

VOTE SHEET

July 18, 2006

Docket No. 050587-WS – Application for staff-assisted rate case in Charlotte County by MSM Utilities, LLC.

Issue 1: Is the quality of service provided by MSM Utilities, LLC satisfactory?

Recommendation: Yes. The quality of service provided by MSM Utilities, LLC should be considered satisfactory.

APPROVED

Issue 2: Does the utility have excessive unaccounted for water and, if so, are adjustments necessary?

Recommendation: Yes. The Utility had approximately 5% excessive unaccounted for water during the test year period. Therefore, allowable expenses for purchased electricity and chemicals should be reduced by 5% for the WTP during the test year period.

APPROVED

COMMISSIONERS ASSIGNED: All Commissioners

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

Katrina G. Lewis

[Signature]

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REMARKS/DISSENTING COMMENTS:

DOCUMENT NUMBER-DATE

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Issue 3: What are the used and useful percentages for MSM's water and wastewater systems?

Recommendation:

Water Treatment System	84%
Storage Tank	100%
Water Distribution System	100%
Wastewater Treatment Plant	47.79%
Wastewater Collection Systems	100%

DENIED

Staff's revised analysis was approved, with water used and useful at 80.79%, wastewater at 58.32%. Fallout adjustments will be made to Issues 4 through 17, as needed.

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

Recommendation: The appropriate average test year rate base for this utility is \$50,195 for water and \$28,734 for wastewater.

APPROVED

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 8.97% with a range of 7.97% - 9.97%. The appropriate overall rate of return is 8.55%.

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Issue 6: What are the appropriate test year revenues?

Recommendation: To reflect the correct meter readings for residential customers, to impute the appropriate amount for general service customers, and to mitigate high rates and produce more reasonable ones for the existing customers by including 50 additional customers, revenues should be increased by \$34,166 for water and by \$15,606 for wastewater revenues.

APPROVED

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

Recommendation: The appropriate amount of operating expense for the utility is \$72,678 for water and \$52,097 for wastewater.

APPROVED

Issue 8: What is the appropriate revenue requirement?

Recommendation: The appropriate revenue requirement is \$76,969 for water and \$54,553 for wastewater.

APPROVED as modified by
Staff: ~~\$78,503 water revenue~~
~~requirements, \$54,566 wastewater~~
~~revenue requirements~~

to account for used and useful
adjustment and correct error.

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Issue 9: Are continuations of the utility's current rate structures for its water and wastewater systems appropriate in this case, and, if not, what are the appropriate rate structures for the respective systems?

Recommendation: No. The utility's current three-tier inclining block water system rate structure for residential service should be changed to reflect usage blocks of: a) 0-7,000 gallons (7 kgal); b) 7.001-14 kgal; and c) usage in excess of 14 kgal. The usage block rate factors should be changed to 1.0, 1.25 and 1.5, respectively, with the post-repression base facility charge (BFC) cost recovery percentage set at 35%. As the utility has no approved, tariffed water charges for the general service class, staff recommends that the rate structure be based on the traditional BFC/gallage charge cost recovery methodology, with the kgal charge based on a uniform water kgal charge. The utility's current wastewater system rate structure should also be changed to include charges for general service customers, based on the traditional BFC/gallage charge cost recovery methodology. The general service kgal charge should have no cap on billed usage, and should be 1.2 times greater than the corresponding residential wastewater kgal charge. The BFC cost recovery should be set at 60%.

APPROVED

Issue 10: Are adjustments to reflect repression of consumption due to the price changes and changes in rate structure appropriate in this case, and, if so, what are the appropriate repression adjustments for the water and wastewater systems?

Recommendation: Yes, repression adjustments are appropriate for both the water and wastewater systems. Residential consumption should be reduced by 11.9%, resulting in a consumption reduction of approximately 817.2 kgal. The resulting total water consumption for ratesetting is 6,165.5 kgal. Residential wastewater usage, capped at 10 kgal, should be reduced by ~~7.2%~~ 9.5%, resulting in a consumption reduction of approximately 504.7 kgal. The resulting total wastewater consumption for ratesetting is 4,964.9 kgal. In order to monitor the effects of both the changes in rate structures and revenues, the utility should prepare monthly reports for the water and wastewater systems, detailing the number of bills rendered, the consumption billed by usage block, and the revenues billed. These reports should be provided to staff. In addition, these reports should be prepared, by customer class and meter size, on a quarterly basis for a period of two years, beginning the first billing period after the approved rates go into effect.

APPROVED

*with the noted correction,
as made by staff at
the conference.*

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Issue 11: What are the appropriate monthly rates for each system?

Recommendation: The appropriate water and wastewater monthly rates are shown on Schedule Nos. 4-A and 4-B of staff's July 6, 2006 memorandum, respectively. The recommended rates should be designed to produce revenue of \$76,969 for water and \$54,553 for wastewater. 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 on the tariff sheet, pursuant to Rule 25-30.475(1), Florida Administrative Code. In addition, the approved rates should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The utility should provide proof of the date notice was given no less than 10 days after the date of the notice.

APPROVED

Rates will remain unchanged because utility has agreed to accept less than compensatory rates.

Issue 12: Should the recommended rates be approved for the utility on a temporary basis, subject to refund, in the event of a protest by a party other than the utility?

Recommendation: Yes. Pursuant to Section 367.0814(7), Florida Statutes, 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 shall be subject to the refund provisions discussed in the analysis in staff's memorandum. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), Florida Administrative Code, 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 13: 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 and wastewater rates should be reduced as shown on Schedule Nos. 4-A and 4-B 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 14: Should the utility be authorized to collect service availability charges, and, if so, what are the appropriate charges?

Recommendation: Yes. The Commission should approve plant capacity charges per ERC of \$638.10 for water and \$1,762.40 for wastewater, and approve a main extension policy which provides that, for new developments, the water distribution and wastewater collection systems be contributed. In addition, the utility should be authorized to collect meter installation fees of \$180 for 5/8" x 3/4" meters and actual cost for all others. If there is no timely protest by a substantially affected person, the utility should file the appropriate tariff sheets within ten days of the issuance of the Consummating Order for the Commission-approved tariff changes. Staff should be given administrative authority to approve the tariff sheets upon staff's verification the tariff is consistent with the Commission's decision. If the tariff sheets are filed and approved, the tariff sheets should become effective on or after the stamped approval date. Within ten days of the issuance of the Consummating Order for the Commission-approved tariff changes, the utility shall also provide notice of the Commission's decision to all persons in the service area who are affected by the recommended plant capacity charges and meter installation fee and the authorization to collect donated property. The notice should be approved by Commission staff prior to distribution. The utility should provide proof the appropriate customers or developers have received notice within ten days of the date of the notice. In the event of a protest, the utility should be allowed to collect staff's recommended charges, subject to refund. The utility should file revised tariff sheets and proposed customer notice prior to implementation. These charges should be implemented on a temporary basis pending resolution of the protest.

APPROVED

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Issue 15: Should the utility be authorized to collect customer deposits, and, if so, what are the appropriate charges?

Recommendation: Yes. The utility should be authorized to collect customer deposits. The appropriate customer deposit should be the recommended charge as specified in the staff analysis. The utility should file revised tariff sheets which are consistent with the Commission's vote. Staff should be given administrative authority to approve the revised tariff sheets upon staff's verification the tariffs are consistent with the Commission's decision. If revised tariff sheets are filed and approved, the customer deposit should become effective for connections made on or after the stamped approval date of the revised tariff sheets.

APPROVED

Issue 16: 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 staff's 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), Florida Administrative Code, 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.

APPROVED

Issue 17: 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. Once these actions are complete, this docket should be closed administratively.

APPROVED

CCA note: Issues
3, 8, and 11 decisions
corrected following review
of video of conference
and discussion with
staff.
lct
7-21-06