

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for increase in water and
wastewater rates in Seminole County by
Sanlando Utilities Corporation.

DOCKET NO. 140060-WS
ORDER NO. PSC-14-0591-PCO-WS
ISSUED: October 22, 2014

The following Commissioners participated in the disposition of this matter:

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

ORDER SUSPENDING PROPOSED FINAL RATES AND APPROVING INTERIM RATES

BY THE COMMISSION:

BACKGROUND

Sanlando Utilities Corporation (Sanlando or Utility) is a Class A utility providing water and wastewater service to approximately 10,172 water and 8,428 wastewater customers in Seminole County. Water and wastewater rates were last established for this Utility in its 2011 rate case.¹

On July 1, 2014, Sanlando filed its application for the rate increase at issue. The Utility's application did not meet the minimum filing requirements (MFRs). On July 29, 2014, staff sent Sanlando a letter indicating deficiencies in the filing of its MFRs. Corrections to the MFRs are due no later than September 30, 2014. The Utility requested that the application be processed using the Proposed Agency Action (PAA) procedure and requested interim rates. The test year established for interim and final rates is the 13-month average period ended December 31, 2013.

Sanlando requested an interim revenue increase of \$324,552 (7.8 percent) for water and no revenue increase for wastewater. The Utility requested final revenue increases of \$654,796 (15.7 percent) for water and \$537,442 (13.7 percent) for wastewater.

The original 60-day statutory deadline for us to suspend the Utility's requested final rates and approve interim rates was September 1, 2014. However, by letter dated July 11, 2014, the Utility agreed to extend the time by which we are required to suspend the proposed rates and authorize interim rates through the September 4, 2014, Commission Conference. By a subsequent letter dated August 19, 2014, the Utility agreed to extend the time by which we are

¹ See Order No. PSC-13-0085-PAA-WS, issued February 14, 2013, in Docket No. 110257-WS, In re: Application for increase in water and wastewater rates in Seminole County by Sanlando Utilities Corporation.

required to suspend the proposed rates and authorize interim rates through the October 2, 2014 Commission Conference.

This Order addresses the suspension of Sanlando's requested final rates and its requested interim rates. We have jurisdiction pursuant to Sections 367.081 and 367.082, Florida Statutes (F.S.).

DECISION

Suspension of Proposed Final Rate Increase

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. As previously stated, the Utility has extended the 60 day deadline until October 2, 2014. 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.

We have reviewed the filing and has considered the information filed in support of the rate application and the proposed final rates. We find that further investigation of this information, including on-site investigations by our staff, is warranted. Based on the foregoing, we find that the Utility's proposed final rate increase shall be suspended.

Approval of Interim Revenue Increases

As stated, on July 1, 2014, Sanlando filed its rate base, cost of capital, and net operating income statements to support its requested interim increase in water rates. Pursuant to Section 367.082(1), F.S., in order to establish a prima facie entitlement for interim relief, the Utility shall demonstrate that it is earning outside the range of reasonableness on its rate of return. Pursuant to Section 367.081(2)(a), F.S., in a proceeding for an interim increase in rates, we 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. Based on the Utility's filing and our adjustments below, we find that the Utility has demonstrated a prima facie entitlement in accordance with Section 367.082(1), F.S., for its 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. We have reviewed Sanlando's interim request, as well as Order No. PSC-13-0085-PAA-WS,² in which our last established rates for this utility. Our adjustments are discussed below. We have attached accounting schedules to illustrate our approved rate base, capital structure, and test year operating income amounts. Rate base for water and wastewater are labeled as Schedule Nos. 1-A and 1-B, respectively, with the adjustments shown on Schedule No. 1-C. Capital structure is labeled as Schedule No. 2.

² See Order No. PSC-13-0085-PAA-WS, issued February 14, 2013, in Docket No. 110257-WS, In re: Application for increase in water and wastewater rates in Seminole County by Sanlando Utilities Corporation.

Operating income for water and wastewater are labeled as Schedule Nos. 3-A and 3-B, respectively, with the adjustments shown on Schedule No. 3-C.

Rate Base

Pursuant to Section 367.082(5)(b)1., F.S., the achieved rate of return for interim purposes must be calculated by applying adjustments consistent with adjustments made in the Utility's most recent rate proceeding. Based on our review, adjustments are necessary to remove amounts from the plant in service balances associated with the Utility's Phoenix Project. Those amounts equate to reductions of \$65,372 for water and \$51,593 for wastewater. A corresponding adjustment is also necessary to decrease accumulated depreciation for water and wastewater by \$3,269 and \$2,580, respectively. In addition, accumulated depreciation shall be further reduced by \$47,900 for water, and \$37,377 for wastewater, to reflect the adjustment made in the last rate case to increase the depreciation life of the Phoenix Project. This adjustment is consistent with the methodology used in the Utility's last rate case.

In its MFRs, the Utility included an adjustment to increase accumulated depreciation for wastewater by \$105,929 to annualize accumulated depreciation for plant additions related to the Wekiva-Apopka Reuse Main and the Welova Belt Press. We find that the Utility's proposed adjustments for annualizing the accumulated depreciation are pro forma because they are outside the interim historic test year, thus, the Utility's adjustment shall be removed from the interim test year wastewater accumulated depreciation balance.

Pursuant to Rule 25-30.433(2), Florida Administrative Code (F.A.C.), working capital for class A utilities shall be calculated using the Balance Sheet Method. In the Utility's MFRs, unamortized rate case expense was not included in working capital for the interim test year. To appropriately reflect the amount of unamortized rate case expense from the last two rate cases, we increased working capital by \$117,449 for water and \$92,505 for wastewater. These adjustments were calculated by taking one-half of the total rate case expense for the last two rate cases.^[3,4] This treatment is consistent with the methodology applied in the last rate case.

Pursuant to Section 367.082, F.S., the method used to calculate Used and Useful (U&U) in Sanlando's last rate case must be used for interim purposes. By Order No. PSC-13-0085-PAA-WS, we found that Sanlando's water and wastewater systems were 100 percent U&U. Therefore, no U&U adjustments are necessary for interim purposes.

Based on the above, we find that Sanlando's interim water rate base shall be \$8,543,246, and the wastewater rate base shall be \$11,343,389.

Cost of Capital

In its MFRs, Sanlando requested a weighted average cost of capital of 7.47 percent based on a return on common equity of 9.60 percent. Based on our review of the MFRs and Order No.

³ Id.

⁴ See Order No. PSC-10-0423-WS, issued July 1, 2010, in Docket No. 090402-WS, In re: Application for increase in water and wastewater rates in Seminole County by Sanlando Utilities Company, p. 23.

PSC-13-0085-PAA-WS from the Utility's last rate case proceeding, we find that no cost of capital adjustments are necessary. Therefore, we find that the appropriate interim weighted average cost of capital is 7.47 percent.

Net Operating Income

To attain the appropriate amount of interim test year operating revenues, we removed the Utility's requested interim revenue increase of \$324,552 for water. Sanlando did not request an interim increase for wastewater. Pursuant to Section 367.082(5)(b)1., F.S., the achieved rate of return for interim purposes must be calculated by applying adjustments consistent with adjustments made in the Utility's most recent rate proceeding and annualizing any rate changes. Based on our review, several adjustments to operation and maintenance (O&M) expenses, depreciation expense, and taxes other than income (TOTI) are necessary for interim purposes.

First, regarding O&M expenses, we reduced the expense for salaries and pensions by \$296,448 (\$229,370 + \$67,078) for water and increased the expense for salaries and pensions for wastewater by \$234,363 (\$176,773 + \$57,590) to reflect the benchmark adjustment for customer growth and inflation used in the Utility's last rate case.

Second, in the Utility's last rate proceeding, we disallowed the costs associated with duplicative billing related to a separate water bill in addition to a reuse bill. Accordingly, O&M expenses shall be reduced by \$5,985 for water to remove the cost for duplicative bills.

Third, we reduced depreciation expense by \$6,537 for water and \$5,159 for wastewater to reflect the adjustment made to rate base for the Phoenix Project, discussed earlier. In addition, an adjustment to reduce depreciation expense by \$24,299 for water and \$18,961 for wastewater is also necessary to reflect the appropriate depreciation expense related to the Phoenix Project depreciation life of 10 years. These adjustments are consistent with those made in the last rate case.

Fourth, in its MFRs, the Utility recorded an annual amortization for rate case expense of \$63,137 for water and \$49,789 for wastewater. To reflect our approved annual amortization amounts associated with the Utility's last two rate cases, we reduced rate case expense by \$4,524 for water and \$3,695 for wastewater.

Fifth, Sanlando included an adjustment to increase depreciation expense for wastewater by \$105,929 to annualize depreciation expense for plant additions related to the Wekiva-Apopka Reuse Main and the Welova Belt Press. We find that the Utility's proposed adjustments for annualizing the depreciation expense are pro forma because they are outside the interim historic test year and shall be removed from the interim net operating income calculation.

Sixth, we made adjustments to TOTI to reflect the revenue and O&M adjustments cited above. We reduced the regulatory assessment fees (RAFs) for water by \$14,605 to reflect the removal of the Utility's requested revenue increase. Next, to reflect our adjustment to salary expense, we decreased payroll tax expense by \$17,547 for water and increased payroll tax expense by \$13,523 for wastewater.

Based on the above, we find that the appropriate test year operating income, before any interim revenue increase, is \$815,492 for water and \$609,078 for wastewater.

Revenue Requirement

In the Utility's last rate case, we shifted \$625,000 from the wastewater revenue requirement to the water revenue requirement to allocate some of the reuse system costs from wastewater to water. The shift in revenue was accomplished through a rate structure design whereby the gallonage charges for water were increased to allow the Utility the opportunity to recover the reuse system costs from water consumption revenue.

In its filing, Sanlando calculated revenue requirements of \$4,492,844 for water and \$3,935,620 for wastewater. In its MFRs, the Utility calculated an interim revenue increase of \$63,202 and \$261,350 for water and wastewater, respectively. Consistent with the methodology used in the last rate case, the Utility shifted its calculated revenue increase from wastewater to water which resulted in its requested revenue interim increase of \$324,552 for water, and a zero increase for wastewater.

We calculated water and wastewater interim revenue requirements of \$4,270,819 and \$3,935,620, respectively. These revenue requirements represent a revenue decrease of \$297,609 for water and a revenue increase of \$400,136 for wastewater. In the Utility's last rate case, we determined that reducing water rates would send an adverse price signal to Sanlando's customers. We found that due to the Utility's high average usage per customer, low rates, and the need to send stronger price signals to achieve conservation, it was appropriate to allocate reuse costs to the water system. Consistent with the methodology used in the last rate case, we find that all of the wastewater revenue increase be shifted to water. When the wastewater revenue increase of \$400,136 is shifted to water, the resulting interim revenue increase is \$102,527 (\$400,136 - \$297,609) for water and \$0 for wastewater.

As such, we find that water and wastewater revenue requirements are \$4,270,819 and \$3,935,620, respectively, for interim purposes. This results in an increase of \$102,527 (or 2.46 percent) for water and zero for wastewater. The approved water and wastewater revenue requirement will allow the Utility, on a total company basis, the opportunity to recover its operating expenses and earn the minimum a 7.47 percent return on its total rate base.

Interim Water and Wastewater Rates

Interim service rates for Sanlando shall be designed to allow the utility the opportunity to generate annual operating revenues of \$4,270,819 for water. Before removal of miscellaneous revenues, this would result in an increase of \$102,527 (2.46 percent) for water. To determine the appropriate increase to apply to the service rates, miscellaneous revenues shall be removed from the test year revenues. The calculation is as follows:

Table 1

| | | <u>Water</u> |
|---|---|------------------|
| 1 | Total Test Year Revenues | \$4,168,292 |
| 2 | Less: Miscellaneous Revenues | <u>\$33,940</u> |
| 3 | Test Year Revenues from Service Rates | \$4,134,352 |
| 4 | Revenue Increase | <u>\$102,527</u> |
| 5 | % Service Rate Increase (Line 4/Line 3) | 2.48% |

The interim rate increase of 2.48 percent for water shall be applied as an across-the-board increase to the existing rates. The approved rates shall be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), F.A.C. The Utility shall file revised tariff sheets and a proposed customer notice to reflect our approved interim rates. In addition, the approved rates shall not be implemented until the required security has been filed, we have approved the proposed customer notice, and the notice has been received by the customers. The Utility shall provide proof of the date notice was given within 10 days of the date of the notice.

Appropriate Security to Guarantee the Interim Increase

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 us. Sanlando has requested an annual interim revenue increase of \$324,552 for water only. As approved above, the annual interim increase for water is \$102,257. In accordance with Rule 25-30.360, F.A.C., we calculated the potential refund of revenues and interest collected under interim conditions to be \$59,819. This amount is based on an estimated seven months of revenue being collected under the approved interim rates shown on Schedule No. 4.

Sanlando is a wholly-owned subsidiary of UI, which provides all investor capital to its subsidiaries. Based on the amount subject to refund for the Utility, the incremental increase in UI's corporate undertaking is \$59,819. The current cumulative corporate undertaking amount outstanding for other UI systems is \$49,622.⁵ The new request will bring the cumulative amount outstanding to \$109,441.

⁵ By Order No. PSC-13-0673-FOF-WS, we approved an annual interim revenue increase of \$85,052 for water for Cypress Lakes Utilities, Inc., which is also a wholly-owned subsidiary of UI. Specifically, we approved a corporate undertaking of \$49,622 to secure the interim rate increase granted. Issued December 19, 2013, in Docket No. 130212-WS, In re: Application for increase in water/wastewater rates in Polk County by Cypress lakes Utilities, Inc.

The criteria for a corporate undertaking include sufficient liquidity, ownership equity, profitability, and interest coverage to guarantee any potential refund. We have reviewed UI's 2011, 2012, and 2013 financial statements to determine if the company can support a corporate undertaking on behalf of its subsidiary. In its financial statements, UI reported both an insufficient working capital amount and an inadequate current ratio in 2012 and 2013. In 2013, UI had an insufficient interest coverage ratio. However, in all other time periods, the company achieved sufficient liquidity and interest coverage ratios. In addition, UI reported adequate ownership equity over the three-year review period. UI also reported net income in excess of \$5 million a year in all periods.

Based on our review of the financial reports submitted by UI, we find that UI has adequate resources to support a corporate undertaking in the amount requested. Based on this analysis, we find that a cumulative corporate undertaking of \$109,441 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 final water and wastewater rates requested by Sanlando Utilities Corporation is hereby suspended in accordance with Section 367.081(6), F.S. It is further

ORDERED that the request for an interim increase in water and wastewater rates by Sanlando Utilities Corporation is hereby granted to the extent set forth in the body of this Order. It is further

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

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

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

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

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

ORDERED that a cumulative corporate undertaking for Sanlando Utilities Corporation shall be acceptable contingent upon receipt of the written guarantee of the parent company, Utilities, Inc. (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). It is further

ORDERED that UI shall be required to file a corporate undertaking on behalf of its subsidiaries to guarantee any potential refunds of revenues collected under interim conditions. It is further

ORDERED that UI's total guarantee shall be a cumulative amount of \$109,441, which includes an amount of \$59,819 subject to refund in this docket. It is further

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

ORDERED that 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.

ORDERED that this docket shall remain open pending our final action on Sanlando Utilities Corporation's requested rate increase.

By ORDER of the Florida Public Service Commission this 22nd day of October, 2014.


CARLOTTA S. STAUFFER
Commission Clerk
Florida Public Service Commission
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Tallahassee, Florida 32399
(850) 413-6770
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Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

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

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

| Sanlando Utilities Corporation | | | | Schedule No. 1-B | |
|---|--------------------------------------|--------------------------------------|---|---|--|
| Schedule of Wastewater Rate Base | | | | Docket No. 140060-WS | |
| Test Year Ended 12/31/2013 | | | | | |
| Description | Test Year Per Utility | Utility Adjust- ments | Adjusted Test Year Per Utility | Commission Adjust- ments | Commission Adjusted Test Year |
| 1 Plant in Service | \$27,282,234 | \$1,468,824 | \$28,751,058 | (\$51,593) | \$28,699,465 |
| 2 Land and Land Rights | 203,894 | (14) | 203,880 | 0 | 203,880 |
| 3 Non-used and Useful Components | 0 | 0 | 0 | 0 | 0 |
| 4 Accumulated Depreciation | (15,335,542) | (1,229,790) | (16,565,332) | 145,886 | (16,419,446) |
| 5 CIAC | (11,976,178) | (420) | (11,976,598) | 0 | (11,976,598) |
| 6 Amortization of CIAC | 10,603,129 | 0 | 10,603,129 | 0 | 10,603,129 |
| 7 Construction Work in Progress | 1,792,058 | (1,792,058) | 0 | 0 | 0 |
| 8 Working Capital Allowance | <u>0</u> | <u>140,455</u> | <u>140,455</u> | <u>92,505</u> | <u>232,960</u> |
| 9 Rate Base | <u>\$12,569,595</u> | <u>(\$1,413,003)</u> | <u>\$11,156,592</u> | <u>\$186,797</u> | <u>\$11,343,389</u> |

| Sanlando Utilities Corporation | | Schedule No. 1-C | |
|--|-------------------|-----------------------------|--|
| Adjustments to Rate Base | | Docket No. 140060-WS | |
| Test Year Ended 12/31/2013 | | | |
| Explanation | Water | Wastewater | |
| <u>Plant In Service</u> | | | |
| Reflect COA Phoenix Project Adjustment for divestitures. | <u>(\$65,372)</u> | <u>(\$51,593)</u> | |
| <u>Accumulated Depreciation</u> | | | |
| 1 Reflect COA Phoenix Project Adjustment for divestitures. | \$3,269 | \$2,580 | |
| 2 Reflect COA for Phoenix Project 10-yr. Dep. Life. | 47,900 | 37,377 | |
| 3 Remove annualized Accumulated Dep. | <u>0</u> | <u>105,929</u> | |
| Total | <u>\$51,169</u> | <u>\$145,886</u> | |
| <u>Working Capital</u> | | | |
| Reflect appropriate Deferred rate case expense. | <u>\$117,449</u> | <u>\$92,505</u> | |

| Sanlando Utilities Corporation | | | Schedule No. 1-A | | |
|---------------------------------------|--------------------------------------|--------------------------------------|---|---|--|
| Schedule of Water Rate Base | | | Docket No. 140060-WS | | |
| Test Year Ended 12/31/2013 | | | | | |
| Description | Test Year Per Utility | Utility Adjust- ments | Adjusted Test Year Per Utility | Commission Adjust- ments | Commission Adjusted Test Year |
| 1 Plant in Service | \$26,039,977 | (\$1,497,684) | \$24,542,293 | (\$65,372) | \$24,476,921 |
| 2 Land and Land Rights | 97,286 | (18) | 97,268 | 0 | 97,268 |
| 3 Non-used and Useful Components | 0 | 0 | 0 | 0 | 0 |
| 4 Accumulated Depreciation | (15,022,215) | 1,146,809 | (13,875,406) | 51,169 | (13,824,237) |
| 5 CIAC | (11,147,950) | (463) | (11,148,413) | 0 | (11,148,413) |
| 6 Amortization of CIAC | 8,755,443 | 0 | 8,755,443 | 0 | 8,755,443 |
| 7 Construction Work in Progress | 174,744 | (174,744) | 0 | 0 | 0 |
| 8 Working Capital Allowance | <u>0</u> | <u>68,815</u> | <u>68,815</u> | <u>117,449</u> | <u>186,264</u> |
| 9 Rate Base | <u>\$8,897,285</u> | <u>(\$457,285)</u> | <u>\$8,440,000</u> | <u>\$103,246</u> | <u>\$8,543,246</u> |

| Sanlando Utilities Corporation Capital Structure-13-Month Test Year Ended 12/31/2013 | | | | | | | Schedule No. 2 Docket No. 140060-WS | | |
|--|----------------------|------------------------------|---------------------------------|-----------------------------|---------------------------------------|----------------|--|------------------|--|
| Description | Total Capital | Specific Adjust- ments | Subtotal Adjusted Capital | Prorata Adjust- ments | Capital Reconciled to Rate Base | Ratio | Cost Rate | Weighted Cost | |
| Per Utility | | | | | | | | | |
| 1 Long-term Debt | \$180,000,000 | \$0 | \$180,000,000 | (\$170,798,254) | \$9,201,746 | 46.96% | 6.64% | 3.12% | |
| 2 Short-term Debt | 9,315,385 | 0 | 9,315,385 | (8,839,401) | 475,984 | 2.43% | 2.82% | 0.07% | |
| 3 Preferred Stock | 0 | 0 | 0 | 0 | 0 | 0.00% | 0.00% | 0.00% | |
| 4 Common Equity | 170,208,617 | 0 | 170,208,617 | (161,508,583) | 8,700,034 | 44.40% | 9.60% | 4.26% | |
| 5 Customer Deposits | 49,549 | 0 | 49,549 | 0 | 49,549 | 0.25% | 6.00% | 0.02% | |
| 6 Deferred Income Taxes | <u>1,169,279</u> | <u>0</u> | <u>1,169,279</u> | <u>0</u> | <u>1,169,279</u> | <u>5.97%</u> | 0.00% | <u>0.00%</u> | |
| 7 Total Capital | <u>\$360,742,830</u> | <u>\$0</u> | <u>\$360,742,830</u> | <u>(\$341,146,238)</u> | <u>\$19,596,592</u> | <u>100.00%</u> | | <u>7.47%</u> | |
| Per Commission | | | | | | | | | |
| 8 Long-term Debt | \$180,000,000 | \$0 | \$180,000,000 | (\$171,337,811) | \$9,346,262 | 47.00% | 6.64% | 3.12% | |
| 9 Short-term Debt | 9,315,385 | 0 | 9,315,385 | (8,867,098) | 483,689 | 2.43% | 2.82% | 0.07% | |
| 10 Preferred Stock | 0 | 0 | 0 | 0 | 0 | 0.00% | 0.00% | 0.00% | |
| 11 Common Equity | 170,208,617 | 0 | 170,208,617 | (162,017,622) | 8,837,857 | 44.44% | 9.60% | 4.27% | |
| 12 Customer Deposits | 49,549 | 0 | 49,549 | 0 | 49,549 | 0.25% | 6.00% | 0.01% | |
| 13 Deferred Income Taxes | <u>1,169,279</u> | <u>0</u> | <u>1,169,279</u> | <u>0</u> | <u>1,169,279</u> | <u>5.88%</u> | 0.00% | <u>0.00%</u> | |
| 14 Total Capital | <u>\$360,742,830</u> | <u>\$0</u> | <u>\$360,742,830</u> | <u>(\$342,222,532)</u> | <u>\$19,886,635</u> | <u>100.00%</u> | | <u>7.47%</u> | |
| | | | | | | LOW | HIGH | | |
| RETURN ON EQUITY | | | | | | <u>9.60%</u> | <u>11.60%</u> | | |
| OVERALL RATE OF RETURN | | | | | | <u>7.47%</u> | <u>8.36%</u> | | |

| Sanlando Utilities Corporation Statement of Water Operations Test Year Ended 12/31/2013 | | | | | | Schedule No. 3-A Docket No. 140060-WS | |
|--|--------------------------------------|--------------------------------------|---|---|--|--|--------------------------------|
| Description | Test Year Per Utility | Utility Adjust- ments | Adjusted Test Year Per Utility | Commission Adjust- ments | Commission Adjusted Test Year | Revenue Increase | Revenue Requirement |
| 1 Operating Revenues: | <u>\$4,076,016</u> | <u>\$416,828</u> | <u>\$4,492,844</u> | <u>(\$324,552)</u> | <u>\$4,168,292</u> | <u>\$102,527</u> 2.46% | <u>\$4,270,819</u> |
| Operating Expenses | | | | | | | |
| 2 Operation & Maintenance | \$2,054,858 | (\$18,845) | \$2,036,013 | (\$306,687) | \$1,729,326 | 0 | \$1,729,326 |
| 3 Depreciation | 911,369 | (3,903) | 907,466 | (30,836) | 876,630 | 0 | 876,630 |
| 4 Amortization | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 5 Taxes Other Than Income | 478,042 | (25,904) | 452,138 | (32,152) | 419,986 | 4,6140 | 424,600 |
| 6 Income Taxes | <u>380,867</u> | <u>(69,778)</u> | <u>311,089</u> | <u>15,768</u> | <u>326,857</u> | <u>36,845</u> | <u>363,702</u> |
| 7 Total Operating Expense | <u>3,825,136</u> | <u>(118,430)</u> | <u>3,706,706</u> | <u>(353,428)</u> | <u>3,352,800</u> | <u>41,4580</u> | <u>3,394,258</u> |
| 8 Operating Income | <u>\$250,880</u> | <u>\$535,258</u> | <u>\$786,138</u> | <u>\$29,354</u> | <u>\$815,492</u> | <u>\$61,068</u> | <u>\$876,561</u> |
| 9 Rate Base | <u>\$8,897,285</u> | | <u>\$8,440,000</u> | | <u>\$8,543,246</u> | | <u>\$8,543,246</u> |
| 10 Rate of Return | <u>2.82%</u> | | <u>9.31%</u> | | <u>9.55%</u> | | <u>10.26%</u> |

| Sanlando Utilities Corporation Statement of Wastewater Operations Test Year Ended 12/31/2013 | | | | | | Schedule No. 3-B Docket No. 140060-WS | |
|--|-----------------------------|-----------------------------|--------------------------------------|--------------------------------|-------------------------------------|--|------------------------|
| Description | Test Year Per Utility | Utility Adjust- ments | Adjusted Test Year Per Utility | Commission Adjust- ments | Commission Adjusted Test Year | Revenue Increase | Revenue Requirement |
| 1 Operating Revenues: | <u>\$3,888,457</u> | <u>\$47,163</u> | <u>\$3,935,620</u> | <u>\$0</u> | <u>\$3,935,620</u> | <u>\$0</u> 0.00% | <u>\$3,935,620</u> |
| Operating Expenses | | | | | | | |
| 2 Operation & Maintenance | 2,009,026 | (15,374) | 1,993,652 | 230,668 | 2,224,320 | 0 | 2,224,320 |
| 3 Depreciation | 538,829 | 103,169 | 641,998 | (130,049) | 511,949 | 0 | 511,949 |
| 4 Amortization | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 5 Taxes Other Than Income | 384,902 | 43,660 | 428,562 | 13,523 | 442,085 | 0 | 442,085 |
| 6 Income Taxes | <u>39</u> | <u>193,644</u> | <u>193,683</u> | <u>(45,495)</u> | <u>148,188</u> | <u>0</u> | <u>148,188</u> |
| 7 Total Operating Expense | <u>\$2,932,796</u> | <u>\$325,099</u> | <u>\$3,257,895</u> | <u>\$68,647</u> | <u>\$3,326,542</u> | <u>\$0</u> | <u>\$3,326,542</u> |
| 8 Operating Income | <u>\$955,661</u> | <u>(\$277,936)</u> | <u>\$677,725</u> | <u>(\$68,647)</u> | <u>\$609,078</u> | <u>\$0</u> | <u>\$609,078</u> |
| 9 Rate Base | <u>\$12,569,595</u> | | <u>\$11,156,592</u> | | <u>\$11,343,389</u> | | <u>\$11,343,389</u> |
| 10 Rate of Return | <u>7.60%</u> | | <u>6.07%</u> | | <u>5.37%</u> | | <u>5.37%</u> |

| Sanlando Utilities Corporation | | Schedule No. 3-C | |
|--|--------------------|-----------------------------|--|
| Adjustment to Operating Income | | Docket No. 140060-WS | |
| Test Year Ended 12/31/2013 | | | |
| Explanation | Water | Wastewater | |
| <u>Operating Revenues</u> | | | |
| Remove requested interim revenue increase. | <u>(\$324,552)</u> | <u>\$0</u> | |
| <u>Operation and Maintenance Expense</u> | | | |
| 1 Reflect COA for appropriate amount of total salaries. | (\$229,370) | \$176,773 | |
| 2 Reflect COA for appropriate amount of pensions & benefits. | (67,078) | 57,590 | |
| 3 Reflect COA for duplicative bills. | (5,985) | 0 | |
| 4 Reflect approved RCE from prior rate cases. | <u>(4,254)</u> | <u>(3,695)</u> | |
| Total | <u>(\$306,687)</u> | <u>\$230,668</u> | |
| <u>Depreciation Expense - Net</u> | | | |
| 1 Reflect COA for Phoenix Project. | (\$6,537) | (\$5,159) | |
| 2 Reflect COA for Phoenix Project 10-yr. Depreciation Adj. | (24,299) | (18,961) | |
| 3 Remove annualized Dep. Exp. | 0 | <u>(105,929)</u> | |
| Total | <u>(\$30,836)</u> | <u>(\$130,049)</u> | |
| <u>Taxes Other Than Income</u> | | | |
| 1 RAFs on revenue adjustments above. | (\$14,605) | \$0 | |
| 2 Reflect payroll taxes consistent with LRC. | <u>(17,547)</u> | <u>13,523</u> | |
| Total | <u>(\$32,152)</u> | <u>\$13,523</u> | |

| SANLANDO UTILITY CORPORATION | | SCHEDULE NO. 4 | | |
|--|----------------|-----------------------------|------------------|-------------------|
| TEST YEAR ENDED DECEMBER 31, 2013 | | DOCKET NO. 140060-WS | | |
| MONTHLY WATER RATES | | | | |
| | CURRENT | UTILITY | UTILITY | COMMISSION |
| | RATES | REQUESTED | REQUESTED | APPROVED |
| | | INTERIM | FINAL | INTERIM |
| <u>Residential, Multi-Residential, Bulk, and General Service</u> | | | | |
| Base Facility Charge by Meter Size | | | | |
| 5/8"X3/4" | \$4.45 | \$4.85 | \$5.20 | \$4.56 |
| 3/4" | \$6.69 | \$7.28 | \$7.80 | \$6.86 |
| 1" | \$11.14 | \$12.13 | \$13.00 | \$11.42 |
| 1-1/2" | \$22.29 | \$24.25 | \$26.00 | \$22.84 |
| 2" | \$36.66 | \$38.80 | \$41.60 | \$37.57 |
| 3" | \$71.31 | \$72.75 | \$78.00 | \$73.08 |
| 4" | \$111.43 | \$121.25 | \$130.00 | \$114.19 |
| 6" | \$222.85 | \$242.50 | \$260.00 | \$228.38 |
| 8" | \$401.60 | \$388.00 | \$416.00 | \$411.56 |
| Charge per 1,000 Gallons - Residential | | | | |
| 0-6,000 Gallons | \$0.88 | \$0.96 | \$1.03 | \$0.90 |
| 6,001 - 10,000 Gallons | \$0.96 | \$1.05 | \$1.12 | \$0.98 |
| 10,000 - 15,000 Gallons | \$1.44 | \$1.56 | \$1.67 | \$1.48 |
| Over 15,000 Gallons | \$1.91 | \$2.07 | \$2.22 | \$1.96 |
| Charge per 1,000 Gallons - Multi-Residential, Bulk, and General Service | | | | |
| | \$1.41 | \$1.53 | \$1.64 | \$1.44 |
| <u>Private Fire Protection</u> | | | | |
| 1-1/2" | \$1.86 | \$2.02 | \$2.17 | \$1.91 |
| 2" | \$2.97 | \$3.23 | \$3.46 | \$3.04 |
| 4" | \$9.28 | \$10.09 | \$10.83 | \$9.51 |
| 6" | \$18.58 | \$20.18 | \$21.67 | \$19.04 |
| 8" | \$33.47 | \$36.32 | \$39.00 | \$34.30 |
| <u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u> | | | | |
| 3,000 Gallons | \$7.09 | \$7.73 | \$8.29 | \$7.26 |
| 5,000 Gallons | \$8.85 | \$9.65 | \$10.35 | \$9.06 |
| 10,000 Gallons | \$13.57 | \$14.81 | \$15.86 | \$13.88 |