State of Florida

Public Service Commission

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

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

DATE: July 20, 2012

TO: Office of Commission Clerk (Cole)

FROM: Division of Accounting and Finance (Fletcher, Maurey, Prestwood)
Division of Economics (Hudson, Roberts, Bruce, Stallcup)
Division of Engineering (Simpson, Ballinger)
Office of the General Counsel (Robinson, Teitzman)

RE: Docket No. 110165-SU – Application for staff-assisted rate case in Highlands County by Utility Corporation of Florida, Inc.

AGENDA: 08/02/12 – Regular Agenda – Proposed Agency Action – Except For Issue Nos. 11 and 16 – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Brown

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\AFD\WP\110165.RCM.DOC

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Case Background

Utility Corporation of Florida, Inc. (Utility Corporation or Utility) is a Class C utility which is currently providing wastewater service to 317 customers in Highlands County. Water service is provided by the Spring Lake Improvement District. According to the Utility's 2011 annual report, Utility Corporation reported operating revenue of $121,056, and operating expenses of $122,891. The Utility reported a net loss of $1,835.

Utility Corporation was granted Certificate No. 550-S in 2008.[1] At that time, rate base was not established. On May 17, 2011, Utility Corporation filed an application for a staff-assisted rate case (SARC) and paid the appropriate filing fee on July 14, 2011. This is the Utility's first rate case.

The Utility has requested pro forma plant additions. Staff believes the additions are reasonable and prudent. However, staff believes the pro forma additions should not be included in plant until completion. Therefore, staff is recommending a two-phase rate approach, whereby Phase II rates could only be implemented once the pro forma plant additions are complete.

The Commission has the authority to consider this matter pursuant to Section 367.0814, Florida Statutes (F.S.).

[1] See Order No. PSC-08-0646-PAA-SU, issued October 6, 2008, in Docket No. 080079-SU, In re: Application for certificate to provide wastewater service in Highlands County by Utility Corporation of Florida, Inc.

Discussion of Issues

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

Recommendation: Yes. The quality of service for the Utility is satisfactory. (Simpson)

Staff Analysis: Pursuant to Rule 25-30.433(1), Florida Administrative Code (F.A.C.), the Commission determines the overall quality of service provided by a utility by evaluating three separate components of wastewater operations. These components are the quality of the utility's product, the operating condition of the utility's plant and facilities, and the utility's attempt to address customer satisfaction. Comments or complaints received by the Commission from customers are reviewed and the Utility's compliance with the Florida Department of Environmental Protection (DEP) is also considered.

Quality of Product and Operating Condition of the Plant and Facilities

Staff conducted a field investigation of the service area on August 12, 2011. The wastewater plant appeared to be operating normally. However, the most recent wastewater compliance inspection report by DEP, dated March 22, 2012, indicated certain deficiencies. These deficiencies included the poor state of the surge tank, a nonoperational electrical power generator, and effluent quality violations. The Utility responded to DEP on April 20, 2012, indicating that a generator had been purchased. The generator was installed at the treatment plant and became operational on May 18, 2012. The Utility also stated that plant corrections have been made to avoid the effluent quality violations by building a protective covering for the chlorine supply and meter equipment. The Utility has requested that the cost associated with repairing the surge tank be considered in this rate case, as well as the cost associated with the replacement of a reuse irrigation pump for golf course irrigation. The pro forma plant items are addressed in Issue 14.

Homes in the development have a Septic Tank Effluent Pumping (STEP) system which allows solids to remain in a tank located on the customers' property and the liquid to flow into the collection system. The STEP system was installed because of high groundwater conditions in the service area. In October 1998, Spring Lake, Inc. (Spring Lake), the development company, filed a Quit Claim Deed transferring ownership of all existing roadways and common areas to the Spring Lake Homeowners' Association (HOA). Spring Lake claimed that the transfer included ownership of the STEP system. The HOA has disputed the claim that ownership of the STEP system was transferred to customers. Prior to January 2010, Spring Lake performed STEP system repairs and was reimbursed by the HOA for those services. The HOA maintains that the ownership and maintenance of the system is the responsibility of the Utility. The Utility and the HOA are currently in discussions to determine who is responsible for the maintenance of the STEP system. On December 15, 2010, DEP wrote a letter to the Utility and the HOA requesting that the parties come to a resolution with respect to ownership and maintenance of the STEP system. According to DEP, if a STEP system violation occurs, DEP intends to initiate enforcement against both parties, jointly and severally.

While the Utility has one outstanding deficiency with DEP regarding the surge tank, DEP is continuing to monitor whether the protective covering for the chlorine supply and meter equipment will resolve the effluent quality violations. It appears that the Utility is working to make the necessary repairs. Therefore, staff recommends that the Utility's quality of product and operating condition of the plant and facilities should be considered satisfactory.

<u>The Utility's Attempt to Address Customer Satisfaction</u>

A customer meeting was held on February 9, 2012, in the Spring Lake Community Center, Sebring, Florida. Approximately 22 customers attended and five customers addressed the meeting. Representatives of the Utility were present. Customers addressed concerns regarding the ownership and maintenance of the STEP system. As previously discussed, the Utility and the HOA are in discussions to resolve this issue. No other concerns were raised at the customer meeting. Staff reviewed the Commission's Customer Activity Tracking System to determine whether any complaints had been filed on Utility Corporation during the past three years. Staff found one complaint which was closed. Therefore, staff recommends that the Utility's attempts to address customer satisfaction be considered satisfactory.

<u>Summary</u>

The Utility is in the process of repairing the surge tank which is in need of a substantial refurbishment, and DEP is continuing to monitor the Utility's effluent quality. Staff believes that when the improvements are completed, the Utility should attain compliance status. In addition, the Utility appears to be working with the HOA to resolve the ownership of the STEP system. Therefore, staff recommends that the overall quality of service for this Utility be considered satisfactory.

Issue 2: What are the used and useful percentages of the wastewater treatment plant and the collection system?

Recommendation: The wastewater treatment plant (WWTP) and collection system should be considered 13 and 69 percent used and useful (U&U), respectively. (Simpson)

Staff Analysis: The WWTP is an extended aeration activated sludge plant with two lift stations. The collection system is composed of polyvinyl chloride (PVC) pipes. The STEP system, which operates under pressurized conditions with no manholes, allows pretreatment at the customers' property to minimize solids entering into the collection system. The WWTP is permitted by the DEP at 140,000 gallons per day (gpd) based on the annual average daily flow. The wastewater is treated to reuse standards and discharged into a reuse irrigation pond for golf course irrigation.

Pursuant to Rule 25-30.432, F.A.C., the U&U percentage for a WWTP should be calculated based on the customer demand and the permitted capacity of the plant. The rule also provides that customer demand be determined using the same basis as the permitted capacity. Other factors, such as whether the service area is built out and whether the plant flows have decreased due to conservation may also be considered.

The customers demand for the test year was 17,820 gpd based on the annual average daily flow. There were 317 equivalent residential connections (ERCs) during the test year. The projected growth is 2 ERCs per year for five years or 562 gpd. Because the system is operated under pressurized conditions, infiltration and inflow is negligible. There are several large parcels of undeveloped property in the service area. Based on the customer demand during the test year and projected growth over the next five years, staff recommends that the WWTP be considered 13 percent U&U.

The wastewater collection system has an estimated capacity of 476 ERCs based on the number of lots in the development. There were 317 ERCs in the test year. Based on the number of connections during the test year and projected growth of 2 ERCs per year for five years (10 ERCs), staff recommends that the collection system be considered 69 percent U&U.

Issue 3: What is the appropriate average test year rate base for Utility Corporation?

Recommendation: The appropriate average test year rate base for Utility Corporation is $32,900. (Roberts)

Staff Analysis: Rate base for this Utility has never been established. Staff selected a test year ended December 31, 2010, for this rate case. A summary of each component and the recommended adjustments are discussed below.

Utility Plant in Service (UPIS): The Utility recorded a test year UPIS balance of $68,355. Utility Corporation was unable to provide documentation detailing the individual components of UPIS. In order to calculate an appropriate balance for UPIS, staff used the Utility's 2007 tax return and 2007 annual report. Based on the two documents, staff has determined a composite UPIS balance of $311,858 at year end December 31, 2007 to use as a basis for calculate the appropriate UPIS for the test year. Staff used invoices for plant additions since December 31, 2007 to update UPIS to the test year ended December 31, 2010. The plant additions on a going forward basis have been recorded to the appropriate National Association of Regulatory Utility Commissioners (NARUC) accounts and not to the composite plant account. Staff recommends the following adjustments to the Utility's recorded UPIS.

Table 3-1

	Adjustment Description	Wastewater
1.	To reflect the appropriate composite plant balance.	$267,603
2.	To reflect the appropriate organizational cost for Acct. No. 351.	(5,316)
3.	To reduce Acct. No. 354 for lack of support documentation.	(12,665)
4.	To reflect the appropriate balance for Acct. No. 370.	(2,177)
5.	To reflect the appropriate plant additions and retirements to Acct. No. 380.	3,440
6.	To reflect 2008 plant addition of New Dissolved Oxy Meter to Acct. No. 389.	2,516
7.	To reflect 2008 retirement of Dissolved Oxy Meter to Acct. No. 389.	(1,887)
8.	To reflect 2008 plant addition of automatic valve to Acct. No. 389.	1,649
9.	To reflect 2008 retirement of automatic valve to Acct. No. 389.	(1,237)
10.	To reflect 2008 plant addition of automatic switch valve to Acct. No. 389.	704
11.	To reflect 2008 retirement of automatic switch valve to Acct. No. 389.	(528)
12.	To reflect 2008 plant addition of Chlorine and Turbidity Pen Chart to Acct. No. 389.	1,721
13.	To reflect 2008 retirement of Chlorine and Turbidity Pen Chart to Acct. No. 389.	(1,291)
14.	To reflect 2009 plant addition of replacement breaker to Acct. No. 360.	454
15.	To record 2009 retirement of breaker to Acct. No. 360.	(341)
16.	To reflect 2009 plant addition of replacement lift station rails to Acct. No. 389.	728
17.	To reflect 2009 retirement of lift station rails to Acct. No. 389.	(546)
18.	To reflect 2009 plant addition of water sampling tool to Acct. No. 389.	200
19.	To reflect the appropriate balance for Acct. No. 393.	(145)
20.	To reflect the appropriate balance for Acct. No. 395.	(298)
21.	To reflect an averaging adjustment.	(4,541)
	Total	$248,044

Staff's net adjustment to UPIS is an increase of $248,044. Staff recommends a UPIS balance of $316,399.

Non-used and Useful Plant: As discussed in Issue 2, Utility Corporation's WWTP should be considered 13 percent U&U and the collection system should be considered 69 percent U&U. As the composite plant is not distinguishable by NARUC plant account to recognize that a portion of the Utility's facilities are non-U&U, staff had to determine a reasonable methodology to apply the U&U percentages to the composite plant. The composite plant represents three components which are Utility Corporation's WWTP, collection system, and reuse. Staff believes it is reasonable to equally divide the composite plant among the three components. The same methodology was used for accumulated depreciation. By applying the appropriate U&U percentages to the associated UPIS and accumulated depreciation, it results in a U&U adjustment of $48,716.

Contribution in Aid of Construction (CIAC): The Utility recorded no CIAC on its books at the end of the test year. According to Utility Corporation's 2008 through 2010 annual reports, the amount of CIAC should be $112,500. This CIAC amount also ties to the amount filed on the Utility's tax returns for those same years. Therefore, staff has increased CIAC by $112,500 to reflect the appropriate account balance.

Accumulated Depreciation: Utility Corporation recorded a test year accumulated depreciation balance of $0. Staff has increased accumulated depreciation by $188,088 to reflect the appropriate balance according to the Utility's 2007 tax return. Staff has calculated accumulated depreciation for the test year using the prescribed rates set forth in Rule 25-30.140, F.A.C. As a result, accumulated depreciation at December 31, 2007 has been increased by $7,590 to reflect accumulated depreciation of $195,678 calculated per staff for the test year. In addition, staff decreased this account by $20,927 to reflect an averaging adjustment. These adjustments result in an average accumulated depreciation balance of $174,751 ($188,088+$7,590-$20,927).

Accumulated Amortization of CIAC: Utility Corporation recorded amortization of CIAC of $0. Staff has increased accumulated amortization of CIAC by $29,167 to reflect the appropriate balance according to the Utility's 2007 tax return. Amortization of CIAC has been calculated by staff using composite depreciation rates. As a result, accumulated amortization of CIAC should be increased by $8,647 to reflect amortization of CIAC of $37,814 calculated by staff. Also, staff has decreased this account by $1,349 to reflect an averaging adjustment. Staff's adjustments to this account result in an amortization of CIAC balance of $36,466 ($29,167+8,647-$1,349).

Working Capital Allowance: Utility Corporation recorded working capital of $0. Working capital is defined as the investor-supplied funds that are necessary to meet operating expenses or going-concern requirements of the Utility. Consistent with Rule 25-30.433(2), F.A.C., staff used the one-eighth of the operation and maintenance O&M expense formula approach for calculating the working capital allowance. Applying this formula, staff recommends a working capital allowance of $16,003 (based on O&M expense of $128,020/8).

Rate Base Summary: Based on the forgoing, staff recommends that the appropriate test year average rate base is $32,900. Rate base is shown on Schedule No. 1-A. The related adjustments are shown on Schedule No. 1-B.

Issue 4: What is the appropriate return on equity and overall rate of return for Utility Corporation?

Recommendation: The appropriate return on equity (ROE) is 8.74 percent with a range of 7.74 percent to 9.74 percent. The appropriate overall rate of return is 8.74 percent. (Roberts)

Staff Analysis: According to staff's audit, Utility Corporation recorded the following items in its capital structure: common stock of $1,000, negative retained earnings of $5,547, and long-term debt of $69,447. The long-term debt of $69,447 is from Spring Lake Club, Inc. (SLCI), a related party. There is no interest on this loan, no loan documents, and Utility Corporation is not making any payments on the principal. Because the loan payments are not being paid and it is from a related party, staff recommends this loan be treated as common equity in accordance with Commission practice.[2]

The Utility's capital structure has been reconciled with staff's recommended rate base. The appropriate ROE is 8.74 percent using the Commission-approved leverage formula currently in effect.[3] Staff recommends an ROE of 8.74 percent, with a range of 7.74 percent to 9.74 percent, and an overall rate of return of 8.74 percent. The ROE and overall rate of return are shown on Schedule No. 2.

While staff recommends the Commission approve an ROE and overall cost of capital in this issue, as discussed in detail in Issue 7, staff is recommending the Commission employ the operating ratio methodology in this case. However, even when the operating ratio methodology is used for purposes of setting rates, every utility should have an authorized ROE established.

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[2] See Order No. PSC-10-0681-PAA-WU, issued November 15, 2010, in Docket No. 090414-WU, In re: Application for staff-assisted rate case in Polk County by Pinecrest Ranches, Inc.

[3] See Order Nos. PSC-12-0339-PAA-WS, issued June 28, 2012, and PSC-12-0372-CO-WS , issued July 20, 2012, in Docket No. 120006-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.

Issue 5: What is the appropriate amount of test year revenue?

Recommendation: The appropriate test year revenue for this Utility is $124,980. (Bruce, Roberts)

Staff Analysis: Utility Corporation recorded revenue of $121,472 for the 12-month period ended December 31, 2010. The Utility's current rate is a flat rate of $32. Based on the test year billing determinants, the revenues should be $121,728. Staff has increased test revenues to reflect residential revenues based on the ERCs and the authorized tariff by $256. ($121,728-$121,472).

The Utility is authorized to collect $.50 per thousand gallons of treated effluent used to provide irrigation to the SCLI. Utility Corporation did not bill SCLI for the irrigation. Staff has determined that the Utility produced 6,504,000 gallons of treated effluent. SLCI uses 100 percent of the treated effluent. Staff has increased test year revenue by $3,252 [(6,504,000/1,000)x$.50] to reflect revenue for irrigation usage. Based on the above adjustments, staff recommends test year revenue of $124,980 ($121,472+$256+$3,252). Test year revenue is shown on Schedule No. 3-A.

Issue 6: What is the appropriate amount of test year operating expenses?

Recommendation: The appropriate amount of operating expense for the Utility is $141,638. (Roberts)

Staff Analysis: Utility Corporation recorded operating expenses of $90,049 during the test year ended December 31, 2010. The test year O&M expenses have been reviewed and invoices, canceled checks, and other supporting documentation have been examined. Staff made several adjustments to the Utility's operating expenses, as summarized below:

Salaries and Wages – Employees (701) – Utility Corporation recorded salary expense of $37,023. Staff has increased this account by $1,416 for salary expense reclassified from the transportation expense account. The Utility indicated that its operator's annual salary is $50,000. The operator is required by DEP to be at the plant no less than 42 hours per week, 52 weeks per year. This is the minimum requirement for a public access reuse system, per DEP Rule 62-610.462, F.A.C. He is required by the DEP to maintain a Class C operator's license, though he has a Class B license, which he maintains at his own expense. Staff believes the salary of $50,000 is reasonable for the operator's duties and time at the plant. Accordingly, staff has increased this expense by $11,561 to reflect the appropriate salary for the operator. Therefore, staff recommends salaries and wages – employees expense for the test year of $50,000 ($37,023+$1,416+$11,561).

Sludge Removal Expense (711) – The Utility recorded sludge removal expense of $455. Staff increased this account by $528 to include a charge by Blue Septic Tank Services, Inc. Therefore, staff recommends sludge removal expense for the test year of $983.

Purchased Power (715) – The Utility recorded purchased power expense of $9,493. Pursuant to Audit Finding No. 9, staff decreased purchased power expense by $363 for lack of support documentation. Staff recommends purchased power expense for the test year of $9,130.

Chemicals (718) – Utility Corporation recorded chemical expense of $4,542. Pursuant to Audit Finding No. 9, staff decreased chemical expense by $474 to remove unsupported costs during the test year. Staff recommends chemical expense for the test year of $4,068.

Material and Supplies (720) – The Utility recorded materials and supplies expense of $1,682. Pursuant to Audit Finding No. 9, staff decreased material and supplies expense by $364 to remove unsupported costs during the test year. Also, staff increased this account by $258 to reflect an expense that was capitalized. Further, staff increased this account by $236 to reflect a repair made to the surge tank that was posted to UPIS that should have been expensed. The net result of staff's adjustments to materials and supplies expense is an increase of $130. Therefore, staff recommends material and supplies expense for the test year of $1,811.

Contractual Services - Professional (731) – Utility Corporation recorded contractual services – professional expense of $2,001. Pursuant to Audit Finding No. 9, staff decreased contractual services professional by $720 to remove a duplicate charge for professional fees for 2009 corporate taxes. In addition, staff decreased this account by $150 to remove professional fees that were capitalized. Staff has reduced this account by $50 for the cost of preparing the SARC application. The SARC application was designed so that any regulated utility could easily fill in the required information. This cost has been disallowed in prior cases.[4] Staff's adjustments to contractual services - professional expense is a net decrease of $920. Staff recommends contractual services - professional expense for the test year of $1,081.

Contractual Services – Testing (735) – The Utility recorded contractual services – testing expense of $18,452. Staff has decreased this account by $3,812 for lack of support documentation. Based on the above, the appropriate contractual services - testing expense is $14,640.

Contractual Services - Other (736) – Utility Corporation recorded contractual services – other expense of $0. The Utility's owner/president is responsible for formulating policies, planning, deciding and guiding courses of action in the Utility's operation, interfacing with organizations and the community, and managing financial and physical resources. The owner/president is compensated $6,700 annually for his duties. Staff believes his fee is reasonable for the provided services. The office manager is a contract employee. She is employed by SLCI, a related party. Her duties include accounts payable, accounts receivable, payroll, and regulatory affairs. The office manager is compensated $15,600 annually for her duties. Staff believes her fee is reasonable for the provided services. Staff is recommending that the costs for both the owner/president and office manager be included. Also, Utility Corporation incurred a cost of $650 for ground maintenance. Staff believes this amount is reasonable and increased contractual services – other accordingly. Staff's adjustments to contractual services - other expense is an increase of $22,950 ($6,700+$15,600+$650). Staff recommends contractual services - other expense for the test year of $22,950.

Rent Expense (740) – The Utility recorded rent expense of $0 for the test year. Pursuant to Audit Finding Nos. 9 and 11, Utility Corporation should have included its rent and land lease expense in Account No. 740. The Utility leases its office space from SLCI, a related party, for $475 per month or $5,700 annually. The rental fee includes electric, telephone and water service. Staff believes this amount is reasonable.

In addition, Utility Corporation's wastewater plant is located on 6 acres of land (the land) owned by SLCI, a related party. The original cost of the land was $1,000,000, which included parcels A, B, D, F, G, H, and J fairway lakes. The parcels total 600 acres. The wastewater plant is located within parcel A of the legal description for the golf course. The Utility has chosen not to purchase the land but to rent it for $5,700, annually, from a related party. Staff recommends that the appropriate rent amount for the land should be the annual rate of return, based on Utility Corporation's current capital structure, times the original cost of the land in service. Staff' recommends a rate of return of 8.74 percent. Staff has determined that the original cost of the land is $1,667 an acre ($1,000,000/600). The wastewater plant is located on 6 acres. Thus, the original cost for the wastewater plant site is $10,002. Based on the above, land rent should be $874 ($10,002 x 8.74 percent).

Pursuant to Rule 12A-1.070(19)(a), F.A.C., the lease or rental of real property or a license fee arrangement to use or occupy real property between related "persons" in the capacity

[4] See Order Nos. PSC-08-0496-PAA-WS, issued August 5, 2008, in Docket No. 070417-WS, In re: Application for staff-assisted rate case in Polk County by Anglers Cove West, Ltd; and PSC-03-0740-PAA-WS, issued June 23, 2003, in Docket No. 021067-SU, In re: Application for staff-assisted rate case in Polk County by River Ranch Water Management, L.L.C.

of lesser/lessee is subject to tax. The current sales tax, as of January 4, 2012, is 7 percent for Highlands County. Staff has increased this account to include the sales tax rate of $61 ($874 x 7 percent). Therefore, staff believes the amount of $935 ($874+$61) for the land lease is reasonable. As a result, staff recommends rent expense for the test year of $6,635 ($5,700+$935).

Transportation Expense (750) – Utility Corporation recorded $5,816 for transportation expense for the test year. Staff decreased transportation expense by $1,416 to reclassify salary expense to salaries and wages – employees. In addition, staff has increased this account by $400 to reclassify transportation expense that was recorded to miscellaneous expense. Staff recommends transportation expense for the test year of $4,800.

Insurance Expense (755) – The Utility recorded insurance expense of $0 for the test year. Staff increased this expense by $1,224 to include property insurance for Utility Corporation. In addition, staff increased this account by $1,098 to include commercial liability insurance for the Utility. Therefore, staff recommends insurance expense for the test year of $2,322.

Regulatory Commission Expense (765) – Utility Corporation did not record any regulatory commission expense for the test year. The Utility is required by Rule 25-22.0407, F.A.C., to mail notices of the customer meeting and notices of final rates in this case to its customers. For noticing, staff has estimated $279 for postage expense, $222 for printing expense, and $32 for envelopes. This results in $533 for the noticing requirement. The Utility paid a $1,000 rate case filing fee. Pursuant to Section 367.0816, F.S., rate case expense is amortized over a 4-year period. Based on the above, staff recommends total rate case expense of $1,533 ($533+ $1,000), which amortized over four years is $383. Therefore, staff recommends regulatory commission expense of $383.

Bad Debt Expense (770) – Utility Corporation did not record any bad debt expense for the test year. Staff's audit revealed $1,536 in customer accounts over 120 days old which staff viewed as uncollectible. Staff believes the bad debt expense incurred by the Utility is reasonable. Staff recommends bad debt expense of $1,536.

Miscellaneous Expense (775) – Utility Corporation recorded miscellaneous expense of $3,660. Staff recommends the following adjustments.

Table 6-1

	Adjustment Description	
1.	To reflect 5-year amortization of wastewater permit ($3,000/5).	$600
2.	To reflect 4-year amortization for surge tank rehab ($11,435/4).	2,859
3.	To reflect 3-year amortization for main lift station motor rehab ($2,792/3).	931
4.	To reflect 5-year amortization for permitting costs - third party ($2,649/5).	530
5.	To remove duplicate charge for power amp repair.	(981)
6.	To remove late payment charge.	(26)
7.	To remove cost associated with lack of supporting documentation.	(24)
8.	To reclassify expense posted to wrong account.	118
9.	To remove costs associated with lack of supporting documentation.	(76)
10.	To remove costs associated with lack of supporting documentation.	(76)
11.	To remove costs associated with lack of supporting documentation.	(77)
12.	To reclassify expense to Acct. No. 750 for auto allowance.	(400)
13.	To reflect the satellite internet for the Utility operator to send and receive Utility documents	642
	Total	$4,020

Based on staff's net adjustment of $4,020, staff recommends a miscellaneous expense balance of $7,680.

Operation and Maintenance Expense (O&M Summary) – Based on the above adjustments, O&M expense should be increased by $44,897. Staff's recommended adjustments to O&M expense are shown on Schedule Nos. 3-A and 3-B.

Depreciation Expense (Net of Amortization of CIAC) – The Utility did not record depreciation expense. Staff has calculated depreciation expense using the prescribed rates set forth in Rule 25-30.140, F.A.C. Staff calculated test year depreciation expense of $8,948. As discussed in Issue 2, staff is recommending that the WWTP be considered 13 percent U&U and the collection system be considered 69 percent U&U. The composite plant is not distinguishable by NARUC plant account. Therefore, staff is unable to apply the U&U percentages to the appropriate account. Staff used the same methodology in Issue 3 to determine the appropriate adjustment to depreciation expense. Based on the methodology, depreciation expense should be decreased by $3,537 to reflect the appropriate U&U depreciation expense. Also, staff has decreased amortization of CIAC by $3,137 based on composite rates. This results in a net depreciation expense of $2,275. Therefore, staff recommends net depreciation expense of $2,275.

Taxes Other Than Income (TOTI) – Utility Corporation recorded a TOTI balance of $6,925. This account includes $5,476 for RAFs paid on test year revenue. Based on test year revenues of $124,980 recommended in Issue 8, staff has determined that RAFs should be $5,624 ($124,980x4.5 percent). Staff has increased TOTI by $148 to reflect the appropriate RAFs. Staff is recommending salaries and wages of $50,000. The corresponding payroll taxes are $3,070. The Utility recorded $1,299 of payroll taxes. Staff has increased TOTI by $3,070 ($4,369-$1,299) to reflect the appropriate payroll taxes. As discussed in Issue 8, revenues have been increased by $26,658 to reflect the change in revenue required to cover expenses and allow an opportunity to earn the recommended return on investment. As a result, TOTI should be increased by $1,200 to reflect RAFs of 4.5 percent on the change in revenues. Therefore, staff recommends TOTI of $11,343.

Operating Expenses Summary – The application of staff's recommended adjustments to Utility Corporation's test year operating expenses result in operating expenses of $141,638. Operating expenses are shown on Schedule Nos. 3-A and 3-B. The adjustments are shown on Schedule No. 3-C.

Issue 7: Should the Commission utilize the operating ratio methodology as an alternative means to calculate the revenue requirement for Utility Corporation, and, if so, what is the appropriate margin?

Recommendation: Yes, the Commission, on its own motion, should utilize the operating ratio methodology for calculating the revenue requirement for Utility Corporation. The margin should be 7.81 percent of O&M expense. (Roberts)

Staff Analysis: Section 367.0814(9), F.S., provides that the Commission may, by rule, establish standards and procedures for setting rates and charges of small utilities using criteria other than those set forth in Sections 367.081(1), (2)(a), and (3), F.S. Rule 25-30.456, F.A.C., provides, in part, an alternative to a staff assisted rate case as described in Rule 25-30.455, F.A.C. As an alternative, utilities with total gross annual operating revenue of less than $250,000 per system may petition the Commission for staff assistance in alternative rate setting.

Although Utility Corporation did not petition the Commission for alternative rate setting under the aforementioned rule, staff believes that the Commission should exercise its discretion to employ the operating ratio methodology to set rates in this case. The operating ratio methodology is an alternative to the traditional calculation of revenue requirements. Under this methodology, instead of applying a return on the Utility's rate base, the revenue requirement is based on the margin of Utility Corporation's O&M expenses. This methodology has been applied in cases where the traditional calculation of revenue requirements would not provide sufficient revenue to protect against potential variances in revenues and expenses.

By Order No. PSC-96-0357-FOF-WU, [5] the Commission, for the first time, utilized the operating ratio methodology as an alternative means for setting rates. This order also established criteria to determine the use of the operating ratio methodology and a guideline margin of 10 percent of O&M expense. This criteria was applied again in Order No. PSC-97-0130-FOF-SU.[6] Most recently, the Commission approved the operating ratio methodology for setting rates in Order No. PSC-11-0444-PAA-SU.[7]

In Order No. PSC-96-0357-FOF-WU, the Commission established criteria to determine whether to utilize the operating ratio methodology for those utilities with low or non-existent rate base. The qualifying criteria established by Order No. PSC-96-0357-FOF-WU, and how they apply to the Utility are discussed below:

1) Whether the Utility's O&M expense exceeds rate base. In the instant case, the rate base is substantially less than the level of O&M expense. Based on the staff audit, the adjusted rate base for the test year is $32,900, while adjusted O&M expense is $128,020.

[5] Issued March 13, 1996, in Docket No. 950641-WU, In re: Application for staff-assisted rate case in Palm Beach County by Lake Osborne Utilities Company, Inc.
[6] Issued February 10, 1997, in Docket No. 960561-SU, In re: Application for staff-assisted rate case in Citrus County by Indian Springs Utilities, Inc.
[7] See Order No. PSC-11-0444-PAA-SU, issued October 7, 2011, in Docket No. 100472-SU, In re: Application for staff-assisted rate case in Marion County by S & L Utilities, Inc.

2) Whether the Utility is expected to become a Class B utility in the foreseeable future. According to Chapter 367.0814(9), F.S., the alternative form of regulation being considered in this case only applies to small utilities with gross annual revenue of $250,000 or less. Utility Corporation is a Class C utility and the recommended revenue requirement of $151,638 is substantially below the threshold level for Class B status ($200,000 per system). The Utility's service area has not had any significant growth in the last five years. Therefore, the Utility will not become a Class B utility in the foreseeable future.

3) Quality of service and condition of plant. As discussed in Issue 1, the wastewater compliance inspection report dated October 6, 2011, noted deficiencies. The Utility responded to DEP on October 28, 2011, indicating that the deficiencies have been corrected, with the exception of the repair of the surge tank and reuse pump. The Utility has requested that the cost associated with these repairs be considered in this rate case. The recommended quality of service is satisfactory.

4) Whether the Utility is developer-owned. The current Utility owner is a developer. However, as noted in Order No. PSC-96-0357-FOF-WU,[8] the fact that a utility is developer-owned does not by itself disqualify a utility from utilizing the operating ratio methodology. In this particular case, the service territory is not in the early stages of development. The Utility has served relatively the same group of customers for the last 4 years. In addition, as discussed in Issue 2, the projected growth is only 2 ERCs per year for the next five years.

5) Whether the Utility operates treatment facilities or is simply a distribution and/or collection system. Utility Corporation operates a wastewater treatment plant and collection system.

By Order Nos. PSC-96-0357-FOF-WS and PSC-97-0130-FOF-WU, the Commission determined that a margin of 10 percent shall be used unless unique circumstances justify the use of a greater or lesser margin. The important question is not what the return percentage should be, but what level of operating margin will allow the utility to provide safe and reliable service and remain a viable entity. The answer to this question requires a great deal of judgment based upon the particular circumstances of the utility.

Several factors must be considered in determining the reasonableness of a margin. First, the margin must provide sufficient revenue for the Utility to cover its interest expense. However, in this case, the Utility is not paying interest expense.

Second, use of the operating ratio methodology rests on the contention that the principal risk to the utility resides in operating cost rather than in capital cost of the plant. The fair return on a small rate base may not adequately compensate the utility owner for incurring the risk associated with covering the much larger operating cost. Therefore, the margin should adequately compensate the utility owner for that risk. Under the rate base method, the return to Utility Corporation amounts to only $2,875 which is enough to cover only an approximate two percent variance in O&M expense. Staff believes $2,875 is an insufficient financial cushion.

[8] See Order No. PSC-96-0357-FOF-WU, p.7.

Third, if the return on rate base method was applied, a normal return would generate such a small level of revenue that in the event revenue or expenses vary from staff's estimates, Utility Corporation could be left with insufficient funds to cover operating expenses. Therefore, the margin should provide adequate revenue to protect against potential variability in revenue and expenses. The return on rate base method would provide the Utility only $2,875. If the Utility's operating expenses increase and revenue decreases, Utility Corporation would not have the funds required for day-to-day operations.

In conclusion, staff believes the above factors show that the Utility needs a higher margin of revenue over operating expenses than the traditional return on rate base method would allow. Therefore, in order to provide Utility Corporation with adequate cash flow to meet environmental requirements and to provide some assurance of safe and reliable service, staff recommends application of the operating ratio methodology. Applying a 10 percent margin would result in an operating margin of $12,802. When the criteria were established, the Commission found it was reasonable and prudent to limit the dollar amount of the margin to $10,000.[9] Based on the circumstances for Utility Corporation, an operating margin of $10,000 is achieved with an operating margin ratio of 7.81 percent. Therefore, staff is recommending a 7.81 percent operating margin ratio in the instant case.

[9] See Order No. PSC-96-0357-FOF-WU, p.8.

Issue 8: What is the appropriate revenue requirement?

Recommendation: The appropriate revenue requirement is $151,638. (Roberts)

Staff Analysis: Utility Corporation should be allowed an annual increase of $26,658 (21.33 percent). This will allow the Utility the opportunity to recover its expenses and a 7.81 percent cushion over its O&M expenses. The calculations are as follows:

Table 8-1

Adjusted O&M Expense	$128,020
Operating Margin Ratio	7.81%
Operating Margin	$10,000
Adjusted O&M Expense	128,020
Depreciation expense (Net)	2,275
Amortization	0
Taxes Other Than Income	11,343
Income Tax	0
Revenue Requirement	$151,638
Less Adjusted Test Year Revenues	$124,980
Annual Increase	$26,658
Percent Increase/(Decrease)	21.33%

Issue 9: Should the Utility's current wastewater and reuse systems' rate structures be changed?

Recommendation: No. The Utility's current wastewater and reuse systems' rate structures should remain unchanged. (Bruce)

Staff Analysis: The Utility currently has a flat rate structure for the wastewater systems' residential and non-residential classes. The flat rate is $32.00 per unit. The clubhouse is billed at a rate of $128.00 (4 units x $32.00). Furthermore, the Utility has a reuse rate for the golf course that is $0.50 per thousand gallons of treated effluent.

The Commission's preferred wastewater rate structure is a base facility charge (BFC)/uniform rate structure. However, the customers purchase their water service from Spring Lake Improvement District. Commission policy has been to allow the use of flat rate for wastewater service in situations where metered water consumption is not available.[10] For this reason, staff recommends a continuation of the flat rate structure.

Based on the foregoing, staff recommends that the Utility's current wastewater and reuse systems' rate structure remain unchanged.

[10] See Order No. 11033, issued July 27, 1982, in Docket No. 810215-S, In re: Nu-Age Utility Corporation for increased rates in Monroe County, Florida; and PSC-08-0646-PAA-SU, issued October 6, 2008, in Docket No. 080079-SU, In re: Application for certificate to provided wastewater service in Highlands County by Utility Corporation of Florida, Inc.

Issue 10: What are the appropriate rates for Utility Corporation?

Recommendation: The appropriate monthly wastewater rates are shown on Schedules No. 4. The recommended rates should be designed to produce revenues of $151,638. The Utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1)(c), F.A.C. In addition, the approved rates should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The Utility should provide proof of the date notice was given within 10 days of the date of the notice. (Bruce)

Staff Analysis: The recommended rates should be designed to produce revenue of $151,638 which includes golf course revenues for the wastewater system.

As discussed in Issue 9, staff recommends that the Utility's current residential and non-residential wastewater system rate structure which, consists of a monthly flat rate structure, should remain unchanged. As discussed in Issue 8, the revenue requirement increase is 21.33 percent. Staff applied the recommended revenue requirement increase to the Utility's current rates.

The Utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1)(c), F.A.C. In addition, the approved rates should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The Utility should provide proof of the date notice was given within 10 days of the date of the notice.

If the effective date of the new rates falls within a regular billing cycle, the initial bills at the new rate may be prorated. The old charge shall be prorated based on the number of days in the billing cycle before the effective date of the new rates. The new charge shall be prorated based on the number of days in the billing cycle on and after the effective date of the new rates. In no event shall the rates be effective for service rendered prior to the stamped approval date.

Based on the foregoing, the appropriate rates for monthly service for the wastewater are shown on Schedule No. 4.

Issue 11: What is the appropriate amount by which rates should be reduced four years after the established effective date to reflect the removal of the amortized rate case expense as required by Section 367.0816, F.S.?

Recommendation: The wastewater rates should be reduced as shown on Schedule No. 4, to remove rate case expense grossed-up for RAFs and amortized over a four-year period. The decrease in rates should become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.0816, F.S. The Utility should be required to 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. If Utility Corporation files this reduction in conjunction with a price index or pass-through rate adjustment, separate data should be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense. (Roberts)

Staff Analysis: Section 367.0816, F.S., requires that the rates be reduced immediately following the expiration of the four-year 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 operating margin, and the gross-up for RAFs which is $432. Using the Utility's current revenues, expenses, and customer base, the reduction in revenues will result in the rate decrease shown on Schedule No. 4.

Utility Corporation should be required to file revised tariff sheets no later than one month prior to the actual date of the required rate reduction. The Utility also should be required to file a proposed customer notice setting forth the lower rates and the reason for the reduction. If Utility Corporation files this reduction in conjunction with a price index or pass-through rate adjustment, separate data should be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense.

Issue 12: Should Utility Corporation's request for a service availability charge be approved?

Recommendation: No. Utility Corporation's request for a service availability charge should not be approved. (Hudson, Roberts)

Staff Analysis: On January 10, 2012, Utility Corporation requested service availability charges be included in this rate case, due to possible expansion to include additional customers to its service territory. The Utility has a developer that is interested in building several single family homes within the service territory. The service area can accommodate 476 customers, and is currently serving 317. Utility Corporation asserted it is essential that these charges be approved prior to new customers coming online. The Utility's wastewater facilities can accommodate the additional connections.

According to Rule 25-30.580, F.A.C., the guidelines for designing a utility's service availability policy are as follows:

> (1) The maximum amount of contributions-in-aid-of-construction, net of amortization, should not exceed 75% of the total original cost, net of accumulated depreciation, of the utility's facilities and plant when the facilities and plant are at their designed capacity; and
>
> (2) The minimum amount of contributions-in-aid-of-construction should not be less than the percentage of such facilities and plant that is represented by the water transmission and distribution and sewage collection systems.

Staff has determined that the Utility's current contribution level is 61.12 percent. At design capacity in five years, Utility Corporation would reach the maximum CIAC level of 75 percent without having any additional plant or CIAC. The purpose of the maximum level of CIAC is to encourage some level of Utility investment. As discussed in Issue 7, staff is recommending the operating ratio method due to Utility Corporation not having sufficient investment to earn a reasonable return to cover variances in revenues and expenses. At this time, staff believes the Utility's current level of CIAC does not warrant service availability charges. However, the Utility should be encouraged to request service availability charges in the future if any new facilities are required to serve new developments.

Based on the above, staff recommends that Utility Corporation's request for a service availability change should not be approved.

Issue 13: Should the Commission approve Utility Corporation's requested $5.25 late payment charge?

Recommendation: Yes. The Commission should approve the Utility's requested $5.25 late payment charge. The late payment charge should be effective for services rendered on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475, F.A.C. (Bruce)

Staff Analysis: Section 367.091, F.S., requires that rates, charges, and customer service policies be approved by the Commission. The Commission has authority to establish, increase, or change a rate or charge. The Utility's request for a late payment fee was accompanied by its reason for requesting the fee, as well as the cost justification required by Section 367.091 F.S. The Utility has requested a $5.25 late payment fee. Utility Corporation's cost analysis breakdown for its proposed late payment charge is shown below.

Table 13-1

$2.25	Office personnel time to search accounts to determine that the bill has not been paid
$2.50	Prepare, print, and sort notices for mailing and transport to the post office
$0.44	Postage
$0.05	Envelope and Supplies
$5.24	

The purpose of a late payment charge is not only to provide an incentive for customers to make timely payments, thereby reducing the number of delinquent accounts, but also to place the cost burden of processing such delinquencies solely upon those who are the cost causers.

Based on the above, staff recommends that the Utility's proposed late payment charge of $5.25 be approved. The charges should be effective for services rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475, F.A.C.

Issue 14: Should the Commission approve pro forma plant for Utility Corporation, and if so, what is the appropriate return on equity, overall rate of return, revenue requirement, and date for implementing the new rates?

Recommendation: Yes. The Commission should approve a Phase II revenue requirement associated with pro forma items. Staff is recommending the Commission employ the operating ratio methodology in this case. However, even when the operating ratio methodology is used for purposes of setting rates, every utility should have an authorized ROE established. Utility Corporation's appropriate ROE should be 8.74 percent with a range of 7.74 to 9.74 percent. The appropriate overall rate of return is 8.74 percent. The Utility's Phase II revenue requirement is $155,215 which equates to an increase of 2.36 percent over the Phase I revenue requirement. Staff recommends that the Phase II revenue requirement increase should be applied as an across-the-board increase to Phase I rates.

Utility Corporation should complete the pro forma items within 12 months of the issuance of the consummating order. The Utility should be allowed to implement the resulting rates once the pro forma items have been completed and documentation provided showing that all improvements have been made to the system. Once verified, the rates should be effective for service rendered on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475(1), F.A.C. The rates should not be implemented until notice has been received by the customers. Utility Corporation should provide proof of the date notice was given within 10 days of the date of the notice. If the Utility encounters any unforeseen events that will impede the completion of the pro forma items, the Utility should immediately notify the Commission in writing. (Roberts)

Staff Analysis: The Utility requested recognition of additional pro forma plant items that it intends to complete. The following chart summarizes the pro forma plant items, the cost, and staff's recommended treatment:

Table 14-1

	Pro forma Plant Items	Utility Requested	Staff Recommended Capitalized	Staff Recommended Expensed
1.	Replace pump at transfer pond	$3,038	$3,038	
2.	Surge tank repair	9,639		3,213*
	Total	$12,677	$3,038	$3,213

* Three-year amortization

As indicated in Issue 1, DEP noted the poor state of the surge tank which is severely rusted and in need of a substantial refurbishment. The Utility has requested that the cost associated with the refurbishment of the tank, $9,639, be considered in this rate case, as well as the cost associated with the replacement of an irrigation pump for golf course irrigation. Staff believes the proposed pro forma plant items are reasonable and prudent and would allow the Utility to achieve compliance and meet regulatory standards. The Utility should complete the repair of the surge tank and the replacement of the reuse pump within 12 months of the issuance of the instant docket's consummating order. The Utility should be required to submit a copy of the final invoices and cancelled checks for the surge tank refurbishment and the reuse pump, along with a statement from a registered professional engineering indicating the items have been completed.

Staff is recommending a Phase II revenue requirement associated with the pro forma plant items for a number of reasons. First, it assures that the pro forma items are completed prior to the Utility's recovery of the investment in rates. In the past, there have been instances when the Commission approved revenue requirements associated with pro forma items only to have the utility in question fail to complete the pro forma investments. In addition, addressing the pro forma items in a single case saves additional rate case expense to the customers because the utility would not need to file another rate case or limited proceeding to seek recovery for these items. The Commission has approved a Phase-In approach in Docket Nos. 100359-WS and 100471-SU.[11]

The Utility's Phase II revenue requirement should be $155,215. Utility Corporation should complete the pro forma items within 12 months of the issuance of the consummating order. Phase II rate base is shown on Schedule Nos. 5-A and 5-B. The capital structure for Phase II is shown on Schedule No. 6. The revenue requirement is shown on Schedule No. 7. The resulting rates are shown on Schedule No. 8.

Utility Corporation should be required to complete the pro forma items within 12 months of the issuance of the consummating order. The Utility should also be required to submit a copy of the final invoices and cancelled checks for all pro forma plant items. The Utility should be allowed to implement the above rates once all pro forma items have been completed and documentation provided showing that the improvements have been made. Once verified, the rates should be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. The rates should not be implemented until notice has been received by the customers. Utility Corporation should provide proof of the date notice was given within 10 days of the date of the notice. If the Utility encounters any unforeseen events that will impede the completion of the pro forma items, the Utility should immediately notify the Commission in writing.

[11] See Order Nos. PSC-11-0345-PAA-WS, issued August 16, 2011, in Docket No. 100359-WS, In re: Application for staff-assisted rate case in Volusia County by Tymber Creek Utilities, Incorporated.; and PSC-11-0444-PAA-SU, issued October 7, 2011, in Docket No. 100471-SU, In re: Application for staff-assisted rate case in Marion County by S & L Utilities, Inc.

Issue 15: Should the recommended rates be approved for Utility Corporation on a temporary basis, subject to refund, in the event of a protest filed by a party other than the Utility?

Recommendation: Yes. Pursuant to Section 367.0814(7), F.S., the recommended rates should be approved for the Utility on a temporary basis, subject to refund, in the event of a protest filed by a party other than the Utility. Utility Corporation should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the temporary rates should not be implemented until staff has approved the proposed notice, and the notice has been received by the customers. Prior to implementation of any temporary rates, the Utility should provide appropriate security. If the recommended rates are approved on a temporary basis, the rates collected by the Utility should be subject to the refund provisions discussed below in the staff analysis. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., the Utility should file reports with the Commission Clerk's office no later than the 20th of each month indicating the monthly and total amount of money subject to refund at the end of the preceding month. The report filed should also indicate the status of the security being used to guarantee repayment of any potential refund. (Roberts)

Staff Analysis: This recommendation proposes an increase in rates. A timely protest might delay what may be a justified rate increase resulting in an unrecoverable loss of revenue to the Utility. Therefore, pursuant to Section 367.0814(7), F.S., in the event of a protest filed by a party other than the Utility, staff recommends that the recommended rates be approved as temporary rates. Utility Corporation should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the temporary rates should not be implemented until staff has approved the proposed notice, and the notice has been received by the customers. The recommended rates collected by the Utility should be subject to the refund provisions discussed below.

The Utility should be authorized to collect the temporary rates upon staff's approval of an appropriate security for the potential refund and the proposed customer notice. Security should be in the form of a bond or letter of credit in the amount of $17,784. Alternatively, the Utility could establish an escrow agreement with an independent financial institution.

If the Utility chooses a bond as security, the bond should contain wording to the effect that it will be terminated only under the following conditions:

1) The Commission approves the rate increase; or

2) If the Commission denies the increase, the Utility shall refund the amount collected that is attributable to the increase.

If the Utility chooses a letter of credit as a security, it should contain the following conditions:

1) The letter of credit is irrevocable for the period it is in effect, and,

2) The letter of credit will be in effect until a final Commission order is rendered, either approving or denying the rate increase.

If security is provided through an escrow agreement, the following conditions should be part of the agreement:

1) No monies in the escrow account may be withdrawn by the Utility without the express approval of the Commission;

2) The escrow account shall be an interest bearing account;

3) If a refund to the customers is required, all interest earned by the escrow account shall be distributed to the customers;

4) If a refund to the customers is not required, the interest earned by the escrow account shall revert to the Utility;

5) All information on the escrow account shall be available from the holder of the escrow account to a Commission representative at all times;

6) The amount of revenue subject to refund shall be deposited in the escrow account within seven days of receipt;

7) This escrow account is established by the direction of the Florida Public Service Commission for the purpose(s) set forth in its order requiring such account. Pursuant to Cosentino v. Elson, 263 So. 2d 253 (Fla. 3d DCA 1972), escrow accounts are not subject to garnishments;

8) The Commission Clerk must be a signatory to the escrow agreement; and

9) The account must specify by whom and on whose behalf such monies were paid.

In no instance should the maintenance and administrative costs associated with the refund be borne by the customers. These costs are the responsibility of, and should be borne by, the Utility. Irrespective of the form of security chosen by the Utility, an account of all monies received as a result of the rate increase should be maintained by the Utility. If a refund is ultimately required, it should be paid with interest calculated pursuant to Rule 25-30.360(4), F.A.C.

The Utility should maintain a record of the amount of the bond, and the amount of revenues that are subject to refund. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., the Utility should file reports with the Commission Clerk's office no later than the 20th of each month indicating the monthly and total amount of money subject to refund at the end of the preceding month. The report filed should also indicate the status of the security being used to guarantee repayment of any potential refund.

Issue 16: Should Utility Corporation be required to provide proof, within 90 days of an effective order finalizing this docket, that it has adjusted its books for all applicable NARUC Uniform System of Accounts (USOA) primary accounts associated with the Commission-approved adjustments?

Recommendation: Yes. To ensure that the Utility adjusts its books in accordance with the Commission's decision, Utility Corporation should provide proof, within 90 days of the final order in this docket, that the adjustments for all applicable NARUC USOA primary accounts have been made. (Roberts)

Staff Analysis: To ensure that the Utility adjusts its books in accordance with the Commission's decision, Utility Corporation should provide proof, within 90 days of the final order in this docket, that the adjustments for all applicable NARUC USOA primary accounts have been made.

Issue 17: Should this docket be closed?

Recommendation: No. If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, a consummating order will be issued. The docket should remain open for staff's verification that the revised tariff sheets and customer notice have been filed by the Utility and approved by staff. Once these actions are complete, this docket should be closed administratively. (Robinson, Roberts)

Staff Analysis: No. If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, a consummating order will be issued. The docket should remain open for staff's verification that the revised tariff sheets and customer notice have been filed by the Utility and approved by staff. Once these actions are complete, this docket should be closed administratively.

UTILITY CORPORATION OF FLORIDA, INC.			SCHEDULE NO. 1-A
TEST YEAR ENDING 12/31/10			DOCKET NO. 110165-SU
SCHEDULE OF WASTEWATER RATE BASE (PHASE I)			
DESCRIPTION	BALANCE PER UTILITY	STAFF ADJUSTMENTS TO UTIL. BAL.	BALANCE PER STAFF
UTILITY PLANT IN SERVICE	$68,355	$248,044	$316,399
LAND & LAND RIGHTS	0	0	0
NON-USED AND USEFUL COMPONENTS	0	(48,716)	(48,716)
CIAC	0	(112,500)	(112,500)
ACCUMULATED DEPRECIATION	0	(174,751)	(174,751)
AMORTIZATION OF CIAC	0	36,466	36,466
WORKING CAPITAL ALLOWANCE	0	16,003	16,003
WASTEWATER RATE BASE	$68,355	($35,455)	$32,900

	UTILITY CORPORATION OF FLORIDA, INC. TEST YEAR ENDING 12/31/10 ADJUSTMENTS TO RATE BASE (PHASE I)	SCHEDULE NO. 1-B DOCKET NO. 110165-SU PAGE 1 OF 2
		WASTEWATER
	UTILITY PLANT IN SERVICE	
1.	To reflect the appropriate composite plant balance.	$267,603
2.	To reflect the appropriate organizational cost for Acct No. 351.	(5,316)
3.	To reduce Acct No. 354 for lack of support documentation.	(12,665)
4.	To reflect the appropriate balance for Acct No. 370.	(2,177)
5.	To reflect the appropriate plant additions and retirements to Acct. No. 380.	3,440
6.	To reflect 2008 plant addition of New Dissolved Oxy Meter to Acct. No. 389.	2,516
7.	To reflect 2008 retirement of Dissolved Oxy Meter to Acct. No. 389.	(1,887)
8.	To reflect 2008 plant addition of automatic valve to Acct. No. 389.	1,649
9.	To reflect 2008 retirement of automatic valve to Acct. No. 389.	(1,237)
10.	To reflect 2008 plant addition of automatic switch valve to Acct. No. 389.	704
11.	To reflect 2008 retirement of automatic switch valve to Acct. No. 389.	(528)
12.	To reflect 2008 plant addition of Chlorine and Terbidity Pen Chart to Acct. No. 389.	1,721
13.	To reflect 2008 retirement of Chlorine and Terbidity Pen Chart to Acct. No. 389.	(1,291)
14.	To reflect 2009 plant addition of replacement lift station rails to Acct. No. 389.	728
15.	To reflect 2009 plant addition of replacement breaker to Acct. No. 360.	454
16.	To record 2009 retirement of breaker to Acct. No. 360.	(341)
17.	To reflect 2009 retirement of lift station rails to Acct No. 389.	(546)
18.	To reflect 2009 plant addition of water sampling tool to Acct. No. 389.	200
19.	To reflect the appropriate balance for Acct No. 393.	(145)
20.	To reflect the appropriate balance for Acct No. 395.	(298)
21.	To reflect an averaging adjustment.	(4,541)
	Total	$248,044
	NON-USED AND USEFUL PLANT	
1.	To reflect non-used and useful plant.	($124,229)
2.	To reflect non-used and useful accumulated depreciation.	75,513
		($48,716)
	CIAC	
	To reflect the appropriate CIAC balance.	($112,500)
	ACCUMULATED DEPRECIATION	
1.	To reflect accumulated depreciation per Rule 25-30.140.	($195,678)
2.	To reflect averaging adjustment.	20,927
	Total	($174,751)
	(RATE BASE CONTINUED ON NEXT PAGE)	

UTILITY CORPORATION OF FLORIDA, INC. TEST YEAR ENDING 12/31/10 ADJUSTMENTS TO RATE BASE (PHASE I)		SCHEDULE NO. 1-B DOCKET NO. 110165-SU PAGE 2 OF 2
	(RATE BASE CONTINUED)	
	AMORTIZATION OF CIAC	
1.	To adjust Amortization of CIAC based on composite rates.	$37,814
2.	Averaging adjustment.	(1,349)
	Total	$36,466
	WORKING CAPITAL ALLOWANCE	
	To reflect 1/8 of test year O & M expenses.	$16,003

UTILITY CORPORATION OF FLORIDA, INC. **SCHEDULE NO. 2**
TEST YEAR ENDING 12/31/10 **DOCKET NO. 110165-SU**
SCHEDULE OF CAPITAL STRUCTURE (PHASE I)

	CAPITAL COMPONENT	PER UTILITY	SPECIFIC ADJUST-MENTS	BALANCE BEFORE PRO RATA ADJUSTMENTS	PRO RATA ADJUST-MENTS	BALANCE PER STAFF	PERCENT OF TOTAL	COST	WEIGHTED COST
1.	COMMON STOCK	$1,000	$0	$1,000					
2.	RETAINED EARNINGS	5,547	0	5,547					
3.	PAID IN CAPITAL	0	0	0					
4.	OTHER COMMON EQUITY	0	69,447	69,447					
	TOTAL COMMON EQUITY	$6,547	$69,447	$75,994	($42,576)	$33,418	100.00%	8.74%	8.74%
5.	LONG TERM DEBT	69,447	(69,447)	0	0	0	0.00%	5.00%	0.00%
6.	CUSTOMER DEPOSITS	0	0	0	0	0	0.00%	0.00%	0.00%
7.	TOTAL	$75,994	$0	$75,994	($42,576)	$33,418	100.00%		8.74%

RANGE OF REASONABLENESS	LOW	HIGH
RETURN ON EQUITY	7.74%	9.74%
OVERALL RATE OF RETURN	7.74%	9.74%

UTILITY CORPORATION OF FLORIDA, INC. TEST YEAR ENDING 12/31/10 SCHEDULE OF WASTEWATER OPERATING INCOME (PHASE I)					SCHEDULE NO. 3-A DOCKET NO. 110165-SU
	TEST YEAR PER UTILITY	STAFF ADJUSTMENTS	STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
OPERATING REVENUES	$121,472	$3,508	$124,980	$26,658	$151,638
				21.33%	
OPERATING EXPENSES:					
OPERATION & MAINTENANCE	$83,124	$44,897	$128,020	$0	$128,020
DEPRECIATION (NET)	0	2,275	2,275	0	2,275
AMORTIZATION	0	0	0	0	0
TAXES OTHER THAN INCOME	6,925	3,218	10,143	1,200	11,343
INCOME TAXES	0	0	0	0	0
TOTAL OPERATING EXPENSES	$90,049	$50,390	$140,439	$1,200	$141,638
OPERATING INCOME/(LOSS)	$31,423		($15,459)		$10,000
WASTEWATER RATE BASE	$68,355		$32,900		$32,900
RATE OF RETURN	45.97%		-46.99%		7.81%

UTILITY CORPORATION OF FLORIDA, INC. TEST YEAR ENDING 12/31/10 ADJUSTMENTS TO OPERATING INCOME (PHASE I)		SCHEDULE NO. 3-B DOCKET NO. 110165-SU Page 1 of 2
		WASTEWATER
	OPERATING REVENUES	
1.	To increase residential revenues based on ERCs and the authorized tariff.	$256
2.	To record revenues associated with the golf course irrigation.	3,252
	Subtotal	$3,508
	OPERATION AND MAINTENANCE EXPENSES	
	Salaries and Wages - Employees (701)	
1.	To reflect the appropriate salary expense for Tom Quinn.	$11,561
2.	To reclassify salary expense to Acct. No.750 transportation costs.	1,416
	Subtotal	$12,977
	Sludge removal (711)	
	To include the increased charge by Blue Septic Tank Service, Inc.	$528
	Purchased Power (715)	
	To remove costs associated with lack of supporting documentation.	($363)
	Chemicals (718)	
	To remove cost with no documentation.	($474)
	Materials and Supplies (720)	
1.	To remove costs associated with lack of supporting documentation.	($364)
2.	To reflect capitalized amount (A/C 371) to O&M Expense - A/C 720.	258
3.	To reflect repair charges of surge tank motor starter from UPIS (A/C 370) to expense A/C 720).	236
	Subtotal	$130
	Contractual Services - Professional (731)	
1.	To remove duplicate charge for professional fees for 2009 corporate taxes.	($720)
2.	To remove duplicate charge for professional fees that was capitalized.	(150)
3.	To remove costs associated with preparation of SARC application and planning.	(50)
	Subtotal	($920)
	Contractual Services - Other (736)	
1.	To reflect appropriate management fee.	$6,700
2.	To reflect appropriate cost for grounds maintenance.	650
3.	To reflect the contracted amount for customer billing, payroll, and regulatory affairs consultant.	15,600
	Subtotal	$22,950
	Contractual Services - Testing (735)	
	To remove cost associated with short environmental laboratories for lack of documentation.	($3,812)
	Rent Expense (740)	
1.	To reflect appropriate land rent expense.	$935
2.	To reflect appropriate office expense.	5,700
	Subtotal	$6,635
	(O&M EXPENSE CONTINUED ON NEXT PAGE)	

	UTILITY CORPORATION OF FLORIDA, INC. TEST YEAR ENDING 12/31/10 ADJUSTMENTS TO OPERATING INCOME (PHASE I)	SCHEDULE NO. 3-B DOCKET NO. 110165-SU Page 2 of 2
	(O&M EXPENSE CONTINUED)	
	Transportation Expense (750)	
1.	To remove salary expense posted to the wrong account.	($1,416)
2.	To reclassify transportation expense from miscellaneous expenses.	400
	Subtotal	($1,016)
	Insurance Expenses (755)	
1.	To include property Insurance for Utility.	$1,224
2.	To include commercial Insurance for Utility.	1,098
	Subtotal	$2,322
	Regulatory Expense (765)	
	Amortize Rate Case Filing Fee over 4 years ($1,532/4).	$383
	Bad Debt Expense (770)	
	To record bad debt expense previously not recorded.	$1,536
	Miscellaneous Expense (775)	
1.	To reflect 5-year amortization of wastewater permits ($3,000/5).	$600
2.	To reflect 4-year amortization for surge tank reahab ($11,435/4).	2,859
3.	To reflect 3-year amortization for main lift station motor rehab ($2,792/3).	931
4.	To reflect 5-year amortization for permitting costs - third party ($2,649/5).	530
5.	To remove duplicate charge for power amp repair.	(981)
6.	To remove late payment charge.	(26)
7.	To remove cost associated with lack of supporting documentation.	(24)
8.	To reclassify expense posted to wrong account.	118
9.	To remove costs associated with lack of supporting documentation.	(76)
10.	To remove costs associated with lack of supporting documentation.	(76)
11.	To remove costs associated with lack of supporting documentation.	(77)
12.	To reclassify expense to Acct. No. 750 for auto allowance.	(400)
13.	To include the satellite internet for the Utility operator to send and receive Utility documents.	642
	Subtotal	$4,020
	TOTAL OPERATION & MAINTENANCE ADJUSTMENTS	$44,897
	DEPRECIATION EXPENSE	
1.	To reflect test year depreciation calculated per 25-30.140, F.A.C.	$8,948
2.	To remove depreciation expense for non-used and useful plant.	(3,537)
3.	To reflect the appropriate the appropriate amortization of CIAC.	(3,137)
	Total	$2,275
	TAXES OTHER THAN INCOME	
1.	To reflect RAFs for staff's recommended test year revenue.	$148
2.	To reflect the appropriate payroll taxes.	3,070
	Total	$3,218

UTILITY CORPORATION OF FLORIDA, INC.			SCHEDULE NO. 3-C
TEST YEAR ENDING 12/31/10			DOCKET NO. 110165-SU
ANALYSIS OF WASTEWATER OPERATION AND MAINTENANCE EXPENSE (PHASE I)			
	TOTAL PER UTILITY	STAFF ADJUST-MENT	TOTAL PER STAFF
(701) SALARIES AND WAGES - EMPLOYEES	$37,023	$12,977	$50,000
(703) SALARIES AND WAGES - OFFICERS	0	0	0
(704) EMPLOYEE PENSIONS AND BENEFITS	0	0	0
(710) PURCHASED SEWAGE TREATMENT	0	0	0
(711) SLUDGE REMOVAL EXPENSE	455	528	983
(715) PURCHASED POWER	9,493	(363)	9,130
(716) FUEL FOR POWER PRODUCTION	0	0	0
(718) CHEMICALS	4,542	(474)	4,068
(720) MATERIALS AND SUPPLIES	1,682	130	1,811
(730) CONTRACTUAL SERVICES - BILLING	0	0	0
(731) CONTRACTUAL SERVICES - PROFESSIONAL	2,001	(920)	1,081
(735) CONTRACTUAL SERVICES - TESTING	18,452	(3,812)	14,640
(736) CONTRACTUAL SERVICES - OTHER	0	22,950	22,950
(740) RENTS	0	6,635	6,635
(750) TRANSPORTATION EXPENSE	5,816	(1,016)	4,800
(755) INSURANCE EXPENSE	0	2,322	2,322
(765) REGULATORY COMMISSION EXPENSES	0	383	383
(770) BAD DEBT EXPENSE	0	1,536	1,536
(775) MISCELLANEOUS EXPENSES	3,660	4,020	7,680
	$83,124	$44,897	$128,020

UTILITY CORPORATION OF FLORIDA, INC. TEST YEAR ENDING 12/31/10 MONTHLY WASTEWATER RATES (PHASE I)			SCHEDULE NO. 4 DOCKET NO. 110165-SU
	UTILITY'S EXISTING RATES	STAFF RECOMMENDED RATES	4-YEAR RATE REDUCTION
Residential / General Service			
Flat Rate per unit - monthly charge	$32.00	$38.83	$0.11
General Service			
Spring Lake Club			
per unit x 4 - monthly charge	$128.00	$156.86	$0.44
Golf Course Reuse Irrigation Rate			
Per thousand gallons	$0.50	$0.61	$0.00
Typical Residential 5/8" x 3/4" Meter Bill Comparison			
3,000 Gallons	$32.00	$38.83	
5,000 Gallons	$32.00	$38.83	
10,000 Gallons	$32.00	$38.83	

UTILITY CORPORATION OF FLORIDA, INC. TEST YEAR ENDING 12/31/10 SCHEDULE OF WASTEWATER RATE BASE (PHASE II)			SCHEDULE NO. 5-A DOCKET NO. 110165-SU
DESCRIPTION	BALANCE PER UTILITY	STAFF ADJUSTMENTS TO UTIL. BAL.	BALANCE PER STAFF
UTILITY PLANT IN SERVICE	$316,399	$759	$317,159
LAND & LAND RIGHTS	0	0	0
NON-USED AND USEFUL COMPONENTS	(48,716)	0	(48,716)
CIAC	(112,500)	0	(112,500)
ACCUMULATED DEPRECIATION	(174,751)	(101)	(174,852)
AMORTIZATION OF CIAC	36,466	0	36,466
WORKING CAPITAL ALLOWANCE	16,003	402	16,404
WASTEWATER RATE BASE	$32,900	$1,060	$33,959

UTILITY CORPORATION OF FLORIDA, INC. TEST YEAR ENDING 12/31/10 ADJUSTMENTS TO RATE BASE (PHASE II)		SCHEDULE NO. 5-B DOCKET NO. 110165-SU
		WASTEWATER
	UTILITY PLANT IN SERVICE	
1.	Install new pump at transfer pond to pump water.	$3,038
2.	To retire 75% of new pump.	(2,278)
	Total	$759
	ACCUMULATED DEPRECIATION	
	To reflect accumulated depreciation for pro forma plant additions.	($101)
	WORKING CAPITAL ALLOWANCE	
	To reflect 1/8 of test year O & M expenses.	$402

UTILITY CORPORATION OF FLORIDA, INC. **SCHEDULE NO. 6**
TEST YEAR ENDING 12/31/10 **DOCKET NO. 110165-SU**
SCHEDULE OF CAPITAL STRUCTURE (PHASE II)

	CAPITAL COMPONENT	PER UTILITY	SPECIFIC ADJUST-MENTS	BALANCE BEFORE PRO RATA ADJUSTMENTS	PRO RATA ADJUST-MENTS	BALANCE PER STAFF	PERCENT OF TOTAL	COST	WEIGHTED COST
1.	COMMON STOCK	$1,000	$0	$1,000					
2.	RETAINED EARNINGS	5,547	0	5,547					
3.	OTHER COMMON EQUITY	0	69,447	69,447					
	TOTAL COMMON EQUITY	$6,547	$69,447	$75,994	($42,035)	$33,959	100.00%	8.74%	8.74%
4.	LONG TERM DEBT	69,447	(69,447)	0	0	0	0.00%	5.00%	0.00%
5.	CUSTOMER DEPOSITS	0	0	0	0	0	0.00%	0.00%	0.00%
6.	TOTAL	$75,994	$0	$75,994	($42,035)	$33,959	100.00%		8.74%

RANGE OF REASONABLENESS	LOW	HIGH
RETURN ON EQUITY	7.74%	9.74%
OVERALL RATE OF RETURN	7.74%	9.74%

UTILITY CORPORATION OF FLORIDA, INC.					SCHEDULE NO. 7-A
TEST YEAR ENDING 12/31/10					DOCKET NO. 110165-SU
SCHEDULE OF WASTEWATER OPERATING INCOME (PHASE II)					
	TEST YEAR PER UTILITY	STAFF ADJUSTMENTS	STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. **OPERATING REVENUES**	$151,638	$0	$151,638	$3,577 2.36%	$155,215
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	$128,020	$3,213	$131,233	$0	$131,233
3. DEPRECIATION (NET)	2,275	203	2,477	0	2,477
4. AMORTIZATION	0	0	0	0	0
5. TAXES OTHER THAN INCOME	11,343	0	11,343	161	11,504
6. INCOME TAXES	0	0	0	0	0
7. **TOTAL OPERATING EXPENSES**	$141,638	$3,416	$145,054	$161	$145,215
8. **OPERATING INCOME/(LOSS)**	$10,000		$6,584		$10,000
9. **WASTEWATER RATE BASE**	$32,900		$33,959		$33,959
10. **RATE OF RETURN**	7.81%		19.39%		7.62%

UTILITY CORPORATION OF FLORIDA, INC. TEST YEAR ENDING 12/31/10 ADJUSTMENTS TO OPERATING INCOME (PHASE II)	SCHEDULE NO. 7-B DOCKET NO. 110165-SU
	WASTEWATER
Contractual Services - Other (736) To reflect the three-year amortization of pro forma exterior repair of the surge tank.	$3,213
TOTAL OPERATION & MAINTENANCE ADJUSTMENTS	$3,213
DEPRECIATION EXPENSE To reflect depreciation expense for pro forma plant additions.	$203

UTILITY CORPORATION OF FLORIDA, INC.			SCHEDULE NO. 7-C
TEST YEAR ENDING 12/31/10			DOCKET NO. 110165-SU
ANALYSIS OF WASTEWATER OPERATION AND MAINTENANCE EXPENSE (PHASE II)			
	TOTAL PER UTILITY	STAFF ADJUST-MENT	TOTAL PER STAFF
(701) SALARIES AND WAGES - EMPLOYEES	$50,000	$0	$50,000
(703) SALARIES AND WAGES - OFFICERS	0	0	0
(704) EMPLOYEE PENSIONS AND BENEFITS	0	0	0
(710) PURCHASED SEWAGE TREATMENT	0	0	0
(711) SLUDGE REMOVAL EXPENSE	983	0	983
(715) PURCHASED POWER	9,130	0	9,130
(716) FUEL FOR POWER PRODUCTION	0	0	0
(718) CHEMICALS	4,068	0	4,068
(720) MATERIALS AND SUPPLIES	1,811	0	1,811
(730) CONTRACTUAL SERVICES - BILLING	0	0	0
(731) CONTRACTUAL SERVICES - PROFESSIONAL	1,081	0	1,081
(735) CONTRACTUAL SERVICES - TESTING	14,640	0	14,640
(736) CONTRACTUAL SERVICES - OTHER	22,950	3,213	26,163
(740) RENTS	6,635	0	6,635
(750) TRANSPORTATION EXPENSE	4,800	0	4,800
(755) INSURANCE EXPENSE	2,322	0	2,322
(765) REGULATORY COMMISSION EXPENSES	383	0	383
(770) BAD DEBT EXPENSE	1,536	0	1,536
(775) MISCELLANEOUS EXPENSES	7,680	0	7,680
	128,020	$3,213	131,233

UTILITY CORPORATION OF FLORIDA, INC.		SCHEDULE NO. 8
TEST YEAR ENDING 12/31/10		DOCKET NO. 110165-SU
MONTHLY WASTEWATER RATES (PHASE II)		
	STAFF RECOMMENDED PHASE I RATES	**STAFF RECOMMENDED RATES**
Residential / General Service		
Flat Rate per unit - monthly charge	$38.83	$39.22
Gallonage Charge per 1,000 gallons	$0.00	$0.00
General Service		
Spring Lake Club	$155.32	$158.96
Gallonage Charge per 1,000 gallons	$0.00	$0.00
Golf Course Reuse Irrigation Rate		
Per thousand gallons	$0.61	$0.62
Typical Residential 5/8" x 3/4" Meter Bill Comparison		
3,000 Gallons	$38.83	$39.22
5,000 Gallons	$38.83	$39.22
10,000 Gallons	$38.83	$39.22