

# ORIGINAL

Hong Wang

**From:** Hong Wang  
**Sent:** Monday, January 08, 2007 10:46 AM  
**To:** Rose Thompson  
**Cc:** Ann Cole  
**Subject:** FW: Request for oral modification to Item 10, January 9, 2007 Agenda, Docket No.060255-SU – Tierra Verde Utilities, Inc.

CMP \_\_\_\_\_  
 COM \_\_\_\_\_  
 CTR \_\_\_\_\_  
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 SGA \_\_\_\_\_

Rose, please go ahead and make the changes on the vote sheet for these issues.

Thanks!

**From:** Tim Devlin  
**Sent:** Monday, January 08, 2007 10:00 AM  
**To:** Chuck Hill; Blanca Bayo; Hong Wang  
**Subject:** FW: Request for oral modification to Item 10, January 9, 2007 Agenda, Docket No.060255-SU – Tierra Verde Utilities, Inc.

FYI: For vote sheet purposes.

**From:** Mary Bane  
**Sent:** Monday, January 08, 2007 9:52 AM  
**To:** Tim Devlin  
**Cc:** Betty Ashby; Marshall Willis; Cheryl Bulecza-Banks; Troy Rendell; Martha Brown; Roberta Bass; Manuel Arisso; William C. Garner  
**Subject:** RE: Request for oral modification to Item 10, January 9, 2007 Agenda, Docket No.060255-SU – Tierra Verde Utilities, Inc.

SEC 1  
 Thompson  
 Wang  
 OTH  
 Bayo  
 Cole

Approved. It is notable that the utility and OPC are in agreement with the proposed changes.

**From:** Tim Devlin  
**Sent:** Monday, January 08, 2007 9:42 AM  
**To:** Mary Bane  
**Cc:** Betty Ashby; Marshall Willis; Cheryl Bulecza-Banks; Troy Rendell; Martha Brown  
**Subject:** Request for oral modification to Item 10, January 9, 2007 Agenda, Docket No.060255-SU – Tierra Verde Utilities, Inc.

Staff requests approval to make an oral modification to Issue 2 which affects several other issues which are listed below. Subsequent to the filing of staff's recommendation, an error was discovered. The error was in Issue 2 concerning staff's adjustment to purchased wastewater expense for excessive infiltration and inflow. In its calculation, Staff did not include the 25% surcharge on the purchased wastewater that is assessed by the City of St. Petersburg when a customer is located outside the city limits.

The utility and the Office of Public Council are in agreement with this adjustment as well as the fall out adjustments to the other issues. Neither party will address the Commission on this item at the January 9, 2007 agenda. Staff will, after your approval, walk copies of the type and strike changes below to the Commissioner/Commissioner Assistants and explain the changes made. The appropriate revisions are as follows:

**Issue 2:** Does the utility have excessive infiltration and inflow of its wastewater collection systems, and if so, what adjustments should be made?

**Recommendation:** Yes. The utility had approximately 18.6% excessive infiltration and inflow (I & I) of its wastewater collection systems during the test year period. Staff recommends that the total purchased wastewater

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should be reduced by ~~\$69,721~~ \$88,420 due to excessive I & I. (Massoudi)

**Issue 8:** What is the appropriate working capital allowance?

**Recommendation:** The appropriate working capital allowance is ~~\$71,658~~ \$69,320. (Hudson)

**Issue 9:** What is the appropriate rate base for the December 31, 2005, test year?

**Recommendation:** Consistent with other recommended adjustments, the appropriate simple average rate base for the test year ending December 31, 2005, is ~~\$928,989~~ \$926,652. (Hudson, Fletcher)

**Issue 11:** What is the appropriate weighted average cost of capital including the proper components, amounts, and cost rates associated with the capital structure for the test year ended December 31, 2005?

**Recommendation:** The appropriate weighted average cost of capital for the test year ended December 31, 2005 is ~~7.45%~~ 7.44%. (Springer, Kyle)

**Issue 12:** Should an adjustment be made to purchased wastewater treatment?

**Recommendation:** Yes. Staff is recommending a net decrease of ~~\$63,374~~ \$88,420 to purchased wastewater treatment. (Hudson)

**Issue 19:** What is the test year operating income before any revenue increase?

**Recommendation:** Based on adjustments discussed in previous issues, the test year operating income before any provision for increased revenues is ~~a net loss of \$10,216~~ \$1,414. (Hudson)

**Issue 20:** What is the appropriate revenue requirement?

**Recommendation:** The following revenue requirement should be approved: (Hudson)

	<u>Test Year Revenues</u>	<u>\$ Increase</u>	<u>Revenue Requirement</u>	<u>% Increase</u>
Wastewater	\$618,537	\$133,284	\$751,821	21.55%
		<u>\$113,428</u>	<u>\$731,965</u>	<u>18.34%</u>

**Issue 21:** What are the appropriate wastewater rates for this utility?

**Recommendation:** The appropriate monthly rates are shown on Schedule No. 4. Staff's recommended rates are designed to produce revenues of ~~\$751,821~~ \$731,965 excluding miscellaneous service charge revenues. 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 of the revised tariff sheets pursuant to Rule 25-30.475(1), F.A.C. The 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. (Hudson)

**Issue 23:** In determining whether any portion of the wastewater interim increase 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 revised revenue requirement

for the interim rate collection period and comparing it to the amount of interim revenues granted. Based on this calculation, the utility should be required to refund ~~88%~~ 3.26% (or ~~\$6,380~~ \$26,236 of annual revenues) of wastewater revenues granted under interim rates. ~~The utility would ordinarily be required to refund this difference. Staff believes the amount of the refund is immaterial. Therefore, staff is recommending the total amount of what would have been the interim refund plus interest be credited to CIAC. (Hudson)~~

Both the utility and the Office of Public Counsel are in agreement with this change, as well as staff's remaining recommendation.

**Marshall Willis**  
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Division of Economic Regulation  
Florida Public Service Commission  
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<b>Tracking:</b>	<b>Recipient</b>	<b>Delivery</b>	<b>Read</b>
	Rose Thompson	Delivered: 1/8/2007 10:46 AM	Read: 1/8/2007 10:46 AM
	Ann Cole	Delivered: 1/8/2007 10:46 AM	