

VOTE SHEET

May 22, 2007

Docket No. 050862-WU – Application for staff-assisted rate case in Marion County by County-Wide Utility Co., Inc. (Deferred from February 13, 2007, conference; revised recommendation filed.)

Issue 1: Should the quality of service provided by County-Wide Utility be considered satisfactory?

Recommendation: Yes. The quality of service should be considered satisfactory.

DEFERRED

Issue 2: Was it prudent for the utility to interconnect to the City of Ocala to serve current customers?

Recommendation: No. It was not prudent for the utility to interconnect to the City of Ocala to serve current customers; however, it was prudent to interconnect to provide water service to future customers.

COMMISSIONERS ASSIGNED: All Commissioners

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

REMARKS/DISSENTING COMMENTS:

DOCUMENT NUMBER-DATE

04193 MAY 23 06

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Issue 3: What are the used and useful percentages for the utility's water distribution system?

Recommendation: The water distribution system should be considered 100% used and useful.

Issue 4: What is the appropriate test year rate base for the utility?

Recommendation: The appropriate test year rate base for the utility is \$17,981.

Issue 5: What is the appropriate rate of return on equity and the appropriate overall rate of return for this utility?

Recommendation: The appropriate return on equity is 11.54% with a range of 10.54% - 12.54%. The appropriate overall rate of return is 8.01%.

Issue 6: What are the appropriate test year revenues?

Recommendation: The appropriate test year revenue for this utility is \$112,099 for water.

Issue 7: What is the appropriate amount of operating expenses?

Recommendation: The appropriate amount of operating expenses for the utility is \$144,978 for water.

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Issue 8: What is the appropriate revenue requirement?

Recommendation: The appropriate revenue requirement is \$146,419 for water.

Issue 9: Is a continuation of the utility's current rate structure for its water system appropriate, and, if not, what is the appropriate rate structure?

Recommendation: No. A continuation of the utility's current rate structure is not appropriate. Specifically, the utility's current gallonage allotments should be removed from both the residential and general service base facility charges (BFCs), and the declining block rate structure should be eliminated. The residential rate structure should be replaced with a three-tier inclining block rate structure, with usage blocks of 0 – 10 kgal, 10.001 – 20 kgal, and in excess of 20 kgal. The usage block rate factors should be 1.0, 1.25, and 1.5, respectively. The general service rate structure should be replaced with a BFC/uniform gallonage charge. The appropriate post-repression BFC cost recovery should be set at 40%. The utility's standby class of service should be eliminated.

Issue 10: Is a repression adjustment appropriate in this case, and, if so, what is the appropriate adjustment to make for this utility?

Recommendation: Yes. A repression adjustment is appropriate. Residential consumption should be reduced by 3.5%, resulting in a consumption reduction of approximately 1,159 kgal. The resulting total water consumption for ratesetting is 35,784 kgal, which represents a 3.1% reduction in overall consumption, a reduction in purchased water expense of \$1,122, and a reduction in regulatory assessment fees (RAFs) of \$53. The post-repression revenue requirement is \$143,036. In order to monitor the effects of both the changes in revenue and rate structure, the utility should be ordered to file monthly reports detailing the number of bills rendered, the consumption billed, and the revenues billed. In addition, the reports should be prepared, by customer class, usage block, 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.

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

Recommendation: The appropriate monthly water rates are shown on Schedule 4 of staff's May 10, 2007, memorandum. Excluding miscellaneous service revenues, the recommended water rates are designed to produce revenues of \$143,036. 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), 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.

Issue 12: Should the utility be authorized to revise its miscellaneous service charges, and, if so, what are the appropriate charges?

Recommendation: Yes. The utility should be authorized to revise its miscellaneous service charges. The appropriate charges are reflected in the analysis portion of staff's May, 10, 2007, memorandum. 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, the utility 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.

Issue 13: Should the utility be authorized to collect a \$5.00 late payment fee?

Recommendation: Yes. The utility should be authorized to collect a \$5.00 late payment fee. The utility should file revised tariff sheets that are consistent with the Commission's decision within one month of the Commission's vote. The tariff sheet should be implemented on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(2), Florida Administrative Code, provided the customers have received notice.

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Issue 14: Should the utility's meter test fees be changed to allow the actual cost to the utility?

Recommendation: No. The utility's meter test fees should not be changed. The utility's meter test fees should be allowed as prescribed in Rule 25-30.266, F.A.C.

Issue 15: In determining whether any portion of the emergency 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 revised revenue requirement for the emergency rate collection period and comparing it to the amount of emergency revenues granted. Based on this calculation, the utility should be required to refund 42% of water revenues collected under emergency rates. The refund should be made with interest, in accordance with Rule 25-30.360(4) F.A.C. The utility should be required to submit proper reports, pursuant to Rule 25-30.360(7), F.A.C. The utility should treat any unclaimed refunds as CIAC, pursuant to Rule 25-30.360(8), F.A.C.

Issue 16: 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. 4 of staff's May 10, 2007, memorandum, 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. 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. 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 17: Should the recommended rates be approved for the utility on a temporary basis, subject to refund, in the event of 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. 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 May 10, 2007, memorandum. 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.

Issue 18: What are the appropriate service availability charges?

Recommendation: The appropriate service availability charge for the utility is a main extension charge of \$1,520. The utility's system capacity charge should be discontinued. If the Commission approves these charges, the utility should file revised tariff sheets which are consistent with the Commission's vote. Staff recommends that it 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 revised service availability charges should become effective for connections made on or after the stamped approval date of the revised tariff sheets.

Issue 19: Should County-Wide be authorized to collect Allowance for Funds Prudently Invested (AFPI) charges, and, if so, what are the appropriate charges?

Recommendation: Yes. County-Wide should be authorized to collect water AFPI charges. The beginning date of the AFPI charges should be January 1, 2006. After December 31, 2010, the utility should be allowed to collect the constant charge until all projected 422 water ERCs in the calculation have been added, at which time the charge should be discontinued. The utility should file revised tariff sheets which are consistent with the Commission's vote within 30 days of the issuance of the Consummating Order. The revised tariff sheets should be approved upon staff's verification that the tariffs are consistent with the Commission's decision and provided future customers have been noticed, pursuant to Rule 25-30.475(2), F.A.C. In no event should the rates be effective for services rendered prior to the stamped approval date.

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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 and that the refund of a portion of the emergency rates has been completed and verified by staff. Once these actions are complete, this docket should be closed administratively.