

VOTE SHEET

SEPTEMBER 23, 1997

RE: DOCKET NO. 970164-WU - Application for increase in rates of Marion County by Hobe Sound Water Company.

Issue 1: Is the quality of service satisfactory?

Recommendation: Yes, the quality of service is satisfactory.

APPROVED

Issue 2: Should an adjustment be made to increase plant in service for items that were expensed but should have been capitalized?

Recommendation: Yes. Based on the 11-month average balance, adjustments should be made to increase plant in service and accumulated depreciation by \$10,549 and \$1,001, respectively. Adjustments should also be made to increase test year depreciation and operation and maintenance expenses by \$468 and \$9,929, respectively.

MODIFIED

O+M expenses will be decreased by \$9,929

COMMISSIONERS ASSIGNED: Full Commission

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

[Handwritten signatures of majority commissioners: Susan G. Clark, J. Terry Deason, Jane K. ...]

[Handwritten signature of dissenting commissioner: ...]

REMARKS/DISSENTING COMMENTS:

Commissioners Deason and Garcia dissented from majority decision in Issue 16. DATE 09789 SEP 24 5

VOTE SHEET

SEPTEMBER 23, 1997

DOCKET NO. 970164-WU - Application for increase in rates in Martin County
by Hobe Sound Water Company.

(Continued from previous page)

Issue 3: What are the appropriate used and useful percentages for the
distribution system, water plant, and new filtration system?

Recommendation: The distribution system and plant are 100% used and useful,
and the filtration system is also determined to be 100%.

APPROVED

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

Recommendation: Using the balance sheet approach in accordance with Rule
25-30.433(2), Florida Administrative Code, working capital in the amount of
\$256,261 should be approved.

APPROVED

Issue 5: What is the appropriate rate base amount?

Recommendation: The appropriate rate base for Hobe Sound is \$6,179,676.

APPROVED

Issue 6: What is the appropriate rate of return on equity?

Recommendation: Using the current leverage formula, the rate of return on
equity should be 10.46%, with a range of 9.46% to 11.46%.

APPROVED

VOTE SHEET

SEPTEMBER 23, 1997

DOCKET NO. 970164-WU - Application for increase in rates to maintain liquidity by Hobe Sound Water Company.

(Continued from previous page)

Issue 7: What is the appropriate overall cost of capital?

Recommendation: The appropriate overall cost of capital should be 8.74%, with a range of 8.46% to 9.02%.

APPROVED

Issue 8: Should an adjustment be made to reduce test year salaries and employee benefits?

Recommendation: Yes, test year salaries should be reduced by \$10,441. Corresponding reductions should also be made to reduce employee benefits and payroll taxes in the amounts of \$1,928 and \$892, respectively.

APPROVED

Issue 9: Should an adjustment be made to disallow the utility's projected maintenance expenses for the new catalytic filtration facility?

Recommendation: Yes. Materials and supplies should be reduced by \$4,100 for the disallowance of projected maintenance expenses.

APPROVED

Issue 10: Should purchased power be reduced for out-of-period charges?

Recommendation: Yes. Purchased power should be reduced by \$6,094.

APPROVED

VOTE SHEET

SEPTEMBER 23, 1997

DOCKET NO. 970164-WU - Application for increase in rates in Martin County
by Hobe Sound Water Company.

(Continued from previous page)

Issue 11: Should an adjustment be made to reduce equipment rental for
computer-related expenses?

Recommendation: Yes. Equipment rental should be reduced by \$3,400.

APPROVED

Issue 12: What is the appropriate amount of rate case expense?

Recommendation: The appropriate amount of current rate case expense should
be \$98,327, amortized over four years for an annual amortization amount of
\$24,582. The appropriate amount of prior rate case expense to include in
test year expenses is \$29,263. Total current and prior rate case expense
amount of \$53,845 should be included in test year expenses. This is a net
increase of \$7,038 to the utility's total amortization.

APPROVED

Issue 13: Should an adjustment be made to amortize the costs to repair the
utility's generator?

Recommendation: Yes, expenses should be reduced by \$7,414.

APPROVED

VOTE SHEET

SEPTEMBER 23, 1997

DOCKET NO. 970164-WU - Application for increase in rates in Martin County by Hobe Sound Water Company.

(Continued from previous page)

Issue 14: What is the appropriate level of test year operating income before any revenue increase?

Recommendation: The appropriate level of test year operating income should be \$334,796.

APPROVED

Issue 15: What is the appropriate revenue requirement?

Recommendation: The following revenue requirement should be approved:

	<u>TOTAL</u>	<u>\$ INCREASE</u>	<u>% INCREASE</u>
Water	\$2,019,226	\$344,337	20.56%

APPROVED

Issue 16: What is the appropriate projected number of ERCs and gallons that should be used to set rates for monthly service for the projected test period ending June 30, 1998?

Recommendation: The appropriate projections that should be used to set rates for monthly service for the projected test period ending June 30, 1998 are those proposed by the utility of 38,721 ERC's and 567,217,000 gallons.

APPROVED

*Commissioners Deason
and Garcia dissented.*

VOTE SHEET

SEPTEMBER 23, 1997

DOCKET NO. 970164-WU - Application for increase in rates to Martin County by Hobe Sound Water Company.

(Continued from previous page)

Issue 17: What is the appropriate rate structure for this utility, and what are the appropriate monthly rates for service?

Recommendation: The appropriate rate structure for the residential customers is a continuation of the current base facility and gallonage charge rate structure, consisting of three tiers (usage block) with an inclining rate for each subsequent tier. The appropriate rate structure for the general service customers is a continuation of the traditional base facility and uniform gallonage charge rate structure. The recommended rates, as shown on Schedule No. 4 of staff's September 11, 1997 memorandum, should be designed to produce revenues of \$2,017,000, excluding miscellaneous service charge revenues. The utility should file revised tariff sheets and a proposed customer notice to reflect the Commission's 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), Florida Administrative Code. The 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 18: What information should the utility continue to file to enable staff to monitor the effects of the recommended increasing-block rates, and how often should this information be filed?

Recommendation: The utility should continue preparing monthly reports containing the number of customer bills, gallons billed and revenues billed. This information should be provided for each customer class, meter size and approved usage block, separated between customers located on the mainland versus those customers located on Jupiter Island. The monthly reports requested in this issue should be filed with the Commission on a quarterly basis for a period of two years, commencing on the first billing cycle in which the revised rates go into effect.

APPROVED

VOTE SHEET

SEPTEMBER 23, 1997

DOCKET NO. 970164-WU - Application for increase in rates in Martin County by Hobe Sound Water Company.

(Continued from previous page)

Issue 19: 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, Florida Statutes?

Recommendation: The water rates should be reduced, as shown on Schedule No. 5 of staff's memorandum, to remove rate case expense in the amount of \$98,327, 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 recovery period, pursuant to Section 367.0816, Florida Statutes. The utility should be required to file revised tariff sheets and a proposed customer notice setting forth the lower rates and the reason for the reduction not later than one month prior to the actual date of the required rate reduction.

APPROVED

Issue 20: Is a refund of interim rates required and, if so, what is the appropriate amount?

Recommendation: No. Interim rates were not implemented; therefore, no refund is required.

APPROVED

Issue 21: What are the appropriate annual and monthly discounted rates, and the effective date for AFUDC?

Recommendation: The annual AFUDC rate should be 8.74% and the discounted monthly rate should be 0.728204%, consistent with Rule 25.30.11, Florida Administrative Code. The AFUDC effective date should be July 1, 1997.

APPROVED

VOTE SHEET

SEPTEMBER 23, 1997

DOCKET NO. 970164-WU - Application for increase in rates in Martin County
by Hobe Sound Water Company.

(Continued from previous page)

Issue 22: Should the docket be closed?

Recommendation: Yes. In the event a timely protest is not filed, the docket may be closed upon the utility's filing of and staff's approval of revised tariff sheets.

APPROVED