

VOTE SHEET

November 13, 2008

Docket No. 070695-WS – Application for increase in water and wastewater rates in Martin County by Miles Grant Water and Sewer Company.

Issue 1: Is the quality of service provided by Miles Grant Water and Sewer Company satisfactory?

Recommendation: Yes. The overall quality of service provided by Miles Grant Water and Sewer Company is satisfactory

APPROVED

Issue 2: Should the audit adjustments to rate base to which the Utility agrees, be made?

Recommendation: Yes. Based on audit adjustments agreed to by the Utility and staff, contributions in aid of construction (CIAC) should be increased by \$46,867 for water and increased by \$32,734 for wastewater and accumulated amortization of CIAC should be increased by \$221,492 for water, and \$176,494 for wastewater, respectively. Plant in service should be decreased by \$3,120 for water, and accumulated depreciation should be decreased by \$282 for water.

APPROVED

COMMISSIONERS ASSIGNED: All Commissioners

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

Handwritten signatures of majority commissioners on four lines.

Four empty lines for dissenting signatures.

REMARKS/DISSENTING COMMENTS:

DOCUMENT NUMBER-DATE

10592 NOV 13 08

FPSC-COMMISSION CLERK

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Issue 3: Should any adjustment be made to rate base allocations for Miles Grant?

Recommendation: Yes. Rate Base should be reduced by \$3,642 and \$3,429 for water and wastewater, respectively. The appropriate net rate base allocation for Miles Grant is \$63,176 for water and \$70,390 for wastewater.

APPROVED

Issue 4: Should any additional adjustments be made to the Utility's test year Plant in Service balance and test year expenses?

Recommendation: Yes. Based on Staff's recalculation of the Utility's plant in service, plant in service should be reduced by \$110,396 and \$340,165 for water and wastewater, respectively. Corresponding adjustments should be made to increase decrease accumulated depreciation by \$478,382 and \$473,073 for water and wastewater, respectively. Depreciation expense should be decreased by \$18,344 for water and increased by \$6,621 for wastewater. Operational and Maintenance (O&M) expense should be increased by \$1,197 for water.

APPROVED, *with oral modification as noted above.*

Issue 5: Should adjustments be made to the Utility's pro forma plant additions and associated expenses?

Recommendation: Yes. The Utility's pro forma plant additions should be increased by \$11,625 for water. Accordingly, accumulated depreciation should be increased by \$413 for water and depreciation expense should be decreased by \$1,107 for water. Based on those adjustments the total pro forma plant additions should be \$159,145 for water and \$71,780 for wastewater.

APPROVED

Issue 6: What are the used and useful percentages of the Utility's water and wastewater systems?

Recommendation: The water treatment plant, storage, and distribution system, as well as the wastewater treatment plant and collection system should be considered 100 percent used and useful.

APPROVED

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Issue 7: What is the appropriate working capital allowance?

Recommendation: The appropriate amount of working capital is \$34,347 for water and \$43,720 for wastewater.

APPROVED

Issue 8: What is the appropriate rate base for the June 30, 2007, test year?

Recommendation: Consistent with other recommended adjustments, the appropriate simple average rate base for the test year ending December 30, 2007, is \$745,532 for water and \$919,029 for wastewater.

APPROVED

Issue 9: What is the appropriate return on common equity?

Recommendation: The appropriate return on common equity is 11.73 percent based on the Commission's leverage formula currently in effect. Staff recommends an allowed range of plus or minus 100 basis points be recognized for ratemaking purposes.

APPROVED

Issue 10: What is the appropriate weighted average cost of capital including the proper components, amounts, and cost rates associated with the capital structure for the test year ended June 30, 2007?

Recommendation: The appropriate weighted average cost of capital for the test year ended June 30, 2007, is 6.08 percent.

APPROVED

Issue 11: Should any changes be made to pro forma expenses?

Recommendation: Yes. Pro forma expenses should be reduced by \$4,981 for water and \$4,691 for wastewater.

APPROVED

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Issue 12: What is the appropriate amount of rate case expense?

Recommendation: The appropriate rate case expense is \$127,973. This expense should be recovered over four years for an annual expense of \$31,993. Thus, rate case expense should be reduced by \$6,171 for water and \$5,811 for wastewater, respectively.

APPROVED

Issue 13: What is the test year water and wastewater operating loss before any revenue increase?

Recommendation: Based on the adjustments discussed in previous issues, the test year operating losses are \$24,531 for water and \$85,983 for wastewater.

APPROVED

Issue 14: What is the appropriate revenue requirement for the June 30, 2007 test year?

Recommendation: The following revenue requirement should be approved.

	<u>Test</u>		<u>Revenue</u>	
	<u>Year Revenues</u>	<u>\$ Increase</u>	<u>Requirement</u>	<u>% Increase</u>
Water	\$314,961	\$117,251	\$432,213	37.23%
Wastewater	\$330,593	\$238,124	\$568,717	72.03%

APPROVED

Issue 15: What are the appropriate rate structures for the Utility's water and wastewater systems?

Recommendation: The appropriate rate structure for the water system's residential class is a two-tier inclining block rate structure. The usage blocks should be set for consumption at: a) 0-3 kgal; b) usage in excess of 3 kgal, with appropriate usage block rate factors of 1.0 and 1.50, respectively. The appropriate rate structure for the water system's non-residential class is a traditional base facility charge (BFC)/uniform gallonage charge rate structure. The water system's BFC cost recovery percentage should be set at 50 percent. The appropriate rate structure for the wastewater system's residential and non-residential class is a BFC/uniform gallonage charge rate structure. The non-residential class should be 1.2 times greater than the corresponding residential gallonage charge, and the BFC cost recovery percentage should be set at 50 percent. The appropriate residential wastewater gallonage cap should be set at 6 kgal per month.

APPROVED, with additional language as stated in the oral modification, including modification to Table 15-2 (see attachment provided).

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Issue 16: Are repression adjustments appropriate in this case, and, if so, what are the appropriate adjustments to make for this utility, what are the corresponding expense adjustments, and what are the final revenue requirements for the respective water and wastewater systems?

Recommendation: No, a repression adjustment is not appropriate for this utility. However, in order to monitor the effects resulting from the changes in revenues, the Utility should prepare monthly reports for the water system, detailing the number of bills rendered, the consumption billed, and revenues billed. In addition, the reports should be prepared by customer class and meter size. The reports should be filed with staff, on a quarterly basis, for a period of two years beginning with the first billing period after the approved rates go into effect. To the extent the Utility makes adjustments to consumption in any month during the reporting period, the Utility should be ordered to file a revised monthly report for that month within 30 days of any revision.

APPROVED

Issue 17: What are the appropriate monthly rates for the water and wastewater systems for the Utility?

Recommendation: The appropriate monthly water and wastewater rates are shown on Schedule Nos. 4-A and 4-B of staff's memorandum dated October 30, 2008, respectively. The recommended rates should be designed to produce revenues of \$432,213 for water and \$568,717 for wastewater, excluding miscellaneous service charges. The Utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rates should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The Utility should provide proof of the date notice was given no less than 10 days after the date of the notice.

APPROVED

(Continued from previous page)

Issue 18: Should the Utility be authorized to revise its miscellaneous service charges, and, if so, what are the appropriate charges?

Recommendation: Yes. Miles Grant should be authorized to revise its miscellaneous service charges. The Utility should file a proposed customer notice to reflect the Commission-approved charges. The approved charges should 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 staff. Within 10 days of the date the order is final, Miles Grant should be required to provide notice of the tariff changes to all customers. The Utility should provide proof the customers have received notice within 10 days after the date that the notice was sent. The appropriate charges are reflected below.

Water and Wastewater Miscellaneous Service Charges

	<u>Water</u>		<u>Wastewater</u>	
	<u>Normal</u>	<u>After Hrs</u>	<u>Normal Hrs</u>	<u>After Hrs</u>
Initial Connection	\$21	N/A	\$21	N/A
Normal Reconnection	\$21	\$42	\$21	\$42
Violation Reconnection	\$21	\$42	Actual Cost	Actual Cost
Premises Visit (in lieu of disconnection)	N/A	N/A	N/A	N/A
Premises Visit	\$21	\$42	\$21	\$42

APPROVED

Issue 19: In determining whether any portion of the water and wastewater interim increase granted should be refunded, how should the refund be calculated, and what is the amount of the refund, if any?

Recommendation: The proper refund amount should be calculated by using the same data used to establish final rates, excluding rate case expense and other items not in effect during the interim period. This revised revenue requirement for the interim collection period should be compared to the amount of interim revenue requirement granted. Based on this calculation, no water refunds are required. However, the Utility should be required to refund 1.66 percent of wastewater revenues collected under interim rates. The refund should be made with interest in accordance with Rule 25-30.360(4), F.A.C. The Utility should be required to submit proper refund reports, pursuant to Rule 25-30.360(7), F.A.C. The Utility should treat any unclaimed refunds as CIAC pursuant to Rule 25-30.360(8), F.A.C. Further, the corporate undertaking should be released upon staff's verification that the required refunds have been made.

APPROVED

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Issue 20: What is the appropriate amount by which rates should be reduced four years after the established effective date to reflect the removal of the amortized rate case expense as required by Section 367.0816, Florida Statutes?

Recommendation: The water and wastewater rates should be reduced as shown on Schedule Nos. 4-A and 4-B of staff's memorandum dated October 30, 2008, to remove \$18,287 of water and \$17,222 of wastewater rate case expense, grossed up for regulatory assessment fees, which is being amortized over a four-year period. The decrease in rates should become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.0816, F.S. The Utility should be required to file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the reduction no later than 30 days prior to the actual date of the required rate reduction. The approved rates should 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 should not be implemented until staff has approved the proposed customer notice. Miles Grant should provide proof of the date notice was given no less than 10 days after the date of the notice.

APPROVED

Issue 21: Should the Utility be required to provide proof, within 90 days of the final order issued in this docket, that it has adjusted its books for all the applicable National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts (USOA) primary accounts associated with the Commission-approved adjustments?

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

APPROVED

Issue 22: Should this docket be closed?

Recommendation: No. If no person whose substantial interests are affected by the proposed agency action files a protest within twenty-one days of the issuance of the order, a consummating order will be issued. The docket should remain open for staff's verification that the revised tariff sheets and customer notice have been filed by the Utility and approved by staff, and that the interim refund has been completed and verified by staff. Once these actions are complete, this docket should be closed administratively, and the corporate undertaking should be released.

APPROVED

Carol Purvis

From: Ann Cole
Sent: Wednesday, November 12, 2008 10:42 AM
To: Hong Wang; Kimberley Pena; Carol Purvis; Tiffany Williams
Cc: Mary Macko
Subject: FW: Request of Oral Modification to Item 19, November 13, 2008 Agenda, Docket No. 070695-WS - Miles Grant Water and Sewer Company

This oral modification approval is for your information.

From: Mary Bane
Sent: Wednesday, November 12, 2008 10:27 AM
To: Bart Fletcher
Cc: Tim Devlin; Marshall Willis; Cheryl Bulecza-Banks; Paul Stallcup; Sonica Bruce; Jennie Lingo; Patti Daniel; Stan Rieger; Jean Hartman; Jennifer Brubaker; William C. Garner; Roberta Bass; Lorena Holley; Larry Harris; Bill McNulty; Betty Ashby; Ann Cole; Chuck Hill
Subject: RE: Request of Oral Modification to Item 19, November 13, 2008 Agenda, Docket No. 070695-WS - Miles Grant Water and Sewer Company

Approved.

From: Bart Fletcher
Sent: Monday, November 10, 2008 4:48 PM
To: Mary Bane
Cc: Tim Devlin; Marshall Willis; Cheryl Bulecza-Banks; Paul Stallcup; Sonica Bruce; Jennie Lingo; Patti Daniel; Stan Rieger; Jean Hartman; Jennifer Brubaker
Subject: FW: Request of Oral Modification to Item 19, November 13, 2008 Agenda, Docket No. 070695-WS - Miles Grant Water and Sewer Company

Staff requests approval to make oral modifications to the recommendation paragraphs of Issues 4 and 15 for the above-referenced item. In addition, on page 31, in Table 15-2, staff would like to correct the typical residential bills calculation at 10 kgal level for its recommended and the two alternative rate structures. Item 19 relates to a PAA rate increase request by Miles Grant Water and Sewer Company. The modifications are necessary in order correctly match the water and wastewater accumulated depreciation adjustments reflected on Schedule No. 1-C of the recommendation, as well as to reflect the recommended 6 kgal residential wastewater gallonage cap. The Statutory time frame to process this case has been waived by Milles Grant through the November 13, 2008, Agenda Conference. These requested modifications have no other effects on Staff's recommendation including revenue requirement. The specific modifications are in type and strike format as follows:

1) Page 9, Issue 4

Issue 4: Should any additional adjustments be made to the Utility's test year Plant in Service balance and test year expenses?

Recommendation: Yes. Based on Staff's recalculation of the Utility's plant in service, plant in service should be reduced by \$110,396 and \$340,165 for water and wastewater, respectively. Corresponding adjustments should be made to increase ~~decrease~~ accumulated depreciation by \$478,382 and \$473,073 for water and wastewater, respectively. Depreciation expense should be decreased by \$18,344 for water and increased by \$6,621 for wastewater. Operational and Maintenance (O&M) expense should be increased by \$1,197 for water. (Deason)

2) Page 27, Issue 15

Issue 15: What are the appropriate rate structures for the Utility's water and wastewater systems?

11/12/2008

Recommendation: The appropriate rate structure for the water system's residential class is a two-tier inclining block rate structure. The usage blocks should be set for consumption at: a) 0-3 kgal; b) usage in excess of 3 kgal, with appropriate usage block rate factors of 1.0 and 1.50, respectively. The appropriate rate structure for the water system's non-residential class is a traditional base facility charge (BFC)/uniform gallonage charge rate structure. The water system's BFC cost recovery percentage should be set at 50 percent. The appropriate rate structure for the wastewater system's residential and non-residential class is a BFC/uniform gallonage charge rate structure. The non-residential class should be 1.2 times greater than the corresponding residential gallonage charge, and the BFC cost recovery percentage should be set at 50 percent. The appropriate residential wastewater gallonage cap should be set at 6 kgal per month. (Bruce)

3) Page 31, Table 15-2

MILES GRANT WATER AND SEWER COMPANY STAFF'S RECOMMENDED AND ALTERNATIVE WASTEWATER RATE STRUCTURES AND RATES			
Current Rate Structure and Rates		Recommended Rate Structure and Rates	
Bi-Monthly BFC/ uniform kgal charge BFC =61%		BFC/uniform kgal charge BFC = 50%	
BFC	\$28.79	BFC	\$18.98
All kgals	\$4.06	All kgals	\$9.29
Typical Monthly Bills		Typical Monthly Bills	
Cons (kgal)		Cons (kgal)	
0	\$28.79	0	\$18.98
1	\$36.91	1	\$28.27
3	\$53.15	3	\$46.85
6	\$77.51	6	\$74.72
10	\$109.99	10	\$74.72 \$111.88
Alternative 1		Alternative 2	
BFC/uniform kgal charge BFC = 60%		BFC/uniform kgal charge BFC =70%	
BFC	\$22.77	BFC	\$26.74
All kgals	\$7.46	All kgals	\$5.53
Typical Monthly Bills		Typical Monthly Bills	
Cons (kgal)		Cons (kgal)	
0	\$22.77	0	\$26.74
1	\$30.23	1	\$32.27
3	\$45.15	3	\$43.33
6	\$67.53	6	\$59.92
10	\$67.53 \$97.37	10	\$59.92 \$82.04

