

VOTE SHEET

December 2, 2008

Docket No. 070694-WS – Application for increase in water and wastewater rates in Orange County by Wedgefield Utilities, Inc.

Issue 1: Is the quality of service provided by Wedgefield satisfactory?

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

APPROVED

Issue 2: Should any adjustment be made to rate base allocations for Wedgefield?

Recommendation: Yes. Rate Base should be increased by \$34,297 for water. The appropriate net rate base allocation for Wedgefield is \$133,514 for water.

APPROVED

COMMISSIONERS ASSIGNED: All Commissioners

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

Neil A. ...
Katrina J. McMurrain
...
...
...

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

DOCUMENT NUMBER-DATE

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Issue 3: 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 \$128,021 for water. Corresponding adjustments should be made to decrease accumulated depreciation by \$33,327 for water. Depreciation expense should be decreased by \$5,825 for water.

APPROVED

Issue 4: What are the used and useful percentages of the Utility's water system?

Recommendation: Wedgefield's water treatment plant and storage tank should be considered 100 percent used and useful. The transmission and distribution mains should be considered 87.4 percent used and useful.

APPROVED

Issue 5: What is the appropriate working capital allowance.

Recommendation: The appropriate amount of working capital is \$128,081 for water.

APPROVED

Issue 6: Should any additional adjustments be made to the Utility's rate base?

Recommendation: Yes. An adjustment should be made to include accumulated net debit deferred income taxes in the amount of \$314,739 in rate base.

APPROVED

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Issue 7: What is the appropriate rate base for the June 30, 2007, test year?

Recommendation: Consistent with other recommended adjustments, the appropriate 13-month average rate base for the test year ending December 30, 2007, is \$4,779,794 for water.

APPROVED

Issue 8: What is the appropriate return on common equity?

Recommendation: The appropriate return on common equity is 11.86 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 9: 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 8.68 percent.

APPROVED

Issue 10: Should any changes be made to pro forma expenses?

Recommendation: Yes. Pro forma expenses should be decreased by a total of \$24,457.

APPROVED

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

Recommendation: The appropriate rate case expense is \$151,575. This expense should be recovered over four years for an annual expense of \$37,894. Thus, rate case expense should be reduced by \$15,686 for water.

APPROVED

Issue 12: What is the test year water operating income before any revenue increase?

Recommendation: Based on the adjustments discussed in previous issues, the test year operating income is \$185,017 for water.

APPROVED

Issue 13: What is the appropriate pre-repression revenue requirement for the June 30, 2007 test year?

Recommendation: The following pre-repression revenue requirement should be approved.

	<u>Test Year</u> <u>Revenues</u>	<u>\$ Increase</u>	<u>Revenue</u> <u>Requirement</u>	<u>%</u> <u>Increase</u>
Water	\$761,328	\$385,914	\$1,147,242	50.69%

APPROVED

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Issue 14: What is the appropriate rate structure for the Utility's water system?

Recommendation: The appropriate rate structure for the water system's residential class is a three-tier inclining block rate structure. The usage blocks should be set for consumption at: 1) 0-5 kgal; 2) 5-10 kgal; 3) usage in excess of 10 kgal, with appropriate usage block rate factors of 1.0, 1.25, and 2.0, 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 40 percent.

APPROVED

Issue 15: 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 is the final revenue requirement for the water system?

Recommendation: Yes, a repression adjustment is appropriate for this Utility. Test year consumption should be reduced by 24,729 kgals or 16 percent. Purchased power expense should be reduced by \$6,223, chemical expense should be reduced by \$18,331, and regulatory assessment fees (RAFs) should be reduced by \$1,157. The final post-repression revenues from monthly service, which excludes miscellaneous revenues of \$3,847, should be \$1,117,684.

In order to monitor the effect of the changes to rate structure and revenue, 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 and meter size. The reports should be filed with staff, on a quarterly 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

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Issue 16: What are the appropriate monthly rates for the water system for the Utility?

Recommendation: The appropriate monthly water rates are shown on Schedule No. 4 of staff’s memorandum dated November 18, 2008. Excluding miscellaneous service charges, the recommended water rates produce revenues of \$1,117,684. 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

Issue 17: Should the Utility be authorized to revise its miscellaneous service charges, and, if so, what are the appropriate charges?

Recommendation: Yes. Wedgefield 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, Wedgefield 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 Hrs</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

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Issue 18: 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 of staff's memorandum dated November 18, 2008, to remove \$39,678 of water rate case expense, grossed up for 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 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 25-30.475(1), F.A.C. The rates should not be implemented until staff has approved the proposed customer notice. Wedgefield should provide proof of the date notice was given no less than 10 days after the date of the notice.

APPROVED *with oral modification correcting reference to schedule 4A in the recommendation to schedule 4, as reflected in the vote sheet.*

Issue 19: 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 applicable National Association of Regulatory Commissioners (NARUC) Uniform System of Accounts (USOA) primary accounts associated with Commission-approved adjustments?

Recommendation: Yes. To ensure that the Utility adjusts its books in accordance with the Commission decision, Wedgefield 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 20: 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. Once these actions are complete, this docket should be closed administratively.

APPROVED