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-M-E-M-O-R-A-N-D-U-M- COMMISSION CLERK

DATE: April 18, 2006
TO: Lisa Polak Edgar, Chairman
FROM: Timothy J. Devlin, Director, Division of Economic Regulation; Mary Anne Helton, Attorney Supervisor, Office of the General Counsel
RE: Docket No. 060255-SU - Application of Tierra Verde Utilities, Inc. for an increase in wastewater rates in Pinellas County - Test Year Approval

By letter dated March 20, 2006, Tierra Verde, Inc. (Tierra Verde) requested approval to use a historical test year ended December 31, 2005, for a wastewater only rate case filing. The company has indicated this requested test year is representative of a normal full year of operation. Further, the utility will file its application using the Proposed Agency Action provision in Section 367.081(8), Florida Statutes.

Tierra Verde states that it has made major changes to plant and equipment, but there has been no major changes in operational methods. Further, Tierra Verde states it will include pro forma plant additions, as well as, pro forma increases in salaries, salary related benefits, purchased power and other costs included in its application for an increase in wastewater rates.

By Order No. PSC-02-0778-PAA-SU, issued June 10, 2002, the Commission addressed the utility's rates through an overearnings investigation. That order was declared final in Order No. PSC-02-0901-CO-SU, issued July 5, 2002. Staff believes that the requested test year will be representative because of the reasons stated above. Staff has reviewed the utility's annual reports for calendar years 2003 through 2005, as well as the utility's proposed plant additions. Based on our review, we believe the utility is not experiencing significant growth and is proposing to replace and/or improve its wastewater system providing service to existing customers. Therefore, its requested historical test year, with pro forma adjustments for plant and O&M, should be approved. Tierra Verde indicated that it intends to submit the minimum filing requirements on or before June 30, 2006. However, since many utilities find it difficult to meet such a short timeframe, the utility is instructed to file the MFRs no later than August 31, 2006.

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c: Dr. Mary Bane, Executive Director
Charles H. Hill, Deputy Executive Director
Betty Ashby
Division of Economic Regulation (Willis, Rendell, Merta, Massoudi)
Office of the General Counsel (Brown)
Division of the Commission Clerk and Administrative Services

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