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. 090402-WS ORDER NO. PSC-10-0423-PAA-WS ISSUED: July 1, 2010

The following Commissioners participated in the disposition of this matter:

NANCY ARGENZIANO, Chairman
LISA POLAK EDGAR
NATHAN A. SKOP

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING INCREASE IN RATES AND CHARGES
FINAL ORDER APPROVING
FOUR YEAR RATE REDUCTION AND
PROOF OF ADJUSTMENT OF BOOKS AND RECORDS

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein, except for the four-year rate reduction and proof of adjustment of books and records, is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code (F.A.C.).

Background

Utilities, Inc. (UI or parent) is an Illinois corporation which owns approximately 75 subsidiaries throughout 15 states including 15 water and wastewater utilities within the State of Florida. Currently, UI has six separate rate case dockets pending before us. These dockets are as follows:

Docket No.	Utility Subsidiary
090349-WS	Cypress Lakes Utilities
090381-SU	Utilities, Inc. of Longwood
090392-WS	Utilities, Inc. of Pennbrooke
090402-WS	Sanlando Utilities Corporation
090462-WS	Utilities, Inc. of Florida
090531-WS	Lake Placid Utilities, Inc.

This Order addresses Docket No. 090402-WS. Sanlando Utilities Corporation (Sanlando or Utility) is a Class A utility providing service to approximately 10,154 water and 8,242 wastewater customers in Seminole County. Sanlando is a wholly-owned subsidiary of UI. Water and wastewater rates were last established for this Utility in its 2006 rate case.[1]

On September 30, 2009, Sanlando filed its Application for Rate Increase at issue in the instant docket. The Utility requested that the application be processed using the Proposed Agency Action (PAA) procedure and requested interim rates. Sanlando had deficiencies in the Minimum Filing Requirements (MFRs). The deficiencies were corrected and December 4, 2009, was established as the official filing date. The test year established for interim and final rates is the 13-month average period ended December 31, 2008.

Sanlando requested interim rates for both its water and wastewater systems. By Order No. PSC-10-0018-PCO-WS, we approved interim rates designed to generate annual water revenues of $3,397,716, an increase of $171,388 or 5.31 percent, and wastewater revenues of $3,964,451, an increase of $401,564 or 11.27 percent.[2] The Utility requested final rates designed to generate annual water revenues of $3,634,507, an increase of $460,784 or 14.52 percent, and annual wastewater revenues of $4,145,692, an increase of $582,806 or 16.36 percent.

On March 18, 2010, the Office of Public Counsel (OPC) filed a Notice of Intervention in this docket. By Order No. PSC-10-0201-PCO-WS, we acknowledged OPC's intervention.[3]

By letter dated April 13, 2010, the Utility waived the statutory 5-month deadline for this case through June 1, 2010. By this Order, we address Sanlando's final rates. We have jurisdiction pursuant to Section 367.081, Florida Statutes (F.S.).

QUALITY OF SERVICE

Pursuant to Rule 25-30.433(1), F.A.C., we determine the overall quality of service provided by a Utility by evaluating three separate components of operations, including the quality of the Utility's product, the operational condition of the Utility's plants and facilities, and the Utility's attempt to address customer satisfaction. Comments or complaints we received from customers are reviewed. The Utility's current compliance with the Department of Environmental Protection (DEP) is also considered.

Sanlando is current in all of the required chemical analyses, and the Utility has met all required standards for both water and wastewater. The water and wastewater treatment facilities are currently in compliance with the DEP rules and regulations. A field investigation of Sanlando was conducted on January 21, 2010. We found no apparent problems with the operations of either the water or wastewater treatment facilities. Based on a review of the maintenance records and a physical inspection, the general condition of the facilities appeared to be adequate. Therefore, we find that the operating condition of the Utility's water and wastewater plants is satisfactory.

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[1] See Order No. PSC-07-0205-PAA-WS, issued March 6, 2007, in Docket No. 060258-WS, In re: Application for increase in water and wastewater rates in Seminole County by Sanlando Utilities Corp.
[2] See Order No. PSC-10-0018-PCO-WS, issued January 6, 2010.
[3] See Order No. PSC-10-0201-PCO-WS, issued April 1, 2010.

Customer Meeting A customer meeting was held on February 23, 2010, near the service area at the Eastmonte Civic Center in Altamonte Springs, Florida. Ten customers attended the evening meeting. One of the four customers who spoke asked about the Utility's cost of doing business and whether it is operating efficiently. Another customer had concerns over water use, the Utility's water conservation efforts, the need for increased customer education regarding conservation, and the importance of dedicating a portion of the rate increase to conservation projects. A customer, who is a manager of a condominium project, was interested in not being charged sewer rates for water used as irrigation. The only service-related comments came from a customer who described meter boxes in his complex that are unlevel and in need of being reset, problems with making contact to request service, and the Utility's response time and customer contact when problems occur.

Correspondence We received correspondence from five customers who expressed similar concerns over the proposed rate increase. One customer, after witnessing the Utility's technicians working in his area, has become concerned about inadequately trained employees and whether repairs were done properly. He also pointed out that a valve in the area had been leaking since February of 2009. This customer believes that if the Utility provided adequate training to its employees and held their contractors responsible for their work, the Utility would realize savings that would offset or eliminate the need for the requested increase.

Customer Complaints Since 2007, there have been six customer complaints filed with us. All, except one, are billing-related complaints. The only service related complaint dealt with a line upgrade needed to address pressure problems on a single street. There are currently no active complaints on file.

In review of the customer complaints logged with the Utility during the test year as reported in its filing, water complaints range from low pressure and water quality to small leaks around meter installations and large leaks due to main breaks. For wastewater, there were complaints about sewage backups, force main leaks, and liftstation alarms. The Utility appeared to address customer complaints satisfactorily by addressing these problems as they occurred and by timely correcting the problem when it was clearly the responsibility of the Utility to correct. When the problem was found to be the customer's responsibility, the Utility worked with the customer by informing them of what the problem was found to be.

Sanlando's Response To Quality Of Service Concerns In response to the customer's concern about the meter boxes being off grade and being able to get in contact with service representatives, the Utility reported that two of the meter boxes in question were found to be affected by the growth of tree roots. Another box in the area was found to be off grade. All three meter boxes were reset to finished grade. In reference to customer contacts, the Utility noted that it is customary to respond within one business day to investigate service problems and identify whether the Utility or customer has responsibility for the problem. If a leak is reported after normal business hours or weekends or holidays, it is customary for the Utility to respond within 24 hours. If the Utility's investigation indicates that a leak is the customer's responsibility, Utility personnel will communicate with the customer, either verbally or by door hanger, that the customer is responsible for making repairs. In reference to another customer's comments about the need to achieve savings that would offset or eliminate the need for the requested rate increase, the Utility disagrees with the customer that money is being wasted and that it is sending untrained personnel into the field. The Utility believes that the complaint does not accurately reflect the maintenance and repair record of the Utility. Water and wastewater systems are complicated pieces of infrastructure that require both routine and emergency maintenance and repair activities. The Utility points out that it is diligent in ensuring its maintenance and repair crews have the training, equipment, tools, and resources needed to address problems in the most efficient manner possible. Concerning the leaking valve, the Utility points out that repairs were delayed while an attempt was made to locate repair parts in lieu of replacing the complete valve at a much higher cost. It agrees that it would have been best to attend to this leak sooner; however, the leak was not significant. It was recently determined that repair parts would not work and a complete valve replacement was completed on April 5, 2010.

Based on the foregoing, Sanlando is current in all of the required chemical analyses and the operating conditions of the facilities are currently in compliance with the DEP rules and regulations. Additionally, the level of customer satisfaction concerning the quality of service provided by the Utility appears to be adequate. Therefore, we find that the overall quality of service provided by Sanlando is satisfactory.

RATE BASE

Undisputed audit adjustments

Our auditors performed an audit. The Utility agreed with certain of the adjustments recommended by our audit staff. Based on audit adjustments agreed to by the Utility, the following adjustments to rate base, O&M expenses, and taxes other than income (TOTI) for water and wastewater, respectively are approved:

Audit Finding	UPIS	Accum. Depr.	Depr. Exp.	O&M Exp.	TOTI	Working Capital	Accum. Amort. Of CIAC
No. 6 - Plant Sample	($3,039)	$60	($222)				
No. 7 - Acc. Amort. of CIAC							$235,903
No. 9 - Unamort. Rate Case Exp.						($39,598)	
No. 9 - Customer Deposits						$48,840	
No. 12 - Employee Not Replaced				($3,201)	($223)		
No. 18 - Property Taxes					$17,347		
No. 20 - Reg. Assessment Fees					($9,510)		
Total Water Adjustments:	($3,039)	$60	($222)	($3,201)	$7,614	$9,242	$235,903

Audit Finding	UPIS	Accum. Depr.	Depr. Expense	O&M Expenses	TOTI	Working Capital	Accum. Amort. Of CIAC
No. 1 - Comm. Ordered Adjs.	($23,620)	$30,844	($1,313)				
No. 6 - Plant Sample	($2,360)	$46	($172)				
No. 7 - Acc. Amort. of CIAC							$233,333
No. 9 - Unamort. Rate Case Exp.						($30,751)	
No. 9 - Customer Deposits						$37,929	
No. 12 - Employee Not Replaced				($2,486)	($174)		
No. 18 - Property Taxes					$13,630		
No. 20 - Reg. Assessment Fees					($10,741)		
Total Wastewater Adjustments:	($25,980)	$30,890	($1,485)	($2,486)	$2,715	$7,178	$233,333

Adjustments for Phoenix Project

In addition, our auditors suggested other adjustmets to rate base, to which the Utility did not agree. One of the audit adjustments recommended by our auditors dealt with the Phoenix Project. According to the Utility, the purpose of the Phoenix Project was to improve accounting, customer service, customer billing, and, financial and regulatory reporting functions of UI and its subsidiaries. The Phoenix Project became operational in December of 2008. UI allocated the cost of the Phoenix Project to all its subsidiaries based on each subsidiary's equivalent residential connections (ERCs) at September 30, 2009.

During 2009, we approved recovery of the cost of the Phoenix Project in seven UI rate cases.[4] The approved costs were allocated based on each subsidiary's specific test year ERCs to the total UI test year ERCs. With respect to the current UI cases before us, UI allocated the Phoenix Project costs based on each subsidiary's ERCs at the end of the 2008 test year, in relation to UI's total 2008 ERCs. Sanlando divided its ERCs by UI's total ERCs resulting in an allocation percentage of 7.54. This percentage was multiplied by the total investment in the Phoenix Project. Based on total Phoenix Project costs of $21,364,569, Sanlando calculated its allocated share to be 7.54 percent, or $1,610,997. Of this amount, 56 percent or $902,158 was assigned to the water system while $708,839 was assigned to the wastewater system.

As discussed below, we made certain adjustments recommended by the auditors in Audit Finding No. 4, to apply a more current ERC count provided by the Utility which recognized the divestitures of certain UI systems in 2009. According to Sanlando's March 22, 2010, response to our second data request, UI recently divested several Florida subsidiaries, including Miles Grant Water and Sewer Company (Miles Grant), Utilities, Inc. of Hutchinson Island (Hutchinson), and Wedgefield Utilities, Inc. (Wedgefield), as well as subsidiaries in other states.

In addition, during a conference call on April 16, 2010 between our staff, OPC, and the Utility, UI stated that it purchased a wastewater system in Louisiana[5] that was not included in the ERC count previously provided to our staff auditors. The Utility stated that the ERCs for the

[4] In Docket Nos. 080250-SU, 080249-WS, 080248-SU, 080247-SU, 070695-WS, 070694-WS, and 070693-WS.
[5] This wastewater system represented appropriately 950 ERCs.

newly acquired system should be included in order to properly account for that system's share of the costs of the Phoenix Project.

We find that allocating costs on ERCs is an appropriate methodology to spread the cost of Phoenix Project. However, we do not believe the Phoenix Project costs previously allocated to the divested subsidiaries should be reallocated to the surviving utilities. Wedgefield was sold for an amount significantly greater than its rate base.[6] Miles Grant and Hutchinson were sold collectively for an amount significantly greater than the rate base.[7] We find that the amounts allocated to the divested subsidiaries were recovered by the shareholders through the sale of those systems. Thus, the divested subsidiaries allocation amounts should be deducted from the total cost of the Phoenix Project before any such costs are allocated to the remaining UI subsidiaries.

According to Audit Finding No. 5, our staff auditors determined that the correct ledger balance of the software is $21,617,487, not the $21,364,569 Sanlando used to calculate its allocated share of the Phoenix Project. Based on the ERC percentages of all the divested subsidiaries immediately prior to their respective closing dates, we determined the actual amount paid of $21,617,487 for the Phoenix Project should be reduced by $1,724,166, resulting in a remaining balance of $19,893,321. Based on the unrecovered cost of the Phoenix Project and the ERCs adjusted for divestiture, we find that the appropriate amount of Sanlando's allocated share of the Phoenix Project is $1,500,058. As such, plant shall be reduced by $116,447, or $65,210 for water and $51,237 for wastewater.

In previous UI cases, we approved a 6-year amortization period.[8] In subsequent UI cases,[9] we found that an 8-year amortization period was more appropriate for a software project of this magnitude. For several reasons, we now believe that the amortization period for the Phoenix Project should be changed to 10 years. First, the Phoenix Project was specifically tailor-made to meet all of UI's needs. Such a project is not "off the shelf" software, but software designed to fulfill long term accounting, billing, and customer service needs. Second, we believe that the software will be used at least 10 years. We base that, in part, on the fact that UI's legacy accounting system had been used for 21 years. Third, in a recent docket involving a UI subsidiary in Nevada,[10] UI responded that any amortization period between 4 and 10 years would be in compliance with Generally Accepted Accounting Principles (GAAP). As such, we find that 10 years is a more reasonable amortization period for this case than the 8-year amortization period we previously approved for prior UI dockets. Thus, accumulated depreciation and depreciation expense shall be reduced $20,251 for water and $17,251 for wastewater, respectively.

[6] The sale price of Wedgefield Utilities, Inc. in April of 2009 was $7,300,000. Based on the rate base reported in its 2008 annual report, this amount is approximately 13.81 percent or $885,852 greater than rate base.
[7] The sale price of Miles Grant Water and Sewer Company and Utilities, Inc. of Hutchinson Island in August of 2009 was $7,500,000. Based on the rate base reported in their respective 2008 annual reports, this amount is approximately 33.88 percent or $1,897,837 greater than their collective rate bases.
[8] In Docket Nos. 070695-WS, 070694-WS, and 070693-WS.
[9] In Docket Nos. 080250-SU, 080249-WS, 080248-SU, and 080247-SU.
[10] Modified Final Order, issued January 15, 2009, in Docket No. 08-06036.

Based on the foregoing, we find that for the Phoenix Project, plant shall be reduced by $65,210 for water and $51,237 for wastewater. In addition, the balances of accumulated depreciation and depreciation expense related to the Phoenix Project shall both be reduced $20,251 for water and $17,251 for wastewater, respectively.

Other Adjustments to Utility Plant in Service

In addition to the audit adjustments agreed to by the Utility and the adjustments for the Phoneix Project, we also considered other adjustments to plant. Sanlando reflected test year Utility Plant in Service (UPIS) of $19,152,193 for water and $27,200,634 for wastewater. As discussed above, we reduced UPIS by $3,039 for water and $25,980 for wastewater. Based on our audit staff's findings, and Utility responses to data requests as discussed below, we believes further adjustments should be made to the test year UPIS.

Our audit staff sampled plant entries taken from the Utility's ledger to trace to support documentation. The auditors identified amounts that were non-utility related, that should have been expensed, or that were unsupported or misclassified. Accordingly, we find that plant shall be reduced by $9,195 for water and $35,795 for wastewater. In addition, accumulated depreciation shall be reduced by $590 for water and $1,260 for wastewater, and depreciation expense shall be reduced by $256 for water and $1,550 for wastewater. Finally, a corresponding adjustment shall be made to increase wastewater O&M expenses in the amount of $12,480.

UI's new accounting system automatically allocates costs each month using the monthly ERC for each region. UI sold off some of its systems in 2009 and this changed its ERC calculations. The Utility personnel attempted to make a pro forma adjustment to the 2008 ledger to reflect this change. But in doing so, its calculation was only for plant additions and not for its accumulated depreciation balance. This caused an overstatement of allocated net plant to the Utility.

Sanlando agreed with the audit finding that an error was made. The Utility did not agree with our audit staff's calculation. Sanlando provided its corrected calculations but we were not able to reconcile its numbers. In the Utility's response to our data request dated January 26, 2010, Sanlando provided another calculation that did not match its own audit response. Therefore, we agree with the audit finding. Based on our audit staff's calculations to correct this error, plant shall be reduced by $774,263 for water and $608,350 for wastewater. Accordingly, accumulated depreciation shall be reduced by $229,996 for water and $180,711 for wastewater.

In its MFRs, Sanlando included a negative Construction Work in Progress (CWIP) balance of negative $26,296 for water and wastewater. We requested in our January 26, 2010 data request for the Utility to provide an explanation of the negative CWIP balance. In the Utility's response dated February 16, 2010, it stated that the negative number was due to the Utility closing capital projects for more dollars than were in the project. The Utility also said that it will continue to investigate and if it finds that UPIS was overstated then it will agree to reduce UPIS by the overstated amount.

No additional information was provided by the Utility regarding the negative CWIP. Therefore, we find that the Utility did receive reimbursements for the projects subsequent to the closing of CWIP to UPIS. We calculated the 13-month average for the test year CWIP. In calculating the 13-month average, we used the first negative balance from October 2008 for December 2007 through September 2008 because we could not determine if there was a negative amount included in the net amounts in those prior months. A majority of CWIP is for water; therefore, an adjustment shall be made only to the water UPIS. Accordingly, we find that water UPIS shall be reduced by $15,360, accumulated depreciation shall be reduced by $535, and depreciation expense shall be reduced by $535.

Based on the foregoing, in addition to the agreed upon audit adjustments, and the adjustments for the Phonex Project, we find that UPIS shall be reduced by $798,818 ($9,195+$774,263+$15,360) for water and $644,145 ($35,795+$608,350) for wastewater. Accordingly, accumulated depreciation shall be reduced by $231,121 ($590+$229,996+$535) for water and $181,971 ($1,260+$180,711) for wastewater. Depreciation expense shall be reduced by $791 ($256+$535) for water and $1,550 for wastewater. Finally, a corresponding adjustment shall be made to increase wastewater O&M expenses in the amount of $12,480

Adjustments to Pro Forma Plant Additions

According to its MFRs, Sanlando reflected pro forma plant additions of $142,500 for water and $687,500 for wastewater. The specific pro forma plant additions proposed by the Utility in its MFRs are shown below.

Water Pro Forma Additions	Amount	Wastewater Pro Forma Additions	Amount
Replace Well Pumps	$80,000	Electrical Improvement Design	$75,000
Main Relocations	62,500	Force Main Relocations	62,500
Total Water Additions	$142,500	Nitrogen Removal Design	50,000
		Des Pinar WWTP upgrades	500,000
		Total Wastewater Additions	$687,500

We have reviewed the supporting documentation, the Utility's responses to our staff's data requests, and the prudence of these pro forma plant additions, and find that several adjustments are necessary.

First, the Utility stated that the pro forma projects related to the water main relocation project and all of its wastewater projects have been postponed to a later date. Accordingly, we remove $62,500 for Water Main Relocation from the Water Pro Forma Additions. We also remove all $687,500 for the Wastewater pro forma additions.

Second, based on the Utility's response to our staff's data request dated January 26, 2010, Sanlando provided quotes for the replacements of the well pumps in the amount of $124,789, instead of the requested $80,000 amount included in its filings. The estimated completion date for this project is June 30, 2010. Accordingly, we increase the Pro Forma Water adjustment to reflect the quoted replacement price of $124,789.

Third, the Utility has requested a new pro forma item not listed on the MFRs to replace eight well flow meters. This project was completed on March 31, 2010. On April 20, 2010, the Utility provided invoices totaling $58,329 for this project. Accordingly, we add a Pro Forma Water adjustment of $58,329 for eight well flow meters.

Based on the above, the appropriate amount of pro forma water plant additions is $183,118 ($124,789+$58,329). Accordingly, plant shall be increased by $40,618 ($183,118-$142,500) for water. To reflect the removal of the pro forma wastewater projects, plant shall be decreased by $687,500 for wastewater. In addition, accumulated depreciation and depreciation expense shall be increased by $783 for water and decreased by $34,536 for wastewater. Finally, taxes other than income shall be increased by $1,390 for water and decreased by $10,070 for wastewater.

Used and Useful Percentages

In its application, the Utility asserted that the water and wastewater treatment plants, as well as the water distribution and wastewater collection systems, are all 100 percent used and useful. In the Utility's last rate case,[11] we evaluated the water and wastewater systems and found them to be 100 percent used and useful. However, in Order No. PSC-07-0535-AS-WS,[12] a settlement agreement was approved which recognized that the parties (Sanlando and OPC) agreed to eliminate the language regarding a used and useful calculation in the PAA Order. This was done so that the used and useful determination in the PAA Order would have no precedential value. We allowed the language to be stricken because it was noted that each rate case is decided on its own merits. Sanlando's water treatment plants (Des Pinar, Knollwood, and Wekiva) are interconnected; therefore, only one used and useful calculation is needed. The wastewater treatment plants (Wekiva and Woodlands/Des Pinar) are not interconnected; therefore, separate used and useful calculations can be made for each system.

In its filing, the Utility provided a used and useful analysis for the water treatment plant pursuant to Rule 25-30.4325, F.A.C. Sanlando determined that both the water treatment plant and storage facility are 100 percent used and useful. The used and useful calculation of the water treatment plant is determined by dividing the peak demand (14,605,100 gallons per day (gpd)) by the firm reliable capacity of the water treatment system based on 16 hours of pumping (12,267,840 gpd). Consideration is given to fireflow (150,000 gpd), unaccounted for water (11.8 percent), and growth (586,314 gpd). The used and useful storage capacity is determined by dividing the peak demand (14,605,100 gpd) by the usable storage capacity (3,127,500 gallons). Similar to the water plant analysis, consideration is given to fireflow, unaccounted for water, and growth. The peak day (June 8, 2008) appears to be appropriate since it is not associated with unusual occurrences. Also, at 11.8 percent unaccounted for water, the Utility made a 1.8 percent adjustment (142,825 gpd) to reflect excessive amounts above the allowable 10 percent. The

[11] See Order No. PSC-07-0205-PAA-WS, issued March 6, 2007, in Docket No 060258-WS, In re: Application for increase in water and wastewater rates in Seminole County by Sanlando Utilities Corp.- PAA Order

[12] See Order No. PSC-07-0535-AS-WS, issued June 26, 2007, in Docket No 060258-WS, In re: Application for increase in water and wastewater rates in Seminole County by Sanlando Utilities Corp. – Settlement Agreement Order.

Utility did not make any subsequent adjustments to operation and maintenance expenses to reflect excessive unaccounted for water. It appears that any adjustments of that type would not affect the overall revenue requirement. The Utility also indicated that its service area is approaching buildout as evidenced by the fairly constant flows and less than 1 percent annual average growth. Therefore, pursuant to Rule 25-30.4325, F.A.C., we find that the water treatment plant and storage shall be considered 100 percent used and useful.

Pursuant to Rule 25-30.432, F.A.C., the used and useful analysis of the Utility's wastewater treatment plants is determined by dividing the daily flow by the permitted plant capacity based on the annual average daily flow. However, the rule states that we will also give consideration to other factors including, but not limited to: an allowance for growth, infiltration and inflow, the extent to which an area served by the plant is built out, the permitted capacity of the plant, and whether the flows have decreased due to conservation or a reduction in the number of customers.

The Wekiva Plant's daily flows are 1,893,101 gpd, growth is 79,394 gpd, and the permitted capacity is 2,900,000 gpd. The Woodlands/Des Pinar Plant's daily flows are 315,354 gpd, growth is 0 gpd, and the permitted capacity is 500,000 gpd. Both systems have experienced a decline in customers since the last rate case. The Utility requested that both facilities be considered 100 percent used and useful.

If we were to only apply to the mathematical computation of Rule 25-30.432, F.A.C., the Wekiva plant would be 68 percent used and useful and the Woodlands/Des Pinar Plant would be 63 percent used and useful. However, we do take into consideration other factors such as those discussed above. As a result, we find that the Wekiva and Woodlands/Des Pinar wastewater treatment plants shall both be considered 100 percent used and useful because the systems are built out.

The used and useful calculations for water distribution and wastewater collection systems are determined by the number of customers connected to the systems divided by the capacity of the systems with consideration given for growth. In this case, a used and useful calculation was not offered by the Utility, as the existing lines are built out and significantly contributed. Therefore, the water distribution and wastewater collection systems shall be considered 100 percent used and useful.

Adjustment to CIAC for Accumulated Amortization

On MFR Schedule A-1, the adjustment to CIAC service lines included the calculation of accumulated amortization of service lines using a depreciation rate of 30 years. According to Rule 25-30.140, F.A.C., Class A utilities should depreciate their service lines, Account 333, at 40 years. Our audit staff calculated the accumulated amortization from the last test year of 2005 to the current test year of 2008 for 30 years to be $50,899 and for 40 years to be $42,380. Based on the above, we find that accumulated amortization of CIAC service lines shall be increased by $8,519 ($50,899-$42,380) for water.

Working Capital Allowance

Rule 25-30.433(2), F.A.C., requires Class A utilities to use the balance sheet approach to calculate the working capital allowance. According to its filing, Sanlando utilized the balance sheet approach and calculated a working capital allowance of $299,821 for water and $372,628 for wastewater. However, as discussed below, we find that several adjustments to the Utility's working capital balance are necessary.

To reflect the audit adjustments agreed to by the Utility, there was a net increase in working capital of $9,242 for water and $7,178 for wastewater. As we discuss in more detail below, the total rate case expense is $193,087. Based on our practice,[13] one half of the total rate case expense of $96,543 shall be subtracted from the 13-month average balance for Sanlando's unamortized rate case expense of $107,181. Thus, we find that working capital shall be decreased by $5,957 for water and $4,681 for wastewater.

Based on the above, we approve as appropriate, working capital allowance of $303,106 for water and $375,125 for wastewater. Accordingly, working capital shall be increased by $3,285 for water and $2,497 for wastewater.

Appropriate Rate Base for 2008 Test Year

In addition to the adjustments we made above, we have identified certain other adjustments that impact rate base. Later in this Order we make three adjustments to Net Operating Income relating to plant which adjustments also must be reflected in rate base. The first adjustment represents a $9,300 increase in the amount for wastewater plant related to deferred maintenance that was placed into operating and maintenance (O&M) expenses but should have been added to plant. The second adjustment is an increase to plant in the amount of $563 for water and $437 for wastewater related to invoices that were expensed but should have been capitalized. The third adjustment is an increase to plant in the amount of $3,920 for water and $785 for wastewater for capital projects that were treated as expenses.

Consistent with all of our adjustments to rate base discussed above, the appropriate 13-month average rate base for the test year ended December 31, 2008 is $6,036,005 for water and $11,168,365 for wastewater. The approved rate base for water and wastewater is shown in Schedules 1-A and 1-B, respectively. The adjustments are shown on Schedule 1-C. Schedules 1-A, 1-B, and 1-C are attached to this Order, and incorporated herein by reference.

COST OF CAPITAL

The return on equity (ROE) included in the Utility's filing is 11.24 percent. Based on the current leverage formula approved in Order No. PSC-09-0430-PAA-WS and an equity ratio of

[13] See Order Nos. PSC-09-0057-FOF-SU, issued January 27, 2009, in Docket No. 070293-SU, In re: Application for increase in wastewater rates in Monroe County by K W Resort Utilities Corp.; PSC-04-0369-AS-EI, issued April 6, 2004, in Docket No. 030438-EI, In re: Petition for rate increase by Florida Public Utilities Company; and PSC-01-0326-FOF-SU, issued February 6, 2001, in Docket No. 991643-SU, In re: Application for increase in wastewater rates in Seven Springs System in Pasco County by Aloha Utilities, Inc.

41.92 percent, the appropriate ROE is 11.17 percent.[14] This represents a seven basis points reduction from Sanlando's requested ROE of 11.24 percent. We find that an allowed range of plus or minus 100 basis points shall be recognized for ratemaking purposes

In its filings, the Utility requested an overall cost of capital of 8.14 percent. Based upon the proper components, amounts, and cost rates associated with the capital structure for the test year ended December 31, 2008, we find that a weighted average cost of capital of 8.10 percent is appropriate. This represents a 4 basis point reduction from Sanlando's requested overall cost of capital of 8.14 percent. Schedule No. 2 attached to this Order details the overall cost of capital.

NET OPERATING INCOME

Annualized Revenue Adjustments

In its filing, the Utility included water and wastewater annualized revenue adjustments of $111,977 and $123,625, respectively. Using test year billing units, we calculated water and wastewater annualized revenue adjustments of $164,420 and $159,873, respectively. Thus, we find that test year revenues shall be increased by $52,443 for water and $36,248 for wastewater.

Operation and Maintenance Expenses

In Sanlando's MFRs, the Utility reflected adjusted test year O&M expenses in the amount of $3,116,830 for water and $3,163,479 for wastewater. As discussed above, the Utility agreed with certain of our audit staff's adjustments, including a reduction in O&M expenses by $3,201 for water and $2,486 for wastewater. However, based on our audit staff's findings and Utility responses to data requests, we find that further adjustments shall be made to the test year O&M expenses.

Our audit staff sampled entries for O&M expenses taken from the parent company's headquarters in Northbrook, Illinois to trace to support documentation. Audit staff identified $75,180 for water and $58,360 for wastewater in items that should have been capitalized, were non-reccurring in nature, or were not supported by documentation. Sanlando agreed with the audit that some entries should have been capitalized and others removed. The Utility did provide additional support documentation for some of the entries. Therefore, we find that O&M expenses shall be reduced by $30,049 for water and $23,348 for wastewater. Accordingly, corresponding adjustments shall be made to increase plant by $563 for water and $437 for wastewater. Finally, accumulated depreciation and depreciation expense shall be increased by $28 for water and $22 for wastewater.

Additionally, our audit staff tested a sample of O&M expenses taken from Sanlando's books. Entries totaling $7,600 for water and $31,277 for wastewater were items that either should have been capitalized, were recorded in the wrong period, or lacked support documentation. Sanlando agreed to the audit findings that some entries should be capitalized

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[14] See Order No. PSC-09-0430-PAA-WS, issued June 19, 2009, in Docket No. 090006-WS, In re: Water and Wastewater Industry Annual Reestablishment of Authorized Range of Return on Common Equity for Water and Wastewater Utilities Pursuant to Section 367.081(4)(f), Florida Statutes.

and others removed. Based on our calculation, we find that O&M expenses shall be reduced by $6,785 for water and $28,343 for wastewater. Accordingly, corresponding adjustments shall be made to increase plant by $3,920 for water and $785 for wastewater. Finally, accumulated depreciation shall be increased by $30 for water and $15 for wastewater, and depreciation expense shall be increased by $325 for water and $21 for wastewater.

In our audit staff's review of Sanlando's O&M expenses, they found items that extend the life of the plant. The Utility agreed in its response to the audit that we should determine which items need to be expensed or capitalized. We found that two items should in fact be capitalized. As such, we find that wastewater expense shall be decreased by $9,300. Accordingly, corresponding adjustments shall be made to increase the balance of wastewater plant by $9,300, accumulated depreciation by $237, and depreciation expense by $517.

Based on the foregoing, we find that O&M expenses shall be decreased by $36,834 ($30,049+$6,785) for water and $60,991 ($23,348+$28,343+$9,300) for wastewater. Accordingly, corresponding adjustments shall be made to increase plant by $4,483 ($563+$3,920) for water and $10,522 ($437+$785+$9,300) for wastewater. Finally, accumulated depreciation shall be increased by $58 ($28+$30) for water and $274 ($22+$15+$237) for wastewater, and depreciation expense shall be increased by $353 ($28+$325) for water and $560 ($22+$21+$517) for wastewater.

Adjustments for Salaries and Wages, Pensions and Benefits, and Payroll Taxes

On MFR Schedules B-5 and B-6, the Utility recorded water salaries and wages, pensions and benefits, and payroll taxes of $651,261, $180,244, and $62,311, respectively, and wastewater salaries and wages, pensions and benefits, and payroll taxes of $505,750, $139,972, and $48,390, respectively. The proposed amount of salaries and wages represents an increase of 56.39 percent for water and a decrease of 17.24 percent for wastewater, or a combined net increase of 12.60 percent over the levels reflected in the Utility's last rate case in 2006. The proposed amount of pensions and benefits represents increases of 34.46 percent for water and 28.64 percent for wastewater, or a combined net increase of 31.85 percent over the same period.

Our review of O&M expenses included a comparison of reported expenses with the levels approved in Sanlando's last rate case. Schedules B-7 and B-8 require the Utility to explain why any increases in expenses exceed customer growth and inflation (collectively, "benchmark"). Sanlando calculated a benchmark of 9.73 percent for water and 8.28 percent for wastewater.[15] For salaries and wages, and pensions and benefits, the Utility stated that the reason for the increases resulted from the number of employees and available positions that have increased between the 2005 and 2008 year-end periods, as well as associated cost of living increases. In addition, the number of affiliate companies has decreased, thus increasing the relative allocation percentage to Sanlando.

In our staff's data request dated January 26, 2010, the Utility was asked to explain why its salaries and wage increases were significantly greater than the level of salaries we approved

[15] We note that Sanlando actually experienced a decrease in its number of customers since the last rate case.

in Sanlando's 2006 rate case. In its response, Sanlando explained that the increases are attributable to several factors. First, the Utility gives a standard cost of living increase to its employees on an annual basis. Second, the adjustment in 2008 has been annualized to account for a full year of salaries for all allocated personnel. Third, between 2003 and 2007, six new positions were created within the Utility, including a regional vice president serving the Florida and South Regions, a business manager serving the same area, a cross connection specialist, an operator, and a part-time operator, all of whom are allocated to various Florida companies. These new employees alone account for much of the difference between 2003 and 2008. In response to our staff auditor's data requests, Sanlando provided an updated salary request reflecting annualized adjustments of 2.25 percent and 3.5 percent effective September 2009 and April 2010, respectively. As discussed in detail above, UI has divested numerous subsidiaries. As a result, we would expect the level of allocated employees to decrease, not increase.

In its response dated April 9, 2010, to our data request, Sanlando stated that a major cost saving measure since the last rate case was the closure of three call centers in various states in the first quarter of 2010. These closures were part of its parent company's customer service optimization program. The personnel from those closed call centers were terminated. All customer service is now being maintained by the remaining call centers in Nevada, North Carolina, and Florida. The costs for these remaining call centers are now being allocated based on total parent company ERCs. Because the costs for the Florida call center were previously being allocated by only ERCs from Florida and Louisiana, the effect of the above-mentioned customer service optimization program should result in cost savings to all of UI's Florida subsidiaries. However, Sanlando failed to provide us with any adjustments to salaries related to these cost savings.

Based on the above, we find that the requested salary increases are excessive. The Utility has the burden of proving that its costs are reasonable.[16] We find that tthe Utility has not met its burden of proof regarding the proposed salary increases from 2005 to 2008. Further, Sanlando has not demonstrated any substantial benefit to the Utility as a result of the additional allocated personnel since the last rate case.

Therefore, we have used the benchmark analysis found on Schedules B-7 and B-8 of the MFRs to reduce salaries and wages. We have utilized the benchmark analysis found on MFR Schedules B-7 and B-8 in previous rate cases.[17] Accordingly, salaries and wages, and pensions and benefits shall be decreased by $254,307 for water and increased by $199,166 for wastewater.[18] Finally, payroll taxes shall be decreased by $15,237 for water and increased by $11,933 for wastewater.

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[16] See Florida Power Corp. v. Cresse, 413 So. 2d 1187, 1191 (1982).

[17] See Order Nos. PSC-92-0578-FOF-SU, issued June 29, 1992, in Docket No. 910540-SU, In re: Application for sewer service rate adjustment in Aloha Gardens service area by Aloha Utilities, Inc. in Pasco County; and PSC-92-0336-FOF-WS, issued May 12, 1992, in Docket No. 911194-WS, In re: Application for a rate increase in Collier County by Florida Cities Water Company, Golden Gate Division.

[18] We note that we utilized the Utility's test year ratio of pensions and benefits to salaries to determine the corresponding adjustments for pensions and benefits.

Adjustments for Duplicative Billing

According to Sanlando's MFRs, a total of 145 bills were mailed out to customers that had wastewater reuse. The same customers also receive a separate wastewater bill in addition to their reuse bill. We find that the Utility's billing system should be efficient enough to generate one bill per customer, not two bills per customer. The general body of customers should not have to pay the additional cost of the Utility's duplicative billing. Therefore, the costs associated with the mailing of the reuse bills shall be disallowed. We calculated a rate of $4.89 per reuse bill. This was calculated by using the costs of postage, envelopes, and the employee overhead. Accordingly, we find that the determined that the cost of mailing 145 duplicate bills in the amount of $709 shall be removed from wastewater.

Adjustments for Chemical Expense

The Utility recorded chemical expense of $88,161 for water and $138,709 for wastewater, totaling $226,875. When we reviewed Volume III of the MFRs, we found that the $226,875 included expenses outside of the 2008 test year. Invoice dates recorded in the MFRs were from October 10, 2007, through December 17, 2008. Chemicals purchased from October 10, 2007, through December 17, 2007, or $10,444 are not in the test year and therefore shall be removed. Chemicals that were included in the MFRs and were purchased after December 17, 2007, shall be allowed because they would have been used in the 2008 test year. Chemicals used during the above time frame consisted of 7,654 gallons of Sodium Hypochlorite valued at $5,740, and 784 gallons of Polyphosphate Aquadene, valued at $4,704. In the MFRs, 75 percent of Sodium Hypochlorite was used for the water system and 25 percent was used for the wastewater system. Polyphosphate Aquadene is used for the water system only. Based on the above, we find that chemical expense of $226,875 shall be reduced by $10,444. This adjustment represents a decrease of $9,009 [($5,740x.75)+$4,704)] for water and $1,435 ($5,740x.25) for wastewater.

Adjustment for Relocation Expenses

UI's relocation expenses for the 2008 test year was $156,647, which represented a 59 percent increase over the amount in 2007. Sanlando's allocated portion of this expense was $11,858. The relocation expenses for 2008 related to the relocation of one headquarter employee. UI's relocation expenses vary significantly from year to year. For example, UI did not have any relocation expenses in 2004 and 2005. However, UI recorded relocation expenses of $16,145 for 2006 and $98,577 for 2007. The year over year increase from 2006 to 2007 represented a 511 percent increase.

Recognizing that relocation expenses have varied significantly from year to year, it has been our practice to base this expense on a 4-year average of actual experience rather than the specific expense in any given year. To be consistent with our practice, we find that relocation expenses shall be based on a 4-year average.[19] Accordingly, relocation expenses shall be reduced by $3,783 for water and $3,389 for wastewater.

Adjustments to Transportation Expense

On MFR Schedules B-5 and B-6, Sanlando recorded transportation expenses of $76,326 for water and $59,727 for wastewater in the test year. In our March 10, 2010 data request, we asked the Utility to provide the amount of its transportation expenses that related to fuel purchases and the total gallons of fuel purchased. In its response, the Utility stated that $99,520 was booked to fuel with $55,731 allocated to water and $43,789 allocated to wastewater. The Utility further stated that it could not determine the total gallons of fuel purchased for Sanlando because its parent company (Utilities, Inc.) utilized GE Capital Fleet to manage its entire convoy, but recently had switched vendors and the information relating to purchased gallons was no longer available. However, in an e-mail dated March 31, 2010, from an employee of UI, UI asserted that the total gallons for Sanlando was 35,672.31. Based on the total dollar amount of $99,520 for fuel, the cost per gallon would be approximately $2.79 per gallon.

However in its April 9, 2010, response to our data request, Sanlando proposed that the appropriate fuel costs for the Utility was $83,558. In support of its position, Sanlando provided workpapers for its calculations. Specifically, the Utility multiplied the gallons per vehicle by the nominal price per gallon of $3.27 in 2008, then allocated the costs based on 2008 year-end ERCs percentages for allocated employees and assigned the full amount for direct employees of the Utility. We find that the gallons reported on Sanlando's workpapers are unreliable.

Using the information provided to us by the Utility, we applied the ERC percentages for all allocated employees to determine the Utility's gallons associated with these employees and added all the gallons associated with the direct employees of Sanlando. Using this method, we calculated total gallons attributable to the Utility of 27,522.06. Applying the initial dollar of $99,520 yields an approximate cost of $3.61 per gallon.

It is the Utility's burden to prove that its costs are reasonable.[20] Based on the above, we find that the Utility's gallonage data is unreliable in determining the appropriate level of fuel costs for prospective ratemaking purposes.

We have utilized the United States Energy Information Administration Short-Term Energy Outlook Report in recent formal file and suspend rate case to determine the appropriate level of fuel cost.[21] Based on the recent United States Energy Information Administration Short-Term Energy Outlook Report dated April 6, 2010, retail gasoline prices are expected to be an

[19] See Order Nos. PSC-04-1110-PAA-GU, issued November 8, 2004, in Docket No. 040216-GU, In re: Application for a rate increase by Florida Public Utilities Company; and PSC-02-0787-FOF-EI, issued June 10, 2002, in Docket No. 010949-EI, In re: Request for rate increase by Gulf Power Company, and PSC-92-0924-FOF-GU, issued September 3, 1992, in Docket No. 91150-GU, In re: Application for a rate increase by Peoples Gas System, Inc.
[20] See Florida Power Corp. v. Cresse, 413 So. 2d 1187, 1191 (1982).
[21] See Order No. PSC-09-0385-FOF-WS, issued May 29, 2009, in Docket No. 080121-WS, In re: Application for increase in water and wastewater rates in Alachua, Brevard, DeSoto, Highlands, Lake, Lee, Marion, Orange, Palm Beach, Pasco, Polk, Putnam, Seminole, Sumter, Volusia, and Washington Counties by Aqua Utilities Florida, Inc.

annual average of $2.84 per gallon for 2010 while the annual average for 2008 was $3.26 per gallon. The difference between the annual average price in 2008 and 2010 represents a decrease of 42 cents or 12.88 percent. In the absence of reliable gallonage data provided by the Utility, we find that a reasonable method to determine the prospective fuel expense for ratemaking purposes is to decrease test year fuel costs by 12.88 percent. Therefore, transportation expense shall be decreased by $7,180 for water and $5,642 for wastewater.

Adjustment for Unamortized Rate Case Expense

Based on an analysis of the MFRs and Order No. PSC-07-0205-PAA-WS, we find that an adjustment is necessary for prior rate case expense included in the Utility's test year O&M expenses. In its last rate proceeding, we approved an annual amortization of rate case expense of $22,086 for water and $16,889 for wastewater. In its MFRs, the Utility recorded rate case expense from their prior case of $33,554 for water and $26,057 for wastewater.[22] Consistent with the annual amortization amount approved in the Utility's last rate case, we find that test year rate case expense be reduced by $11,468 ($33,554-$22,086) for water and $9,168 ($26,057-$16,889) for wastewater.

Appropriate Rate Case Expense

Sanlando included in its MFRs an estimate of $236,709 for current rate case expense. We requested an update of the actual rate case expense incurred, with supporting documentation, as well as the estimated amount to complete the case. On April 14, 2010, the Utility submitted a revised estimated rate case expense through completion of the PAA process of $123,586. The components of the estimated rate case expense are as follows:

[22] For informational purposes, the prior rate case expense four-year rate reduction for Sanlando's last rate case will occur in April 2011.

	MFR Estimated	Actual	Additional Estimated	Revised Total
Legal and Filing Fees	$68,625	$32,686	$29,257	$61,943
Consultant Fees – Milian,	46,700	55,663	12,600	68,263
Consultant Fees – M&R	5,000	5,293	2,175	7,468
Consultant Fees – CPH	0	1,271	1,000	2,271
WSC In-house Fees	77,521	50,972	37,331	88,303
Filing Fee	4,000	0	0	0
Travel- WSC	3,200	0	3,200	3,200
Temp Employee Fees-WSC	0	673	800	1,473
Miscellaneous	12,000	3,202	12,359	15,561
PSC Auditor Travel	0	623	0	623
Alliant Insurance Services	0	3,801	3,801	7,602
PriceWaterhouseCoopers	0	1,500	1,000	2,500
Notices	19,663	0	20,063	20,063
Total Rate Case Expense	$236,709	$155,684	$123,586	$279,270

Pursuant to Section 367.081(7), F.S., we shall determine the reasonableness of rate case expenses and shall disallow all rate case expenses determined to be unreasonable. Also, it is the utility's burden to justify its requested costs.[23] Further, we have broad discretion with respect to allowance of rate case expense; however, it would constitute an abuse of discretion to automatically award rate case expense without reference to the prudence of the costs incurred in the rate case proceedings.[24] As such, we have examined the requested actual expenses, supporting documentation, and estimated expenses as listed above for the current rate case. Based on our review, we find that several adjustments are necessary to the revised rate case expense estimate.

The first adjustment relates to costs incurred to correct deficiencies to the MFR filing. Based on our review of invoices, a combined amount of $2,505 was billed for correcting the MFR deficiencies and revising the Utility's filing. According to invoices, Christian Marcelli and Martin Friedman of Rose, Sundstrom & Bentley, LLP, billed the Utility 4.6 hours and .3 hours, respectively, related to the correction of MFR deficiencies. Based on Mr. Marcelli's hourly rate of $290 and Mr. Friedman's hourly rate of $320, the total amount billed to Sanlando was $1,430 [($290x4.6)+($320x.30)]. Additionally, Cynthia Yapp and Deborah Swain of Milian, Swain &

[23] See Florida Power Corp. v. Cresse, 413 So. 2d 1187, 1191 (1982).
[24] See Meadowbrook Util. Sys., Inc. v. FPSC, 518 So. 2d 326, 327 (Fla. 1st DCA 1987), 529 So. 2d 694 (Fla. 1988).

Associates, billed 6.5 hours at Ms. Yapp's hourly rate of $150 and .5 hours at Ms. Swain's hourly rate of $200 to prepare and review deficiencies. The total amount billed to the Utility from Milian, Swain & Associates came to $1,075 [(6.5x$150) + (.5x$200)]. We have previously disallowed rate case expense associated with correcting MFR deficiencies because of duplicative filing costs.[25] We find the billings to be duplicative and we determine that $2,505 ($1,430+$1,075) shall be removed as duplicative and unreasonable rate case expense.

The second adjustment relates to the Utility's estimated legal fees and expenses to complete the rate case. Rose, Sundstrom & Bentley, LLC, the Utility's counsel, estimated 89.9 hours or $29,257 in fees. However, the list of tasks to complete the case provided by the Utility's legal counsel came to 67.1 hours plus $1,018 in expenses. The specific amount of time associated with each item is listed below:

Estimate To Complete Through PAA Process

Description	Hours	Fees
Unbilled hours through date of filing	19.1	$5,826
Respond to formal data requests and informal requests for information from Staff	17.5	5,338
Legal research and documentation regarding confidentiality of work papers, NSF tariffs, WSC allocation issues, water quality and customer concerns.	6.0	1,830
Review staff recommendation; conference with client and consultant regarding recommendation; conference with staff regarding recommendation	3.5	1,068
Prepare for and attend Agenda conference; discuss Agenda with client and staff	15.0	4,575
Review PAA Order; Conference with client and consultant regarding PAA Order	2.0	610
Prepare revised tariff sheets; Obtain Staff approval of tariffs; Draft and revise customer notice; Obtain Staff approval of notice; Coordinate mailing of notices and implementation of tariffs	4.0	1,220
Total Estimated Fees	67.1	$20,466

[25] See Order Nos. PSC-05-0624-PAA-WS, issued Jun 7, 2005, in Docket No. 040450-WS, In re: Application for rate increase in Martin County by Indiantown Company, Inc.; and PSC-01-0326-FOF-SU, issued February 6, 2001, in Docket No. 991643-SU, In re: Application for increase in wastewater rates in Seven Springs System in Pasco County by Aloha Utilities, Inc.

As discussed above, it is the utility's burden to justify its requested costs. We find that 67.1 hours is a reasonable amount of time to respond to data requests, perform legal research, review staff's recommendation, conference with the client and consultants, travel to the Agenda Conference, and attend to miscellaneous post-PAA matters. We do not agree with the hourly rate of $330 proposed by Rose, Sundstrom & Bentley, LLC. Based on the MFRs and the invoices provided, Christian Marcelli's most recent hourly rate is $305. Using that rate, the total remaining legal fees would be $21,484 ($20,466+$1,018). Therefore, we find that legal fees shall be decreased by $7,773 ($29,257-$21,484).

The third adjustment relates to Sanlando's $68,263 of consultant fees for Milian, Swain & Associates. Based on our review of invoices, Sanlando was billed a total of 51 hours or $7,650 for Utilities, Inc. of Longwood's rate case. This amount shall be removed. The estimated remaining hours through the PAA for rate case expense for Milian, Swain & Associates totaled 80.5 hours, or $12,600. There was no support documentation provided for these estimated costs. Accordingly, $20,250 ($7,650+$12,600) shall be removed as unreasonable and unsupported rate case expense.

The fourth adjustment relates to the Utility's estimated consultant fees for M&R Consultants (M&R) to complete the rate case. The estimated remaining hours through the PAA for rate case expense for M&R totaled 15 hours or $2,175. There was no support documentation provided for these estimated costs. Accordingly, $2,175 (15x$145) shall be removed as unsupported rate case expense.

The fifth adjustment addresses the Utility's $2,271 of consultant fees for CPH Engineers, Inc. (CPH). CPH's actual costs for mapping the service area per MFR B-10, totaled $1,271. The remaining estimated charge for CPH is $1,000. There was no support provided for this latter expense. Based on the above, the Utility has not met its burden to justify the $1,000 of estimated fees for CPH to complete the rate case. Thus, rate case expense shall be decreased by $1,000.

The sixth adjustment relates to WSC in-house employee fees. In its rate case expense update, the Utility stated that the WSC employees estimated 747 hours or $37,331 related to assistance with MFRs, data requests, audit facilitation, billing analysis, implementation of rates, and customer notice mailings. We have concerns regarding these estimated hours. First, as stated earlier, there should be no estimated hours related to the MFRs or the audit in this case because the Utility has already completed the MFRs and has responded to the audit requests and those associated hours are reflected in the actual hours. Second, in those cases where rate case expense has not been supported by detailed documentation, our practice has been to disallow some portion or remove all unsupported amounts.[26] We find that a reasonable method to estimate WSC employee hours to complete the rate case is to utilize the actual average monthly

[26] See Order No. PSC-94-0075-FOF-WS, issued January 21, 1994 in Docket No. 921261-WS, In re: Application for a Rate Increase in Lee County by Harbor Utilities Company, Inc.; Order No. PSC-96-0629-FOF-WS, issued May 10, 1996, in Docket No. 950515-WS, In re: Application for staff-assisted rate case in Martin County by Laniger Enterprises of America, Inc.; and Order No. PSC-96-0860-FOF-SU, issued July 2, 1996, in Docket No. 950967-SU, In re: Application for staff-assisted rate case in Highlands County by Fairmount Utilities, the 2nd, Inc. We note that, in all of these cases, we removed the entire unsupported amounts.

hours of WSC employees. Using this method, we calculated an estimate for WSC employees to complete the case of 541 hours, or $21,224 which represents a reduction of 206 hours. Thus, rate case expense shall be decreased by $16,107 ($37,331-$21,224).

The seventh adjustment addresses WSC travel expenses. In its MFRs, Sanlando estimated $3,200 for travel. However, there was no support provided for the travel expenses. Based on several previous UI rates cases, it is our experience for PAA rate cases that UI does not send a representative from its Illinois office to attend the Agenda Conference; therefore, rate case expense shall be decreased by $3,200.

The eighth adjustment relates to the Utility's WSC temporary employee costs to complete the rate case of $800. There was no support documentation provided for these estimated costs. Accordingly, $800 shall be removed as unsupported rate case expense.

The ninth adjustment relates to WSC expenses for FedEx Corporation (FedEx) and other miscellaneous costs. In its MFRs, the Utility estimated $15,561 for these items. In support of these expenses, the Utility provided only $41 in costs from FedEx invoices for services through March 31, 2010. There was no breakdown or support for the remaining $15,520. We are also concerned with the amount of requested costs for FedEx expense. UI has requested and received our authorization to keep the Utility's records in Illinois. This is pursuant to Rule 25-30.110(1)(c), F.A.C. However, when a utility receives this authorization, it is required to reimburse us for the reasonable travel expense incurred by each Commission representative during the review and audit of the books and records. Further, these costs are not included in rate case expense or recovered through rates. In a 1993 rate case for Mid-County Service, Inc. (another UI subsidiary),[27] we found the following:

> The Utility also requested recovery of the actual travel costs it paid for the Commission auditors. Because the Utility's books are maintained out of state, the auditors had to travel out of state to perform the audit. We have consistently disallowed this cost in rate case expense.[28]

We find that the requested amount of shipping costs in this rate case directly relates to the records being retained out of state. The Utility typically ships its MFRs, answers to data requests, etc., to its law firm located in central Florida. These filings are then are submitted to us. As we have previously ordered, ratepayers shall not bear the related costs of having the records located out of state. This is a decision of the shareholders of the Utility, and, therefore, the shareholders shall bear the related costs. Therefore rate case expense shall be decreased by $15,561.

The tenth adjustment relates to the travel of two of our staff auditors, in the amount of $623. As stated above in the ninth adjustment, pursuant to Rule 25-30.110(2)(b), F.A.C., UI has requested and received our authorization from to keep the Utility's records outside the state in

[27] See Order No. PSC-93-1713-FOF-SU, p. 19., issued November 30, 1993, in Docket No. 921293-SU, In re: Application for a Rate Increase in Pinellas County by Mid-County Services, Inc.
[28] See Order No. 25821, issued February 27, 1991, and Order No. 20066, issued September 26, 1988.

Illinois. However, when a utility receives this authorization, it is required to reimburse us for the reasonable travel expense incurred by each Commission representative during the review and audit of the books and records. Such expenses have not been allowed to be recovered through rates. Therefore, rate case expense shall be decreased by $623.

The eleventh adjustment relates to the Utility's actual and estimated court bond fees from Alliant Insurance Services to complete the rate case. The estimated remaining fees through PAA for rate case expense for Alliant Insurance totaled $7,602. There was no support documentation provided for these estimated costs. Accordingly, $7,602 shall be removed as unsupported rate case expense.

The twelfth adjustment relates to the Utility's estimated completion costs from PriceWaterhouseCoopers, LLC of $1,000. This expense is for the review of audit work papers. No support documentation was provided. Accordingly, $1,000 shall be removed as unsupported rate case expense.

The thirteenth adjustment relates to customer notices and postage thereof. The Utility initially requested costs of $17,519 for postage and $2,143 for envelopes. In its update of rate case expense, the Utility did not provide any support for its postage. However, in the Utility's response to our data request dated March 10, 2010, the Utility stated that it made a calculation error. In its original calculation, the Utility used the average number of customer bills instead of the actual number of customers. The calculation also included four notice mailings, instead of three, and used the regular postage price of $0.44 instead of its presorted rate of $0.357. Using the Utility's total customer count and a unit cost of $0.357 for the above-mentioned number of notices, the Utility re-calculated the total postage for notices to be $10,875. The re-calculation for the cost of envelopes with the estimated price of $.0526 per envelope was $1,602. This represents decreases of $6,644 for postage and $541 for envelopes. In the Utility's updated rate case expense schedule there was an additional estimated expense of $400 for printing services and copies. There was no documentation provided; therefore, this amount shall be removed. Based on the above, rate case expense shall be decreased by $7,585 ($6,644+$541+$400).

Based on the foregoing, we find that the Utility's revised rate case expense shall be decreased by $86,181. The appropriate total rate case expense is $193,088. A breakdown of rate case expense is as follows:

	MFR Estimate	Utility Revised Actual & Estimate	Commission Adjustment	Allowed Total
Legal and Filing Fees	$68,625	$61,943	($9,204)	$52,740
Consultant Fees – Milian, Swain & Associates	46,700	68,263	(21,326)	46,938
Consultant Fees – M&R	5,000	7,468	(2,175)	5,293
Consultant Fees – CPH	0	2,271	(1,000)	1,271
WSC In-house Fees	77,521	88,303	(16,107)	72,196
Filing Fee	4,000	0	(0)	0
Travel- WSC	3,200	3,200	(3,200)	0
Temp Employee Fees-WSC	0	1,473	(800)	673
Miscellaneous	12,000	15,561	(15,561)	0
PSC Auditor Travel	0	623	(623)	0
Alliant Insurance Services	0	7,602	(7,602)	0
PriceWaterHouseCoopers	0	2,500	(1,000)	1,500
Notices	19,663	20,063	(7,585)	12,478
Total Rate Case Expense	$236,709	$279,270	($86,182)	$193,088
Annual Amortization Amounts	$59,177	$69,818	($21,546)	$48,272

Pursuant to Section 367.016, F.S., rate case expense shall be recovered over four years. While the Utility requested total rate case expense of $236,709, we reduced the rate case expense to $193,088. The Utility's requested amount, when amortized over four years would have been $59,177. The approved rate annual rate case expense when amortized over four years is $48,272. Therefore, annual rate case expense shall be decreased by $6,107 and $4,798 for water and wastewater, respectively.

Adjustments for Bad Debt Expense

The Utility recorded bad debt expense of $17,360 for 2008. Consistent with our practice, bad debt expense shall be based on a 3-year average. We have previously approved the application of a 3-year average to determine the appropriate level of bad debt expense. We have set bad debt expense using the 3-year average in three electric cases,[29] two gas cases,[30] and two water and wastewater case.[31] We approved a 3-year average in these cases based on the premise that a 3-year average fairly represented the expected bad debt expense. Overall, the basis for determining bad debt expense has been whether the amount is representative of the bad debt expense to be incurred by the Utility. Based on the 3-year average calculation, Sanlando shall be entitled to bad debt expense of $11,357 which we find to be representative of Sanlando's bad debt expense. As a result, Sanlando's bad debt expense of $17,360 shall be reduced by $2,821 for water and $3,181 for wastewater.

Adjustment for Taxes Other Than Income Taxes

In Sanlando's MFRs, Taxes other than income taxes (TOTI) were recorded as $419,120 for water and $398,310 for wastewater. Included in this calculation were adjustments of $3,702 for water and $2,875 for wastewater on Schedule B-15 of the MFRs relating to a General Expense Allocation from Headquarters. There was a second set of adjustments in the amount of $4,882 for water and $12,945 for wastewater. Included in the second set of adjustments was the General Expense adjustments of $3,702 for water and $2,875 for wastewater, along with an adjustment to increase Ad Valorem Tax by $1,180 for water and $10,070 for wastewater. Therefore, on Schedule B-15 of the MFRs, the adjustment for the General Expense Allocation for Headquarters was double counted.

The Utility partially agreed with our audit staff's finding that Schedule B-15 did double count the adjustment, but the Utility stated that Schedule B-3 of the MFRs reported the adjustment correctly. We agree that Schedule B-3 of the MFRs is in fact correct, but Schedule B-15 ties directly to the main Operating Schedules B-1 and B-2. Thus, the double counting carried over to Schedules B-1 and B-2 of the MFRs. Based on the above, TOTI shall be reduced by $3,702 for water and $2,875 for wastewater.

Net Operating Income

Based on the adjustments discussed above, the test year operating income is $570,249 for water and $482,085 for wastewater. As shown on Schedule Nos. 3-A and 3-B, attached, after applying

[29] See Order Nos. PSC-94-0170-FOF-EI, issued February 10, 1994, in Docket No. 930400-EI, In re: Application for a Rate Increase for Marianna electric operations by Florida Public Utilities Company, at p. 20; PSC-93-0165-FOF-EI, issued February 2, 1993, in Docket No. 920324-EI, In re: Application for a rate increase by Tampa Electric Company, at pp. 69-70; and PSC-92-1197-FOF-EI, issued October 22, 1992, in Docket No. 910890-EI, In re: Petition for a rate increase by Florida Power Corporation, at p. 48.

[30] See Order Nos. PSC-92-0924-FOF-GU, issued September 3, 1992, in Docket No. 911150-GU, In re: Application for a rate increase by Peoples Gas System, Inc., at p. 6; and PSC-92-0580-FOF-GU, issued June 29, 1992, in Docket No. 910778-GU, In re: Petition for a rate increase by West Florida Natural Gas Company, at pp. 30-31.

[31] See Order No. PSC-07-0505-SC-WS, issued June 13, 2007, in Docket No. 060253-WS, In re: Application for increase in water and wastewater rates in Marion, Orange, Pasco, Pinellas, and Seminole Counties by Utilities, Inc. of Florida, at pp. 41-42; and See Order No. PSC-09-0385-FOF-WS, issued May 29, 2009, in Docket No. 080121-WS, In re: Application for increase in water and wastewater rates in Alachua, Brevard, DeSoto, Highlands, Lake, Lee, Marion, Orange, Palm Beach, Pasco, Polk, Putnam, Seminole, Sumter, Volusia, and Washington Counties by Aqua Utilities Florida, Inc., at pp. 92-96.

our adjustments, the Utility's net operating income is $570,249 for water and $482,085 for wastewater. Our adjustments to operating income are shown on Schedule No. 3-C.

REVENUE REQUIREMENT

Sanlando requested revenue requirements which, if approved, would have generated annual revenues of $3,634,507 and $4,145,692, for water and wastewater, respectively. These requested revenue requirements represented revenue increases of $460,784 or 14.52 percent for water and $582,806 or 16.36 percent for wastewater.

However, consistent with our decisions concerning the underlying rate base, cost of capital, and operating income issues, we approve a water revenue requirement of $3,089,848 and a wastewater revenue requirement of $4,145,692. The approved water revenue requirement is $136,317, or 4.23 percent less than the adjusted test year revenues. The approved wastewater revenue requirement is $546,558, or 15.19 percent greater than the adjusted test year revenues. These approved pre-repression revenue requirements will allow the Utility the opportunity to recover its expenses and earn a 8.10 percent return on its investment in water and wastewater rate base.

RATES

The Utility's current water system rate structure for the residential class consists of a two-tiered rate structure with usage blocks of 0 kgal/month to 10 kgal/month in the first usage block, and all usage in excess of 10 kgal/month in the second usage block. Prior to filing for rate relief, the based facility charge (BFC) for 5/8" x 3/4" meter customers was $4.30 per month. The usage charge prior to filing was $0.55 per kgal in the first block and $1.08 per kgal in the second block.

Sanlando is located in Seminole County within the St. Johns River Water Management District (SJRWMD or District). The entire District has been designated a water resource caution area. Furthermore, many areas of the SJRWMD, including the Sanlando service area, are identified as priority water resource caution areas. These are areas where existing and reasonably anticipated sources of water and water conservation efforts may not be adequate to supply water for all existing legal uses and anticipated future needs, or to sustain the water resources and related natural systems. In 1991, we entered into a Memorandum of Understanding (MOU) with the five Water Management Districts (WMDs), in which the agencies recognized that it is in the public interest to engage in a joint goal to ensure the efficient and conservative utilization of water resources in Florida, and that a joint cooperative effort is necessary to implement an effective, state-wide water conservation policy.

Water Rates We performed a detailed analysis of the Utility's billing data. Based on this analysis, we find that it is appropriate to implement a three tiered inclining block rate structure for this utility's residential rate class. During the 2008 test year, average residential consumption was 18.6 kgal/month, with approximately 18 percent of residential customers consuming over 30 kgal/month. This level of usage is indicative of a very high level of discretionary, or non-essential, usage that is relatively sensitive to price increases. Therefore, in light of the SJRWMD's desire to reduce water consumption in this area, we find that it is appropriate to implement a three-tiered inclining block rate structure for this utility to encourage water conservation.

We performed additional analyses of the Utility's billing data to evaluate various BFC cost recovery percentages, usage blocks, and usage block rate factors for the residential rate class. The goal of the evaluation was to select the rate design parameters that 1) allow the utility to recover its revenue requirement, 2) equitably distribute cost recovery among the utility's customers, and 3) implement where appropriate water conserving rate structures consistent with our MOU with the state's WMDs.

To increase the water-conserving nature of the rate structure, we find that the entire increase in water system revenue requirements shall be allocated to the gallonage charge, and that the BFC remain unchanged at $4.36 for a 5/8" x 3/4" meter customer. By shifting cost recovery to the water system gallonage charge while holding the BFC constant, we are able to design a more effective water conserving rate structure. Furthermore, by setting the rate factors at 1.0, 1.25, and 1.75 for the three usage blocks, we are able to target the water conserving rate structure to customers who use more than 15 kgal/month. At the same time this will also minimize price increases to customers who use less than 15 kgal/month.

The traditional BFC/uniform gallonage charge rate structure has been our water rate structure of choice for nonresidential customer classes. The uniform gallonage charge shall be calculated by dividing the total revenues to be recovered through the gallonage charge by the total of gallons attributable to all rate classes. This shall be the same methodology used to determine the general service gallonage charge in this case. With this methodology, the general service customers will continue to pay their fair share of the cost of service.

<u>Allocation of Reuse Costs</u> Traditionally, costs associated with the provision of water service are allocated to the water customers, and those associated with the provision of wastewater service are allocated to the wastewater customers. The evolution of reuse of reclaimed water as a method of effluent disposal, aquifer recharge, and water conservation has brought change to the traditional allocation of revenue requirement. In recognition that water customers benefit from the conservation facilitated by reuse, it is appropriate to consider whether a portion of the wastewater or reuse costs should be shared by the water customers.

Section 367.0817, F.S., sets forth our authority to allocate the costs of providing reuse among any combination of a utility's customer base and recognizes that all customers benefit from the water resource protection afforded by reuse. Specifically, Section 367.0817(3), F.S., states:

> All prudent costs of a reuse project shall be recovered in rates. The Legislature finds that reuse benefits water, wastewater, and reuse customers. The commission shall allow a utility to recover the costs of a reuse project from the utility's water, wastewater, or reuse customers or any combination thereof as deemed appropriate by the commission.

This provision recognizes that all customers benefit from the water resource protection afforded by reuse.

Determining how much of the wastewater revenue requirement should be allocated to the water customers is difficult given the discretionary nature of Section 367.0817, F.S.. Although the statute acknowledges that reuse benefits water, wastewater and reuse customers, there is no guidance in the statute as to how to measure these benefits. In addition, the statute does not state when it is appropriate to undertake such an allocation or how much should be allocated. These decisions are left solely to our discretion.[32] Different criteria to consider in deciding whether and how much of a reuse system's costs may be allocated to water customers include but are not limited to: 1) recognition of perceived benefit; 2) average usage of the water customers; 3) the level of water rates; 4) the magnitude of the wastewater revenue increases; and 5) the need to send a stronger price signal to achieve water conservation.[33]

In the Utility's last rate case, we approved shifting $500,000 of the wastewater system revenue requirement associated with the reuse facilities to the gallonage charge portion of the water rate structure.[34] This shifting of the revenue requirement associated with the reuse facilities to the water system was seen as a step toward designing a more aggressive water conversation rate structure geared to target those users with high levels of discretionary consumption. Given the high level of average residential consumption of 18.6 kgal/month that still exists in the instant case, we find that it is appropriate to continue to shift recovery of the reuse facility's revenue requirement to the gallonage charge portion of the water system rate structure. The reuse facility's revenue requirement is greater than our calculated wastewater revenue increase of $546,558. Therefore, we determine that it is appropriate to shift the entire recommended wastewater revenue requirement increase of $546,558 to the gallonage portion of the water rate structure.

In addition to the change in rate structure described above, we also evaluated two alternative water rate structures. The first alternative rate structure consists of the same three-tiered rate structure described above, but without shifting the $546,558 from the wastewater revenue requirement to the water system revenue requirement. This leads to a slight decline in water system revenue requirements, a negligible change in customer bills, and no material change in consumption. The second alternative represents a continuation of the utility's current two-tiered rate structure with the rate factor for usage above 10 kgals being twice that for usage below 10 kgals. This rate structure results in approximately the same amount of conservation due to repression as the approved rate structure.

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[32] Order No. PSC-96-1147-FOF-WS, issued September 12, 1996 in Docket No. 951258-WS, In re: Application for a rate increase in Brevard County by Florida Cities Water Company (Barefoot Bay Division), p. 47.
[33] Order No. PSC-02-1111-PAA-WS, issued August 13, 2002 in Docket No. 010823-WS, In re: Application for staff-assisted rate case in Seminole County by CWS Communities LP d/b/a Palm Valley, p. 33.
[34] Order No. PSC-07-0205-PAA-WS, issued March 6, 2007 in Docket No. 060258-WS, In re: Application for Increase in water and wastewater rates in Seminole County by Sanlando Utilities Corp.

SANLANDO UTILITIES COMMISSION APPROVED RATE STRUCTURES FOR TYPICAL RESIDENTIAL CUSTOMERS ON 5/8" x 3/4" METERS POST-REPRESSION ANALYSIS			
Current Rate Structure and Rates		**Approved Rate Structure and Rates**	
BFC/uniform gallonage charge rate structure, with kgals included in the BFC (greater meter sizes have greater kgal allotments included)		Three-tiered inclining-blocks – consumption of 0-10 kgals, 10-15, 15+ kgals; rate factors at 1.0, 125, and 1.75; BFC = 25.65 percent	
BFC	$4.30	BFC	$4.36
0-10 kgals	$0.55	0-6 kgals (no repression adjustment)	$0.75
In excess of 10 kgals	$1.08	6.001-10 kgals	$0.79
		10.001-15 kgals	$0.99
		In excess of 15 kgals	$1.39
Typical Monthly Bills		**Typical Monthly Bills**	
Cons (kgal)		**Cons (kgal)**	
0	$4.30	0	$4.36
1	$4.85	1	$5.11
3	$5.95	3	$6.61
5	$7.05	5	$8.11
10	$9.80	10	$12.02
15	$15.20	15	$16.97
20	$20.60	20	$23.92
25	$26.00	25	$30.87
30	$31.40	30	$37.82

Wastewater Rates The Utility's current wastewater system rate structure consists of a BFC/gallonage charge rate structure. Prior to filing for rate relief, the BFC for 5/8" x 3/4" meter customers was $12.18 per month. The corresponding monthly gallonage charge for residential service was $1.61, capped at 10 kgal of usage, while the general service gallonage charge rate was 1.2 times greater than the residential charge, at $1.93 per kgal, with no usage cap.

As a consequence of shifting the entire increase in wastewater revenue requirement of $546,558 to the water system, there is no need to increase wastewater rates. Therefore, the Utility's current wastewater rate structure and rates remain unchanged.

Based on the foregoing, the appropriate rate structure for the water system's residential class is a change to a three-tier inclining-block rate structure. The appropriate usage blocks are for monthly usage of 0-10 kgal in the first usage block, 10.001-15 kgal in the second usage block, and in excess of 15 kgal in the third usage block. The appropriate rate factors are 1.0, 1.25, and 1.75, respectively. The appropriate rate structure for the water system's nonresidential classes is a continuation of its base facility charge/uniform gallonage charge rate structure. The BFC cost recovery percentage for the water system shall be set at 25.65 percent. The entire water system revenue increase shall be applied to the gallonage charge. In addition, $546,558 of the wastewater system revenue requirement associated with the reuse facilities shall be reallocated to the water system's gallonage charge. The appropriate rate structure for the wastewater system is a continuation of the BFC/gallonage charge rate structure. The residential wastewater monthly gallonage cap shall be set at 10 kgal. The wastewater rates prior to filing shall remain unchanged

Repression Adjustments

We conducted a detailed analysis of the consumption patterns of the Utility's residential customers as well as the increase in residential bills resulting from the increase in revenue requirements. This analysis showed that a very small portion (7.5 percent) of the residential bills rendered during the test year were for consumption levels below 1 kgal per month. This indicates that the bulk of the customer base of the utility are full time residents. This analysis also showed that average residential consumption per customer was 18.610 kgal per month. This level of consumption indicates that there is a very high level of discretionary, or non-essential, consumption of approximately 12.610 kgal per customer per month. Discretionary usage, such as outdoor irrigation, is relatively responsive to changes in price, and is therefore subject to the effects of repression.

Using our database of utilities that have previously had repression adjustments made, we calculated a repression adjustment for this utility based upon the increase in revenue requirements in this case, and the historically observed response rates of consumption to changes in price. This is the same methodology for calculating repression adjustments that we have approved in prior cases. This methodology also restricts any price changes due to repression from being applied to non-discretionary consumption (consumption less than 6 kgals per month), and allocates all cost recovery due to repression to discretionary levels of consumption (consumption above 6 kgals per month). Based on this methodology, we calculated that test year residential consumption for this utility shall be reduced by 110,231 kgal purchased power expense shall be reduced by $18,123, chemicals expenses shall be reduced by $3,407 and regulatory assessment fees (RAFs) shall be reduced by $1,014. The final post-repression revenue requirement for the water system shall be $3,586,885. Because the wastewater rates remain unchanged, we make no repression adjustment to the wastewater system.

In order to monitor the effect of the rate changes, the Utility shall file reports detailing the number of bills rendered, the consumption billed, and the revenues billed on a monthly basis. In addition, the reports shall be prepared by customer class, usage block, and meter size. The reports shall be filed with our staff, on a semi-annual basis, for a period of two years beginning with the first billing period after the approved rates go into effect. To the extent the Utility makes adjustments to consumption in any month during the reporting period, the Utility shall file a revised monthly report for that month within 30 days of any revision.

Monthly Rates

Excluding miscellaneous service charges, the rates for the water system are designed to produce annual revenues of $3,586,885. Excluding miscellaneous service charges, the rates for the wastewater system are designed to produce annual revenues of $3,599,134. Approximately 26.2 percent (or $939,764) of the water monthly service revenues is recovered through the base facility charges, while approximately 73.8 percent (or $2,647,121) represents revenue recovery through the consumption charges. As we are not revising the Utility's wastewater or reuse rates, the Utility shall file revised water tariff sheets and a proposed customer notice to reflect the Commission-approved rates for the water system. The approved water rates shall be effective for service rendered on or after the stamped approval date of the revised tariff sheets pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved water rates shall not be implemented until our staff has approved the proposed customer notice. The Utility shall provide proof of the date notice was given no less than 10 days after the date of the notice.

A comparison of the Utility's original rates, requested rates, and the approved water, wastewater and reuse rates are shown on the attached Schedules Nos. 4-A and 4-B, respectively.

OTHER ISSUES

Refund Amount and Methodology

By Order No. PSC-10-0018-PCO-WS, we approved an interim revenue requirement of $3,397,716 for water and $3,964,451 for wastewater.[35] This represents an increase of $171,388 or 5.31 percent for water and $401,564 or 11.27 percent for wastewater. The interim collection period is January 2010 through July 2010.

According to Section 367.082, F.S., any refund should be calculated to reduce the rate of return of the Utility during the pendency of the proceeding to the same level within the range of the newly authorized rate of return. Adjustments made in the rate case test period that do not relate to the period interim rates are in effect should be removed. Rate case expense is an example of an adjustment which is recovered only after final rates are established.

In this proceeding, the test period for establishment of interim and final rates is the 12-month period ending December 31, 2008. Sanlando's approved interim rates did not include any provisions for pro forma or projected operating expenses or plant. The interim increase was designed to allow recovery of actual interest costs, and the lower limit of the last authorized range for equity earnings.

To establish the proper refund amount, we have calculated interim period revenue requirements utilizing the same data used to establish final rates. Rate case expense was excluded because this item is prospective in nature and did not occur during the interim collection period. Using the principles discussed above, the interim test year revenue requirements of $3,397,716 for water and $3,964,451 for wastewater, granted in order PSC-10-0018-PCO-WS, are greater than the revenue requirement for water by 10.49 percent and less than the revenue requirement for wastewater by 4.57 percent. This results in a 10.49 percent water refund and no refund for wastewater.

However, as determined above, we are shifting and reallocating the wastewater revenue increase of $546,558 related to the Utility's reuse system to the water system. Because of the

[35] See Order No. PSC-10-0018-PCO-WS, issued January 6, 2010.

reallocation of these revenues, we shall use Sanlando's total net percentage of the interim refund. This results in a water refund of 2.38 percent. Further, the surety bond shall be released upon our staff's verification that the required refunds have been made.

Four-Year Amortization Period Rate Reduction Amount

Section 367.0816, F.S., requires rates to be reduced immediately following the expiration of the four-year amortization period by the amount of the rate case expense previously included in the rates. The reduction will reflect the removal of revenues associated with the amortization of rate case expense, the associated return included in working capital, and the gross-up for RAFs, which is $58,737. This amount is comprised of $32,893 for water and $25,844 for wastewater. The decreased revenue will result in the rate reduction described on Schedule No. 4-A and Schedule No. 4-B attached to this Order.

The Utility shall be required to file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates shall be effective for service rendered on or after the stamped approval date of the revised tariff sheets pursuant to Rule 25-40.475(1), F.A.C. The rates shall not be implemented until our staff has approved the proposed customer notice. The Utility shall provide proof of the date notice was given no less than 10 days after the date of the notice.

If the Utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data shall be filed for the price index and/or pass-through increase or decrease, and for the reduction in the rates due to the amortized rate case expense.

Non-Sufficient Funds fee

Section 367.091, F.S., requires that rates, charges, and customer service policies be approved by us. We have authority to establish, increase, or change a rate or charge. Sanlando has requested an NSF fee in accordance with Section 832.08(5), F.S.

We find that Sanlando shall be authorized to collect an NSF fee. The NSF fee shall be consistent with Section 68.065, F.S., which allows for the assessment of charges for the collection of worthless checks, drafts, or orders of payment. As currently set forth in Sections 68.065(2) and 832.08(5), F.S., the following fees may be assessed:

1.) $25, if the face value does not exceed $50,

2.) $30, if the face value exceeds $50 but does not exceed $300,

3.) $40, if the face value exceeds $300, or

4.) five percent of the face amount of the check, whichever is greater.

Sanlando's tariff for an NSF fee shall be revised to reflect the charges set by Sections 68.065(2) and 832.08(5) F.S. Approval of an NSF fee is consistent with our prior decisions.[36] As such, Sanlando's proposed NSF fee is approved. This fee shall be effective on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), F.A.C.

Proof of Compliance

To ensure that the Utility adjusts its books in accordance with our decision, Sanlando shall provide proof, within 90 days of the final order in this docket, that the adjustments for all the applicable National Association of Regulatory Utility Commissioners Uniform System of Accounts primary accounts have been made.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the application for increased water and wastewater rates of Sanlando Utilities Corporation is approved as 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 the schedules and attachments to this Order are incorporated by reference herein. It is further

ORDERED that Sanlando Utilities Corporation is hereby authorized to charge the new rates and charges as set forth herein and as approved in the body of this Order. It is further

ORDERED that Sanlando Utilities Corporation shall file revised water tariff sheets and a proposed customer notice to reflect the approved water rates shown on Schedule 4A. It is further

ORDERED that the tariffs shall be approved upon our staff's verification that the tariffs are consistent with our decision herein. It is further

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

[36] See Order Nos. PSC-08-0831-PAA-WS, issued December 23, 2008, in Docket No. 070680-WS, In re: Application for staff-assisted rate case in Pasco County by Orangewood Lakes Services, Inc.; PSC-97-0531-FOF-WU, issued May 9, 1997, in Docket No. 960444-WU, In re: Application for rate increase and for increase in service availability charges in Lake County by Lake Utility Services, Inc., at p.20; PSC-10-0168-PAA-SU, issued March 23, 2010, in Docket No. 090182-SU, In re: Application for increase in wastewater rates in Pasco County by Ni Florida, LLC; and PSC-94-0036-FOF-TL, issued January 11, 1994, in Docket No. 930901-TL, In re: Request for approval of tariff filing to increase service connection charges and establish a non-sufficient funds check charge by Vista-United Telecommunications.

ORDERED that the approved water shall not be implemented until our staff has approved the proposed customer notice and the notice has been received by the customers as set forth in the body of this Order. It is further

ORDERED that Sanlando Utilities Corporation shall provide proof of the date notice was given no less than ten days after the date of the notice. It is further

ORDERED that the Utility shall file reports detailing the number of bills rendered, the consumption billed, and the revenues billed on a monthly basis. In addition, the reports shall be prepared by customer class, usage block, and meter size. The reports shall be filed with staff, on a semi-annual basis, for a period of two years beginning with the first billing period after the approved rates go into effect. To the extent the Utility makes adjustments to consumption in any month during the reporting period, the Utility shall file a revised monthly report for that month within 30 days of any revision. It is further

ORDERED that the water rates shall be reduced as shown on Schedule No. 4A to remove rate case expense, grossed-up for regulatory assessment fees, which is being amortized over a four-year period. It is further

ORDERED that the decrease in rates shall become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.0816, F.S. The Utility shall file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the reduction no later than one month prior to the actual date of the required rate reduction. It is further

ORDERED that Sanlando Utilities Corporation shall be authorized to charge its insufficient funds charge as set forth herein. It is further

ORDERED that Sanlando Utilities Corporation shall file a proposed customer notice to reflect the approved insufficient funds charge. The approved charge shall be effective for service rendered on or after the stamped approval date of the tariff, pursuant to Rule 25-30.475(1), F.A.C., provided the notice has been approved by Commission staff. It is further

ORDERED that within ten days of the date the order is final, Sanlando Utilities Corporation shall provide notice of the tariff changes regarding its insufficient funds charges to all customers. The Utility shall provide proof the customers have received notice within ten days after the date that the notice was sent. It is further

ORDERED that Sanlando Utilities Corporation shall be required to refund 2.38 percent of the interim revenues. It is further

ORDERED that Sanlando Utilities Corporation shall be required to submit proper refund reports pursuant to Rule 25-30.360(7), F.A.C. The Utility shall treat any unclaimed refunds as contributions in aid of construction pursuant to Rule 25-30.360(8), F.A.C. Further, the corporate undertaking shall be released upon Commission staff's verification that the required refunds have been made. It is further

ORDERED that the Utility shall provide proof, within 90 days of the final order issued in this docket, that the adjustments for all the applicable NARUC USOA primary accounts have been made. It is further

ORDERED the provisions of this Order, except for the four-year rate reduction and the requirement of proof of adjustments, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201,F.A.C., is received by the Office of the Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings." It is further

ORDERED that if no person whose substantial interests are affected by the Proposed Agency Action issues files a protest within twenty-one days of the issuance of the Order, a Consummating Order will be issued. It is further

ORDERED, in the event no protest is filed, this docket shall remain open for our staff's verification that the revised tariff sheets and customer notice have been filed by the Utility and approved by our staff, and that the refund has been completed and verified by our staff. Once these actions are complete, this docket shall be closed administratively.

By ORDER of the Florida Public Service Commission this 1st day of July, 2010.

Ann Cole

ANN COLE
Commission Clerk

(S E A L)

LCB

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.

As identified in the body of this order, our action herein, except for the four-year rate reduction and proof of adjustment of books and records, is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Office of Commission Clerk, at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on July 22, 2010. If such a petition is filed, mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing. In the absence of such a petition, this order shall become effective and final upon the issuance of a Consummating Order.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

Any party adversely affected by the Commission's final action in this matter may request: (1) reconsideration of the decision by filing a motion for reconsideration with the Office of Commission Clerk within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, 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 by filing a notice of appeal with the Office of Commission Clerk and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

Sanlando Utilities Corporation
Schedule of Water Rate Base
Test Year Ended 12/31/08

Schedule No. 1-A
Docket No. 090402-WS

Description	Test Year Per Utility	Utility Adjust-ments	Adjusted Test Year Per Utility	Commission Approved Adjustments	Commission Approved Approved Test Year
Plant in Service	$19,643,029	($490,836)	$19,152,193	($821,967)	$18,330,226
Land and Land Rights	130,342	(33,628)	96,714	0	96,714
Accumulated Depreciation	(10,099,856)	137,467	(9,962,389)	250,590	(9,711,799)
CIAC	(11,951,929)	582,948	(11,368,981)	0	(11,368,981)
Amortization of CIAC	8,287,105	(144,788)	8,142,317	244,422	8,386,739
CWIP	3,021,010	(3,021,010)	0	0	0
Working Capital Allowance	0	299,821	299,821	3,285	303,106
Rate Base	$9,029,701	($2,670,026)	$6,359,675	($323,670)	$6,036,005

Sanlando Utilities Corporation
Schedule of Wastewater Rate Base
Test Year Ended 12/31/08

Schedule No. 1-B
Docket No. 090402-WS

Description	Test Year Per Utility	Utility Adjust-ments	Adjusted Test Year Per Utility	Commission Approved Adjustments	Commission Approved Approved Test Year
Plant in Service	$24,962,220	$2,238,414	$27,200,634	($1,398,339)	$25,802,295
Land and Land Rights	203,378	6,675	210,053	0	210,053
Accumulated Depreciation	(11,968,283)	(484,909)	(12,453,192)	264,374	(12,188,818)
CIAC	(13,236,312)	698,756	(12,537,556)	0	(12,537,556)
Amortization of CIAC	9,263,728	10,206	9,273,934	233,333	9,507,267
CWIP	32,289	(32,289)	0	0	0
Working Capital Allowance	0	372,628	372,628	2,497	375,125
Rate Base	$9,257,020	$2,809,481	$12,066,501	($898,136)	$11,168,365

Sanlando Utilities Corporation
Adjustments to Rate Base
Test Year Ended 12/31/08

Schedule No. 1-C
Docket No. 090402-WS

	Explanation	Water	Wastewater
	Plant In Service		
1	To reflect audit adjustments agreed to by the utility.	($3,039)	($25,980)
2	To reflect Project Phoenix Adjustment.	(65,210)	(51,237)
3	To reflect appropriate UPIS.	(798,818)	(644,145)
4	To reflect pro forma adjustment.	40,618	(687,500)
5	To reflect appropriate UPIS.	4,483	10,522
	Total	($821,967)	($1,398,339)
	Accumulated Depreciation		
1	To reflect audit adjustments agreed to by the utility.	$60	$30,890
2	To reflect Project Phoenix Adjustment.	20,251	17,251
3	To reflect appropriate Acc. Depr.	231,120	181,971
4	To reflect pro forma adjustment.	(783)	34,536
5	To reflect the deferred maintenance adjustment.	(58)	(274)
	Total	$250,590	$264,374
	Accumulated Amortization of CIAC		
1	To reflect audit adjustments agreed to by the utility.	$235,903	$233,333
2	To reflect CIAC service lines.	8,519	0
	Total	$244,422	$233,333
	Working Capital		
1	To reflect audit adjustments agreed to by the utility.	$9,242	$7,178
2	To reflect deferred rate case adjustment to working capital.	(5,957)	(4,681)
	Total	$3,285	$2,497

ATTACHMENT B

Sanlando Utilities Corporation
Capital Structure-Simple Average
Test Year Ended 12/31/08

Schedule No. 2
Docket No. 090402-WS

	Description	Total Capital	Specific Adjust-ments	Subtotal Adjusted Capital	Prorata Adjust-ments	Capital Reconciled to Rate Base	Ratio	Cost Rate	Weighted Cost
Requested by Utility									
1	Long-term Debt	$180,000,000	$0	$180,000,000	($171,457,106)	$8,542,894	46.36%	6.65%	3.08%
2	Short-term Debt	39,713,462	0	39,713,462	(37,828,208)	1,885,254	10.23%	4.30%	0.44%
3	Preferred Stock	0	0	0	0	0	0.00%	0.00%	0.00%
4	Common Equity	158,595,058	0	158,595,058	(151,068,405)	7,526,653	40.85%	11.24%	4.59%
5	Customer Deposits	86,777	0	86,777	0	86,777	0.47%	6.00%	0.03%
6	Deferred Income Taxes	384,596	0	384,596	0	384,596	2.09%	0.00%	0.00%
7	**Total Capital**	$378,779,893	$0	$378,779,893	($360,353,719)	$18,426,174	100.00%		8.14%
Commission Approved									
8	Long-term Debt	$180,000,000	$0	$180,000,000	($172,038,404)	$7,961,596	46.28%	6.65%	3.08%
9	Short-term Debt	39,713,462	0	39,713,462	(37,956,892)	1,756,570	10.21%	4.30%	0.44%
10	Preferred Stock	0	0	0	0	0	0.00%	0.00%	0.00%
11	Common Equity	158,595,058	0	158,595,058	(151,580,226)	7,014,832	40.77%	11.17%	4.56%
12	Customer Deposits	86,777	0	86,777	0	86,777	0.50%	6.00%	0.03%
13	Deferred Income Taxes	384,596	0	384,596	0	384,596	2.24%	0.00%	0.00%
14	**Total Capital**	$378,779,893	$0	$378,779,893	($361,575,522)	$17,204,371	100.00%		8.10%

	LOW	HIGH
RETURN ON EQUITY	10.17%	12.17%
OVERALL RATE OF RETURN	7.69%	8.51%

Sanlando Utilities Corporation
Statement of Water Operations
Test Year Ended 12/31/08

Schedule No. 3-A
Docket No. 090402-WS

	Description	Test Year Per Utility	Utility Adjust-ments	Adjusted Test Year Per Utility	Commission Approved Adjustments	Commission Approved Adjusted Test Year	Revenue Increase	Revenue Requirement
1	**Operating Revenues:**	$3,061,746	$572,761	$3,634,507	-$408,341	$3,226,166	-$136,317 -4.23%	$3,089,848
	Operating Expenses							
2	Operation & Maintenance	$2,195,615	($118,099)	$2,077,516	($334,711)	$1,742,805		$1,742,805
3	Depreciation	424,469	(96,931)	327,538	(20,127)	307,411		307,411
4	Taxes Other Than Income	396,002	23,119	419,121	(28,311)	390,810	(6,134)	384,676
5	Income Taxes	(37,428)	330,083	292,655	(77,765)	214,890	(48,988)	165,902
6	**Total Operating Expense**	$2,978,658	$138,172	$3,116,830	($460,913)	$2,655,917	($55,122)	$2,600,795
7	**Operating Income**	$83,088	$434,589	$517,677	$52,572	$570,249	($81,195)	$489,054
8	**Rate Base**	$9,029,701		$6,359,675		$6,036,005		$6,036,005
9	**Rate of Return**	0.92%		8.14%		9.45%		8.10%

Sanlando Utilities Corporation
Statement of Wastewater Operations
Test Year Ended 12/31/08

Schedule No. 3-B
Docket No. 090402-WS

	Description	Test Year Per Utility	Utility Adjust-ments	Adjusted Test Year Per Utility	Commission Approved Adjustments	Commission Approved Adjusted Test Year	Revenue Increase	Revenue Requirement
1	**Operating Revenues:**	$3,439,261	$706,431	$4,145,692	($546,558)	$3,599,134	$546,558	$4,145,692
							15.19%	
	Operating Expenses							
2	Operation & Maintenance	$1,965,278	$118,545	$2,083,823	$119,847	$2,203,670		$2,203,670
3	Depreciation	352,743	187,608	540,351	(54,262)	486,089		486,089
5	Taxes Other Than Income	359,429	38,881	398,310	(22,892)	375,418	24,595	400,013
6	Income Taxes	(28,582)	169,577	140,995	(89,122)	51,873	196,415	248,288
7	**Total Operating Expense**	$2,648,868	$514,611	$3,163,479	($46,430)	$3,117,049	$221,010	$3,338,059
8	**Operating Income**	$790,393	$191,820	$982,213	($500,128)	$482,085	$325,548	$807,633
9	**Rate Base**	$9,257,020		$12,066,501		$11,168,365		$11,168,365
10	**Rate of Return**	8.54%		8.14%		4.32%		7.23%

Sanlando Utilities Corporation
Adjustment to Operating Income
Test Year Ended 12/31/08

Schedule 3-C
Docket No. 090402-WS

	Explanation	Water	Wastewater
	Operating Revenues		
1	Remove requested final revenue increase.	($460,784)	($582,806)
2	To reflect annualized revenues.	52,443	36,248
	Total	($408,341)	($546,558)
	Operation and Maintenance Expense		
1	To reflect audit adjustments agreed to by the utility.	($3,201)	($2,486)
2	To reflect appropriate O & M expenses.	0	12,480
3	To reflect appropriate O & M expenses.	(36,834)	(60,991)
4	To reflect the appropriate amount of employee salary& benefits.	(254,307)	199,166
5	To reflect appropriate expenses related to mailing bills.	0	(709)
6	To reflect chemical expense adjustment.	(9,009)	(1,435)
7	To reflect relocation expense adjustment.	(3,783)	(3,389)
8	To reflect transportation expense adjustment.	(7,180)	(5,642)
9	To reduce rate case expense from last rate case.	(11,468)	(9,168)
10	To reduce current rate case expense.	(6,107)	(4,798)
11	To reflect bad debt expense adjustment.	(2,821)	(3,181)
	Total	($334,711)	$119,847
	Depreciation Expense - Net		
1	To reflect audit adjustments agreed to by the utility.	($222)	($1,485)
2	To reflect Project Phoenix Adjustment.	(20,251)	(17,251)
3	To reflect UPIS adjustment.	(791)	(1,550)
4	To reflect pro forma adjustment.	783	(34,536)
5	To reflect appropriate Depreciation expenses.	353	560
	Total	($20,127)	($54,262)
	Taxes Other Than Income		
1	RAFs on revenue adjustments above.	($18,375)	($24,595)
2	To reflect audit adjustments agreed to by the utility.	7,614	2,715
3	To reflect pro forma adjustment.	1,390	(10,070)
4	To reflect the payroll tax adjustment.	(15,237)	11,933
5	To reflect audit adjustments for taxes other then income.	(3,702)	(2,875)
	Total	($28,311)	($22,892)

Sanlando Utilities Corporation — **Schedule No. 4-A**
Water Monthly Service Rates — **Docket No. 090402-WS**
Test Year Ended 12/31/08

	Rates Prior to Filing	Commission Approved Interim	Utility Requested Final	Commission Approved Final	4-year Rate Reduction
Residential, General Service and Multi-Family					
Base Facility Charge by Meter Size:					
5/8" x 3/4"	$4.36	$4.91	$4.91	$4.36	$0.05
3/4"	$6.55	$7.37	$7.37	$6.54	$0.07
1"	$10.90	$12.28	$12.28	$10.90	$0.12
1-1/2"	$21.80	$24.55	$24.55	$21.80	$0.23
2"	$0.00	$39.28	$39.28	$34.88	$0.37
3"	$0.00	$73.65	$73.65	$69.76	$0.74
4"	$0.00	$122.75	$122.75	$109.00	$1.16
6"	$0.00	$245.50	$245.50	$218.00	$2.32
8"	$0.00	$392.80	$392.80	$348.80	$3.71
Gallonage Charge					
0-10,000 gallons	$0.56	$0.63	$0.63		
over 10,000 gallons	$1.10	$1.24	$1.24		
per 1,000 gallons	$0.86	$0.97	$0.97	$1.08	$0.01
0-6,000 gallons				$0.75	$0.01
6,001-10,000 gallons				$0.79	$0.01
10,001-15,000 gallons				$0.99	$0.01
Over 15,000 gallons				$1.39	$0.01
Private Fire Protection					
Base Facility Charge by Meter Size:					
1-1/2"	$1.82	$2.05	$2.05	$1.82	$0.02
2"	$2.90	$3.26	$3.26	$2.91	$0.03
4"	$9.08	$10.22	$10.22	$9.08	$0.10
6"	$18.17	$20.46	$20.46	$18.17	$0.19
8"	$29.06	$32.73	$32.73	$29.07	$0.31
		Typical Residential Bills 5/8" x 3/4" Meter			
3,000 Gallons	$6.94	$7.82	$7.82	$6.61	$0.08
5,000 Gallons	$8.66	$9.76	$9.76	$8.11	$0.10
10,000 Gallons	$12.96	$14.61	$14.61	$12.02	$0.16

Sanlando Utilities Corporation
Wastewater Monthly Service Rates
Test Year Ended 12/31/08

SCHEDULE NO. 4-B
Docket No. 090402-WS

	Rates Prior to Filing	Commission Approved Interim	Utility Requested Final	Commission Approved Final	4-year Rate Reduction
Residential					
Base Facility Charge All Meter Sizes:	$12.18	$14.04	$14.04	$12.18	$0.08
Base Facility Wholesale:	$25.76	$29.70	$29.70	$25.76	$0.16
Gallonage Charge - Per 1,000 gallons (10,000 gallon cap)	$1.61	$1.85	$1.85	$1.61	$0.01
Multi-Residential					
Base Facility Charge by Meter Size:					
5/8" x 3/4"	$12.18	$14.04	$14.04	$12.18	$0.08
3/4"	$18.27	$21.06	$21.06	$18.27	$0.11
1"	$30.43	$35.10	$35.10	$30.43	$0.19
1-1/2"	$60.84	$70.20	$70.20	$60.84	$0.38
2"	$97.34	$112.32	$112.32	$97.34	$0.61
3"	$194.67	$210.60	$210.60	$194.67	$1.21
4"	$304.17	$351.00	$351.00	$304.17	$1.90
6"	$608.38	$702.00	$702.00	$608.38	$3.79
8"	$973.39	$1,123.20	$1,123.20	$973.39	$6.07
Base Facility Wholesale:	$25.76	$29.70	$29.70	$25.76	$0.16
Gallonage Charge, per 1,000 Gallons	$1.95	$2.24	$2.24	$1.95	$0.01
General Service					
Base Facility Charge by Meter Size:					
5/8" x 3/4"	$12.18	$14.04	$14.04	$12.18	$0.08
3/4"	$18.27	$21.06	$21.06	$18.27	$0.11
1"	$30.43	$35.10	$35.10	$30.43	$0.19
1-1/2"	$60.48	$70.20	$70.20	$60.48	$0.38
2"	$97.34	$112.32	$112.32	$97.34	$0.61
3"	$194.67	$210.60	$210.60	$194.67	$1.21
4"	$304.17	$351.00	$351.00	$304.17	$1.90
6"	$608.38	$702.00	$702.00	$608.38	$3.79
8"	$973.39	$1,123.20	$1,123.20	$973.39	$6.07
Base Facility Wholesale:	$25.76	$29.70	$29.70	$25.76	$0.16
Gallonage Charge, per 1,000 Gallons	$1.95	$2.24	$2.24	$1.95	$0.01
Reuse					
Residential Reuse	$3.74	$4.31	$4.31	$3.74	$0.02
Gall. Charge, per 1,000 Gallons	$0.40	$0.46	$0.46	$0.40	$0.00
	Typical Residential Bills 5/8" x 3/4" Meter				
3,000 Gallons	$17.01	$19.59	$19.59	$17.01	$0.11
5,000 Gallons	$20.23	$23.29	$23.29	$20.23	$0.13
10,000 Gallons	$28.28	$32.54	$32.54	$28.28	$0.18

(Wastewater Gallonage Cap - 10,000 Gallons)