

VOTE SHEET

August 18, 2009

Docket No. 080668-SU – Application for staff-assisted rate case in Highlands County by Fairmount Utilities, The 2nd Inc.

Issue 1: Is the quality of service provided by Fairmount in Highlands County satisfactory?

Recommendation: Yes. The overall quality of service provided by Fairmount should be considered satisfactory.

APPROVED

Issue 2: What are the used and useful percentages of the Utility’s wastewater treatment plant and collection system?

Recommendation: Fairmount’s wastewater treatment plant and collection system should be considered 100 percent used and useful.

APPROVED

COMMISSIONERS ASSIGNED: All Commissioners

COMMISSIONERS’ SIGNATURES

MAJORITY

DISSENTING

Handwritten signatures of commissioners in the majority column, including Katrina J. McMurrian, Jon Edy, and Henry Arganziano.

REMARKS/DISSENTING COMMENTS: Commissioner Argenziano participated in the conference by telephone. She will sign the vote sheet upon her return to the office.

DOCUMENT NUMBER - DATE
08619 AUG 19 09

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**Issue 3:** What is the appropriate average test year rate base for Fairmount?

**Recommendation:** The appropriate average test year rate base for Fairmount should be \$45,974.

**APPROVED**

**Issue 4:** What is the appropriate return on equity and overall rate of return for this utility?

**Recommendation:** The appropriate return on equity is 11.30 percent with a range of 10.30 percent to 12.30 percent. The appropriate overall rate of return is 7.25 percent.

**APPROVED**

**Issue 5:** What are the appropriate amount of test year revenues?

**Recommendation:** The appropriate test year revenue for this Utility is \$109,062.

**APPROVED**

**Issue 6:** What are the appropriate operating expenses?

**Recommendation:** The appropriate amount of operating expenses for Fairmount is \$117,343.

**APPROVED**

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**Issue 7:** What is the appropriate revenue requirement?

**Recommendation:** The appropriate revenue requirement is \$121,223 for wastewater.

**APPROVED**

**Issue 8:** What are the appropriate rates for this Utility?

**Recommendation:** The appropriate monthly wastewater rates are shown on Schedule No. 4-A in staff's memorandum dated August 6, 2009. Excluding miscellaneous service revenues, the recommended wastewater rates are designed to produce revenues of \$121,223. Fairmount 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. In addition, the rates should not be implemented until staff has approved the proposed customer notice. The Utility should provide proof of the date the notice was given no less than 10 days after the date of the notice.

**APPROVED**

**Issue 9:** Should the Commission approve pro forma plant and expenses for the Utility, and if so, what is the appropriate return on equity, overall rate of return, revenue requirement and when should the resulting rates be implemented?

**Recommendation:** Yes. The Commission should approve a Phase II revenue requirement associated with pro forma plant additions. With the pro forma items, Fairmount's appropriate return on equity should be 11.30 percent with a range of 10.30 to 12.30 percent. The appropriate overall rate of return is 7.25 percent. The Utility's revenue requirement should be \$125,359. Fairmount should complete the pro forma additions within 12 months of the issuance of the consummating order. The Utility should be allowed to implement the resulting rates once the pro forma additions have been completed and verified by staff. However, Fairmount should not implement the revised rates until they have submitted revised tariff sheets reflecting the Commission-approved rates. The 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. The rates should not be implemented until notice has been received by the customers. Fairmount should provide proof of the date notice was given within 10 days after the date of the notice. If the Utility encounters any unforeseen events that will impede the completion of the pro forma additions, the Utility should immediately notify the Commission.

**APPROVED**

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**Issue 10:** 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, F.S.?

**Recommendation:** The water rates should be reduced as shown on Schedule No. 4 in staff's memorandum dated August 6, 2009, to remove rate case expense grossed up for RAFs and 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. Fairmount 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. If the Utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data should 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.

**APPROVED**

**Issue 11:** Should the Utility be authorized to collect customer deposits, and, if so, what are the appropriate charges?

**Recommendation:** Yes. The Utility should be authorized to collect customer deposits. The appropriate customer deposit should be the recommended charge as specified in the analysis portion of staff's memorandum dated August 6, 2009. Fairmount should file revised tariff sheets which are consistent with the Commission's vote. Staff should be given administrative authority to approve the revised tariff sheets upon staff's verification that the tariffs are consistent with the Commission's decision. If revised tariff sheets are filed and approved, the customer deposit should become effective for connections made on or after the stamped approval date of the revised tariff sheets.

**APPROVED**

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**Issue 12:** Should the recommended rates be approved for the Utility on a temporary basis, subject to refund, in the event of a protest filed by a party other than Fairmount?

**Recommendation:** Yes. Pursuant to Section 367.0814(7), F.S., the recommended rates should 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. Prior to implementation of any temporary rates, Fairmount should provide appropriate security. If the recommended rates are approved on a temporary basis, the Utility should collect rates subject to the refund provisions discussed in the analysis portion of staff's memorandum dated August 6, 2009. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., Fairmount should file reports with the Commission's Division of Economic Regulation 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 should also indicate the status of the security being used to guarantee repayment of any potential refund.

**APPROVED**

**Issue 13:** Should the Utility be required to provide proof, within 90 days of an effective order finalizing this docket, that it has adjusted its books for all the applicable National Association of Regulatory Utility Commissioners Uniform System of Accounts (NARUC USOA) primary accounts associated with the Commission-approved adjustments?

**Recommendation:** Yes. To ensure that the Utility adjusts its books in accordance with the Commission's decision, Fairmount 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 14:** Should this docket be closed?

**Recommendation:** No. If no timely protest is received from a substantially affected person upon expiration of the protest period, the PAA Order will become final upon the issuance of a Consummating Order. However, this docket should remain open for an additional 12 months from the date of the Consummating Order to allow staff to verify completion of pro forma plant items described in Issue No. 9. Once staff has verified that the pro forma items have been completed, the docket should be closed administratively.

**APPROVED**