902)</u>	<u>\$55,006</u>
9 <b>Rate Base</b>	<u>\$1,568,389</u>		<u>\$642,681</u>		<u>\$632,707</u>		<u>\$632,707</u>
10 <b>Rate of Return</b>	<u>-13.10%</u>		<u>8.18%</u>		<u>15.79%</u>		<u>8.69%</u>

Utilities Inc. of Pennbrooke Statement of Wastewater Operations Test Year Ended 09/30/11						Schedule No. 3-B Docket No. 120037-WS	
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Comm'n Adjust- ments	Comm'n Adjusted Test Year	Revenue Increase	Revenue Requirement
1 <b>Operating Revenues:</b>	<u>\$488,552</u>	<u>\$43,589</u>	<u>\$532,141</u>	<u>(\$43,664)</u>	<u>\$488,477</u>	<u>\$10,104</u> 2.07%	<u>\$498,581</u>
<b>Operating Expenses</b>							
2    Operation & Maintenance	<u>\$286,338</u>	<u>(\$18,448)</u>	<u>\$267,890</u>	<u>(\$35,997)</u>	<u>\$231,893</u>		<u>\$231,893</u>
3    Depreciation	(184,717)	266,379	81,662	(2,224)	79,438		79,438
4    Amortization	0	0	0	0	0		0
5    Taxes Other Than Income	43,814	6,865	50,679	(4,883)	45,796	455	46,250
6    Provisions for Income Taxes	<u>17,563</u>	<u>18,307</u>	<u>35,870</u>	<u>(141)</u>	<u>35,729</u>	<u>3,631</u>	<u>39,360</u>
7 <b>Total Operating Expense</b>	<u>\$162,998</u>	<u>\$273,103</u>	<u>\$436,101</u>	<u>(\$43,245)</u>	<u>\$392,856</u>	<u>\$4,086</u>	<u>\$396,941</u>
8 <b>Operating Income</b>	<u>\$325,554</u>	<u>(\$229,514)</u>	<u>\$96,040</u>	<u>(\$419)</u>	<u>\$95,621</u>	<u>\$6,018</u>	<u>\$101,640</u>
9 <b>Rate Base</b>	<u>\$922,091</u>		<u>\$1,174,099</u>		<u>\$1,169,111</u>		<u>\$1,169,111</u>
10 <b>Rate of Return</b>	<u>35.31%</u>		<u>8.18%</u>		<u>8.18%</u>		<u>8.69%</u>

Utilities Inc. of Pennbrooke Adjustment to Operating Income Test Year Ended 09/30/11		Schedule 3-C Docket No. 120037-WS	
Explanation	Water	Wastewater	
<u>Operating Revenues</u>			
Remove requested interim revenue increase.	<u>(\$1,258)</u>	<u>(\$43,664)</u>	
<u>Operation and Maintenance Expense</u>			
1 Salary and Pensions adjustments from prior case.	(\$73,358)	(\$45,597)	
2 To remove annualized Salaries adjustments.	21,674	18,014	
3 Duplicate mailing cost adjustment from prior rate case.	(7,834)	0	
4 Reflect approved rate case expense from prior case.	(10,815)	(8,708)	
5 Reflect bad expense consistent with prior case.	345	294	
Total	<u>(\$69,988)</u>	<u>(\$35,997)</u>	
<u>Depreciation Expense - Net</u>			
Phoenix Project Adjustment from last rate case.	<u>(\$2,611)</u>	<u>(\$2,224)</u>	
<u>Taxes Other Than Income</u>			
1 RAFs on revenue adjustments above.	(\$57)	(\$1,965)	
2 Salary and Pensions adjustments from prior case.	<u>(4,695)</u>	<u>(2,918)</u>	
Total	<u>(\$4,752)</u>	<u>(\$4,883)</u>	

<b>Utilities Inc. of Pennbrooke Water Monthly Service Rates Test Year Ended 09/30/11</b>		<b>Schedule No. 4-A Docket No. 120037-WS</b>		
	<b>Present Rates</b>	<b>Utility Requested Interim</b>	<b>Utility Requested Final</b>	<b>Comm'n Approved Interim</b>
<b>Residential, General Service</b>				
Base Facility Charge by Meter Size:				
5/8" x 3/4"	\$5.03	\$5.04	\$6.70	\$5.03
3/4"	\$7.34	\$7.36	\$9.77	\$7.34
1"	\$12.07	\$12.10	\$16.07	\$12.07
1-1/2"	\$24.57	\$24.63	\$32.70	\$24.57
2"	\$38.61	\$38.71	\$51.39	\$38.61
3"	\$78.69	\$78.89	\$104.74	\$78.69
4"	\$120.66	\$120.97	\$160.60	\$120.66
6"	\$245.51	\$246.14	\$326.79	\$245.51
Gallonge Charge, per 1,000 Gallons				
0 - 3,000 Gallons	\$1.86	\$1.86	\$2.48	\$1.86
3,001 - 6000 Gallons	\$1.95	\$1.96	\$2.60	\$1.95
6,001 - 10,000 Gallons	\$2.40	\$2.41	\$3.19	\$2.40
Over 10,000 Gallons	\$2.88	\$2.89	\$3.83	\$2.88
General Service Gallonge Charge	\$2.22	\$2.23	\$2.95	\$2.22
<b>Irrigation Residential, General Service</b>				
Base Facility Charge by Meter Size:				
5/8"	\$5.03	\$5.04	\$6.70	\$5.03
2"	\$38.61	\$38.71	\$51.39	\$38.61
3"	\$78.69	\$78.89	\$104.74	\$78.69
4"	\$120.66	\$120.97	\$160.60	\$120.66
Gallonge Charge, per 1,000 Gallons				
0 - 3,000 Gallons	\$1.86	\$1.86	\$2.48	\$1.86
3,001 - 6000 Gallons	\$1.95	\$1.96	\$2.60	\$1.95
6,001 - 10,000 Gallons	\$2.40	\$2.41	\$3.19	\$2.40
Over 10,000 Gallons	\$2.88	\$2.89	\$3.83	\$2.88
General Service Gallonge Charge	\$2.22	\$2.23	\$2.95	\$2.22
<b>Typical Residential Bills 5/8" x 3/4" Meter</b>				
3,000 Gallons	\$10.61	\$10.62	\$14.14	\$10.61
5,000 Gallons	\$14.51	\$14.54	\$19.34	\$14.51
10,000 Gallons	\$26.06	\$26.14	\$34.70	\$26.06
Average Usage of 8,895 Gallons	\$23.41	\$23.48	\$31.17	\$23.41

Utilities Inc. of Pennbrooke Wastewater Monthly Service Rates Test Year Ended 09/30/11		Schedule No. 4-B Docket No. 120037-WS		
	Present Rates	Utility Requested Interim	Utility Requested Final	Comm'n Approved Interim
<b><u>Residential</u></b>				
Base Facility Charge All Meter Sizes:	\$12.92	\$14.08	\$16.00	\$12.92
Gallonge Charge - Per 1,000 gallons (6,000 gallon cap)	\$4.17	\$4.54	\$5.16	\$4.17
<b><u>General Service</u></b>				
Base Facility Charge by Meter Size:				
5/8" x 3/4"	\$12.92	\$14.08	\$16.00	\$12.92
3/4"	\$19.06	\$20.77	\$23.60	\$19.06
1"	\$31.49	\$34.31	\$39.00	\$31.49
1-1/2"	\$63.63	\$69.33	\$78.80	\$63.63
2"	\$100.76	\$109.79	\$124.78	\$100.76
3"	\$203.83	\$222.09	\$252.41	\$203.83
4"	\$314.88	\$343.09	\$389.93	\$314.88
6"	\$636.55	\$693.36	\$788.02	\$636.55
Gallonge Charge, per 1,000 Gallons	\$5.01	\$5.46	\$6.20	\$5.01
<b>Reuse Service</b>	\$0.85	\$0.93	\$1.05	\$0.85
<b><u>Typical Residential Bills 5/8" x 3/4" Meter</u></b>				
3,000 Gallons	\$25.43	\$27.70	\$31.48	\$25.43
5,000 Gallons	\$33.77	\$36.78	\$41.80	\$33.77
10,000 Gallons (Wastewater Gallonge Cap - 6,000 Gallons)	\$37.94	\$41.32	\$46.96	\$37.94
Average Gallons of 4,588	\$32.05	\$34.91	\$39.67	\$32.05