

VOTE SHEET

April 10, 2007

Docket No. 060575-WS – Application for staff-assisted rate case in Lee County by Useppa Utility Company Inc.

Issue 1: Is the quality of service provided by Useppa Island Utility, Inc., satisfactory?

Recommendation: Yes. Useppa Island Utility, Inc.'s overall quality of service should be considered satisfactory.

APPROVED

Issue 2: What are the used and useful percentages for the utility's water treatment plant, wastewater treatment plant, water distribution system, and wastewater collection system?

Recommendation: Useppa's used and useful percentages (U&U) should be considered 100 percent for the water and wastewater treatment plants and for the water distribution and wastewater collection systems.

APPROVED

COMMISSIONERS ASSIGNED: All Commissioners

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

Katrina J. McMurrin

[Signature]

[Signature]

REMARKS/DISSENTING COMMENTS:

DOCUMENT NUMBER-DATE

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Issue 3: What is the appropriate average test year rate base for this utility?

Recommendation: The appropriate average test year rate base for this utility is \$242,619 for water and \$275,978 for wastewater. The utility should be required to complete the pro forma upgrades to the lift stations within nine months of the issuance date of the Consummating Order.

APPROVED

Issue 4: 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 11.54%, with a range of 10.54% - 12.54%. The appropriate overall rate of return is 7.87%.

APPROVED

Issue 5: What are the appropriate test year revenues?

Recommendation: The appropriate test year revenues are \$186,867 for water and \$86,646 for wastewater.

APPROVED

Issue 6: What is the appropriate amount of pre-repression operating expenses?

Recommendation: The appropriate amount of pre-repression operating expense for the utility is \$150,333 for water and \$133,896 for wastewater.

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Issue 7: What is the appropriate pre-repression revenue requirement?

Recommendation: The appropriate pre-repression revenue requirement is \$169,435 for water and \$155,624 for wastewater.

APPROVED

Issue 8: What are the appropriate rate structures for the water and wastewater systems?

Recommendation: The appropriate rate structure for the water system is a continuation of the current base facility charge (BFC)/uniform gallonage charge rate structure. The water system's BFC should be set to recover 47% of the cost to provide service. The traditional BFC/gallonage charge rate structure should be continued for the wastewater customers. The wastewater system's BFC should be set to recover 55% of the cost to provide service, and the general service gallonage charge be set at 1.2 times the corresponding residential charge. The monthly usage charge on residential wastewater bills should be capped at 6 kgal.

APPROVED

Issue 9: Is a repression adjustment appropriate in this case?

Recommendation: No. However, in order to monitor the effects of the changes in revenues, the utility should prepare monthly reports for the water and wastewater systems, detailing the number of bills rendered, the consumption billed, 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.

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Issue 10: What are the appropriate rates for monthly service for the water and wastewater systems?

Recommendation: The appropriate water and wastewater monthly rates are shown on Schedule Nos. 4-A and 4-B of staff's March 29, 2007, memorandum, respectively. The recommended rates should be designed to produce revenue of \$169,435 for water and \$155,624 for wastewater, excluding miscellaneous service charges. 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), F.A.C. 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 ten days after the date of the notice.

APPROVED

Issue 11: 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), F.S., 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 portion of staff's March 29, 2007, 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 12: 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, F.S.?

Recommendation: The water and wastewater rates should be reduced as shown on Schedule Nos. 4-A and 4-B of staff's March 29, 2007, 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, 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. 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 13: 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 the analysis portion of staff's March 29, 2007, 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), F.A.C., provided the notice has been approved by staff. Within ten 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 ten days after the date that the notice was sent.

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Issue 14: Should the utility be required to show cause, in writing within 21 days, why it should not be fined for its apparent failure to comply with requirements of Rule 25-30.115, F.A.C., to maintain its accounts and records in conformance with the National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts (USOA), and to adjust its books to reflect the adjustments to all the applicable primary accounts as required by Order No. PSC-00-2117-PAA-SU?

Recommendation: Yes. Useppa Island Utility, Inc. should be ordered to show cause in writing, within 21 days, why it should not be fined \$1,000 for its apparent failure to maintain its accounts and records in conformance with the NARUC USOA as required by Rule 25-30.115, F.A.C., and to adjust its books to reflect the adjustments to all the applicable primary accounts as required by Order No. PSC-00-2117-PAA-SU. The order to show cause should incorporate the conditions stated in the analysis portion of staff's March 29, 2007, memorandum.

APPROVED

Issue 15: Should the utility be required to provide proof, within 90 days of an effective order finalizing this docket, that it has adjusted its books for all the applicable NARUC USOA primary accounts associated with the Commission-approved adjustments?

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

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Issue 16: 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 nine months after the consummating order for staff's verification that the revised tariff sheets and customer notice have been filed by the utility and approved by staff, and the pro forma lift station upgrades have been completed. If the utility timely responds to the Order to show cause, the docket should remain open to allow for the appropriate processing of the response. If Useppa pays the \$1,000 fine, the docket may be closed administratively upon verification the pro forma items have been completed.

APPROVED