

VOTE SHEET

January 9, 2007

Docket No. 060255-SU – Application for increase in wastewater rates in Pinellas County by Tierra Verde Utilities, Inc.

Issue 1: Should the quality of service provided by Tierra Verde Utilities, Inc. be considered satisfactory?

Recommendation: Yes. The quality of service provided by Tierra Verde Utilities, Inc. should be considered satisfactory.

APPROVED

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

APPROVED

COMMISSIONERS ASSIGNED: All Commissioners

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

Handwritten signatures of commissioners under the MAJORITY column, including names like Katrina J. Jew.

Blank lines for signatures under the DISSENTING column.

REMARKS/DISSENTING COMMENTS:

DOCUMENT NUMBER-DATE

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Issue 3: Should the audit rate base adjustments to which the utility agrees be made?

Recommendation: Yes. Based on audit adjustments with which the utility agrees, accumulated depreciation should be increased by \$122,840 and accumulated amortization of CIAC should be increased by \$164,682.

APPROVED

Issue 4: What are the appropriate Water Service Corporation (WSC) and Utilities, Inc. of Florida (UIF) rate base allocations for Tierra Verde?

Recommendation: The appropriate WSC net rate base allocation for Tierra Verde is \$9,925 which represents an increase to the utility's rate base. The appropriate WSC depreciation expense should be \$969 which represents a reduction of \$284. Further, the appropriate UIF rate base allocation for Tierra Verde is \$20,435. This results in plant and accumulated depreciation increases of \$25,774 and \$5,929, respectively. In addition, depreciation expense should be decreased by \$106.

APPROVED

Issue 5: Should adjustments be made to the utility's pro forma plant and expense additions?

Recommendation: Yes. The utility's pro forma plant additions should be reduced by \$14,502 resulting in total pro forma plant of \$22,083. Accordingly, accumulated depreciation and depreciation expense should both be decreased by \$345.

APPROVED

Issue 6: Should an adjustment be made to accumulated depreciation to remove organization costs?

Recommendation: Yes. An adjustment of \$7,005 should be made to accumulated depreciation to reflect the removal of organization costs.

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Issue 7: What are the used and useful percentages of the utility's wastewater collection system?

Recommendation: The wastewater collection system should be considered 100% used and useful.

APPROVED

Issue 8: What is the appropriate working capital allowance?

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

APPROVED

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.

APPROVED

Issue 10: What is the appropriate return on common equity?

Recommendation: The appropriate return on common equity is 11.45% based on the Commission leverage formula currently in effect. Staff recommends an allowed range of plus or minus 100 basis points be recognized for ratemaking purposes.

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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%.

APPROVED

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.

APPROVED

Issue 13: What is the appropriate amount of allocated WSC and UIF expenses for Tierra Verde?

Recommendation: Based on the audit adjustments and the ERC-only methodology, the appropriate WSC O&M expenses and taxes other than income for Tierra Verde are \$33,852 and \$1,537, respectively. As such, O&M expenses should be increased by \$6,352 and taxes other than income should be decreased \$2,430. Further, the appropriate UIF O&M expenses for Tierra Verde is \$3,696. As such, O&M expense should be increased by \$903.

APPROVED

Issue 14: Should an adjustment be made to the utility's pro forma salaries and wages, pensions and benefits, and payroll taxes?

Recommendation: Yes. Tierra Verde's salaries and wages should be decreased by \$15,870. Accordingly, pensions and benefits and payroll taxes should be reduced by \$1,563 and \$1,390, respectively.

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Issue 15: Should an adjustment be made to remove the utility's CPI adjustments to O&M expenses?

Recommendation: Yes. O & M expenses should be reduced by \$14,968 to reflect the removal of the utility's adjustments for CPI.

APPROVED

Issue 16: Should the expense adjustment to which the utility agrees be made?

Recommendation: Yes. Based on audit adjustments with which the utility agrees, net depreciation expense should be increased by \$1,983.

APPROVED

Issue 17: What is the appropriate amount of rate case expense?

Recommendation: The appropriate rate case expense is \$94,089. This expense should be recovered over four years for an annual expense of \$23,522. Thus, rate case expense should be reduced by \$23,372.

APPROVED

Issue 18: Should an adjustment be made to property taxes?

Recommendation: Yes. Taxes Other Than Income Taxes (TOTI) should be decreased by \$673 to reflect the discount paid and the change in the property tax millage rate.

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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.

APPROVED

Issue 20: What is the appropriate revenue requirement?

Recommendation: The following revenue requirement should be approved:

	<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>

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

Recommendation: The appropriate monthly rates are shown on Schedule No. 4 of staff's December 27, 2006 memorandum. 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.

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Issue 22: 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 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.~~

APPROVED

Issue 24: What is the appropriate amount by which rates should be reduced in 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 rates should be reduced as shown on Schedule No. 4 of staff's December 27, 2006 memorandum, to remove \$24,631 of rate case expense, grossed up for regulatory assessment fees, which is being 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, F.S. 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.

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Issue 25: Should the utility be required to provide proof that it has adjusted its books for all Commission-approved adjustments?

Recommendation: Yes. To ensure that the utility adjusts its books in accordance with the Commission's decision, Tierra Verde should provide proof, within 90 days of an effective order finalizing this docket, that the adjustments for all the applicable NARUC USOA primary accounts have been made.

APPROVED

Issue 26: Should this docket be closed?

Recommendation: Yes. If no timely protest is filed by a substantially affected person within 21 days of the Proposed Agency Action Order, a Consummating Order should be issued and the docket should be closed.

APPROVED