

VOTE SHEET

July 10, 2007

Docket No. 060246-WS – Application for increase in water and wastewater rates in Polk County by Gold Coast Utility Corp. (Deferred from May 22, 2007, conference; revised recommendation filed.)

Issue 1: Is the quality of service provided by Gold Coast Utilities Corp., satisfactory?

Recommendation: Gold Coast’s overall quality of service should be considered satisfactory.

APPROVED

Issue 2: Should adjustments be made to remove plant additions for which the Utility failed to provide supporting documentation?

Recommendation: Yes. Gold Coast’s average water utility plant in service balance should be reduced by \$5,835 and its average wastewater plant in service balance should be reduced by \$4,727. Associated reductions should be made to accumulated depreciation of \$1,606 for water and \$1,538 for wastewater. Depreciation expense for water and wastewater should be reduced by \$494 and \$445, respectively.

APPROVED

COMMISSIONERS ASSIGNED: All Commissioners

COMMISSIONERS’ SIGNATURES

MAJORITY

DISSENTING

Handwritten signatures of majority commissioners on a set of four horizontal lines.

Four horizontal lines for dissenting signatures, currently blank.

REMARKS/DISSENTING COMMENTS:

DOCUMENT NUMBER-DATE

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Issue 3: Should adjustments be made to Gold Coast's accumulated amortization of Contributions in Aid of Construction (CIAC) for water to correct the composite rate used to amortize CIAC?

Recommendation: Yes. Gold Coast's Accumulated Amortization of CIAC should be reduced by \$4,780 for its water system.

APPROVED

Issue 4: What is the appropriate amount of pro forma plant?

Recommendation: The appropriate amount of pro forma plant is \$312,814 for water and \$343,269 for wastewater. The appropriate pro forma land is \$25,000 for wastewater. The respective retirements associated with these pro forma plant items are \$83,612 for water and \$108,216 for wastewater. To arrive at staff's recommended amounts, net adjustments should be made to reduce water plant in the amount of \$122,590 and wastewater plant in the amount of \$195,538. Accumulated depreciation should be increased by \$4,866 for water and \$55,652 for wastewater. Depreciation expense should also be reduced by \$9,259.85 for water and \$8,286.55 for wastewater. Corresponding adjustments should also be made to reduce taxes other than income by \$1,404 for water and \$8,592 for wastewater. The utility should be required to complete all recommended pro forma items by December 31, 2007. The utility should be required to file monthly reports with the Commission that identifies each pro forma plant addition, the amount and the date of completion.

APPROVED

Issue 5: What is the appropriate used and useful percentage for the utility's water treatment plant and storage?

Recommendation: The utility's water treatment plant should be considered 63.67% used and useful, and the storage should be considered 100% used and useful. As a result, net water rate base should be reduced by \$119,666. Corresponding adjustments should be made to reduce water depreciation expense by \$3,650 and property taxes by \$824 for water.

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Issue 6: What is the appropriate used and useful percentage for the utility's wastewater treatment plant?

Recommendation: The wastewater treatment plant should be considered 62.65% used and useful. As a result, net wastewater rate base should be reduced by \$201,396. Corresponding adjustments should be made to reduce wastewater depreciation expense by \$12,531 and property taxes by \$1,903. In addition, an adjustment should be made to reduce wastewater O&M expense by \$8,759 for excessive inflow and infiltration.

APPROVED

Issue 7: What is the appropriate used and useful percentages for the utility's water distribution and wastewater collection systems?

Recommendation: The wastewater collection and water distribution systems should be considered 100% used and useful.

APPROVED

Issue 8: What is the appropriate working capital allowance?

Recommendation: The appropriate amount of working capital is \$24,767 for water and \$40,146 for wastewater.

APPROVED

Issue 9: What are the appropriate water and wastewater rate bases?

Recommendation: The appropriate water and wastewater rate bases for the test year ending December 31, 2005, are \$218,202 and \$274,815, respectively.

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Issue 10: What is the appropriate return on common equity and the appropriate overall rate of return for this utility?

Recommendation: The appropriate return on equity is 12.00% based on the Commission leverage formula currently in effect. The overall rate of return is 7.48%.

APPROVED

Issue 11: What is the appropriate amount of pro forma salaries for Gold Coast?

Recommendation: The appropriate pro forma salaries for Gold Coast are \$130,300 for employees and \$72,000 for officers. Adjustments should be made to reduce Account 601 by \$30,668 and Account 701 by \$39,032. Further, to correct a utility error, adjustments should be made to reduce Account 603 by \$8,483 for water and Account 703 by \$9,517. In addition, payroll taxes should be reduced by \$2,995 for water and \$3,714 for wastewater, to reflect these reductions.

APPROVED

Issue 12: What, if any, adjustment should be made to pensions and benefits?

Recommendation: Adjustments should be made to Accounts 604 and 704, pensions and benefits to remove the pro forma request for Individual Retirement Account (IRA) contributions and to reflect the appropriate amount of insurance. The total adjustments to reduce these accounts are \$8,164 for water and \$10,520 for wastewater.

APPROVED

Issue 13: Should Gold Coast's wastewater Operation and Maintenance (O&M) expense be reduced by \$128 for unsupported expenses and reduced by \$3,837 to remove non-recurring expenses related to periodic permit renewal fees and periodic permits for engineering studies?

Recommendation: Yes. Gold Coast's wastewater O&M expense should be reduced by \$128 for unsupported expenses and by \$3,837 for non-recurring expenses.

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Issue 14: What is the appropriate amount of rate case expense?

Recommendation: The appropriate amount of rate case expense is \$101,923 (\$44,846 for water and \$57,077 for wastewater). This expense should be recovered over four years for an annual expense of \$11,212 for water and \$14,269 for wastewater. Thus, rate case expense should be reduced by \$1,194 for water and increased by \$2,050 for wastewater.

APPROVED

Issue 15: Should an adjustment be made to Taxes Other than Income to remove unsupported amounts and to correct the allocation of taxes between water and wastewater?

Recommendation: Yes. Taxes Other than Income for water should be reduced by \$1,558 and Taxes Other than Income for wastewater should be increased by \$458.

APPROVED

Issue 16: What is the test year operating income?

Recommendation: Based on the adjustments discussed in previous issues, the test year operating loss before any provision for increased revenues is \$45,664 and \$85,656 for water and wastewater, respectively.

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Issue 17: What are the appropriate pre-repression revenue requirements for water and wastewater?

Recommendation: The following pre-repression revenue requirements should be approved:

	<u>Test Year Revenues</u>	<u>\$ Increase</u>	<u>Revenue Requirement</u>	<u>% Increase</u>
Water	\$140,385	\$104,066	\$244,451	74.13%
Wastewater	\$214,728	\$178,316	\$393,044	83.04%

APPROVED

Issue 18: What are the appropriate rate structures for the water and wastewater systems?

Recommendation: The appropriate rate structure for the water system is the base facility charge (BFC)/uniform gallonage charge rate structure. The current residential flat rates, as well as the 5,000 gallon (5 kgal) allotment in the residential metered base facility charge, should be discontinued. Customers located in the Nalcrest, Lakeshore and Village Green service areas should be reclassified from the residential to the multi-residential service customer class. The BFC cost recovery percentage for the water system should be set at 60%. The appropriate rate structure for the wastewater system is the BFC/gallonage charge rate structure. Residential flat rates should be eliminated, and the residential wastewater monthly gallonage cap should be set at 10 kgal. Customers located in the Nalcrest, Lakeshore and Village Green service areas should be reclassified from the residential to the multi-residential service customer class. The general service gallonage charge should be 1.2 times greater than the corresponding residential charge, and the BFC cost recovery percentage for the wastewater system should be set at 64%.

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Issue 19: Are repression adjustments appropriate in this case, and, if so, what are the appropriate adjustments to make for the water and wastewater systems, what are the corresponding expense adjustments to make, and what are the resulting final revenue requirements for the respective systems?

Recommendation: Yes. Repression adjustments are appropriate for this utility. For the water system, test year kgals sold should be reduced by 3,267 kgals, purchased power expense should be reduced by \$1,025, chemicals expense should be reduced by \$94, and regulatory assessment fees (RAFs) should be reduced by \$53. The final post-repression revenue requirement for the water system should be \$243,280. For the wastewater system, test year kgals sold should be reduced by 2,548 kgals, purchased power expense should be reduced by \$1,133, chemicals expense should be reduced by \$59, and RAFs should be reduced by \$54. The final post-repression revenue requirement for the wastewater system should be \$391,796.

In order to monitor the effect of the 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 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

Issue 20: What are the appropriate monthly service rates for the water and wastewater systems?

Recommendation: The appropriate monthly water rates are shown on Schedule No. 4-A of staff's June 27, 2007, memorandum, and the appropriate wastewater monthly rates are shown on Schedule No. 4-B of staff's memorandum. The recommended water rates produce revenues of \$243,280, and the recommended wastewater rates produce revenues of \$391,796. The utility should file revised water and wastewater tariff sheets and a proposed customer notice to reflect the Commission-approved rates for the respective systems. 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 approved 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.

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Issue 21: In determining whether any portion of the interim increases 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 rate case expense and other items not in effect during the interim period. This revised revenue requirement for the interim collection period should be compared to the amount of interim revenues granted. Based on this calculation, no refund is required. Further, upon issuance of the Consummating Order in this docket, the irrevocable letter of credit should be released.

APPROVED

Issue 22: 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 and wastewater rates should be reduced as shown on Schedule Nos. 4-A and 4-B of staff's June 27, 2007, memorandum, to remove rate case expense, grossed up for regulatory assessment fees, which is being amortized over a four-year period. The decrease in water 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.

APPROVED

Issue 23: 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 the applicable 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, Gold Coast 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.

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Issue 24: Should this docket be closed?

Recommendation: No. ~~If no person whose substantial interests are affected by the proposed agency action issues files a protest within 21 days of the issuance of the order, a Consummating Order will be issued. However, 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. When the PAA issues are final and the tariff and notice actions are complete, this docket may be closed administratively.~~

MODIFIED

as noted.