

VOTE SHEET

JUNE 25, 2001

RE: DOCKET NO. 981147-WS - Investigation into potential overearnings in Highlands County by Highlands Ridge Associates, Inc.

ISSUE 1: What is the quality of service rendered to the customers of the utility?

RECOMMENDATION: The quality of service provided to the customers is satisfactory.

APPROVED

ISSUE 2: What portions of water and wastewater plants-in-service are used and useful?

RECOMMENDATION: The water treatment plant should be considered 68% used and useful and the distribution system should be considered 92% used and useful. The wastewater treatment plant should be considered 34% used and useful and the wastewater collection system should be considered 92% used and useful.

APPROVED

COMMISSIONERS ASSIGNED: DS BZ PL

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

Michael A. Paluch

Jerry Weaso

[Signature]

REMARKS/DISSENTING COMMENTS:

DOCUMENT NUMBER-DATE

07883 JUN 26 01

FPSC-RECORDS/REPORTING

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ISSUE 3: What is the appropriate average amount of rate base for the water and wastewater systems, respectively?

RECOMMENDATION: The appropriate average amount of rate base is \$85,056 for the water system and \$51,128 for the wastewater system.

APPROVED

ISSUE 4: What is the appropriate rate of return on equity and the appropriate overall rate of return for this utility?

RECOMMENDATION: The appropriate rate of return on equity is 9.94% with a range of 8.94% - 10.94% and the appropriate overall rate of return is 9.00%.

APPROVED

ISSUE 5: What are the test year revenues for the water and wastewater systems, respectively?

RECOMMENDATION: The test year revenues are \$123,027 for the water system and \$109,122 for the wastewater system.

APPROVED

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ISSUE 6: Should a pro forma allowance for a pilot conservation program be included in operation and maintenance expenses, and, if so, what is the appropriate amount?

RECOMMENDATION: Yes, a pro forma allowance for a pilot conservation program in the amount of \$11,000 should be included in operation and maintenance expenses. The conservation program should conform to the specifications discussed in the Staff Analysis and on pages 2 and 3 of Attachment A to staff's June 18, 2001 memorandum. The Commission should require the utility to file quarterly reports with the Commission on its conservation program for two years following initiation of the conservation program. These reports, to begin within three months of the issuance of the Consummating Order, should list the conservation measures that were implemented during the period and the amounts expended. Staff should confer with the SWFWMD in reviewing the reports in order to evaluate the effectiveness of the program and ensure that the program and amounts spent are consistent with the Commission order. Moreover, to monitor the effects of the conservation programs on consumption, the utility should be ordered to prepare monthly reports detailing the number of bills rendered, the consumption billed and the revenue billed. These reports should be provided, by customer class and meter size, on a quarterly basis for a period of two years, beginning with the first billing period after the initial conservation program monies are expended.

APPROVED

ISSUE 7: What are the test year amounts of operating expenses for the water and wastewater systems?

RECOMMENDATION: The test year amounts of operating expenses are \$110,961 for the water system and \$108,161 for the wastewater system.

APPROVED

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ISSUE 8: What is the appropriate amount of test year net operating income (loss) before any revenue increase or decrease for the respective systems?

RECOMMENDATION: The appropriate amount of test year net operating income (loss) before any revenue increase or decrease is \$12,066 for the water system and \$961 for the wastewater system.

APPROVED

ISSUE 9: What are the appropriate revenue requirements for the water and wastewater systems, respectively?

RECOMMENDATION: The appropriate revenue requirements are \$118,408 for the water system and \$112,934 for the wastewater system.

APPROVED

ISSUE 10: What is the appropriate rate structure for this utility for water and wastewater service?

RECOMMENDATION: The appropriate rate structure for water and wastewater service is a continuation of the traditional base facility and uniform gallonage charge rate structure. The utility should be ordered to file a rate restructuring case with the Commission no earlier than one year but no later than two years after the implementation of the utility's conservation program, at which time the rate structure issue should be revisited.

APPROVED

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ISSUE 11: Should the utility's service availability charges be revised, and, if so, how?

RECOMMENDATION: Yes, the utility's service availability charges should be discontinued. However, the meter installation charges as reflected in the water system's tariff should be continued. If approved, the utility should be required to file revised tariff sheets within thirty days of the issuance date of the Consummating Order which are consistent with the Commission's vote. Staff should 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 the revised tariff sheets are filed and approved, the discontinued service availability charges should become effective for connections made on or after the stamped approval date of the revised tariff sheets pursuant to Rule 25-30.475(2), Florida Administrative Code.

APPROVED

ISSUE 12: Should this docket be closed and the letters of credit be released?

RECOMMENDATION: No. This docket should not be closed, but the letters of credit should be released. If no timely protest is received upon expiration of the protest period, the PAA Order will become final upon the issuance of the Consummating Order. However, this docket should remain open for an additional three months from the effective date of the Order to allow staff to verify that the utility has begun implementation of the pilot conservation program recommended in Issue 6. Once staff has verified that this work has been completed, the docket should be closed administratively.

APPROVED