

VOTE SHEET

November 22, 2011

Docket No. 110153-SU – Application for increase in wastewater rates in Lee County by Utilities, Inc. of Eagle Ridge.

Issue 1: Is the quality of service provided by Eagle Ridge considered satisfactory?

Recommendation: Yes, the overall quality of service provided by the Utility is satisfactory.

APPROVED

Issue 2: Should the audit adjustments to rate base and operating expense to which the Utility and staff agree be made?

Recommendation: Yes. Based on the audit adjustments agreed to by the Utility and staff, the following adjustments should be made to rate base and net operating income as set forth in the analysis portion of staff's memorandum dated November 9, 2011.

APPROVED

COMMISSIONERS ASSIGNED: All Commissioners

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

Handwritten signatures in the majority column.

Blank lines in the dissenting column.

REMARKS/DISSENTING COMMENTS:

*administrative authority given to staff to deal with all fallout issues, as a result of the vote on Issue No 5.

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Issue 3: Should any adjustment be made to the Utility's Project Phoenix Financial/Customer Care Billing System (Phoenix Project)?

Recommendation: Yes. Plant should be reduced by \$22,139. In addition, accumulated depreciation should be reduced by \$13,720. Depreciation expense should be decreased by \$7,524.

APPROVED

Issue 4: Should adjustments be made to the Utility's pro forma plant additions and associated expenses?

Recommendation: Yes. The Utility's pro forma plant additions should be reduced by \$23,877. Accordingly, corresponding adjustments should also be made to reduce accumulated depreciation by \$4,614 and to increase depreciation expense by \$456.

APPROVED

Issue 5: What are the used and useful percentages of the Utility's wastewater treatment plant, wastewater collection system, and reuse water system?

Recommendation: The wastewater treatment plants are ~~87.37~~ 100 percent used and useful (U&U). The collection systems are 100 percent U&U. The portions of the plant designated as providing reuse are 100 percent U&U. ~~Accordingly, rate base, depreciation expense, and property taxes should be reduced by \$269,122, \$19,304, and \$491, respectively.~~

APPROVED as noted above.

Issue 6: Should any adjustment be made to deferred rate case expense?

Recommendation: Yes. Consistent with the annual amortization amount approved in the Utility's last rate case and Commission practice, deferred rate case expense (DRCE) included in the working capital allowance should be decreased by \$123,098.

APPROVED

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Issue 7: What is the appropriate working capital allowance?

Recommendation: The appropriate working capital allowance is \$164,565.

APPROVED

Issue 8: What is the appropriate rate base for the test year period ended December 31, 2010?

Recommendation: Consistent with other recommended adjustments, the appropriate rate base for the test year ended December 31, 2010, is \$2,482,848.

APPROVED

Issue 9: What is the appropriate return on equity?

Recommendation: Based on the Commission leverage formula currently in effect, the appropriate return on equity (ROE) is 10.60 percent. Staff recommends an allowed range of plus or minus 100 basis points be recognized for ratemaking purposes.

APPROVED

Issue 10: What is the appropriate weighted average cost of capital including the proper components, amounts, and cost rates associated with the capital structure?

Recommendation: Based on the resolution of the previous issues, the appropriate weighted average cost of capital, including the proper components, amounts, and cost rates associated with the capital structure, is 7.54 percent.

APPROVED

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Issue 11: Should any adjustments be made to the Utility's bad debt expense?

Recommendation: Yes. Eagle Ridge's bad debt expense should be based on a 3-year average. Accordingly, bad debt expense should be reduced by \$141.

APPROVED

Issue 12: Should any adjustments be made to the Utility's purchased power expense?

Recommendation: Yes, purchased power expense should be reduced by \$3,486.

APPROVED

Issue 13: Should any adjustments be made to the Utility's contractual services - testing expense?

Recommendation: Yes, contractual services - testing expense should be reduced by \$3,532.

APPROVED

Issue 14: What is the appropriate amount of rate case expense?

Recommendation: The appropriate amount of rate case expense is \$66,554. This expense should be recovered over four years for an annual expense of \$16,639. Therefore, annual rate case expense should be reduced by \$41,406.

APPROVED

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Issue 15: What is the test year wastewater operating income or loss before any revenue increase?

Recommendation: Based on the adjustments discussed in previous issues, the test year operating income is \$129,966 for wastewater before any revenue increase.

APPROVED

Issue 16: What is the appropriate revenue requirement?

Recommendation: The following revenue requirement should be approved:

	Test Year		Revenue	
	<u>Revenues</u>	<u>\$ Increase</u>	<u>Requirement</u>	<u>% Increase</u>
Wastewater	\$996,249	\$96,213	\$1,092,462	9.66%

APPROVED

Issue 17: What are the appropriate wastewater rates for the Utility?

Recommendation: The appropriate monthly rates are shown on Schedule No. 4 of staff's recommendation dated November 9, 2011. Staff's recommended rates are designed to produce revenues of \$1,091,512, 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 within ten days of the date of the notice.

APPROVED

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Issue 18: In determining whether any portion of the 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 same data used to establish final rates, excluding rate case expense and other items not in effect during the interim period. This revised wastewater revenue requirement for the interim collection period should be compared to the amount of interim wastewater revenue requirement granted. This results in a refund of 4.23 percent. The refunds should be made with interest in accordance with Rule 25-30.360(4), F.A.C. The Utility should be required to submit proper refund reports pursuant to Rule 25-30.360(7), F.A.C. The Utility should treat any unclaimed refunds as CIAC pursuant to Rule 25-30.360(8), F.A.C. Further, the corporate undertaking should be released upon staff's verification that the required refunds have been made.

APPROVED, see comments. Fallout as a result of Issue 5 may be credited to the CIC.

Issue 19: 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 rates should be reduced as shown on Schedule No. 4 of staff's recommendation dated November 9, 2011, to remove \$20,050 for wastewater related annual rate case expense, grossed up for regulatory assessment fees (RAFs), 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 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. Eagle Ridge should provide proof of the date notice was given within 10 days of the date of the notice. 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 for the reduction in the rates due to the amortized rate case expense.

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Issue 20: 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 National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts (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, Eagle Ridge should provide proof, within 90 days of the final order in this docket, that the adjustments for all the applicable NARUC USOA primary accounts have been made.

APPROVED

Issue 21: Should this docket be closed?

Recommendation: No. If no person whose substantial interests are affected by the proposed agency action files a protest within 21 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, and that the interim refund has been completed and verified by staff. Once these actions are complete, this docket should be closed administratively, and the corporate undertaking should be released.

APPROVED