

FLORIDA PUBLIC SERVICE COMMISSION

VOTE SHEET

OCTOBER 19, 2004

RE: Docket No. 030445-SU - Application for rate increase in Lee County by Utilities, Inc. of Eagle Ridge.

Issue 1: Is the quality of service provided by Eagle Ridge considered satisfactory?

Recommendation: Yes. The utility's overall quality of service is satisfactory.

APPROVED

COMMISSIONERS ASSIGNED: All Commissioners

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

Charles M. Pook

Paul ...

Jerry Deasy

...

REMARKS/DISSENTING COMMENTS:

DOCUMENT NUMBER-DATE

11248 OCT 19 04

FPSC-COMMISSION CLERK

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Issue 2: Are any rate base adjustments appropriate?

Recommendation: Yes. The following adjustments should be made:

	<u>Plant</u>	<u>Accumulated Depreciation</u>	<u>Depreciation Expense</u>
Organization Cost (A/E 2)	(\$14,483)	\$543	(\$362)
Miscellaneous Plant (A/E 3 & 4)	(\$27,081)	4,439	(\$1,415)
Retirements (A/D 3)	(\$306,117)	306,117	(\$16,789)
Pro Forma Plant (A/D 1)	(45,285)	1,906	(1,906)
Retirement on Pro Forma	(25,399)	25,399	(1,412)
WSC Common Plant (A/E5)	<u>25,263</u>	<u>0</u>	<u>0</u>
Total:	<u>(\$393,102)</u>	<u>\$338,404</u>	<u>(\$22,268)</u>

An adjustment is also recommended to reflect a post-test year customer, as follows:

	<u>CIAC</u>	<u>Accum. Amort. of CIAC</u>	<u>Test Year Amortization</u>	<u>Test Year Revenues</u>
Post-Test Year Customer	(\$7,008)	\$304	(\$304)	\$1,563

APPROVED

Issue 3: What are the used and useful percentages of the utility's wastewater treatment plant, wastewater collection system, and reuse water system?

Recommendation: The Eagle Ridge wastewater treatment plant is 90.25% used and useful. The Cross Creek wastewater treatment plant is 100% used and useful. The wastewater collection and reuse systems should be considered 100% used and useful. While no change to the utility's percentage is recommended, staff has made adjustments addressed in Issue 2 and reclassifications to correct the amount of reuse related plant. This results in corresponding changes in the non-used and useful plant adjustments.

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Issue 4: What is the appropriate working capital allowance?

Recommendation: The appropriate working capital allowance is \$68,800 using the balance sheet method.

APPROVED

Issue 5: What is the appropriate rate base?

Recommendation: The appropriate rate base for the test year ending December 31, 2002, is \$1,413,897.

APPROVED

Issue 6: Are any adjustments necessary to the capital structure and what is the appropriate return on equity and weighted cost of capital for the test year ending December 31, 2002?

Recommendation: Deferred taxes should be increased by \$47,014 to reflect the special tax depreciation allowance claim by the utility. The appropriate cost of equity should be 11.21%, with a range of 10.21% to 12.21%, and the overall cost of capital should be 8.25%, with a range of 7.86% to 8.63%.

APPROVED

Issue 7: Are there any O&M expense adjustments that should be made related to employee salaries and benefits as a result of staff's audit?

Recommendation: Yes. Employee salaries and health cost should be decreased by \$4,696 and \$4,491, respectively. Employee insurance cost should be increased by \$711. A corresponding reduction of \$397 should also be made to payroll taxes.

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Issue 8: What is the appropriate amount of rate case expense?

Recommendation: The appropriate rate case expense for this docket is \$62,646. This expense should be recovered over four years for an annual expense of \$15,661.

APPROVED

Issue 9: What is the test year wastewater operating income before any revenue increase?

Recommendation: Based on the adjustments discussed in previous issues, staff recommends that the test year wastewater operating income before any provision for increased revenues should be \$57,642.

APPROVED

Issue 10: What is the appropriate revenue requirement?

Recommendation: The following revenue requirement should be approved.

<u>Test Year Revenues</u>	<u>\$ Increase</u>	<u>Revenue Requirement</u>	<u>% Increase</u>
\$713,889	\$98,955	\$812,854	13.86%

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Issue 11: What are the appropriate wastewater rates for this utility?

Recommendation: The appropriate monthly rates are shown on Schedule No. 4 of staff's October 7, 2004 memorandum. Staff's recommended rates are designed to produce revenues of \$811,299, 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), Florida Administrative Code. 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.

APPROVED

Issue 12: 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 the pro forma adjustments for a plant filter and rate case expense. This revised revenue requirement for the interim collection period should be compared to the amount of interim revenues granted. Using these principles, staff recommends that no interim refund should be required.

APPROVED

Issue 13: 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 to remove \$16,339 for rate case expense, grossed up for regulatory assessment fees (RAFs), which are 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.

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Issue 14: 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, Eagle Ridge should provide proof, within 90 days of the issuance date of a final order in this docket, that the adjustments for all the applicable primary accounts have been made.

APPROVED

Issue 15: Should the docket be closed?

Recommendation: Yes. If no person whose substantial interests are affected by the proposed agency action issues files a protest within twenty-one days of the issuance of the order, a consummating order will be issued and this docket should be closed upon staff's verification that the revised tariff sheets and customer notice have been filed in accordance with the Commission's decision. Once the tariff sheets and customer notice have been approved by staff, the corporate undertaking may be released. When the PAA issues are final and the tariff and notice actions are complete, this docket may be closed administratively.

APPROVED