

VOTE SHEET

April 21, 2009

Docket No. 080248-SU – Application for increase in wastewater rates in Pinellas County by Tierra Verde Utilities, Inc.

(Proposed Agency Action Except Issues 15 and 16)

Issue 1: Is the quality of service provided by Tierra Verde Utilities, Inc. satisfactory?

Recommendation: Yes. The overall quality of service provided by the Utility is satisfactory.

DEFERRED

COMMISSIONERS ASSIGNED: All Commissioners

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

Five horizontal lines for majority signatures.

Five horizontal lines for dissenting signatures.

REMARKS/DISSENTING COMMENTS: This item has been deferred to the May 5, 2009 Agenda

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

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

**Recommendation:** Yes. Based on the audit adjustments agreed to by the Utility and staff, the following adjustments should be made to rate base and operating expenses.

| Audit Finding                                     | Wastewater |
|---|------------|
| No. 1 - Increase CIAC                             | \$25,425   |
| No. 1 - Increase Amortization Expense (CIAC)      | \$1,228    |
| No. 1 - Increase Accumulated Amortization of CIAC | \$614      |
| No. 2 - Decrease Accumulated Depreciation         | \$75,829   |
| No. 2 - Decrease Accumulated Amortization of CIAC | \$107,686  |
| No. 2 - Decrease Amortization Expense (CIAC)      | \$67,203   |
| No. 2 - Decrease CIAC                             | \$1        |
| No. 3 - Decrease Contractual Services – Legal     | \$114      |
| No. 3 - Decrease Rate Case Expense Adjustment     | \$2,829    |
| No. 4 - Decrease Accumulated Depreciation         | \$1,517    |
| No. 4 - Increase Accumulated Amortization of CIAC | \$1,209    |
| No. 4 - Decrease Depreciation Expense             | \$8,074    |
| No. 4 - Increase Amortization Expense (CIAC)      | \$1,209    |
| AT No. 5 - Increase Transportation Expense        | \$3,138    |

## DEFERRED

**Issue 3:** What are the used and useful percentages of the Utility's wastewater collection system?

**Recommendation:** The collection system is 100 percent used and useful.

## DEFERRED

**Issue 4:** What is the appropriate working capital allowance?

**Recommendation:** The appropriate working capital allowance is \$91,724.

## DEFERRED

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**Issue 5:** What is the appropriate rate base for the December 31, 2007, test year?

**Recommendation:** Consistent with other recommended adjustments, the appropriate simple average rate base for the test year ending December 31, 2007, is \$1,502,918.

## DEFERRED

**Issue 6:** What is the appropriate return on common equity?

**Recommendation:** The appropriate return on common equity is 12.34 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.

## DEFERRED

**Issue 7:** 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 December 31, 2007?

**Recommendation:** The appropriate weighted average cost of capital for the test year ended December 31, 2007, is 8.29 percent.

## DEFERRED

**Issue 8:** Should an adjustment be made to Purchased Wastewater Treatment due to excessive infiltration and inflow?

**Recommendation:** Yes. Purchased Wastewater Treatment Expense should be decreased by \$84,119 due to excessive infiltration and inflow.

## DEFERRED

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**Issue 9:** Should an adjustment be made to operation and maintenance expense?

**Recommendation:** Yes. Operation and maintenance expense should be decreased by \$1,570.

**DEFERRED**

**Issue 10:** Should an adjustment to Contractual Services-Other be made?

**Recommendation:** Yes. Contractual Services-Other should be decreased by \$14,536.

**DEFERRED**

**Issue 11:** What is the appropriate amount of rate case expense?

**Recommendation:** The appropriate rate case expense is \$91,558. This expense should be recovered over four years for an annual expense of \$22,890. Thus, rate case expense should be reduced by \$19,107.

**DEFERRED**

**Issue 12:** What is the test year wastewater operating income or loss before any revenue increase?

**Recommendation:** The test year operating income is a net loss of \$46,891 for wastewater before any revenue increase.

**DEFERRED**

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**Issue 13:** What is the appropriate revenue requirement?

**Recommendation:** The following is the appropriate revenue requirement:

|            | Test Year       |                    | Revenue            |                   |
|------------|-----------------|--------------------|--------------------|-------------------|
|            | <u>Revenues</u> | <u>\$ Increase</u> | <u>Requirement</u> | <u>% Increase</u> |
| Wastewater | \$780,729       | \$287,930          | \$1,068,659        | 36.88%            |

## DEFERRED

**Issue 14:** What are the appropriate wastewater rates for Tierra Verde?

**Recommendation:** The appropriate monthly rates are shown on Schedule No. 4 of staff's memorandum dated April 9, 2009. Staff's recommended rates are designed to produce revenues of \$1,068,659 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 10 days after the date of the notice.

## DEFERRED

**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, no wastewater refunds are required.

## DEFERRED

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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 April 9, 2009, to remove \$23,969 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.

## DEFERRED

**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, Tierra Verde 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 primary accounts have been made.

## DEFERRED

**Issue 18:** 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.

## DEFERRED