

VOTE SHEET

April 18, 2006

Docket No. 050449-WU – Application for staff-assisted rate case in Pasco County by Dixie Groves Utility Company. (Deferred from April 4, 2006 conference.)

Issue 1: Is the quality of service provided by Dixie Groves Utility Company considered satisfactory?

Recommendation: Yes. The quality of service provided by Dixie Groves Utility Company should be considered satisfactory.

APPROVED

Issue 2: Does the utility have excessive unaccounted for water and, if so, what adjustments should be made?

Recommendation: Yes. The utility had approximately 3.58% excessive unaccounted for water during the test year period. Therefore, allowable expenses for purchased electricity and chemicals should be reduced by 3.58% for the water treatment plant during the test year period.

APPROVED

COMMISSIONERS ASSIGNED: All Commissioners

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

Katrina G. Jew
J. [Signature]
Lisa Edge
J. [Signature]
[Signature]

REMARKS/DISSENTING COMMENTS:

DOCUMENT NUMBER - DATE

03414 APR 18 06

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Issue 3: Should the Commission approve a year-end rate base for this utility?

Recommendation: Yes. The Commission should approve a year-end rate base for this utility to allow it an opportunity to earn a fair return on the utility investment made during the test year and to insure compensatory rates on a prospective basis.

APPROVED

Issue 4: What portions of Dixie Groves Utility Company are used and useful?

Recommendation: Both the water treatment plants and water distribution systems should be considered 100% used and useful for Phase 1 period. ~~The water distribution systems should be considered 97.5% used and useful for Phase II period which is the pro forma.~~

APPROVED

Issue 5: What is the appropriate year-end test year rate base for this utility?

Recommendation: The appropriate year-end test year rate base for this utility is \$70,078 for water.

APPROVED

Issue 6: 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 10.00% with a range of 9.00% - 11.00%. The appropriate overall rate of return is 9.39%.

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Issue 7: What is the appropriate year-end test year revenue?

Recommendation: The appropriate year-end test year revenue for this utility is \$58,571 for water.

APPROVED

Issue 8: What is the appropriate amount of operating expenses?

Recommendation: The appropriate amount of operating expense for the utility is \$72,766 for water.

APPROVED

Issue 9: What is the appropriate revenue requirement?

Recommendation: The appropriate revenue requirement is \$79,346.

APPROVED

Issue 10: What is the appropriate rate structure and base facility charge cost recovery percentage for this utility?

Recommendation: The appropriate rate structure for this utility is a continuation of its base facility charge (BFC) / uniform gallonage charge rate structure. The BFC cost recovery percentage should be 50% for Phase I and 55% for Phase II.

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Issue 11: Are adjustments to reflect repression of consumption appropriate in this case due to the price increases in Phase I and Phase II, and, if so, what are the appropriate repression adjustments to be applied in order to calculate Phase I and Phase II rates?

Recommendation: ~~Yes, repression adjustments of 621.1 kgals for Phase I rates and 2092.9 kgals for Phase II rates are appropriate.~~ In order to monitor the effects of the recommended revenue increases for Phase I ~~and Phase II~~, 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, meter size and Phase, on a quarterly basis for a period of two years, beginning with the first billing period after the increased rates go into effect.

APPROVED

Issue 12: What are the appropriate water rates for Dixie Groves?

Recommendation: The recommended rates shown in the analysis section of staff's March 23, 2006 memorandum are designed to produce revenues of \$79,346. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. The rates should not be implemented until notice has been received by the customers. The utility should provide proof of the date notice was given within 10 days after the date of the notice.

APPROVED

Issue 13: Should the Commission approve pro forma plant additions for the utility, and, if so, what is the appropriate return on equity, overall rate of return, revenue requirement and when should the resulting rates be implemented?

Recommendation: Yes. The Commission should approve pro forma plant additions for the utility. With the pro forma items, the utility's appropriate return on equity should be 11.78% with a range of 10.78% - 12.78%. The appropriate overall rate of return is 8.53%. The utility's revenue requirement should be \$252,651. The utility should complete the pro forma additions within 12 months of the issuance of the consummating order. The utility should be allowed to implement the resulting rates once the completed pro forma additions have been verified by staff. Once verified, the rates should be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C.. The rates should not be implemented until notice has been received by the customers. The utility should provide proof of the date notice was given within 10 days after the date of the notice. If the utility fails to complete all of the pro forma additions, it should not be entitled to the revenue requirement with the pro forma plant additions and the resulting rates.

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Issue 14: 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 4 of staff's 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, Florida Statutes. 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.

APPROVED

Issue 15: Should the recommended rates 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?

Recommendation: Yes. Pursuant to Section 367.0814(7), Florida Statutes, the recommended Phase I 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 section of staff's 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.

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Issue 16: Should this docket be closed?

Recommendation: No. If no timely protest is filed by a substantially affected person within 21 days of the Proposed Agency Action Order, a Consumating Order should be issued. However, the docket should remain open to allow staff to ~~monitor completion of the proforma items and the appropriate implementations fo the Phase II Rates.~~ address the issue of Phase II rates at a future agenda.

APPROVED