

BEFORE THE PUBLIC SERVICE COMMISSION

In re: Application for increase in wastewater rates in Pinellas County by Tierra Verde Utilities, Inc. | DOCKET NO. 060255-SU
| ORDER NO. PSC-07-0082-PAA-SU
| ISSUED: January 29, 2007

The following Commissioners participated in the disposition of this matter:

LISA POLAK EDGAR, Chairman
ISILIO ARRIAGA
MATTHEW M. CARTER II
KATRINA J. TEW
KEN LITTLEFIELD

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING AN INCREASE IN WASTEWATER RATES

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that except for the requirement to make the appropriate adjustments to its books for all of the applicable National Association of Regulatory Utility Commissioners Uniform System of Accounts and the statutory four-year rate reduction, which are issued as final agency action, the other actions discussed herein are 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.

I. BACKGROUND

Utilities, Inc. (UI) is an Illinois corporation that owns approximately 80 utility subsidiaries throughout 16 states, including 16 water and wastewater utilities within the State of Florida. Currently UI has 10 separate rate case dockets pending before us. Those dockets are:

<u>Docket No.</u>	<u>Utility Subsidiary</u>
060253-WS	Utilities Inc. of Florida
060254-SU	Mid-County Services, Inc.
060255-SU	Tierra Verde Utilities, Inc.
060256-SU	Alafaya Utilities, Inc.
060257-WS	Cypress Lakes Utilities, Inc.
060258-WS	Sanlando Utilities, Inc.
060260-WS	Lake Placid Utilities, Inc.
060261-WS	Utilities Inc. of Pennbrooke
060262-WS	Labrador Utilities, Inc.
060285-SU	Utilities Inc. of Sandalhaven

DOCUMENT NUMBER-DATE

00902 JAN 29 07

FPSC-COMMISSION CLERK

This Order addresses Docket No. 060255-SU, Tierra Verde Utilities, Inc. (Tierra Verde or utility) Tierra Verde is a Class B utility providing wastewater service to approximately 1,003 customers in Pinellas County. Wastewater rates were last established for Tierra Verde in a 1985 rate proceeding.¹ On June 30, 1992, UI purchased the assets of Seagull Utility Company (Seagull) and transferred them to a separate wholly-owned subsidiary (Tierra Verde).² In the transfer proceeding, the utility's rate base was established. Further, in a 2001 earnings investigation, the Commission approved a settlement agreement ordering refunds; however, rates were not changed.³

On May 15, 2006, Tierra Verde filed its Application for Rate Increase. The utility requested that the application be processed using the Proposed Agency Action (PAA) procedure, and requested interim rates. The utility had deficiencies in the Minimum Filing Requirements (MFRs). The deficiencies were corrected, and August 22, 2006, was established as the official filing date. The test year established for interim and final rates is the historical twelve-month period ended December 31, 2005. Tierra Verde requested interim rates designed to generate annual wastewater revenues of \$728,171, an increase of \$109,767 or 17.75%. On July 18, 2006, we approved those interim rates.⁴ The utility requested final rates designed to generate wastewater revenues of \$833,103, an increase of \$214,699 or 34.72%.

This Order addresses Tierra Verde's requested final rates. We have jurisdiction pursuant to Section 367.081, Florida Statutes.

II. QUALITY OF SERVICE

Pursuant to Rule 25-30.433(1), Florida Administrative Code (F.A.C.), in every water and wastewater rate case, this Commission shall determine the overall quality of service provided by the utility by evaluating the quality of the product, the operating conditions of the plant and facilities, and the utility's attempt to address customer satisfaction.

A. Quality of the Utility's Product and Operating Condition

Tierra Verde only has a wastewater collection system, and there are no treatment facilities. The utility purchases all wastewater treatment services from the City of St. Petersburg. Jurisdiction over the utility's collection system is regulated by the Department of Environmental Protection (DEP). According to the DEP, the utility has compliance status for its collection

¹ See Order No. 16781, issued October 27, 1986, in Docket No. 850883-SU, In Re: Application of Seagull Utility Company for increased sewer rates to its customers in Pinellas County, Florida.

² See Order No. PSC-93-0364-FOF-SU, issued March 9, 1993, in Docket No. 920716-SU, In Re: Application For Transfer of Certificate No. 58-S from Seagull Utility Company to Tierra Verde Utilities, Inc. in Pinellas County

³ See Order No. PSC-02-0778-PAA-SU, issued June 10, 2002, in Docket No. 011190-SU, In re: Investigation of possible overearnings by Tierra Verde Utilities, Inc. in Pinellas County.

⁴ See Order No. PSC-06-0675-PCO-SU, issued August 7, 2006, in Docket No. 060255-SU, In re: Application for increase in wastewater rates in Pinellas County by Tierra Verde Utilities, Inc.

system and is considered satisfactory. Based on the above, we find the quality of the product and the operational conditions of the utility to be satisfactory.

B. The Utility's Attempt to Address Customer Satisfaction

An informal customer meeting was held on November 1, 2006, in the City of St. Petersburg Beach City Hall, City Commission Chambers, in St. Petersburg Beach, Florida. No customers attended this meeting, and it appears that the owner of the utility is putting forth a sufficient good faith effort to resolve customer complaints. We therefore find that the utility's attempt to address customer satisfaction and the utility's overall quality of service is satisfactory.

III. RATE BASE

A. Infiltration and Inflow

Tierra Verde had approximately 18.6% excessive infiltration and inflow (I & I) of its wastewater collection systems during the test year period. Infiltration results from groundwater entering a wastewater collection system through broken or defective pipes and joints. Inflow results from water entering a wastewater collection system through manholes or lift stations.

Based on the data provided by the utility, when the total treated wastewater was compared with the total estimated flow returned to the wastewater treatment plant, the total estimated I & I was determined to be 66,078,000 gallons per year. It is Commission practice that the allowance for infiltration should be 500 gallons per day per inch diameter pipe per mile, and an additional 10% of water sold should be allowed for inflow.⁵ Therefore, the total allowable amount for I & I was determined to be 27,429,917 gallons per year. The excessive I & I was calculated to be 38,648,083 gallons per year, which amounts to 18.6%. Tierra Verde's consultant has verified and agreed to this calculation of the I & I amount.

The City of St. Petersburg's invoices to the utility show that the city charged the utility \$1,804 per million gallons of wastewater consumed during the test year period. Because of the 38,648,083 gallons per year (18.6%) excessive I & I, we find that the total purchased wastewater shall be reduced by \$69,721.

B. Uncontested Audit Rate Base Adjustments

Our auditors recommended the following adjustments to average rate base:

<u>Audit Adjustments</u>	<u>Accumulated Depreciation</u>	<u>Accumulated Amortization of CIAC</u>
--------------------------	-------------------------------------	---

⁵ See Order No. PSC-05-0624-PAA-WS, issued June 7, 2005, in Docket No. 040450-WS, In re: Application for rate increase in Martin County by Indiantown Company, Inc.

Audit Finding No. 1 – Adjustment to Correct Transfer Balance	\$122,840	\$100,473
Audit Finding No. 2 – 2003 CIAC Adjustment		\$64,209
Adjustment Totals	<u>\$122,840</u>	<u>\$164,682</u>

Tierra Verde agrees with the above audit adjustments. Therefore, accumulated depreciation shall be increased by \$122,840 and accumulated amortization of CIAC shall be increased by \$164,682.

C. Water Services Corporation Rate Base Allocations

Tierra Verde did not reflect any Water Services Corporation (WSC) rate base allocation, but it did reflect \$1,136 of WSC allocated depreciation expense. The utility also reflected \$590 for its UIF rate base allocation, which represents plant of \$3,482 and accumulated depreciation of \$2,892. Further, the utility reflected Utilities Inc. of Florida (UIF) allocated depreciation expense of \$1,075.

Our staff performed an affiliate transactions (AT) audit of Utilities, Inc., the parent company of Tierra Verde and its sister companies. WSC is a subsidiary service company of UI that supplies most of the accounting, billing, and other services required by UI's other subsidiaries. UIF is a subsidiary of UI that provides administrative support to its sister companies in Florida. As discussed below, several adjustments must be made to the WSC and UIF rate bases before they are allocated to the utility. These adjustments include recommended audit adjustments and the use of an ERC-only methodology for several WSC allocation codes.

1. Audit Adjustments

In Audit Finding No. 1 of the AT audit, our auditor's recommended adjustments to WSC's rate base are consistent with Order No. PSC-03-1440-FOF-WS.⁶ First, deferred income taxes were removed because it should be a component of the capital structure. Second, the net computer balances were set to zero because WSC was unable to provide sufficient supporting evidence for inter-company transfers of computers and was unable to locate several missing invoices that were requested. Third, the office structure and furniture balances were adjusted because WSC was unable to locate several missing invoices that were requested. In its response to the AT audit, UI agreed with the above recommended audit adjustments. Based on the above, we find that the appropriate simple average WSC rate base before any allocation is \$2,122,628. Further, there was no audit finding in the AT audit regarding UIF's rate base. Thus, we find that

⁶ Order No. PSC-03-1440-FOF-WS, issued December 22, 2003, in Docket No. 020071-WS, In re: Application for rate increase in Marion, Orange, Pasco, Pinellas, and Seminole Counties by Utilities, Inc. of Florida.

the appropriate simple average UIF rate base before any allocation is \$1,113,433, as reflected in UIF's general ledger.

2. ERC Methodology

WSC uses 11 different allocation factors to allocate its rate base and expenses. Prior to January 1, 2004, WSC's allocation codes one, two, three, and five were based on customer equivalents (CEs). By Order No. PSC-03-1440-FOF-WS, the Commission found that WSC's method of allocating its common costs based on CEs was unsupported and unreasonable. The Commission ordered UI to use ERCs, measured at the end of the applicable test year, as the primary factor in allocating affiliate costs in Florida as of January 1, 2004.

In Audit Finding No. 4 of the AT Audit, our staff auditors stated that WSC allocates its common plant and expenses quarterly as of June 30, 2005. In addition, WSC utilizes the following:

- (1) If the operating system has both water and wastewater, the wastewater customer is counted as one half;
- (2) if the customer is an availability customer only, the customer is counted as one half;
- (3) if the water company is a distribution company only, the customer is counted as one half;
- and (4) if the wastewater company is a collection company only, the customer is counted as one half.

These additional four factors unnecessarily complicate the allocation process, versus the use of an ERC-only methodology. With this additional methodology, WSC's ERC count will not conform to the ERC count in each Florida subsidiary's annual report filed with the Commission. Further, the use of an ERC-only methodology is consistent with the methodology used by the Commission to set rates for water and wastewater utilities. Accordingly, we find that UI shall use the ERC-only methodology for its allocation codes one, two, three, and five.

Conclusion

Based on the above, we find that the appropriate WSC net rate base allocation for Tierra Verde is \$9,925, which represents an increase to the utility's rate base. The appropriate WSC depreciation expense should be \$969, which represents a reduction of \$284. We also find that the appropriate UIF rate base allocation for Tierra Verde is \$20,435. This results in a plant increase of \$25,774 (\$29,256 less \$3,482), and an accumulated depreciation increase of \$5,929 (\$8,821 less \$2,892), respectively. In addition, depreciation expense shall be decreased by \$106 (\$969 less \$1,075).

D. Pro Forma Plant and Expense Additions

Tierra Verde's MFRs reflected pro forma plant additions of \$36,585. Our staff reviewed the supporting documentation and prudence for those pro forma plant additions. According to

data request responses, all pro forma plant was completed and in service in 2006. Based on that review, we believe adjustments are necessary to the pro forma plant and expense additions.

Of the amount recorded in the utility's MFRs for pro forma plant additions, the utility included \$29,000 for a gravity sewer main. However, the utility provided an invoice reflecting that the gravity sewer main was \$21,000. With capitalized time and AFUDC added, the actual cost of the gravity sewer main is \$22,083. Therefore, we shall decrease the utility's pro forma plant by \$6,917.

The utility recorded \$7,585 for the remaining pro forma plant addition, consisting of \$897, \$2,005 and \$4,683 for sewer service lines, sewer mains and sewer plant, respectively. The utility did not provide any invoices for those pro forma additions. Therefore, we have made an adjustment of \$7,585 to remove the unsupported pro forma plant additions. The net adjustments to pro forma plant is a decrease of \$14,502 ($\$6,917 + \$897 + \$2,005 + \$4,683$).

We shall also make an adjustment to reduce accumulated depreciation and depreciation expense. In its MFRs, the utility increased accumulated depreciation and depreciation expense by \$644, which is associated with its \$29,000 gravity sewer main pro forma plant addition. We have found that the actual cost of the gravity sewer main is \$22,083 and therefore we find that the associated accumulated depreciation and depreciation expense for the gravity sewer main is \$491. We have decreased accumulated depreciation and depreciation expense by \$153. The utility also recorded a total increase of \$192 to accumulated depreciation and depreciation expense for the other pro forma plant additions. We have removed the other pro forma additions due to the lack of support documentation, and therefore we find that accumulated depreciation and depreciation expense shall be decreased by \$192. Our net adjustment to accumulated depreciation and depreciation expense is a decrease of \$345.

E. Accumulated Depreciation – Organization

On Schedule A-10 of the MFRs Tierra Verde recorded a test year average balance of \$7,005 in Acct No. 351.1 Accumulated Depreciation – Organization, but the utility did not have an average test year balance for the plant Acct No. 351.1 – Organization. In response to our staff's request that it explain why it recorded an accumulated depreciation balance without a plant balance, the utility indicated that a journal entry was made to remove organization costs from plant, but the corresponding adjustment to accumulated depreciation was incorrect. The adjustment should have resulted in the account balance being zero. In light of this information, we find that Acct No. 351.1 – Accumulated Depreciation – Organization shall be decreased by \$7,005.

F. Used and Useful Percentages

The utility only has a wastewater collection system and there are no treatment facilities. It purchases all wastewater treatment services from the City of St. Petersburg (City). The City provides water service to the utility's customers, reads the water meters, sets and keeps track of the water meters, calculates the bills for wastewater service based on Tierra Verde's tariff and

renders a bill on behalf of Tierra Verde. In the utility's last two rate cases, the Commission determined that the collection system was 100% used and useful.⁷ In its current filing, the utility stated that the collection system should be considered 100% used and useful.

In the deficiency response dated July 7, 2006, in its MFRs (Schedule, F10a, p. 1 of 1), the utility provided growth information based on the historic meter equivalent residential connections (ERCs) in the annual reports. The utility indicated that since the City sets and keeps track of the water meters, the information regarding the meter sizes came from the City. Based on this information, the regression analysis of growth over the past five years indicated that next year's growth would be a decrease of 130 ERCs per year, while the information in the annual reports showed the number of meters or number of customers increased over the past five years. The utility explained that the reduction of the ERCs, which caused the negative growth, was due to the changes of the size of meters in the annual reports during the past five years. For example, the number of 6 inch meters (50 ERCs) declined in year 2003, and the number of 1" meters (2.5 ERCs) and 2" meters (8 ERCs) declined in year 2004. However, the number of 5/8" meters (1 ERC) increased from 714 to 940 in 2004. The utility stated that the changes in the size of meters were due to the improperly categorized and incorrectly recorded data in the annual reports. According to Tierra Verde, since the data in the annual reports was not accurate and the changes in the meter sizes affected the ERCs, the meter equivalent is not a valid basis for measuring growth changes. Tierra Verde believes the growth is more accurate and valid if it is calculated based on the historic number of water meters.

Typically, used and useful percentages for collection systems are based upon the number of potential ERCs versus the number of ERCs served. In this case, however, the number of ERCs are not representative of the actual number of customers the utility serves. The number of customers served by the utility has not decreased, even though the number of the ERCs have diminished. Since the City has recently changed the size of current customers' water meters, the actual number of customers served is not accurately stated. We agree with Tierra Verde that since the negative growth data was due to the changes in the meters sizes and was not associated with the changes in the number of meters, the growth would be more accurate and valid if the calculation was based on the historic number of meters or the historic number of water bills. This would represent the actual number of customers for the utility. This methodology is slightly different than the way used and useful has been calculated in the past, but we believe that it is a reasonable methodology to use in these circumstances. The change in the number and size of the water meters was beyond the control of the utility, and the actual number of customers represented by the number of meters actually has increased, not decreased. The City made these changes to its water distribution system. While the size of the water meters changed, the actual customers did not. Therefore, we calculated growth and used and useful based on the number of meters, not ERCs. The meter reflects a customer on a lot being served by the utility.

⁷ See Order No. 11857, in Docket No. 810433-S, In re: Petition of Seagull Utility Company for an increase in sewer rates to its customer in Pinellas County, Florida. and Order No. 16781, in Docket No. 850883-SU, in Docket No. 850883-SU, In re: Application of Seagull Utility Company for increased sewer rates to its customers in Pinellas County, Florida.

Tierra Verde's potential customer base is 1,059 lots or meters. The average number of meters during the test year was 1,003 meters. Further, as indicated by the utility's consultant, a lot for Tierra Verde does not necessarily represent a potential customer count. This is due to the fact that many multi-unit buildings may be master metered or individually metered and they may exist on a single lot or on multiple lots platted as single family. In this case a lot count may not necessarily represent a potential customer count. The regression analysis of growth over the past five years indicated that future years' growth would be 12 meters or customers per year. When these 12 meters or customers are applied to the statutory growth period, the future growth is calculated to be 60 meters or customers. In accordance with the formula method (Attachment A, Page 1 of 1), the used and useful percentage is calculated to be 100%. We find that the wastewater collection system should be considered 100% used and useful.

F. Working Capital Allowance

Rule 25-30.433(2), F.A.C., requires that Class B utilities use the formula method, or one-eighth of operation and maintenance (O&M) expenses, to calculate the working capital allowance. Based on our adjustments to the utility's O&M expenses we find that working capital is \$69,320. This reflects a decrease of \$16,324 to the utility's requested working capital allowance.

G. Rate Base

Consistent with our other adjustments noted above, we find that the appropriate simple average rate base for the test year ending December 31, 2005, is \$926,652. The rate base calculations are shown on Schedule 1. The adjustments are shown on Schedule 1-A.

IV. COST OF CAPITAL

A. Return on Equity

The return on equity (ROE) included in the utility's filing is 11.77%. This return is based on the application of the Commission's leverage formula approved in Order No. PSC-05-0680-PAA-WS and an equity ratio of 40.14%.⁸

As noted in Audit Finding No. 9, Utilities, Inc.'s average common equity balance of \$90,787,422 should be adjusted upward by \$3,093,004 to \$93,880,426. The utility agrees with the audit opinion. This adjustment increased the equity ratio as a percentage of investor-supplied capital from 40.14% to 40.95%.

⁸ Order No. PSC-06-0476-PAA-WS, issued June 5, 2006, in Docket No. 060006-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.

Based on the current leverage formula approved in Order No. PSC-06-0476-PAA-WS and an equity ratio of 40.95%, we find that the appropriate ROE is 11.45%,⁹ with an allowed range of plus or minus 100 basis points recognized for ratemaking purposes.

B. Weighted Average Cost of Capital

Based upon the proper components, amounts, and cost rates associated with the capital structure for the test year ended December 31, 2005, we approve a weighted average cost of capital of 7.44%. The weighted average cost of capital included in the utility's filing is 7.84%. Schedule No. 2 provides the details of this decision.

The test year per book amounts were obtained from Tierra Verde's MFR filing, revised Schedule D-2. We will make specific adjustments to two components in the utility's proposed capital structure. As noted in Audit Finding No. 9, Utilities, Inc.'s average common equity balance shall be adjusted upward by \$3,093,004. Also, we will make an adjustment of \$14,388 to increase the balance of deferred income taxes. Our auditors noted in Audit Finding No. 10 that the utility understated its calculation of deferred taxes for accelerated depreciation for state income tax purposes by \$16,192. Further, the auditors discovered that deferred taxes for intangible plant were understated by \$189 for state tax purposes and overstated by \$1,993 for federal tax purposes. Accordingly, we will increase the balance of deferred taxes by \$14,388. Tierra Verde agrees with these adjustments.

We will also revise the respective cost rates proposed by the utility. As discussed above, the appropriate cost rate for common equity is 11.45%. In addition, the auditor's Audit Finding No. 9 recommended an adjustment to the cost rates for long-term debt and short-term debt. The long-term debt cost rate was reduced from 7.14% to 6.73%. The short-term cost rate was reduced from 2.64% to 2.00%. We approve these adjustments and the utility agrees with them.

Based on the proper components, amounts, and cost rates associated with the capital structure for the test year ended December 31, 2005, we find that a weighted average cost of capital of 7.44% is appropriate. See Schedule No. 2 for details.

V. NET OPERATING INCOME

A. Purchased Wastewater Treatment

In Audit Finding No. 5, our staff auditor indicated that Tierra Verde recorded an estimated accrual of \$34,000 for purchased wastewater in December 2004. The accrual was properly reversed in January 2005. The utility recorded \$41,837 for the actual invoice that was related to the accrual in January 2005. The difference between the accrual's reversal and the actual invoice caused the purchased wastewater expense balance to be overstated by \$7,337

⁹ Order No. PSC-06-0476-PAA-WS, issued June 5, 2006, in Docket No. 060006-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.

(\$41,837-\$34,000) for the 12-month period ended December 31, 2005. The auditor recommended that purchased wastewater be decreased by \$7,337.

In its response to the audit, Tierra Verde disagreed with the methodology used in the audit finding. It agreed that the reversal of the December 2004 accrual and the recording of the actual December 2004 creates an overstatement of \$7,337, but it indicated that the effects of the December 2005 accrual and the actual December invoice booked in January 2006 should be examined as well. The utility recorded an accrual of \$37,000 for December 2005. The actual December 2005 invoice was \$50,684. When the actual amount for the December 2005 invoice is reflected instead of the accrual, the balance in purchased wastewater treatment is understated \$13,684. The utility indicated that the net effect of the \$7,337 overstatement and the \$13,684 understatement is a \$6,347 understatement of purchased wastewater treatment. We agree with the utility's methodology and we find that purchased wastewater treatment shall be increased by \$6,347.

As discussed above, the utility has an excessive infiltration and inflow problem that led us to decrease purchased wastewater treatment by \$88,420. Based on the above, we find that a net adjustment to purchased wastewater treatment is a decrease of \$82,073 (\$6,347 - \$88,420).

B. WSC and UIF Expenses Allocated to Tierra Verde

On MFR Schedule B-12, Tierra Verde reflected total WSC allocated O&M expenses of \$27,500 and taxes other than income of \$3,967. Tierra Verde also recorded total UIF allocated O&M expenses of \$2,791. We find that several adjustments are necessary to the WSC and UIF expenses before they are allocated to the utility. These adjustments include recommended audit adjustments and the use of an ERC-only methodology for several WSC allocation codes.

In Audit Finding No. 2 of the AT audit, the auditor's recommended adjustments to WSC's expenses are consistent with Order No. PSC-03-1440-FOF-WS, pp. 82-84. First, the auditor recommended removal of insurance premiums for former employee directors' life insurance policies and fiduciary policies protecting directors, officers and pension funds, because they were for the benefit of UI's shareholders. Second, the auditor recommended the removal of interest expense and interest income because they are included as components of UI's capital structure. In its response to the AT audit, UI agreed with the audit adjustments. Based on the above, we find that the appropriate WSC expenses before any allocation are \$7,458,207. There was no audit finding in the AT audit regarding UIF's expenses. We thus find that the appropriate UIF O&M expenses before any allocation are \$266,650.

As we determined above, UI should use the ERC-only methodology for its allocation codes one, two, three, and five. Based on the above audit adjustments and the ERC-only methodology, we find that the appropriate WSC O&M expenses and taxes other than income for Tierra Verde are \$33,852 and \$1,537, respectively. O&M expenses shall be increased by \$6,352 and taxes other than income shall be decreased \$2,430. Further, the appropriate UIF O&M expenses for Tierra Verde is \$3,696. O&M expenses shall be increased by \$906.

C. Pro Forma Salaries and Wages, Pensions and Benefits, and Payroll Taxes

On MFR Schedule B-5, Tierra Verde reflected historical wastewater salaries and wages and pensions and benefits of \$46,174 and \$10,798, respectively. On MFR Schedule B-15, Tierra Verde reflected historical payroll taxes of \$3,779. On MFR Schedule B-3, the utility requested pro forma increases in salaries and wages, pensions and benefits, and payroll taxes of \$17,952, \$2,050, and \$1,560, respectively. The pro forma salaries and wages represents an increase of 38.88%. The pro forma pensions and benefits represents an increase of 18.98%.

In Docket No. 060261-WS, the utility was asked to explain why its pro forma salaries and wages increases were significantly greater than the Commission's 2006 price index of 2.74%. The utility explained that its increases include all new employees' salaries, payroll taxes, and benefits for office employees and operators. The utility also stated the salaries were annualized to reflect a full year of costs, and a cost of living increase was applied across the board to all Florida office employees and operators.

In Docket No. 060256-SU, UI was asked to provide the total number of full-time and part-time employees for its Florida subsidiaries, their average salary, and average salary percentage increases for all Florida managerial and non-managerial employees. According to the information provided, the historical average salary increases for all Florida Employees from 2001 to 2005 has been 4.51%. UI realized a net reduction of eight Florida employees from 2005 to 2006. The total average salaries from 2005 to 2006 increased \$74,616. The total requested pro forma salary increases in UI's current docketed rate cases in Florida, however, is \$332,883. If the salary increases for all Florida employees were limited to an across the board increase of the 4.51% historical five-year average, the pro forma salary increases for all of UI's current docketed cases would be \$105,776.

From the information provided by UI, we are unable to attribute the 2006 employee changes to the respective pro forma salary increases in the UI docketed cases. The utility has the burden of proving that its costs are reasonable. See Florida Power Corp. v. Cresse, 413 So. 2d 1187, 1191 (1982). Staff believes that UI has not met its burden of proof of showing how the employee changes from 2005 to 2006 affect the respective rate cases.

With the exception of Sandalhaven (a negative pro forma salary adjustment of \$573), the requested pro forma salary increases in UI's other respective rate cases are excessive. The historical 5-year average salary increase of 4.51% is 177 basis points above the Commission's 2006 Price Index of 2.74%. Therefore, with the exception of Sandalhaven, we find that pro forma salary increases in all of UI's respective cases should be limited to the 4.51% above the 2005 historical salary amounts. The Commission has previously limited pro forma salaries adjustments to a utility's historical average salary increases.¹⁰ Based on the above we find that Tierra Verde's salaries and wages shall be decreased by \$15,870. Accordingly, pensions and benefits shall be reduced by \$1,563, and payroll taxes shall be reduced by \$1,390.

¹⁰ By Order No. PSC-05-0624-PAA-WS, issued June 7, 2005, in Docket No. 040450-WS, In re: Application for rate increase in Martin County by Indiantown Company, Inc., the Commission limited pro forma salaries to the utility's actual historical average wage increases of 3%.

D. CPI Adjustments to O&M Expenses

In the utility's test year approval letter dated March 20, 2006, Tierra Verde stated that its historic test year ending December 31, 2005, is representative of a normal full year operation. On Schedule B-3, however, the utility made adjustments to increase its purchased wastewater treatment, sludge hauling, purchase power, materials and supplies, contractual services – accounting, contractual services – legal, contractual services – other, transportation, insurance–other and miscellaneous expense by applying the Commission's current index of 2.74%.¹¹

Since Tierra Verde stated the test year ending December 31, 2005, is representative of a normal full year of operation, it was asked to explain why it made a pro forma adjustment to the O&M expenses except for bad debt expenses. The utility responded that bad debt expenses should have been included as well, but failed to explain why any of the O&M expenses should be increased by the index. The utility was also asked if it was aware of any known and measurable changes to the above-mentioned expenses. The utility provided randomly selected invoices for 2005 and 2006 sludge removal costs to show that sludge removal costs were increasing. The utility also provided invoices indicating that purchased power has decreased for 2006.

Tierra Verde has not adequately supported its CPI adjustments to the O & M expenses. We also note that increases in purchased wastewater and purchased power are pass-through items pursuant to 367.081(4)(b), F.S., and are not subject to the Commission's current index. Further, Tierra Verde was asked to provide actual bills for purchased wastewater treatment, since any increase to this expense is the result of the annual difference of consumption at new rates and consumption at old rates. The utility provided billing information that indicated the utility's consumption through August, 2006. The utility further indicated that the City of St. Petersburg rates would be increasing shortly. Our staff contacted the City of St. Petersburg to obtain what the new rate increase will be and also to get the billing information for September, October and November of 2006. The utility was billed \$500,251 for purchased wastewater treatment by the City of St. Petersburg in 2005. Based on the utility's 2006 consumption billing (an 11 month average was used for December 2006), we have determined that while the rate has increased, Tierra Verde's average 2006 purchased wastewater treatment has decreased since 2005. The net result of the increase in rate and decrease in purchased wastewater treatment is a decrease in purchased wastewater treatment expense to \$497,363 for 2006. Therefore, we find that an adjustment to purchased wastewater is not warranted at this time, and Tierra Verde's O&M expenses shall be decreased by \$14,968, to reflect the removal of the utility's O&M expenses.

E. Agreed Expense Adjustment

Tierra Verde agreed to the audit finding and audit adjustment amount listed below:

¹¹ See Order No. PSC-06-0075-PAA-WS, issued January 31, 2006, in Docket No. 060005-WS, In re: Annual reestablishment of price increase or decrease index of major categories of operating costs incurred by water and wastewater utilities pursuant to Section 367.081(4)(a), F.S.

<u>Audit Adjustments</u>	<u>Net Depreciation Expense</u>
Audit Finding No. 2 – 2003 CIAC Adjustment	\$1,983
Adjustment Totals	<u>\$1,983</u>

Accordingly, net depreciation expense shall be increased by \$1,983.

F. Rate Case Expense

In its MFRs, Tierra Verde requested total rate case expense of \$187,574, which amortized over four years would be \$46,894. The utility’s total rate case expense included \$14,415 for prior unamortized rate case expense and \$173,159 for current rate case expense. We will not approve recovery of prior rate case expense in this case, and in fact there is no prior rate case expense for this utility. Therefore, we will decrease rate case expense by \$14,415.

The utility included a \$173,159 estimate for current rate case expense. On November 22, 2006, the utility submitted a revised estimate of rate case expense through completion of the PAA process of \$116,929. The components of the estimated rate case expense are as follows:

	<u>MFR Estimated</u>	<u>Actual</u>	<u>Additional Estimated</u>	<u>Total</u>
Filing Fees	3,500	2,000	3,500	5,500
Legal	50,000	16,540	47,250	63,790
Consultant Fees – Milian	56,000	29,863	2,440	32,303
Consultant Fees – Seidman	5,000	4,819	3,025	7,844
WSC In-house Fees	41,325	16,208	27,692	43,720
Office Temp Fees	0	3,227	16,782	20,009
Travel – WSC	3,200	0	3,200	3,200
Miscellaneous	12,000	840	11,160	12,000
Notices	<u>2,154</u>	<u>345</u>	<u>1,880</u>	<u>2,225</u>
Total Requested Current Rate Case Expense	<u>\$173,159</u>	<u>\$73,842</u>	<u>\$116,929</u>	<u>\$190,591</u>

Pursuant to Section 367.081(7), F.S., the Commission shall determine the reasonableness of rate case expenses and shall disallow all rate case expenses determined to be unreasonable. We have reviewed 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.

1. Filing Fee

The first adjustment relates to costs incurred for the filing fee. The utility recorded \$3,500 for its filing fees. However, the actual filing fee is \$2,000. We have made an adjustment to reduce rate case expense by \$1,500 (\$3,500-\$2,000) to reflect the appropriate filing fee.

2. Legal Fees

The second adjustment relates to the utility's estimated legal fees to complete the rate case. The utility's legal counsel estimated 150 hours or \$41,250 in fees plus \$6,000 in expenses to complete the rate case. A list of tasks to complete the case was provided, but no specific amount of time was associated with each item. The legal counsel provided only a total number of hours and the total cost. While the descriptions of the items appeared reasonable, we cannot determine whether the individual hours estimated were reasonable. As discussed below, it is the utility's burden to justify its requested costs. We find that 43 hours is a reasonable amount of time to respond to data requests, conference with the client and consultants, review the rate case recommendation, travel to agenda and attend to miscellaneous post PAA matters. This is consistent with hours allowed for completion by the Commission in the Labrador Utilities, Inc. (Labrador) rate case.¹² This amounts to \$11,825 of rate case expense.

As noted in the case background, UI currently has ten rate cases pending before the Commission. In eight out of the ten rate cases, the same amount of estimated legal hours to complete was submitted for the estimated processing of each of the cases. Although the estimate to complete did not indicate the period of time it included, we assume it included November, 2006 through February, 2007. This would allow time for review of the recommendation, attending the agenda conference, reviewing our PAA order, and submitting the appropriate customer notice and tariffs for approval. The estimate for legal services for eight out of the ten rate cases was 150 hours for each rate case. We have considered this estimate and question its reasonableness. Using the estimated amount of time to complete of four months for each of the eight rate cases, the legal office would have to work over 11 hours each day, including all holidays and all weekends. This would be exclusive work on just these cases, and this legal firm is involved in several other pending dockets, including the other two remaining UI rate cases, and undocketed projects. Also, when holidays and weekends are removed from the calculation, the firm would require work of approximately 18 hours everyday exclusively for these eight rate cases. We find that this is not a reasonable assumption.

The utility did not provide a breakdown of the \$6,000 in disbursements required for legal counsel to complete the case. Thus, we find that this amount is unsupported. A reasonable cost for one person traveling from Orlando to Tallahassee, including meals, vehicle mileage and one

¹² See Order No. PSC-04-1281-PAA-WS, issued December 28, 2004, in Docket No. 030443-WS, In re: Application for rate increase in Pasco County by Labrador Utilities, Inc.

day's lodging is \$414. This was the amount of travel expense the Commission allowed for this law firm in the Labrador rate case supra. Our staff calculated travel expenses of \$389, using the current state mileage rate (215 miles x 2 trips x \$.455 = \$215), hotel rates from a website (\$109), and a meal allowance (\$65), but we will approve \$414, consistent with the Labrador case. Further, because legal counsel also represented Utilities, Inc. of Pennbrooke at this same agenda, we will allocate travel expenses 50/50 between the two utilities. Therefore, we find that \$207 is the appropriate travel expense for this utility. In addition to travel expenses, our staff calculated an amount for miscellaneous disbursements. They added the actual and unbilled legal disbursements less the filing fee, divided by 10, the number of months represented by the data, then multiplied by two, the time remaining until the agenda. This calculation results in an amount of \$525 for miscellaneous disbursements, which we find reasonable. \$732 is a reasonable amount for travel and miscellaneous disbursements.

The utility has incurred \$18,153 of legal fees. Based on the above, we find that \$12,557 (\$11,825 + \$732) is a reasonable amount for the completion of the case. Overall, \$30,710 (\$18,153 + \$12,557) is a reasonable amount for legal fees. The utility recorded \$50,000 in its MFRs. Accordingly, we have decreased rate case expense by \$19,290 (\$50,000-\$30,710).

3. Consultant Fees – Milian

The third adjustment addresses consultant fees for Milian, Swain and Associates (Milian). As of August 29, 2006, the utility incurred actual fees of \$33,186 for the Milian consultant fees. \$3,323 of the fees incurred related to work on deficiencies. The Commission has previously disallowed rate case expense associated with correcting MFR deficiencies because of duplicate filing costs.¹³ Therefore, we recognize actual fees of \$29,864 for Milian's consulting services. For the completion of the case, Milian estimated 6 hours for Deborah Swain or \$960, 10 hours or \$1,300 for Cynthia Yapp and 1 hour or \$130 for Maria Bravo: 1) to respond to the staff audit report; 2) to participate in telephone conference calls with Mr. Lubertozzi, Mr. Friedman and Ms. Weeks; 3) to review staff's recommendation; and, 4) to review the PAA Order. Milian also requested \$50 for miscellaneous expenses (i.e. postage, federal express and photocopying). Milian's total request for completion of the case is \$2,440. We find that this amount is reasonable. We approve rate case expense of \$32,304 (\$29,864 + \$2,440) for Milian's consulting services. The utility recorded \$56,000 in its MFR's for Milian. Accordingly, we have reduced that rate case expense by \$23,697 (\$56,000 - \$32,304) for consultant fees - Milian.

4. Consultant Fees - Seidman

The fourth adjustment relates to the consultant fees for Mr. Seidman. Mr. Seidman provided invoices through September 2006, indicating the utility incurred \$4,819 of consulting fees. The invoices indicated that \$313 was spent working on deficiencies. Consistent with the

¹³ See Order No. PSC-05-0624-PAA-WS, issued June 7, 2005, in Docket No. 040450-WS, In re: Application for rate increase in Martin County by Indiantown Company, Inc.; and Order No. 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.

earlier discussion, we have decreased Mr. Seidman's actual fees by \$313 for total actual fees of \$4,506 (\$4,819 - \$313). Mr. Seidman estimated 24 hours or \$3,000 plus \$25 in expenses to complete the rate case. Specifically, Mr. Seidman estimated 20 hours to assist with and respond to data requests and four hours to prepare for and attend agenda. We find that two hours is a reasonable amount of time to prepare for and attend agenda for this docket. We also find that no more than one hour at \$125 per hour is reasonable to respond to data requests, since the utility received only one subsequent data request from OPC. Therefore, we find that \$400 (3 hours x \$125 + \$25) is a reasonable amount for Mr. Seidman to complete the case, and we approve rate case expense for Mr. Seidman of \$4,906 (\$4,506 + \$400). The utility recorded \$5,000 in its MFRs for Mr. Seidman. Accordingly, we have reduced rate case expense by \$94 (\$5,000 - \$4,906) for consultant fees – Seidman.

5. Rate Case Expense for WSC Employees

The fifth adjustment relates to the rate case expense for WSC employees. The utility has requested \$16,028 for WSC employees. \$638, however, was for work on deficiencies. For the reasons stated above, we will allow \$15,390 (\$16,028 - \$638) for actual cost incurred for WSC employees. Tierra Verde has estimated an additional 513 hours and \$27,692 of estimated costs to complete this case by WSC employees. It provided timesheets up through November. The audit was complete and there was one data request outstanding. The utility failed to provide any detailed documentation of what tasks were involved in its estimate to complete the case. It simply stated that the \$27,692 was to assist with data requests and audit facilitation. The hours needed to complete data requests and audit facilitation was not broken down to estimate the hours needed to complete each item. These estimates are overstated. It is the utility's burden to justify its requested costs and it has not done so here. Our staff divided the time worked by the number of months worked to get an average time worked per month. The average time was then multiplied by the number of months remaining. From these calculations we have determined that 80 hours is reasonable to respond to data requests, review the PAA recommendation and travel to the agenda. Applying the individual employee rates, we find that the estimated WSC fees to complete the case shall be \$3,494. Total rate case expense for WSC employees is \$18,884. We will decrease rate case expense by \$22,441 (\$41,325 - \$18,884.) In those cases where rate case expense has not been supported by detailed documentation, Commission practice has been to disallow some portion or remove all unsupported amounts.¹⁴

It is the utility's burden to justify its requested costs. Florida Power Corp. v. Cresse, 413 So. 2d 1187, 1191 (Fla. 1982). Further, the Commission has broad discretion with respect to allowance of rate case expense. 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. Meadowbrook Util. Sys., Inc. v. FPSC, 518 So. 2d 326, 327 (Fla. 1st DCA 1987),

¹⁴ 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. Staff notes that, in all of these cases, the Commission removed the entire unsupported amounts.

review denied by 529 So. 2d 694 (Fla. 1988). We believe the amount disallowed here is very conservative and actually may be slightly higher than the actual hours required.

6. WSC Expenses for Temporary Office Workers

The sixth adjustment relates to WSC expenses for temporary office workers. Tierra Verde did not include this expense in its MFRs, but in its update, the utility estimated \$20,000 for office temps to assist with data and audit requests. The hours needed to complete data and audit requests were not broken down to estimate the hours needed to complete each item. Therefore, we cannot determine whether the individual hours estimated were reasonable, and we believe the estimates have been overstated. Again, it is the utility's burden to justify its requested costs. The actual costs incurred for office temps was \$3,227 for services through October 4, 2006. We find that those actual costs of \$3,227 are reasonable. We find, however, that the amount of \$16,781 to complete the case is excessive, given the number of hours the utility estimated for WSC employees, consultants and the law firm to complete the case. Therefore, we will increase rate case expense by \$3,227 to reflect the actual cost incurred for the temporary office workers.

7. WSC Travel Expenses

The seventh adjustment addresses WSC travel expenses. In its MFRs, Tierra Verde estimated \$3,200 for travel. We find that a reasonable cost for one person traveling round trip from Chicago to Tallahassee, airfare, car rental, parking and lodging is \$750. This was the amount of travel expense the Commission allowed for WSC in the 2004 Labrador rate case. Our staff calculated travel expenses of \$624, using the airfare for January 8, 2007 (\$346), current rental car rates (\$104), hotel rates from a website (\$109), and a meal allowance (\$65), but we will allow \$750 consistent with the Labrador case. Further, because WSC was also present on behalf of Utilities Inc. of Pennbrooke at this same agenda, we will allocate travel expenses 50/50 between the two utilities. Based on the above, we find that \$375 is the appropriate travel expense for WSC, and we will decrease rate case expense by \$2,825.

8. WSC Expenses for Fed Ex, Copies and Other Miscellaneous costs

The eighth adjustment relates to WSC expenses for Fed Ex Corporation (FedEx), copies and other miscellaneous costs. In its MFRs, the utility estimated \$12,000 for these items. In support of this expense, the utility provided only \$840 in costs from Fed Ex invoices for services through October 25, 2006. There was no breakdown or support for the remaining \$11,160, and the amount of Fed Ex expense appears unreasonable. UI has requested and received authorization from the Commission to keep its records outside the state in Illinois. This is pursuant to Rule 25-30.110(2)(b), F.A.C. However, when a utility receives this authorization, it is required to reimburse the Commission 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. By Order No. PSC-93-1713-FOF-SU, issued November 30, 1993, in Docket No. 921293-SU, In Re: Application for a Rate Increase in Pinellas County by Mid-County Services, Inc., the Commission found that 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. See Order No. 25821, issued February 27, 1991, in Docket No. 910020-WS, In Re: Petition for Rate Increase in Pasco County by Utilities, Inc. of Florida, and Order No. 20066, issued September 26, 1988, in Docket No. 870981-WS, In Re: Application of Miles Grant Water and Sewer Company for an increase in Water and Sewer Rates in Martin County. 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. Then the documents are submitted to the Commission. Tierra Verde's ratepayers should 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, they should bear the related costs. Therefore, we will decrease rate case expense by \$12,000.

9. Customer Notices and Postage

The ninth adjustment relates to customer notices and postage. In its MFRs, the utility estimated \$254 for notices. Tierra Verde actually incurred \$345 for its interim notice and the combination initial notice and customer meeting notice. The utility must also notice its customers of the final rate increase. Therefore, we have increased rate case expense by \$109 for the final notice, and we find that the amount of \$454 for customer notices is appropriate. We have increased rate case expense by \$200 (\$454 - \$254) for customer notices. The utility estimated \$1,880 for postage, but it has not indicated any postage incurred to date. We estimate the postage cost for the notices to be \$1,229 (1,050 customers x \$0.39 x 3 notices). We will decrease rate case expense by \$651 (\$1,880 - \$1,229) for postage costs. The net adjustment to notices and postage is a decrease of \$451 (\$200 - \$651).

Conclusion

We find that the utility's rate case expense shall be decreased by \$93,489 for MFR deficiencies and unsupported and unreasonable rate case expense. The appropriate total rate case expense is \$94,089. A breakdown of rate case expense is as follows:

	MFR		
	<u>Estimated</u>	<u>Adjustments</u>	<u>Total</u>
Previous unamortized rate case expense	\$14,415	(\$14,415)	0
Filing Fee	\$3,500	(\$1,500)	\$2,000
Legal	\$50,000	(\$19,290)	\$30,710
Consultant Fees – Milian	\$56,000	(\$23,697)	\$32,304
Consultant Fees- Seidman	\$5,000	(\$94)	\$4,906
WSC In-house Fees	\$41,325	(\$22,441)	\$18,884
Office Temp Fees	0	\$3,227	\$3,227
WSC Travel	\$3,200	(\$2,825)	\$375
Miscellaneous	\$12,000	(12,000)	\$0
Notices and Postage	\$2,134	(\$451)	\$1,683
Total Current Rate Case Expense	<u>\$187,574</u>	<u>(\$93,489)</u>	<u>\$94,089</u>
Annual Amortization	<u>\$46,894</u>	<u>(\$23,372)</u>	<u>\$23,522</u>

In its MFRs, the utility requested total current rate case expense of \$187,574, which amortized over four years would be \$46,894. Thus, rate case expense shall be decreased by \$23,372.

The recommended total rate case expense shall be amortized over four years, pursuant to Section 367.016, F.S. Based on the data provided by the utility and the adjustments discussed above, annual rate case expense shall be \$23,522.

G. Property Taxes

In its MFR's the utility recorded \$2,210 for property taxes for the test year. However, the utility took advantage of the discount for its 2005 property taxes and only paid \$1,919. Therefore, property taxes should be decreased by \$291. According to the Pinellas County Tax Collector's website, the 2006 property tax millage rate for Tierra Verde has changed from 19.0425 to 18.1738, a decrease of .8687. This represents a known and measurable change from 2005 expenses and is an appropriate pro forma adjustment similar to the pro forma plant and expense adjustments proposed by the utility. Since the test year for this case is the year ended December 31, 2005, our staff calculated the decrease in TOTI by multiplying the change in the millage rate times the 2005 assessed property value. Thus, we will decrease property taxes by \$91.

On Schedule B-3, the utility made an adjustment to increase property taxes by \$608. This adjustment is related to the utility's increase in plant due to the pro forma plant additions. We have decreased property taxes by \$291 to reflect property taxes based on the pro forma plant additions at the new millage rate. The net adjustment to property taxes is a decrease of \$673.

H. Test Year Operating Income

As shown on attached Schedule 3, after applying our adjustments, the test year net operating income before any revenue increase is \$1,414. Adjustments to operating income and expenses are shown on Schedule 3-A.

VI. REVENUE REQUIREMENT

Based upon our decisions concerning the underlying rate base, cost of capital, and operating income issues, including pro forma related adjustments, we find that rates shall be designed so as to generate a revenue requirement for Tierra Verde of \$731,965. This revenue exceeds historical test year revenues by \$113,428. We approve the following revenue requirement:

	<u>Test Year Revenues</u>	<u>\$ Increase</u>	<u>Revenue Requirement</u>	<u>% Increase</u>
Wastewater	\$618,537	\$113,428	\$731,965	18.34%

VII. RATES AND CHARGES

A. Rates

The revenues to be recovered through rates are \$731,965. Tierra Verde's current wastewater rate structure is a flat rate for residential customers and a base facility charge and gallonage charge for general service customers. A comparison of the utility's original and requested rates, approved interim rates and approved rates are shown on Schedule No. 4. Tierra Verde shall file revised tariff sheets and a proposed customer notice to reflect the rates we have approved here. The tariffs 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. Tierra Verde shall provide proof of the date notice was given no less than 10 days after the date of the notice.

B. Miscellaneous Service Charges

The miscellaneous service charges were approved for Tierra Verde during a certificate transfer docket in 1993, and have not changed since that date.¹⁵ The approved charges have been the standard charge since at least 1990 – a period of 16 years. We find that these charges should be updated to reflect current costs. Tierra Verde may increase its wastewater miscellaneous service charges from \$15 to \$21 and from \$15 to \$42 for after hours, and to modify its Premises Visit (in lieu of disconnection) charge. The utility has agreed to this revision. The current and recommended charges are shown below.

Wastewater Miscellaneous Service Charges

	<u>Current Charges</u>		<u>Staff Recommended</u>	
	<u>Normal Hrs</u>	<u>After Hrs</u>	<u>Normal Hrs</u>	<u>After Hrs</u>
Initial Connection	\$15	N/A	\$21	N/A
Normal Reconnection	\$15	N/A	\$21	\$42
Violation Reconnection	Actual Cost	N/A	Actual Cost	Actual Cost
Premises Visit (in lieu of disconnection)	\$10	N/A	N/A	N/A
Premises Visit	N/A	N/A	\$21	\$42

Costs for fuel and labor have risen substantially since Tierra Verde’s last miscellaneous service charges were set. Also, the Commission’s price index has increased approximately 60% in that time. The Commission has expressed concern that miscellaneous service charges may not compensate utilities for the cost incurred. By Order No. PSC-96-1320-FOF-WS, issued October 30, 1996, involving Southern States Utilities Inc.,¹⁶ the Commission expressed “concern that the rates [miscellaneous service charges] are eight years old and cannot possibly cover current costs” and directed the staff at that time to “examine whether miscellaneous service charges should be indexed in the future and included in index applications.” Currently, miscellaneous service charges may be indexed if requested in price index applications pursuant to Rule 25-30.420, F.A.C. Like Tierra Verde, few utilities request make this request. When approved price indices from 1990 through 2005 are applied to Tierra Verde’s \$15 miscellaneous service charge and the result is a charge of \$21.00. We find that a \$21 charge is reasonable and cost based. By Order No. PSC-06-0684-PAA-WS, issued August 8, 2006,¹⁷ and by Order No. PSC-05-0776-TRF-WS, issued July 26, 2005,¹⁸ the Commission approved a \$20 charge for connection and reconnections during normal hours and a \$40 after hours charge for Mad Hatter Utility, Inc. Thus the increased charges for Tierra Verde are consistent with other recent Commission decisions on this matter.

¹⁵ See Order No. PSC-93-0364-FOF-SU, issued March 9, 1993, in Docket No. 920716-SU, In Re: Application For Transfer of Certificate No. 58-S from Seagull Utility Company to Tierra Verde Utilities, Inc. in Pinellas County.

¹⁶ Docket No. 950495-WS, In Re: Application for rate increase and increase in service availability charges by Southern States Utilities, Inc. for Orange-Osceola Utilities, Inc. in Osceola County, and in Bradford, Brevard, Charlotte, Citrus, Clay, Collier, Duval, Highlands, Lake, Lee, Marion, Martin, Nassau, Orange, Osceola, Pasco, Putnam, Seminole, St. Johns, St. Lucie, Volusia, and Washington Counties.

¹⁷ Docket 050587-WS, In re: Application for staff-assisted rate case in Charlotte County by MSM Utilities, LLC.

¹⁸ Docket No. 050369-TRF-WS, In re: Request for approval of change in meter installation fees and proposed changes in miscellaneous services charges in Pasco County by Mad Hatter Utility, Inc.

Tierra Verde's current tariff includes a Premises Visit (in lieu of disconnection) charge. This charge is levied when a service representative visits a premises for the purpose of discontinuing service for non-payment of a due and collectible bill and does not discontinue service, because the customer pays the service representative or otherwise makes satisfactory arrangements to pay the bill. We find that the "Premises Visit In Lieu of Disconnection" charge should be replaced with what will be called a "Premises Visit." In addition to those situations described in the definition of the current Premises Visit In Lieu of Disconnection, the new Premises Visit charge will also be levied when a service representative visits a premises at a customer's request for a complaint resolution or for other purposes and the problem is found to be the customer's responsibility. This charge is consistent with Rule 25-30.460(1)(d), F.A.C. In addition, by Order No. PSC-05-0397-TRF-WS, issued April 18, 2005,¹⁹ the Commission approved a Premises Visit Charge to be levied when a service representative visits a premises at the customer's request for complaint and the problem is found to be the customer's responsibility. Based on the foregoing, we find that the Premises Visit (in lieu of disconnection) shall be eliminated. The Premises Visit charge is reasonable and we approve it.

We approve the utility's miscellaneous service charges of \$21 and after hours charges of \$42, because the increased charges are cost-based, reasonable, and consistent with fees the Commission has approved for other utilities. The utility shall file a proposed customer notice to reflect the Commission-approved charges. The approved charges 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 our staff. Within ten days of the date this Order is final, the utility shall provide notice of the tariff changes to all customers. The utility shall provide proof the customers have received notice within ten days after the date the notice was sent.

B. Interim Rates Refund

By Order No. PSC-06-0675-PCO-SU, issued August 7, 2006, we authorized the collection of interim wastewater rates, subject to refund, pursuant to Section 367.082, F.S. The approved interim revenue requirements are shown below:

	<u>Revenue Requirement</u>	<u>Revenue Increase</u>	<u>Percentage Increase</u>
Wastewater	\$728,171	\$109,767	17.75%

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

¹⁹ Docket 050096-WS, In re: Request for revision of Tariff Sheets 14.0 and 15.1 to change request for meter test by customer and premise visit charge, by Marion Utilities, Inc.

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 twelve-month period ended December 31, 2005. Tierra Verde'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 floor of the last authorized range for equity earnings. To establish the proper refund amount, we calculated a revised interim revenue requirement utilizing the same data used to establish final rates. Rate case expense and the pro forma adjustments were excluded because those items are prospective in nature and did not occur during the interim collection period.

Using the principles discussed above, the wastewater revenue level is less than the interim revenues that were granted in Order No. PSC-06-0675-PCO-SU. Therefore, we require a refund of 3.26% (or \$26,236 of annual revenues) of the interim rates.

VIII. STATUTORY FOUR-YEAR RATE REDUCTION

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 and the gross-up for regulatory assessment fees which is \$24,631. The decreased revenues will result in the rate reduction included on Schedule No. 4.

The utility shall file revised tariff sheets and a proposed customer notice to reflect the approved lower rates. 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. 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 ten days after the date of the notice.

If Tierra Verde 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.

IX. ADJUSTMENT OF BOOKS FOR ALL OF THE APPLICABLE NARUC USOA PRIMARY ACCOUNTS

To ensure that the utility adjusts its books in accordance with the Commission's decision, Tierra Verde shall provide proof, within 90 days of the Consummating Order in this Docket, that the adjustments for all the applicable NARUC USOA primary accounts have been made.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the application of Tierra Verde Utilities, Inc. for an increase in its wastewater rates is hereby 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 are hereby approved in every respect. It is further

ORDERED that all matters contained in the attachments and schedules appended hereto are incorporated herein by reference. It is further

ORDERED that Tierra Verde Utilities is authorized to charge the new rates and charges as set forth in the body of this Order and the attachments and schedules attached hereto. It is further

ORDERED that the approved rates shall be effective for service rendered on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475(1), F.A.C. The tariff sheets shall be approved upon our staff's verification that the tariffs are consistent with this Order and that the customer notice is adequate. It is further

ORDERED that Tierra Verde Utilities shall provide proof of the date notice was given within ten days after the date of the notice. 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 25-40.475(1), F.A.C. It is further

ORDERED that the rates shall not be implemented until our staff has approved the proposed customer notice. It is further

ORDERED that Tierra Verde Utilities 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, except for the requirement to make the appropriate adjustments to its books for all of the applicable National Association of Regulatory Utility Commissioners Uniform System of Accounts and the statutory four-year rate reduction which are issued as final agency action, the provisions of this Order, issued as proposed agency action, 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 Director, Division of the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDER NO. PSC-07-0082-PAA-SU
DOCKET NO. 060255-SU
PAGE 25

ORDERED that if no timely protest is filed by a substantially affected person within 21 days of the Proposed Agency Action Order, a Consummating Order shall be issued. It is further

ORDERED that if the PAA portions of this Order become final, this Docket shall be closed.

By ORDER of the Florida Public Service Commission this 29th day of January, 2007.

BLANCA S. BAYÓ, Director
Division of the Commission Clerk
and Administrative Services

By: 

Ann Cole, Chief
Bureau of Records

(S E A L)

MCB

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, except for the requirement to make the appropriate adjustments to its books for all of the applicable National Association of Regulatory Utility Commissioners Uniform System of Accounts and the statutory four-year rate reduction which are issued as final agency action, 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 Director, Division of the Commission Clerk and Administrative Services, at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on February 19, 2007. 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 Director, Division of the Commission Clerk and Administrative Services 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 Director, Division of the Commission Clerk and Administrative Services 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.

Tierra Verde Utilities, Inc. DKT #: 060255-SU	Attachment A, Page 1 of 1 Test Year Jan 05 - Dec 05
--	--

WASTEWATER COLLECTION SYSTEM – USED AND USEFUL DATA

1)	Capacity of System (Number of Potential Customers in Meters)	1,059	Meters
2)	Test Year Connections (Meters) Average Test Year in Meters	1,003	Meters
3)	Growth	60	Meters
a)	Customer growth in connections for last 5 years including test yea using Regression Analysis	12	Meters
b)	Statutory Growth Period	5	Meters
c)	Growth = (a)x(b) Connections allowed for growth	60	Meters

USED AND USEFUL FORMULA

$[(2)+(3)] / (1) = 100\%$ Used and Useful

ATTACHMENT A

Tierra Verde Utilities, Inc. Schedule of Wastewater Rate Base Test Year Ended 12/31/05			Revised Schedule No. 1 Docket No. 060255-SU		
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Approved Adjust- ments	Approved Adjusted Test Year
1 Plant in Service	\$3,271,506	\$31,952	\$3,303,458	\$21,197	\$3,324,655
2 Land and Land Rights	\$0	\$0	\$0	\$0	\$0
3 Non-used and Useful Components	\$0	\$0	\$0	\$0	\$0
4 Accumulated Depreciation	(\$1,749,558)	\$3,797	(\$1,745,761)	(\$121,419)	(\$1,867,180)
5 CIAC	(\$1,683,577)	\$0	(\$1,683,577)	\$0	(\$1,683,577)
6 Amortization of CIAC	\$918,751	\$0	\$918,751	\$164,682	\$1,083,433
7 CWIP	\$63,296	(\$63,296)	\$0	\$0	\$0
8 Acquisition Adjustments	\$351,207	(\$351,207)	\$0	\$0	\$0
9 Accum. Amort. Of Acq. Adjs.	(\$81,247)	\$81,247	\$0	\$0	\$0
10 Working Capital	\$0	\$85,644	\$85,644	(\$16,324)	\$69,320
11 Rate Base	<u>\$1,090,378</u>	<u>-\$211,863</u>	<u>\$878,515</u>	\$48,137	\$926,652

Tierra Verde Utilities, Inc.		Revised Schedule No. 1-A Docket No. 060255-SU	
Adjustments to Rate Base Test Year Ended 12/31/05			
Explanation	Water	Wastewater	
<u>Plant In Service</u>			
1	\$0	\$9,925	
2	\$0	\$25,774	
3	\$0	(\$7,585)	
4		(\$6,917)	
	<u>\$0</u>	<u>\$21,197</u>	-
 <u>Non-used and Useful</u>			
	<u>\$0</u>	<u>\$0</u>	-
 <u>Accumulated Depreciation</u>			
1	\$0	(\$122,840)	
2	\$0	(\$5,929)	
3	\$0	\$7,005	
4	\$0	\$192	
5		<u>\$153</u>	
	<u>\$0</u>	<u>(\$121,419)</u>	-
 <u>CIAC</u>			
1	\$0	\$0	
2	\$0	\$0	
3	\$0	\$0	
	<u>\$0</u>	<u>\$0</u>	-
 <u>Accumulated Amortization of CIAC</u>			
1	\$0	\$100,473	
2	\$0	\$64,209	
3	\$0	\$0	
4	\$0	\$0	
5	<u>\$0</u>	<u>\$0</u>	
	<u>\$0</u>	<u>\$164,682</u>	-
 <u>Working Capital</u>			
	<u>\$0</u>	<u>(\$16,324)</u>	-

ATTACHMENT A

Tierra Verde Utilities, Inc.
 Capital Structure-Simple Average
 Test Year Ended 12/31/05

Schedule No. 2 Revised
 Docket No. 060255-SU

Description	Total Capital	Specific Adjustments	Subtotal Adjusted Capital	Prorata Adjustments	Capital Reconciled to Rate Base	Ratio	Cost Rate	Weighted Cost		
Per Utility										
1 Long-term Debt	\$124,044,203	\$0	\$124,044,203	-\$123,613,814	\$430,389	48.99%	7.14%	3.50%		
2 Short-term Debt	11,347,000	0	\$11,347,000	-\$11,307,628	\$39,372	4.48%	2.64%	0.12%		
3 Preferred Stock	0	0	\$0	\$0	\$0	0.00%	0.00%	0.00%		
4 Common Equity	90,787,422	0	\$90,787,422	-\$90,472,417	\$315,005	35.86%	11.77%	4.22%		
5 Customer Deposits	0	0	\$0	0	\$0	0.00%	6.00%	0.00%		
6 Deferred Income Taxes	<u>93,749</u>	<u>0</u>	<u>\$93,749</u>	<u>0</u>	<u>\$93,749</u>	<u>10.67%</u>	0.00%	<u>0.00%</u>		
10 Total Capital	<u>\$226,272,374</u>	<u>\$0</u>	<u>\$226,272,374</u>	<u>-\$225,393,859</u>	<u>\$878,515</u>	<u>100.00%</u>	-	<u>7.84%</u>		
Per Commission Approved										
11 Long-term Debt	\$124,044,203	\$0	\$124,044,203	-\$123,601,357	442,846	47.79%	6.73%	3.22%		
12 Short-term Debt	11,347,000	0	\$11,347,000	-\$11,306,490	40,510	4.37%	2.00%	0.09%		
13 Preferred Stock	0	0	\$0	\$0	0	0.00%	0.00%	0.00%		
14 Common Equity	90,787,422	3,093,004	\$93,880,426	-\$93,545,266	335,160	36.17%	11.45%	4.14%		
15 Customer Deposits	0	0	\$0	\$0	0	0.00%	6.00%	0.00%		
16 Deferred Income Taxes	<u>93,749</u>	<u>14,388</u>	<u>\$108,137</u>	<u>\$0</u>	<u>108,137</u>	<u>11.67%</u>	0.00%	<u>0.00%</u>		
20 Total Capital	<u>\$226,272,374</u>	<u>\$3,107,392</u>	<u>\$229,379,766</u>	<u>-\$228,453,113</u>	<u>\$926,653</u>	<u>100.00%</u>	-	<u>7.44%</u>		
						LOW	HIGH			
						RETURN ON EQUITY	<u>10.45%</u>	<u>12.45%</u>		
						OVERALL RATE OF RETURN	<u>7.08%</u>	<u>7.81%</u>		

ATTACHMENT A

Tierra Verde Utilities, Inc. Statement of Wastewater Operations Test Year Ended 12/31/05						Schedule No. 3 Docket No. 060255-SU	
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Approved Adjust- ments	Approved Adjusted Test Year	Approved Revenue Increase	Approved Revenue Requirement
1 Operating Revenues:	<u>\$606,834</u>	<u>\$226,269</u>	<u>\$833,103</u>	<u>-\$214,566</u>	<u>\$618,537</u>	<u>\$113,428</u> 18.34%	<u>\$731,965</u>
Operating Expenses							
2 Operation & Maintenance	\$603,289	\$81,864	\$685,153	-\$130,591	-\$554,562		\$554,562
3 Depreciation	46,547	733	47,280	1,248	48,528		48,528
4 Amortization	0	0	0	0	0		0
5 Taxes Other Than Income	33,576	12,222	45,798	-14,148	31,650	5,107	36,754
6 Income Taxes	<u>-38,588</u>	<u>24,640</u>	<u>-13,948</u>	-3,669	-17,617	40,762	23,145
7 Total Operating Expense	<u>644,824</u>	<u>119,459</u>	<u>764,283</u>	<u>-147,160</u>	<u>617,123</u>	<u>45,867</u>	<u>662,990</u>
8 Operating Income	<u>-\$37,990</u>	<u>\$106,810</u>	<u>\$68,820</u>	<u>-\$67,406</u>	<u>\$1,414</u>	<u>\$67,562</u>	<u>\$68,976</u>
9 Rate Base	<u>\$1,090,378</u>		<u>\$878,515</u>		<u>\$926,652</u>		<u>\$926,652</u>
10 Rate of Return	<u>-3.48%</u>		<u>7.83%</u>		<u>0.15%</u>		<u>7.44%</u>

Tierra Verde Utilities, Inc. Adjustment to Operating Income Test Year Ended 12/31/05		Revised Schedule 3-A Docket No. 060255-SU	
Explanation	Water	Wastewater	
<u>Operating Revenues</u>			
1 Remove requested final revenue increase	\$0	(\$214,699)	
2 To reflect the appropriate amount of annualized revenues.	\$0	\$133	
Total	<u>\$0</u>	<u>(\$214,566)</u>	
<u>Operation and Maintenance Expense</u>			
1 To reflect appropriate test year purchased wastewater treatment	\$0	\$6,347	
2 To reduce purchased wastewater for I&I		(\$88,420)	
3 Increase to allocate WSC expense (AF-6)	\$0	\$6,352	
4 Reflect the appropriate UIF allocated expenses.	\$0	\$903	
5 To reflect appropriate amount of pro forma salary and pension	\$0	(\$17,433)	
6 To remove the utility's CPI expense pro forma adjustments	\$0	(\$14,968)	
7 To decrease amortize rate case expense	\$0	(\$19,768)	
8 To remove prior unamortized rate case expense	\$0	(\$3,604)	
9 Total	<u>\$0</u>	<u>(\$130,591)</u>	
<u>Depreciation Expense – Net</u>			
1 To increase net depreciation per (AF No. 2)	\$0	\$1,983	
2 Include net plant for WSC allocation (AF-4)	\$0	(\$284)	
3 Reflect appropriate UIF allocated plant to wastewater.	\$0	(\$106)	
4 To reflect appropriate depreciation expense for pro forma plant addition	\$0	(\$153)	
5 To remove depreciation expense related to unsupported pro forma plant	\$0	(\$192)	
Total	<u>\$0</u>	<u>\$1,248</u>	
<u>Amortization-Other Expense</u>			
	<u>\$0</u>	<u>\$0</u>	
<u>Taxes Other Than Income</u>			
1 RAFs on revenue adjustments above	\$0	(\$9,655)	
2 Decrease to allocate WSC expense (AF-6)	\$0	(\$2,430)	
3 To reflect appropriate payroll tax on pro forma salaries	\$0	(\$1,390)	
4 To reflect appropriate property tax	<u>\$0</u>	<u>(\$673)</u>	
Total	<u>\$0</u>	<u>(\$14,148)</u>	

Tierra Verde Utilities, Inc.
Wastewater Bi-Monthly Service Rates
Test Year Ended
12/31/05

SCHEDULE NO. 4
Docket No. 060255-SU

	Rates Prior to Filing	Commission Approved Interim	Utility Requested Final	Commission Approved. Final	Four-year Rate Reduction
<u>Residential</u>					
Base Facility Charge All Meter Sizes:	\$66.42	\$78.21	\$89.48	\$71.65	\$2.41
<u>General Service</u>					
Base Facility Charge by Meter Size:					
5/8" x 3/4"	\$33.43	\$39.36	\$45.04	\$46.38	\$1.56
1"	\$83.59	\$98.43	\$112.61	\$115.95	\$3.90
1-1/2"	\$167.15	\$196.82	\$225.18	\$231.89	\$7.80
2"	\$267.45	\$314.92	\$360.30	\$371.03	\$12.48
3"	\$534.88	\$629.82	\$720.64	\$742.05	\$24.97
4"	\$835.74	\$984.08	\$1,125.89	\$1,159.46	\$39.02
6"	\$1,671.47	\$1,968.16	\$2,251.77	\$2,318.91	\$78.03
8"	\$0.00	\$0.00	\$0.00	\$3,710.26	\$124.85
Gallage Charge, per 1,000 Gallons	\$1.80	\$2.12	\$2.42	\$2.28	\$0.08
<u>Typical Residential Bills 5/8" x 3/4" Meter</u>					
3,000 Gallons	\$38.83	\$45.72	\$52.30	\$71.65	
5,000 Gallons	\$42.43	\$49.96	\$57.14	\$71.65	
10,000 Gallons	\$51.43	\$60.56	\$69.24	\$71.65	