

VOTE SHEET

August 18, 2009

Docket No. 080709-WS – Application for staff-assisted rate case in Highlands County by Damon Utilities, Inc.

**Issue 1:** Is the quality of service provided by Damon Utilities, Inc. satisfactory?

**Recommendation:** The overall quality of service provided by the Utility should be considered satisfactory.

**APPROVED**

**Issue 2:** What are the used and useful percentages of the Utility’s water treatment plant and distribution system?

**Recommendation:** The water plant and distribution system should be considered 100 percent used and useful.

**APPROVED**

COMMISSIONERS ASSIGNED: All Commissioners

COMMISSIONERS’ SIGNATURES

MAJORITY

DISSENTING

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*Katrina J. McMurrin*  
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**REMARKS/DISSENTING COMMENTS:** Commissioner Argenziano participated in the conference by telephone. She will sign the vote sheet upon her return to the office.

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**Issue 3:** What are the used and useful percentages of the Utility's wastewater treatment plant and collection system?

**Recommendation:** The wastewater treatment plant and collection system should be considered 100 percent used and useful.

**APPROVED**

**Issue 4:** What is the appropriate average test year rate base for the Utility?

**Recommendation:** The appropriate average test year rate base for the Utility is \$37,564 for water and \$42,795 for wastewater.

**APPROVED**

**Issue 5:** What is the appropriate return on equity and overall rate of return for this utility?

**Recommendation:** The appropriate return on equity (ROE) is 9.87 percent with a range of 8.87 percent to 10.87 percent. The appropriate overall rate of return is 9.10 percent.

**APPROVED**

**Issue 6:** What are the appropriate amount of test year revenues?

**Recommendation:** The appropriate test year revenue for this Utility is \$49,364 for water and \$39,157 for wastewater.

**APPROVED**

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**Issue 7:** What are the appropriate operating expenses?

**Recommendation:** The appropriate amount of operating expenses for the Utility is \$65,589 for water and \$37,996 for wastewater.

**APPROVED**

**Issue 8:** What is the appropriate revenue requirement?

**Recommendation:** The appropriate revenue requirement is \$69,933 for water and \$42,019 for wastewater.

**APPROVED**

**Issue 9:** What is the appropriate rate structure for the Utility's water and wastewater system?

**Recommendation:** The appropriate rate structure for the water system's residential and non-residential class is a continuation of the monthly base facility charge (BFC)/uniform gallonage charge rate structure. The water system's BFC cost recovery should be set at 50 percent. The appropriate rate structure for the wastewater system's residential and non-residential class should also be a continuation of the monthly BFC/uniform gallonage charge rate structure. The non-residential gallonage charge should be 1.2 times greater than the corresponding residential charge, and the BFC cost recovery percentage for the wastewater system should be set at 51 percent. The residential wastewater cap should be changed to 6,000 gallons (6 kgal).

**APPROVED**

**Issue 10:** Is a repression adjustment appropriate in this case, and, if so, what is the appropriate adjustment?

**Recommendation:** No, a repression adjustment is not appropriate for this Utility. However, in order to monitor the effects resulting from the changes in revenues, the Utility should prepare monthly reports for the water system, detailing the number of bills rendered, the consumption billed and revenues billed. In addition, the reports should be prepared by customer class and meter size. The reports should be filed with staff, on a quarterly basis, for a period of two years beginning the first billing period after the approved rates go into effect. To the extent the Utility makes adjustments to consumption in any month during the reporting period, the Utility should be ordered to file a revised monthly report for that month within 30 days of any revision.

**APPROVED**

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**Issue 11:** What are the appropriate rates for the Utility?

**Recommendation:** The appropriate monthly water and wastewater rates are shown on Schedules Nos. 4-A and 4-B, respectively, in staff's memorandum dated August 6, 2009. The recommended rates should be designed to produce revenues of \$69,933 for water and \$42,019 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 10 days after the date of the notice.

**APPROVED**

**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, Florida Statutes?

**Recommendation:** The water and wastewater rates should be reduced as shown on Schedule Nos. 4-A and 4-B in staff's memorandum dated August 6, 2009, 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. Damon 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**

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**Issue 13:** Should the recommended rates be approved for the Utility on a temporary basis, subject to refund, in the event of a protest filed by a party other than Damon?

**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, Damon should provide appropriate security. If the recommended rates are approved on a temporary basis, the rates collected by the Utility should be subject to the refund provisions discussed in the analysis portion of staff's memorandum. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., Damon 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.

**APPROVED**

**Issue 14:** 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, Damon 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.

**APPROVED**

**Issue 15:** 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**