

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for staff-assisted rate case in
Highlands County by Utility Corporation of
Florida, Inc.

DOCKET NO. 110165-SU
ORDER NO. PSC-12-0410-PAA-SU
ISSUED: August 13, 2012

The following Commissioners participated in the disposition of this matter:

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

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING INCREASE IN RATES AND CHARGES AND FINAL ORDER
GRANTING TEMPORARY RATES IN THE EVENT OF A PROTEST

BY THE COMMISSION:

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

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.

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.

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FPSC-COMMISSION CLERK

We have jurisdiction over this matter pursuant to Section 367.0814, Florida Statutes (F.S.).

Decision

The Utility has requested pro forma plant additions, which are reasonable and prudent. However, the pro forma additions shall not be included in the plant until completion. Therefore, we approve a two-phase rate approach, whereby Phase II rates can only be implemented once the pro forma plant additions are completed.

Quality of Service

Pursuant to Rule 25-30.433(1), F.A.C., the overall quality of service provided by a utility is determined 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 from customers are reviewed, and consideration is given to the Utility's compliance with the Florida Department of Environmental Protection (DEP).

Quality of Product and Operating Condition of the Plant and Facilities

Our 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 from 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 it purchased the generator. The generator was installed at the treatment plant and became operational on May 18, 2012. The Utility also stated that plant corrections were 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 below.

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 septic tank effluent pumping 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 septic tank effluent pumping system. The Spring Lake Homeowners' Association disputed the claim that ownership of the septic tank effluent pumping system was transferred to customers. Prior to January 2010, Spring Lake performed septic tank effluent pumping system repairs and was reimbursed by the Spring Lake Homeowners' Association for those services. The Spring Lake Homeowners' Association maintains that the ownership and maintenance of the system is the responsibility of the Utility.

The Utility and the Spring Lake Homeowners' Association are currently in discussions to determine who is responsible for the maintenance of the septic tank effluent pumping system. On December 15, 2010, DEP wrote a letter to the Utility and the Spring Lake Homeowners' Association requesting that the parties come to a resolution with respect to ownership and maintenance of the septic tank effluent pumping system. According to DEP, if a septic tank effluent pumping 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, we find that the Utility's quality of product and operating condition of the plant and facilities satisfactory.

The Utility's Attempt to Address Customer Satisfaction

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 septic tank effluent pumping system. As previously discussed, the Utility and the Spring Lake Homeowners' Association are in discussions to resolve this issue. No other concerns were raised at the customer meeting. Our staff reviewed the Customer Activity Tracking System to determine whether any complaints were filed against Utility Corporation during the past three years and found one complaint, which was closed. Therefore, we find the Utility's attempts to address customer satisfaction satisfactory.

Summary

The Utility is in the process of repairing the surge tank, which is in need of substantial refurbishment, and DEP is continuing to monitor the Utility's effluent quality. When the improvements are completed, the Utility should attain compliance status. In addition, the Utility appears to be working with the Spring Lake Homeowners' Association to resolve the ownership of the septic tank effluent pumping system. Therefore, we find the overall quality of service for this Utility satisfactory.

Use and Useful

The wastewater treatment plant and collection system are 13 and 69 percent used and useful respectively. The wastewater treatment plant is an extended aeration activated sludge plant with two lift stations. The collection system is composed of polyvinyl chloride (PVC) pipes. The septic tank effluent pumping system, which operates under pressurized conditions with no manholes, allows pretreatment at the customers' property to minimize solids entering into the collection system. The wastewater treatment plant 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 use and useful percentage for a wastewater treatment plant is 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 gallons per day based on the annual average daily flow. There were 317 equivalent residential connections (ERCs) during the test year. The projected growth is two equivalent residential connections per year for five years or 562 gallons per day. 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, we find that the wastewater treatment plant is 13 percent use and useful.

The wastewater collection system has an estimated capacity of 476 equivalent residential connections based on the number of lots in the development. There were 317 equivalent residential connections in the test year. Based on the number of connections during the test year and projected growth of two equivalent residential connections per year for five years (10 equivalent residential connections), we find that the collection system is 69 percent use and useful.

Average Test Year Rate Base

The appropriate average test year rate base for Utility Corporation is \$32,900, and rate base for this Utility was never established. A test year ended December 31, 2010 was selected 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 utility plant in service balance of \$68,355. Utility Corporation was unable to provide documentation detailing the individual components of the utility plant in service. The Utility's 2007 tax return and 2007 annual report were used to calculate an appropriate balance for the utility plant in service. Based on the two documents, it was determined that a composite utility plant in service balance of \$311,858 at year end December 31, 2007, would be used as a basis for calculate the appropriate utility plant in service for the test year. Invoices for plant additions since December 31, 2007, were used to update the utility plant in service to the test year ended December 31, 2010. The plant additions on a going forward basis are recorded to the appropriate National Association of Regulatory Utility Commissioners (NARUC) accounts and not to the composite plant account. We approve the following adjustments to the Utility's recorded utility plant in service.

Table 3-1

	<u>Adjustment Description</u>	<u>Wastewater</u>
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

The net adjustment to utility plant in service is an increase of \$248,044. We approve a utility plant in service balance of \$316,399.

Non-used and Useful Plant: Utility Corporation’s wastewater treatment plant is 13 percent use and useful and the collection system is 69 percent use and useful. As the composite plant is not distinguishable by NARUC plant account to recognize that a portion of the Utility’s facilities are non-use and useful, we developed a reasonable methodology to apply the use and useful percentages to the composite plant. The composite plant represents three components, which are Utility Corporation’s wastewater treatment plant, collection system, and reuse. We find that it is reasonable to divide equally the composite plant among the three components. The same methodology was used for accumulated depreciation. We applied the appropriate use and useful percentages to the associated utility plant in service and accumulated depreciation, resulting in a use and useful adjustment of \$48,716.

Contribution in Aid of Construction (CIAC): The Utility recorded no contribution in aid of construction on its books at the end of the test year. According to Utility Corporation’s 2008 through 2010 annual reports, the amount of contribution in aid of construction should be \$112,500. This contribution in aid of construction amount also ties to the amount filed on the

Utility's tax returns for those same years. Therefore, we increased contribution in aid of construction by \$112,500 to reflect the appropriate account balance.

Accumulated Depreciation: Utility Corporation recorded a test year accumulated depreciation balance of \$0. Accumulated depreciation was increased by \$188,088 to reflect the appropriate balance according to the Utility's 2007 tax return. Accumulated depreciation for the test year was calculated using the prescribed rates set forth in Rule 25-30.140, F.A.C. As a result, accumulated depreciation at December 31, 2007, was increased by \$7,590 to reflect accumulated depreciation of \$195,678 calculated for the test year. In addition, we 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 Contribution in Aid of Construction: Utility Corporation recorded amortization of contribution in aid of construction of \$0. We increased accumulated amortization of contribution in aid of construction by \$29,167 to reflect the appropriate balance according to the Utility's 2007 tax return. Amortization of contribution in aid of construction has been calculated using composite depreciation rates. As a result, accumulated amortization of contribution in aid of construction is increased by \$8,647 to reflect amortization of contribution in aid of construction of \$37,814. In addition, we decreased this account by \$1,349 to reflect an averaging adjustment. The adjustments to this account result in an amortization of contribution in aid of construction 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., the one-eighth of the operation and maintenance operation and maintenance expense formula approach was used for calculating the working capital allowance. Applying this formula, we approve a working capital allowance of \$16,003 (based on operation and maintenance expense of $\$128,020/8$).

Rate Base Summary: Based on the forgoing, we find 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.

Rate of Return

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. According to our 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 were not paid and it is from a related party, we treat this loan as common equity in accordance with our practices and procedures.²

The Utility's capital structure was reconciled with the rate base. The appropriate return on equity is 8.74 percent using our approved leverage formula currently in effect.³ We therefore approve a return on equity 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 return on equity and overall rate of return are shown on Schedule No. 2.

While we approve a return on equity and overall cost of capital, as detailed below, we have employed 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 return on equity established.

Test Year Revenues

The appropriate test year revenue for this Utility is \$124,980. 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 are \$121,728. We increased test revenues to reflect residential revenues based on the equivalent residential connections and the authorized tariff by \$256. (\$121,728-\$121,472).

The Utility is authorized to collect \$0.50 per thousand gallons of treated effluent used to provide irrigation to the Spring Lake Club, Inc. Utility Corporation did not bill Spring Lake Club, Inc., for the irrigation. The Utility produced 6,504,000 gallons of treated effluent. Spring Lake Club, Inc., uses 100 percent of the treated effluent. The test year revenue was increased by \$3,252 [(6,504,000/1,000)x\$0.50] to reflect revenue for irrigation usage. Based on the above adjustments, we approve test year revenue of \$124,980 (\$121,472+\$256+\$3,252). Test year revenue is shown on Schedule No. 3-A.

Operating Expense

The appropriate amount of operating expense for the Utility is \$141,638. Utility Corporation recorded operating expenses of \$90,049 during the test year ended December 31, 2010. The test year operation and maintenance expenses have been reviewed and invoices, canceled checks, and other supporting documentation have been examined. Several adjustments were made to the Utility's operating expenses, as summarized below:

Salaries and Wages – Employees (701) – Utility Corporation recorded salary expense of \$37,023. This account was increased by \$1,416 for salary expense reclassified from the transportation expense account. The Utility indicated that its operator's annual salary is \$50,000.

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.

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. The Utility is required by the DEP to maintain a Class C operator's license, though it has a Class B license, which the Utility owner maintains at his own expense. We find that the salary of \$50,000 is reasonable for the operator's duties and time at the plant. Accordingly, we increased this expense by \$11,561 to reflect the appropriate salary for the operator. Therefore, we approve 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. We increased this account by \$528 to include a charge by Blue Septic Tank Services, Inc. Therefore, we approve 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, we decreased purchased power expense by \$363 for lack of supporting documentation. We approve 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, chemical expense was decreased by \$474 to remove unsupported costs during the test year. We approve 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, material and supplies expense were decreased by \$364 to remove unsupported costs during the test year. Additionally, this account was increased by \$258 to reflect an expense that was capitalized. Further, this account was increased by \$236 to reflect a repair made to the surge tank that was posted to the utility plant in service that should have been expensed. The net result of the adjustments to materials and supplies expense is an increase of \$130. Therefore, we approve 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, contractual services professional was decreased by \$720 to remove a duplicate charge for professional fees for 2009 corporate taxes. In addition, this account was decreased by \$150 to remove professional fees that were capitalized. This account was further reduced 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 was disallowed in prior cases.⁴ The adjustments to contractual services - professional expense is a net decrease of \$920. We approve 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. This account was decreased by \$3,812 for lack of supporting documentation. Based on the above, the appropriate contractual services - testing expense is \$14,640.

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.

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. His fee is reasonable for the provided services. The office manager is a contract employee. She is employed by Spring Lake Club, Inc., 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. Her fee is reasonable for the provided services. We approve the inclusion of the costs for both the owner/president and office manager. Moreover, Utility Corporation incurred a cost of \$650 for ground maintenance. This amount is reasonable and resulted in an increased in contractual services – other accordingly. The adjustments to contractual services - other expense is an increase of \$22,950 (\$6,700+\$15,600+\$650). We approve 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 Spring Lake Club, Inc., a related party, for \$475 per month or \$5,700 annually. The rental fee includes electric, telephone and water service. We find that this amount is reasonable.

In addition, Utility Corporation’s wastewater plant is located on 6 acres of land (the land owned by Spring Lake Club, Inc., 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. The appropriate rent amount for the land is the annual rate of return, based on Utility Corporation’s current capital structure, times the original cost of the land in service. We approve a rate of return of 8.74 percent. 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 is \$874 ($\$10,002 \times 8.74$ 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 of lesser/lessee is subject to tax. The current sales tax, as of January 4, 2012, is 7 percent for Highlands County. This account was increased to include the sales tax rate of \$61 ($\874×7 percent). Therefore, the amount of \$935 ($\$874 + \61) for the land lease is reasonable. As a result, we approve 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. The transportation expense was decreased by \$1,416 to reclassify salary expense to salaries and wages – employees. In addition, this account was increased by \$400 to reclassify transportation expense that was recorded to miscellaneous expense. We approve transportation expense for the test year of \$4,800.

Insurance Expense (755) – The Utility recorded insurance expense of \$0 for the test year. We increased this expense by \$1,224 to include property insurance for Utility Corporation. In

addition, we increased this account by \$1,098 to include commercial liability insurance for the Utility. Therefore, we approve 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, we 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, we approve total rate case expense of \$1,533 (\$533+ \$1,000), which amortized over four years is \$383. Therefore, we approve regulatory commission expense of \$383.

Bad Debt Expense (770) – Utility Corporation did not record any bad debt expense for the test year. Our staff’s audit revealed \$1,536 in customer accounts over 120 days old, which are uncollectible. The bad debt expense incurred by the Utility is reasonable. We approve bad debt expense of \$1,536.

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

Table 6-1

	<u>Adjustment Description</u>	
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	<u>\$4,020</u>

Based on the net adjustment of \$4,020, we approve a miscellaneous expense balance of \$7,680.

Operation and Maintenance Expense (O&M Summary) – Based on the above adjustments, operation and maintenance expense should be increased by \$44,897. We approve adjustments to operation and maintenance expense as shown on Schedule Nos. 3-A and 3-B.

Depreciation Expense (Net of Amortization of Contribution in Aid of Construction) – The Utility did not record depreciation expense. Depreciation expense was calculated using the prescribed rates set forth in Rule 25-30.140, F.A.C. Test year depreciation expense is \$8,948. The wastewater treatment plant is 13 percent use and useful and the collection system is 69 percent

use and useful. The composite plant is not distinguishable by NARUC plant account. Therefore, we are unable to apply the use and useful percentages to the appropriate account. We used the same methodology above to determine the appropriate adjustment to depreciation expense. Based on the methodology, depreciation expense shall be decreased by \$3,537 to reflect the appropriate use and useful depreciation expense. In addition, we decreased amortization of contribution in aid of construction by \$3,137 based on composite rates. This results in a net depreciation expense of \$2,275. Therefore, we approve net depreciation expense of \$2,275.

Taxes Other Than Income (TOTI) – Utility Corporation recorded taxes other than income balance of \$6,925. This account includes \$5,476 for regulatory assessment fees paid on test year revenue. Based on test year revenues of \$124,980, we determined that regulatory assessment fees should be \$5,624 ($\$124,980 \times 4.5$ percent). The taxes other than income was increased by \$148 to reflect the appropriate regulatory assessment fees. We approve salaries and wages of \$50,000. The corresponding payroll taxes are \$3,070. The Utility recorded \$1,299 of payroll taxes. We increased taxes other than income by \$3,070 ($\$4,369 - \$1,299$) to reflect the appropriate payroll taxes. Revenues have been increased by \$26,658 to reflect the change in revenue required to cover expenses and allow an opportunity to earn the approved return on investment. As a result, taxes other than income is increased by \$1,200 to reflect regulatory assessment fees of 4.5 percent on the change in revenues. Therefore, we approve taxes other than income of \$11,343.

Operating Expenses Summary – The application of the 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.

Operating Ratio Method

We utilized, on our own motion, the operating ratio methodology for calculating the revenue requirement for Utility Corporation. The margin should be 7.81 percent of operation and maintenance expense. Section 367.0814(9), F.S., provides that we 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 file a petition with us for staff assistance in alternative rate setting.

Although Utility Corporation did not petition us for alternative rate setting under the aforementioned rule, we exercised our 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 operation and maintenance expenses. This methodology was 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 for the first time, the operating ratio methodology was utilized 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 operation and maintenance expense. The criteria were applied again in Order No. PSC-97-0130-FOF-SU.⁶ Most recently, we 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, criteria were established 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 Operation and Maintenance expense exceeds rate base. In the instant case, the rate base is substantially less than the level of operation and maintenance expense. Based on our staff's audit, the adjusted rate base for the test year is \$32,900, while adjusted operation and maintenance expense is \$128,020.

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. The wastewater compliance inspection report dated October 6, 2011, noted deficiencies. The Utility responded to DEP on October 28, 2011, indicating that the deficiencies were corrected, with the exception of the repair of the surge tank and reuse pump. The Utility has requested that we consider the cost associated with these repairs in this rate case. The 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 is not a disqualifier in itself, of a utility's utilization 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 four years. In addition, the projected growth is only two equivalent residential connections per year for the next five years.

⁵ See Order No. PSC-96-0357-FOF-WU, 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 See Order No. PSC-97-0130-FOF-SU, 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.

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

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, we used a margin of 10 percent 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 operation and maintenance expense. We find that \$2,875 is an insufficient financial cushion.

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 varies from our estimates, Utility Corporation's funds would be insufficient 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, we find that 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, we approve the 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, we 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, we approve a 7.81 percent operating margin ratio in the instant case.

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

Revenue Requirement

The appropriate revenue requirement is \$151,638. Utility Corporation is granted 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 operation and maintenance expenses. The calculations are as follows:

Table 8-1

Adjusted O&M Expense	\$128,020
Operating Margin Ratio	<u>7.81%</u>
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	<u>0</u>
Revenue Requirement	\$151,638
Less Adjusted Test Year Revenues	<u>\$124,980</u>
Annual Increase	<u>\$26,658</u>
Percent Increase/(Decrease)	<u>21.33%</u>

Rate Structure

The Utility's current wastewater and reuse systems' rate structures shall remain unchanged. 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.

Our 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. Our policy is to allow the use of flat rate for wastewater service in situations where metered water consumption is not available.¹⁰ For this reason, we approve a continuation of the flat rate structure.

¹⁰ See Order Nos. 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.

Based on the foregoing, we find that the Utility's current wastewater and reuse systems' rate structure shall remain unchanged.

Appropriate rates

The appropriate monthly wastewater rates are shown on Schedule No. 4. The rates are designed to produce revenues of \$151,638. The rates are designed to produce revenue of \$151,638, which includes golf course revenues for the wastewater system. The Utility's current residential and non-residential wastewater system rate structure, which consists of a monthly flat rate structure, shall remain unchanged. The revenue requirement increase is 21.33 percent. We applied the revenue requirement increase to the Utility's current rates.

The Utility shall file revised tariff sheets and a proposed customer notice to reflect our approved rates. The approved rates shall 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 must not be implemented until our staff has approved the proposed customer notice and received notification that the customers received the notice. The Utility shall provide proof of the date the 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.

Four-Year Rate Reduction

The wastewater rates shall be reduced as shown on Schedule No. 4, to remove rate case expense grossed-up for Regulatory Assessment Fees and amortized over a four-year period. The decrease in rates shall become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.0816, F.S. The Utility shall 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 shall 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.

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 Regulatory Assessment

Fees, 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 shall be required to file revised tariff sheets no later than one month prior to the actual date of the required rate reduction. The Utility is 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 shall 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.

Service Availability Charge

Utility Corporation's request for a service availability charge is denied. 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.

The Utility's current contribution level is 61.12 percent. At design capacity in five years, Utility Corporation would reach the maximum contribution in aid of construction level of 75 percent without having any additional plant or contribution in aid of construction. The purpose of the maximum level of contribution in aid of construction is to encourage some level of Utility investment. The operating ratio method shall be used because Utility Corporation does not have sufficient investment to earn a reasonable return to cover variances in revenues and expenses. At this time, the Utility's current level of contribution in aid of construction does not warrant service availability charges. However, the Utility is encouraged to request service availability charges in the future if any new facilities are required to serve new developments.

Based on the above, we deny Utility Corporation's request for a service availability change.

Late Payment Charge

We approve the Utility’s requested \$5.25 late payment charge. The late payment charge shall 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. Section 367.091, F.S., requires that we approve rates, charges, and customer service policies. We have 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
<u>\$0.05</u>	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, we find it appropriate to approve the Utility’s proposed late payment charge of \$5.25. The charges shall 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.

Pro Forma Plant

We approve a Phase II revenue requirement associated with pro forma items. We employed the operating ratio methodology in this case. However, even when the operating ratio methodology is used for purposes of setting rates, every utility shall have an authorized return on equity established. Utility Corporation’s appropriate return on equity shall 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. We approve the Phase II revenue requirement increase to be applied as an across-the-board increase to Phase I rates.

Utility Corporation shall complete the pro forma items within 12 months of the issuance of the consummating order. The Utility is allowed to implement the resulting rates once the pro forma items are completed and documentation provided showing that all improvements were made to the system. Once verified, the 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 rates shall not be implemented until the Utility provides proof that the customers received the notices. Utility Corporation shall provide proof of the date the customers received the notices within 10

days of the date of the notices. If the Utility encounters any unforeseen events that will impede the completion of the pro forma items, the Utility shall immediately provide written notification to our staff.

The Utility requested recognition of additional pro forma plant items that it intends to complete. The following chart summarizes the pro forma plant items and the cost:

Table 14-1

	Pro forma Plant Items	Utility Requested	Our approved Capitalized	Our approved Expensed
1.	Replace pump at transfer pond	\$3,038	\$3,038	
2.	Surge tank repair	9,639		3,213*
	Total	<u>\$12,677</u>	<u>\$3,038</u>	<u>\$3,213</u>

* Three-year amortization

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. The proposed pro forma plant items are reasonable and prudent and would allow the Utility to achieve compliance and meet regulatory standards. The Utility shall 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 shall 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 were completed.

The Phase II revenue requirement associated with the pro forma plant items is necessary for several 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 we 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. For example, we have approved a Phase-In approach in Docket Nos. 100359-WS and 100471-SU.¹¹

The Utility's Phase II revenue requirement is \$155,215. Utility Corporation shall complete the pro forma items within 12 months of the issuance of the consummating order. The Phase II rate base is shown on Schedule Nos. 5-A and 5-B. The capital structure for Phase II is

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.

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 shall be required to complete the pro forma items within 12 months of the issuance of the consummating order. The Utility is required to submit a copy of the final invoices and cancelled checks for all pro forma plant items. The Utility can 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 shall 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 must not be implemented until the Utility provides proof that the customers received the notice. Utility Corporation shall provide proof of the date the customers received the notices 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 must immediately provide written notification to our staff.

Temporary Rates

A timely protest might delay what is a justified rate increase resulting in an unrecoverable loss of revenue to the Utility. Pursuant to Section 367.0814(7), F.S., the rates shall 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 shall file revised tariff sheets and a proposed customer notice to reflect the approved rates. The approved rates shall 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 shall not be implemented until our staff has approved the proposed notice, and the utility provide proof that the customers received the notice.

Prior to the implementation of any temporary rates, the Utility must provide appropriate security. Since the rates are approved on a temporary basis, the rates collected by the Utility are subject to the refund provisions discussed below. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., the Utility shall file reports with our 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 shall also indicate the status of the security being used to guarantee repayment of any potential refund.

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

If the Utility chooses a bond as security, the bond must contain wording to the effect that it will terminate 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 must 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 must 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 shall the maintenance and administrative costs associated with the refund be borne by the customers. These costs are the responsibility of, and shall be borne by, the Utility. Irrespective of the form of security chosen by the Utility, an account of all monies

received because of the rate increase shall be maintained by the Utility. If a refund is ultimately required, it shall be paid with interest calculated pursuant to Rule 25-30.360(4), F.A.C.

The Utility shall 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 shall file reports with our 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 shall also indicate the status of the security being used to guarantee repayment of any potential refund.

NARUC Uniform System of Accounts (USOA)

To ensure that the Utility adjusts its books in accordance with this Order, Utility Corporation shall 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.

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

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Utility Corporation of Florida, Inc.'s application for an increase in rates and charges is hereby approved in part and denied in part as set forth in the body of this Order. It is further

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

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

ORDERED that the Utility's current wastewater and reuse systems flat rate structure shall remain unchanged. It is further

ORDERED that the Utility shall file revised tariff sheets and a proposed customer notice to reflect the approved rates. The approved rates shall 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. It is further

ORDERED that the approved rates must not be implemented until our staff has approved the proposed customer notice and provide proof that the customers have received the notice. The Utility must provide proof of the date the customers received the notice within 10 days of the date of the notice. It is further

ORDERED that if the effective date of the new rates falls within a regular billing cycle, the initial bills at the new rate shall 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. It is further

ORDERED that the wastewater rates must be reduced as shown on Schedule No. 4, to remove rate case expense grossed-up for regulatory assessment fees and amortized over a four-year period. The decrease in rates shall become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.0816, F.S. It is further

ORDERED that Utility Corporation of Florida, Inc., is 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. Utility Corporation of Florida, Inc., must file a proposed customer notice setting forth the lower rates and the reason for the reduction. It is further

ORDERED that if Utility Corporation of Florida, Inc., 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 the reduction in the rates due to the amortized rate case expense. It is further

ORDERED that Utility Corporation of Florida, Inc.'s request for a service availability charge is denied. It is further

ORDERED that Utility Corporation of Florida, Inc.'s request for a \$5.25 late payment charge is approved. The late payment charge shall 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. It is further

ORDERED that a Phase II revenue requirement associated with pro forma items is approved. It is further

ORDERED that the Phase II revenue requirement increase as outlined in the body of this Order shall be applied as an across-the-board increase to Phase I rates. It is further

ORDERED that Utility Corporation of Florida, Inc., shall complete the pro forma items within 12 months of the issuance of the consummating order in this docket. It is further

ORDERED that Utility Corporation of Florida, Inc., can implement the resulting rates once the pro forma items were completed and documentation provided showing that all improvements were made to the system. Once verified, the 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. It is further

ORDERED that the rates shall not be implemented until Utility Corporation of Florida, Inc., provides proof that the customers received the notices. Utility Corporation of Florida, Inc., must provide proof of the date the customers received the notice within 10 days of the date of the notice. It is further

ORDERED that if Utility Corporation of Florida, Inc., encounters any unforeseen events that will impede the completion of the pro forma items, the Utility Corporation of Florida, Inc., must immediately provide written notification to our staff of the unforeseen events. It is further

ORDERED that Utility Corporation of Florida, Inc., is 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 were completed. It is further

ORDERED that the rates are approved for Utility Corporation of Florida, Inc., on a temporary basis, subject to refund, in the event of a protest filed by a party other than the Utility. It is further

ORDERED that Utility Corporation of Florida, Inc., shall file revised tariff sheets and a proposed customer notice to reflect the approved rates. The approved rates shall be effective for services rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. It is further

ORDERED that the temporary rates shall not be implemented until our staff has approved the proposed notice, and Utility Corporation of Florida, Inc., provides proof that the customers received the notice. It is further

ORDERED that prior to the implementation of any temporary rates, Utility Corporation of Florida, Inc., shall provide appropriate security, and the rates collected by the Utility shall be subject to the refund provisions as discussed in the body of this Order. It is further

ORDERED that after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., the Utility shall file reports with our 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 shall also indicate the status of the security being used to guarantee repayment of any potential refund. It is further

ORDERED that Utility Corporation of Florida, Inc., must provide proof, within 90 days of the final order in this docket, that the adjustments for all applicable NARUC USOA primary accounts were made. It is further

ORDERED that 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 shall remain open for our staff's verification that the revised tariff sheets and customer notice have been filed by Utility Corporation of Florida, Inc., and approved by our staff. Once these actions are complete, this docket should be closed administratively.

By ORDER of the Florida Public Service Commission this 13th day of August, 2012.



ANN COLE
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399
(850) 413-6770
www.floridapsc.com

Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

PER

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 granting of temporary rates in the event of a protest and proof of adjustments, is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Office of Commission Clerk, at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on September 3, 2012. If such a petition is filed, mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing. In the absence of such a petition, this order shall become effective and final upon the issuance of a Consummating Order.

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

Any party adversely affected by the Commission's final action in this matter may request: (1) reconsideration of the decision by filing a motion for reconsideration with the Office of Commission Clerk, within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or (2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water or wastewater utility by filing a notice of appeal with the Office of Commission Clerk and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

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	THE ADJUSTMENTS TO UTIL. BAL.	BALANCE
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)
CONTRIBUTION IN AID OF CONSTRUCTION	0	(112,500)	(112,500)
ACCUMULATED DEPRECIATION	0	(174,751)	(174,751)
AMORTIZATION OF CIAC	0	36,466	36,466
WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>16,003</u>	<u>16,003</u>
WASTEWATER RATE BASE	<u>\$68,355</u>	<u>(\$35,455)</u>	<u>\$32,900</u>

UTILITY CORPORATION OF FLORIDA, INC.
TEST YEAR ENDING 12/31/10
ADJUSTMENTS TO RATE BASE (PHASE I)

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 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 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	<u>\$248,044</u>

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
		<u>(\$48,716)</u>

CONTRIBUTION IN AID OF CONSTRUCTION

To reflect the appropriate CIAC balance.	<u>(\$112,500)</u>
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ACCUMULATED DEPRECIATION

1.	To reflect accumulated depreciation per Rule 25-30.140.	(\$195,678)
2.	To reflect averaging adjustment.	20,927
	Total	<u>(\$174,751)</u>

(RATE BASE CONTINUED ON NEXT PAGE)

TEST YEAR ENDING 12/31/10
ADJUSTMENTS TO RATE BASE (PHASE I)

(RATE BASE CONTINUED)

AMORTIZATION OF CIAC

1. To adjust Amortization of CIAC based on composite rates.	\$37,814
2. Averaging adjustment.	(1,349)
Total	<u>\$36,466</u>

WORKING CAPITAL ALLOWANCE

To reflect 1/8 of test year O & M expenses.	<u>\$16,003</u>
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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 ADJUSTMENTS	BALANCE BEFORE PRO RATA ADJUSTMENTS	PRO RATA ADJUSTMENTS	BALANCE	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	<u>0</u>	<u>69,447</u>	<u>69,447</u>						
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	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>	0.00%	<u>0.00%</u>	
7. TOTAL	<u>\$75,994</u>	<u>\$0</u>	<u>\$75,994</u>	<u>(\$42,576)</u>	<u>\$33,418</u>	<u>100.00%</u>		<u>8.74%</u>	
RANGE OF REASONABLENESS						<u>LOW</u>	<u>HIGH</u>		
RETURN ON EQUITY						<u>7.74%</u>	<u>9.74%</u>		
OVERALL RATE OF RETURN						<u>7.74%</u>	<u>9.74%</u>		

UTILITY CORPORATION OF FLORIDA, INC.					SCHEDULE NO. 3-A
TEST YEAR ENDING 12/31/10					DOCKET NO. 110165-SU
SCHEDULE OF WASTEWATER OPERATING INCOME (PHASE I)					
	TEST YEAR	THE	THE	ADJUST.	REVENUE
	PER UTILITY	ADJUSTMENTS	ADJUSTED	FOR	REQUIREMENT
			TEST YEAR	INCREASE	
OPERATING REVENUES	<u>\$121,472</u>	<u>\$3,508</u>	<u>\$124,980</u>	<u>\$26,658</u> 21.33%	<u>\$151,638</u>
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	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL OPERATING EXPENSES	<u>\$90,049</u>	<u>\$50,390</u>	<u>\$140,439</u>	<u>\$1,200</u>	<u>\$141,638</u>
OPERATING INCOME/(LOSS)	<u>\$31,423</u>		<u>(\$15,459)</u>		<u>\$10,000</u>
WASTEWATER RATE BASE	<u>\$68,355</u>		<u>\$32,900</u>		<u>\$32,900</u>
RATE OF RETURN	<u>45.97%</u>		<u>-46.99%</u>		<u>7.81%</u>

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.	<u>3,252</u>
Subtotal	<u>\$3,508</u>

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.	<u>1,416</u>
Subtotal	<u>\$12,977</u>

Sludge removal (711)

To include the increased charge by Blue Septic Tank Service, Inc.	<u>\$528</u>
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Purchased Power (715)

To remove costs associated with lack of supporting documentation.	<u>(\$363)</u>
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Chemicals (718)

To remove cost with no documentation.	<u>(\$474)</u>
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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).	<u>236</u>
Subtotal	<u>\$130</u>

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.	<u>(50)</u>
Subtotal	<u>(\$920)</u>

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.	<u>15,600</u>
Subtotal	<u>\$22,950</u>

Contractual Services - Testing (735)

To remove cost associated with short environmental laboratories for lack of documentation.	<u>(\$3,812)</u>
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Rent Expense (740)

1. To reflect appropriate land rent expense.	\$935
2. To reflect appropriate office expense.	<u>5,700</u>
Subtotal	<u>\$6,635</u>

(O&M EXPENSE CONTINUED ON NEXT PAGE)

UTILITY CORPORATION OF FLORIDA, INC.
TEST YEAR ENDING 12/31/10
ADJUSTMENTS TO OPERATING INCOME (PHASE I)

(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	<u>(\$1,016)</u>
Insurance Expenses (755)	
1. To include property Insurance for Utility.	\$1,224
2. To include commercial Insurance for Utility.	1,098
Subtotal	<u>\$2,322</u>
Regulatory Expense (765)	
Amortize Rate Case Filing Fee over 4 years (\$1,532/4).	<u>\$383</u>
Bad Debt Expense (770)	
To record bad debt expense previously not recorded.	<u>\$1,536</u>
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 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 include the satellite internet for the Utility operator to send and receive Utility documents.	642
Subtotal	<u>\$4,020</u>
TOTAL OPERATION & MAINTENANCE ADJUSTMENTS	<u>\$44,897</u>
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.	<u>(3,137)</u>
Total	<u>\$2,275</u>
TAXES OTHER THAN INCOME	
1. To reflect regulatory assessment fees for the test year revenue.	\$148
2. To reflect the appropriate payroll taxes.	3,070
Total	<u>\$3,218</u>

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	THE ADJUST- MENT	TOTAL
(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	<u>3,660</u>	<u>4,020</u>	<u>7,680</u>
	<u>\$83,124</u>	<u>\$44,897</u>	<u>\$128,020</u>

UTILITY CORPORATION OF FLORIDA, INC.		SCHEDULE NO. 4	
TEST YEAR ENDING 12/31/10		DOCKET NO. 110165-SU	
MONTHLY WASTEWATER RATES (PHASE I)			
	UTILITY'S EXISTING RATES	THE APPROVED RATES	4-YEAR RATE REDUCTION
<u>Residential / General Service</u>			
Flat Rate per unit - monthly charge	\$32.00	\$38.83	\$0.11
<u>General Service</u>			
Spring Lake Club per unit x 4 - monthly charge	\$128.00	\$156.86	\$0.44
<u>Golf Course Reuse Irrigation Rate</u>			
Per thousand gallons	\$0.50	\$0.61	\$0.00
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
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.		SCHEDULE NO. 5-A	
TEST YEAR ENDING 12/31/10		DOCKET NO. 110165-SU	
SCHEDULE OF WASTEWATER RATE BASE (PHASE II)			
DESCRIPTION	BALANCE PER UTILITY	THE ADJUSTMENTS TO UTIL. BAL.	BALANCE
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	<u>16,003</u>	<u>402</u>	<u>16,404</u>
WASTEWATER RATE BASE	<u>\$32,900</u>	<u>\$1,060</u>	<u>\$33,959</u>

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
		<u>WASTEWATER</u>
<u>UTILITY PLANT IN SERVICE</u>		
1.	Install new pump at transfer pond to pump water.	\$3,038
2.	To retire 75% of new pump.	<u>(2,278)</u>
	Total	<u>\$759</u>
<u>ACCUMULATED DEPRECIATION</u>		
	To reflect accumulated depreciation for pro forma plant additions.	<u>(\$101)</u>
<u>WORKING CAPITAL ALLOWANCE</u>		
	To reflect 1/8 of test year O & M expenses.	<u>\$402</u>

UTILITY CORPORATION OF FLORIDA, INC.
TEST YEAR ENDING 12/31/10
SCHEDULE OF CAPITAL STRUCTURE (PHASE II)

SCHEDULE NO. 6
DOCKET NO. 110165-SU

CAPITAL COMPONENT	PER UTILITY	SPECIFIC ADJUSTMENTS	BALANCE BEFORE PRO RATA ADJUSTMENTS	PRO RATA ADJUSTMENTS	BALANCE	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	<u>0</u>	<u>69,447</u>	<u>69,447</u>					
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	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>	0.00%	<u>0.00%</u>
6. TOTAL	<u>\$75,994</u>	<u>\$0</u>	<u>\$75,994</u>	<u>(\$42,035)</u>	<u>\$33,959</u>	<u>100.00%</u>		<u>8.74%</u>
RANGE OF REASONABLENESS						<u>LOW</u>	<u>HIGH</u>	
RETURN ON EQUITY						<u>7.74%</u>	<u>9.74%</u>	
OVERALL RATE OF RETURN						<u>7.74%</u>	<u>9.74%</u>	

UTILITY CORPORATION OF FLORIDA, INC. TEST YEAR ENDING 12/31/10 SCHEDULE OF WASTEWATER OPERATING INCOME (PHASE II)			SCHEDULE NO. 7-A DOCKET NO. 110165-SU		
	TEST YEAR PER UTILITY	ADJUSTMENTS	THE ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. OPERATING REVENUES	<u>\$151,638</u>	<u>\$0</u>	<u>\$151,638</u>	<u>\$3,577</u> 2.36%	<u>\$155,215</u>
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	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
7. TOTAL OPERATING EXPENSES	<u>\$141,638</u>	<u>\$3,416</u>	<u>\$145,054</u>	<u>\$161</u>	<u>\$145,215</u>
8. OPERATING INCOME/(LOSS)	<u>\$10,000</u>		<u>\$6,584</u>		<u>\$10,000</u>
9. WASTEWATER RATE BASE	<u>\$32,900</u>		<u>\$33,959</u>		<u>\$33,959</u>
10. RATE OF RETURN	<u>7.81%</u>		<u>19.39%</u>		<u>7.62%</u>

UTILITY CORPORATION OF FLORIDA, INC.

SCHEDULE NO. 7-B

TEST YEAR ENDING 12/31/10

DOCKET NO. 110165-SU

ADJUSTMENTS TO OPERATING INCOME (PHASE II)

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	ADJUST- MENT	TOTAL
(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	<u>7,680</u>	<u>0</u>	<u>7,680</u>
	<u>128,020</u>	<u>\$3,213</u>	<u>131,233</u>

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