

VOTE SHEET

July 26, 2011

Docket No. 100359-WS – Application for staff-assisted rate case in Volusia County by Tymber Creek Utilities, Incorporated.

**Issue 1:** Is the quality of service provided by Tymber Creek satisfactory?

**Recommendation:** Yes. The quality of service for the Utility is satisfactory.

**APPROVED**

**Issue 2:** What are the used and useful percentages for Tymber Creek?

**Recommendation:** The water distribution system, the wastewater treatment plant, and the wastewater collection system should be considered 100 percent used and useful. A 2 percent adjustment should be made to purchased water to reflect excessive unaccounted for water in the distribution system.

**APPROVED**

COMMISSIONERS ASSIGNED: All Commissioners

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

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REMARKS/DISSENTING COMMENTS:

DOCUMENT NUMBER-DATE

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

**Recommendation:** The appropriate average test year rate base for Tymber Creek is \$72,440 for water and \$188,278 for wastewater.

**APPROVED**

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

**Recommendation:** The appropriate return on equity (ROE) is 9.27 percent with a range of 8.27 percent to 10.27 percent. The appropriate overall rate of return is 7.77 percent.

**APPROVED**

**Issue 5:** What is the appropriate amount of test year revenue in this case?

**Recommendation:** The appropriate test year revenue for this Utility is \$113,580 for water and \$196,667 for wastewater.

**APPROVED**

**Issue 6:** What is the appropriate amount of operating expense?

**Recommendation:** The appropriate amount of operating expense for Tymber Creek is \$137,487 for water and \$232,057 for wastewater.

**APPROVED with oral modification by staff at the Commission conference to the staff analysis portion.**

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

**Recommendation:** The appropriate revenue requirement is \$143,115 for water and \$246,687 for wastewater.

**APPROVED**

**Issue 8:** What is the appropriate rate structure for Tymber Creek?

**Recommendation:** The appropriate rate structure for the water system's residential class is a three-tier inclining block rate structure. Staff's preliminary rate design called for a two-tier rate structure with usage blocks of 0-10 kgal in the first usage block and all usage in excess of 10 kgal in the second usage block. As discussed in Issue 9, staff did not apply a repression adjustment to non-discretionary usage. As a result, an additional tier is necessary for non-discretionary usage below 6 kgal per month. This results in a three-tier rate structure for monthly consumption with usage blocks of: a) 0-6 kgal; b) 6-10 kgal; and c) all usage in excess of 10 kgal and usage block rate factors of .87, 1.0, and 1.5 respectively. The appropriate rate structure for the water system's non-residential class is a continuation of its BFC/uniform gallonage charge rate structure. The BFC cost recovery percentage for the water system should be set at 35 percent. Furthermore, the appropriate rate structure for the wastewater residential class and non-residential class is a continuation of the traditional BFC/gallonage charge rate structure. The BFC cost recovery percentage for the wastewater system should be set at 50 percent.

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**Issue 9:** Is a repression adjustment appropriate in this case?

**Recommendation:** Yes, a repression adjustment is appropriate for this Utility. Test year residential kgals sold for water should be reduced by 4.6 percent, resulting in a consumption reduction of 1,115 kgals. Purchased water expense should be reduced by \$2,945 and regulatory assessment fees (RAFs) should be reduced by \$139. The final post-repression revenue requirement for the water system should be \$140,031. For the wastewater system, test year kgals sold should be reduced by 5.4 percent, resulting in a consumption reduction of 1,064 kgals. Sludge removal expense should be reduced by \$1,956, purchased power should be reduced by \$809, and RAFs should be reduced by \$124. The final post-repression revenue requirement for the wastewater system should be \$243,797.

In order to monitor the effect of the changes to rate structure and rate changes, the Utility should be ordered to file reports detailing the number of bills rendered, the consumption billed and the revenues billed on a monthly basis. In addition, the reports should be prepared by customer class, usage block, and meter size. The reports should be filed with staff, on a semi-annual basis, for a period of two years beginning 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 10:** What are the appropriate rates for Tymber Creek?

**Recommendation:** The appropriate monthly water and wastewater rates are shown on Schedule Nos. 4-A and 4-B of staff's memorandum dated July 14, 2011, respectively. The recommended rates should be designed to produce revenue \$140,031 for water and \$243,797 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**

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**Issue 11:** Should the Commission approve the Phase II revenue requirement associated with pro forma wastewater plant and expenses for Tymber Creek, 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 wastewater plant and expense items. The appropriate return on equity should be 9.27 percent with a range of 8.27 to 10.27 percent. The appropriate overall rate of return is 7.77 percent. The Utility's Phase II revenue requirement remains unchanged for water and should be \$297,116 for wastewater, which equates to an increase of 20.44 percent over the Phase I wastewater revenue requirement of \$246,687. Tymber Creek should complete the pro forma plant and expense items within 12 months of the issuance of the instant docket's consummating order. The Utility should be allowed to implement the resulting rates once the pro forma items have been completed and documentation provided showing that all improvements have been made to the system.

The Utility should be required to submit a copy of the final invoices and cancelled checks for all pro forma plant and expense items. Once verified, the rates should 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 should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. Tymber Creek should provide proof of the date notice was given within 10 days after the date of the notice. The resulting rates are shown on Schedule No. 8 of staff's memorandum dated July 14, 2011. If the Utility encounters any unforeseen events that will impede the completion of the pro forma items, the Utility should immediately notify the Commission.

**APPROVED**

**Issue 12:** What is the appropriate amount by which rates should be reduced four years after the published effective date to reflect the removal of the amortized rate case expense as required by Section 367.0816 F.S.?

**Recommendation:** The water and wastewater rates should be reduced as shown on Schedule Nos. 4-A and 4-B of staff's memorandum dated July 14, 2011, to remove rate case expense grossed up for regulatory assessment fees 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. Tymber Creek 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.

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**Issue 13:** 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 the Utility?

**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. Tymber Creek 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 temporary rates should not be implemented until staff has approved the proposed notice, and the notice has been received by the customers. Prior to implementation of any temporary rates, the Utility should provide appropriate security. If the recommended rates are approved on a temporary basis, the rates collected by the Utility should be subject to the refund provisions discussed in the analysis portion of staff's memorandum dated July 14, 2011. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., the Utility 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 14:** 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 applicable National Association of Regulatory 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, Tymber Creek should 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.

**APPROVED**

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**Issue 15:** 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 should 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. Also, the docket should remain open to allow staff to verify that the pro forma items have been completed and the Phase II rates properly implemented. Once these actions are complete, this docket should be closed administratively.

**APPROVED**