

VOTE SHEET

April 7, 2009

Docket No. 080247-SU – Application for increase in wastewater rates in Lee County by Utilities, Inc. of Eagle Ridge.

Issue 1: Is the quality of service provided by Eagle Ridge considered satisfactory?

Recommendation: Yes. The Utility's overall quality of service is satisfactory.

APPROVED

COMMISSIONERS ASSIGNED: All Commissioners

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

Neil A. Igo

Katrina J. McMurrian

John B. ...

...

...

REMARKS/DISSENTING COMMENTS:

DOCUMENT NUMBER-DATE

03120 APR-8 8

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

Recommendation: Yes. Based on audit adjustments agreed to by the Utility and staff, the following adjustments are necessary.

In addition, staff auditors performed an affiliate transactions' (AT) audit of Utilities, Inc. (UI), the parent company of Eagle Ridge and its sister companies. Based on Audit Finding No. 5, transportation expense should be decreased by \$2,265.

Audit Finding	Wastewater
No. 1 - Decrease Plant in Service	\$106,670
No. 1 - Decrease Accumulated Depreciation	\$361,839
No. 1 - Decrease Accumulated Amortization of CIAC	\$441,386
No. 1 - Increase CIAC	\$252,084
No. 1 - Increase Depreciation Expense	\$2,124
No. 1 - Increase Amortization Expense	\$11,000
No. 5 - Decrease Depreciation Expense	\$456
No. 5 - Decrease Accumulated Depreciation	\$685

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Issue 3: Should any adjustments be made to test year plant-in-service?

Recommendation: Yes. Plant-in-service should be reduced by \$85,043. A corresponding adjustment should be made to decrease accumulated depreciation by \$85,043.

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Issue 4: What are the used and useful percentages of the Utility's wastewater treatment plant, wastewater collection system, and reuse water system?

Recommendation: The Eagle Ridge wastewater treatment plant is 78.73 percent used and useful. The Cross Creek wastewater treatment plant is 100 percent used and useful. The wastewater collection and reuse systems should be considered 100 percent used and useful. The used and useful adjustments should be made to Account Nos. 354.4, Structures and Improvements, and Account No. 380.4, Treatment and Disposal Equipment. Staff has reduced rate base by \$20,286 and has made corresponding adjustments to reduce depreciation expense by \$5,598 and reduce property tax by \$55. Staff's adjustments to non-used and useful plant are shown on the rate base and operating income adjustment Schedules 1-B and 3-B of staff's memorandum dated March 26, 2009.

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Issue 5: What is the appropriate working capital allowance?

Recommendation: The appropriate working capital allowance is \$80,100.

APPROVED

Issue 6: What is the appropriate rate base for the test year period ending December 31, 2007?

Recommendation: Consistent with other recommended adjustments, the appropriate rate base is \$1,824,626.

APPROVED

Issue 7: What is the appropriate return on common equity?

Recommendation: The appropriate return on common equity is 12.34 percent based on the Commission's 2008 leverage formula and an equity ratio of 42.59 percent. Staff recommends an allowed range of plus or minus 100 basis points be recognized for ratemaking purposes.

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Issue 8: What is the appropriate weighted average cost of capital including the proper components, amounts, and cost rates associated with the capital structure?

Recommendation: Based on the resolution of the previous issues, the appropriate weighted average cost of capital, including the proper components, amounts, and cost rates associated with the capital structure, is 8.11 percent.

APPROVED

Issue 9: What is the appropriate amount of rate case expense?

Recommendation: The appropriate rate case expense is \$84,373. This expense should be recovered over four years for an annual expense of \$21,093. Thus, rate case expense should be reduced by \$21,679.

APPROVED

Issue 10: Should any further adjustments be made to test year net depreciation expense?

Recommendation: Yes. Net depreciation expense should be increased by \$2,302 (\$39,510 less \$18,643 less \$18,565). The corresponding adjustments should include an increase to accumulated depreciation of \$302,433 (\$46,571 plus \$255,862) and an increase to accumulated amortization of CIAC of \$54,137.

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Issue 11: What is the test year wastewater operating income or loss before any revenue increase?

Recommendation: The test year operating income is \$3,348 for wastewater before any revenue increase.

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Issue 12: What is the appropriate revenue requirement?

Recommendation: The following revenue requirement should be approved:

	Test Year		Revenue	
	<u>Revenues</u>	<u>\$ Increase</u>	<u>Requirement</u>	<u>% Increase</u>
Wastewater	\$777,017	\$242,790	\$1,019,807	31.25%

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Issue 13: What are the appropriate wastewater rates for the Utility?

Recommendation: The appropriate monthly rates are shown on Schedule No. 4 of staff's memorandum dated March 26, 2009. Staff's recommended rates are designed to produce revenues of \$1,018,993, excluding miscellaneous service charge revenues. 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 of the revised tariff sheets, pursuant to Rule 25-30.475(1), F.A.C. The rates should not be implemented until staff has approved the proposed customer notice. The Utility should provide proof of the date notice was given no less than ten days after the date of the notice.

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Issue 14: Should the Utility be authorized to revise its miscellaneous service charges, and, if so, what are the appropriate charges?

Recommendation: Yes. Eagle Ridge 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 ten days of the date the order is final, Eagle Ridge should be required to provide notice of the tariff changes to all customers. The Utility should provide proof the customers have received notice within ten days after the date that the notice was sent. The appropriate charges are reflected below.

Wastewater Miscellaneous Service Charges

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

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Issue 15: In determining whether any portion of the 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, the Utility should be required to refund 2.81 percent of wastewater revenues collected under interim rates. The refund should be made with interest in accordance with Rule 25-30.3604, F.A.C. The Utility should be required to submit proper refund reports, pursuant to Rule 25-30.3607, F.A.C. The Utility should treat any unclaimed refunds as CIAC, pursuant to Rule 25-30.3608, F.A.C. Further, the corporate undertaking should be released upon staff's verification that the required refunds have been made.

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Issue 16: 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?

Recommendation: The rates should be reduced as shown on Schedule No. 4 of staff's memorandum dated March 26, 2009, to remove \$6,953 for rate case expense, grossed up for regulatory assessment fees (RAFs), 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 one month prior to the actual date of the required rate reduction.

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Issue 17: Should the Utility be required to provide proof that it has adjusted its books for all Commission approved adjustments?

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

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Issue 18: Should this docket be closed?

Recommendation: No. If no person whose substantial interests are affected by the PAA files a protest within 21 days of the issuance of the order, a consummating order will be issued. The docket should remain open for staff's verification that the revised tariff sheets and customer notice have been filed by the Utility and approved by staff, 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.

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