

FLORIDA PUBLIC SERVICE COMMISSION

COMMISSION CONFERENCE AGENDA

CONFERENCE DATE AND TIME: May 22, 2007, 9:30 a.m.

LOCATION: Betty Easley Conference Center, Joseph P. Cresse Hearing Room 148

DATE ISSUED: May 11, 2007

NOTICE

Persons affected by Commission action on certain items on this agenda may be allowed to address the Commission, either informally or by oral argument, when those items are taken up for discussion at this conference. These items are designated by double asterisks (**) next to the agenda item number.

To participate informally, affected persons need only appear at the agenda conference and request the opportunity to address the Commission on an item listed on agenda. Informal participation is not permitted: (1) on dispositive motions and motions for reconsideration; (2) when a recommended order is taken up by the Commission; (3) in a rulemaking proceeding after the record has been closed; or (4) when the Commission considers a post-hearing recommendation on the merits of a case after the close of the record. The Commission allows informal participation at its discretion in certain types of cases (such as declaratory statements and interim rate orders) in which an order is issued based on a given set of facts without hearing.

See Rule 25-22.0021, F.A.C., concerning Agenda Conference participation and Rule 25-22.0022, F.A.C., concerning oral argument.

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1	Approval of Minutes April 24, 2007, Regular Commission Conference		
2**	Consent Agenda		
PAA	A) Application for certificate to provide alternative access vendor service.		
	<u>DOCKET NO.</u>	<u>COMPANY NAME</u>	
	070256-TA	Inteltrace, Inc.	
PAA	B) Application for certificate to provide competitive local exchange telecommunications service.		
	<u>DOCKET NO.</u>	<u>COMPANY NAME</u>	
	070281-TX	One Voice Communications, Inc.	
PAA	C) Application for certificate to provide pay telephone service.		
	<u>DOCKET NO.</u>	<u>COMPANY NAME</u>	
	070247-TC	EAGLETEL, INC.	
PAA	D) Request for cancellation of a competitive local exchange telecommunications certificate.		
	<u>DOCKET NO.</u>	<u>COMPANY NAME</u>	<u>EFFECTIVE DATE</u>
	070266-TX	Protocall Communications, Inc.	4/17/2007

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2** Consent Agenda

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PAA E) Request for two-year exemption from requirement of rule 25-24.515(13), F.A.C., that each pay telephone station shall allow incoming calls.

<u>DOCKET NO.</u>	<u>COMPANY NAME</u>	<u>PHONE # & LOCATION</u>
070257-TC	Embarq Payphone Services, Inc.	407-671-7871 407-671-4240 407-671-0587 407-671-2725 Wal-Mart 1241 State Road 436 Casselberry, FL 32707

Recommendation: The Commission should approve the action requested in the dockets referenced above and close these dockets.

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CASE

3**

Docket No. 070183-WS – Proposed adoption of Rule 25-30.4325, F.A.C., Water Treatment Plant Used and Useful Calculations.

Critical Date(s): None

Rule Status: Proposed

Commissioners Assigned: All Commissioners

Prehearing Officer: Carter

Staff: GCL: Harris, Cibula, Jaeger

ECR: Rendell, Redemann, Hewitt

Issue 1: Should the Commission propose new Rule 25-30.4325, Florida Administrative Code (“F.A.C.”), Water Treatment and Storage Used and Useful Calculations?

Recommendation: Yes. The Commission should propose new Rule 25-30.4325, F.A.C.

Issue 2: Should this docket be closed?

Recommendation: Yes. If no requests for hearing or comments are filed, the rule as proposed should be filed for adoption with the Secretary of State and the docket should be closed.

ITEM NO.

CASE

4**

Docket No. 050890-EI – Complaint of Sears, Roebuck and Company against Florida Power & Light Company and motion to compel FPL to continue electric service and to cease and desist demands for deposit pending final decision regarding complaint.

Docket No. 050891-EI – Complaint of Kmart Corporation against Florida Power & Light Company and motion to compel FPL to continue electric service and to cease and desist demands for deposit pending final decision regarding complaint.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Carter

Staff: GCL: Brubaker

ECR: Bulecza-Banks, Draper, Maurey, Springer

Issue 1: Should the Commission acknowledge Sears and Kmart’s voluntary withdrawal of their respective complaints against FPL, and if so, what effect does the withdrawal have on Order Nos. PSC-06-0383-PAA-EI and PSC-06-0387-PAA-EI?

Recommendation: Yes. The Commission should acknowledge Sears and Kmart’s voluntary withdrawal of their respective complaints as a matter of right. The effect of the voluntary withdrawals is to divest the Commission of further jurisdiction over this matter, rendering both Order Nos. PSC-06-0383-PAA-EI and PSC-06-0387-PAA-EI nullities.

Issue 2: Should Docket Nos. 050890-EI and 050891-EI be closed?

Recommendation: Yes.

ITEM NO.

CASE

5**PAA

Docket No. 060504-GU – Request for approval of depreciation study for five-year period 2001 through 2005 by Sebring Gas System, Inc.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Carter

Staff: ECR: Gardner, Bulecza-Banks, Marsh

GCL: Gervasi

Issue 1: Should the current depreciation rates for Sebring Gas System, Inc. be changed?

Recommendation: Yes. A review of the company's plans and activities indicates a need for a revision to the currently prescribed depreciation rates.

Issue 2: What should be the implementation date for revised depreciation rates?

Recommendation: Staff recommends approval of the company's proposed January 1, 2007, date of implementation for revised depreciation rates.

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CASE

6**

Docket No. 060635-EU – Petition for determination of need for electrical power plant in Taylor County by Florida Municipal Power Agency, JEA, Reedy Creek Improvement District, and City of Tallahassee.

Critical Date(s): The applicant have waived any applicable deadlines for Commission action under Rule 25-22.080, F.A.C.

Commissioners Assigned: ~~All Commissioners~~ **Edgar, Carter, McMurrian (For purposes of this decision.)**

Prehearing Officer: McMurrian

Staff: ECR: Harlow, Ballinger, Breman, Brown, Bulecza-Banks, Lester, Matlock, Springer, Stallcup

GCL: Brubaker, Fleming, Holley

(Post-hearing motion for limited reopening of the record and for leave to file supplemental testimony.)

Issue 1: Should the Applicants' motion for limited reopening of the record and for leave to file supplemental testimony be granted?

Recommendation: Yes. The record should be reopened for the limited purpose of taking evidence on the revised production cost modeling for the City of Tallahassee and its effect on the Applicants' petition for determination of need, and leave should be given for filing the supplemental testimony and exhibits filed with the Applicants' motion. The Commission should defer its consideration of the post-hearing recommendation until additional proceedings are conducted on this limited matter. Additional procedures and controlling dates should be established by separate order of the Prehearing Officer, allowing discovery and hearing on the limited matters raised in the Applicants' motion and supplemental testimony and exhibits.

Issue 2: Should the docket be closed?

Recommendation: No. The docket should remain open to conduct the limited reopening of the record as discussed in Issue 1, and to thereafter allow final disposition of the Applicants' need petition.

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CASE

7

Docket No. 050958-EI – Petition for approval of new environmental program for cost recovery through Environmental Cost Recovery Clause by Tampa Electric Company.

Critical Date(s): None

Commissioners Assigned: ~~All Commissioners~~ **Edgar, Carter, McMurrian (For purposes of this decision.)**

Prehearing Officer: Carter

Staff: ECR: Lee, Breman, Colson, Draper, Slemkewicz
GCL: Brown

(Post-hearing decision - participation is limited to Commissioners and staff.)

Issue 1: Are the following projects in Tampa Electric Company's Big Bend FGD System Reliability Program costs or expenses incurred by Tampa Electric in complying with environmental laws or regulations and, therefore, entitled to be recovered under the environmental cost recovery clause pursuant to Section 366.8255, Florida Statutes?

- (a) Big Bend Units 1-4 Electric Isolation
- (b) Big Bend Units 3-4 Split Inlet Duct and Split Outlet Duct
- (c) Gypsum fines filter

Recommendation: Yes. Approving these projects as eligible for cost recovery through the ECRC is consistent with the statute and in the public interest.

Issue 2: How should the following remaining projects in Tampa Electric Company's Big Bend FGD System Reliability Program be recovered?

- (a) Big Bend Units 1-4 Mist Eliminator Upgrades
- (b) Big Bend Units 1-4 On-line Mist Eliminator Wash System
- (c) Big Bend Units 1-4 On-line Nozzle Wash System
- (d) Gypsum Filter Vacuum Pump Upgrades
- (e) Big Bend Units 1-2 Gypsum Blow Down Line
- (f) Controls Additions
- (g) Big Bend Units 3-4 FGD Booster Fan Capacity Expansion
- (h) Big Bend Units 1-2 Recycle Pump Discharge Isolation Bladders
- (i) Big Bend Units 1-2 Inlet Duct C-276 Wallpaper

Recommendation: The Commission should approve the stipulated position of the parties referenced below. A copy of the chart referenced by this stipulated position is attached hereto as Exhibit A of staff's May 10, 2007, memorandum.

Stipulated Position:

The costs of the projects listed under Issue 2 (which exclude electric isolation, split inlet duct and outlet duct, and gypsum fines filter projects) should be

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7

Docket No. 050958-EI – Petition for approval of new environmental program for cost recovery through Environmental Cost Recovery Clause by Tampa Electric Company.

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recovered through the Big Bend FGD System Reliability (New) ECRC Program, the Big Bend Units 1 and 2 FGD System Reliability (Existing) ECRC Program and through base rates, allocated among the three methods of recovery in the manner shown in the chart entitled "Big Bend Flue Gas Desulphurization System Reliability Program Recovery of Expenditures-Revised" filed on March 16, 2006, by Tampa Electric, a copy of which is attached hereto in staff's May 10, 2007, memorandum and by reference made a part hereof. The allowance or disallowance of costs for recovery through base rates is appropriately decided in a base rate proceeding.

(OPC specifically does not stipulate to the reasonableness or prudence of costs or expenses that are identified as recoverable through base rates or that are subsequently recovered through base rates since issues related to base rate recovery are outside the scope of this petition.)

Issue 3: Should this docket be closed?

Recommendation: The docket should be closed after the time for filing an appeal has run.

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CASE

8**

Docket No. 070231-EI – Petition for approval of 2007 revisions to underground residential and commercial distribution tariff, by Florida Power & Light Company.

Critical Date(s): 06/01/07 (60-day suspension date)

Commissioners Assigned: All Commissioners

Prehearing Officer: Administrative

Staff: ECR: Baxter, Colson

GCL: Jaeger

Issue 1: Should FPL's proposed underground residential and commercial distribution tariffs and their associated charges be suspended?

Recommendation: Yes.

Issue 2: Should this docket be closed?

Recommendation: No.

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CASE

9**

Docket No. 070242-EI – Request for revisions to underground residential differential, by Gulf Power Company.

Critical Date(s): 06/04/07 (60-day suspension date)

Commissioners Assigned: All Commissioners

Prehearing Officer: Administrative

Staff: ECR: Draper, Colson

GCL: Jaeger

Issue 1: Should Gulf's petition for approval of revisions to its Underground Residential Distribution (URD) tariffs be suspended?

Recommendation: Yes.

Issue 2: Should this docket be closed?

Recommendation: No.

ITEM NO.

CASE

10**

Docket No. 070232-EQ – Petition for approval of new standard offer for purchase of firm capacity and energy from renewable energy facilities or small qualifying facilities and approval of tariff schedule REF-1, by Gulf Power Company.

Docket No. 070234-EQ – Petition for approval of renewable energy tariff standard offer contract, by Florida Power & Light Company.

Docket No. 070235-EQ – Petition for approval of standard offer contract for purchase of firm capacity and energy from renewable energy producer or qualifying facility less than 100 kW tariff, by Progress Energy Florida, Inc.

Docket No. 070236-EQ – Petition for approval of standard offer contract for small qualifying facilities and producers of renewable energy, by Tampa Electric Company.

Critical Date(s): 06/26/07 (60-day suspension date)

Commissioners Assigned: All Commissioners

Prehearing Officer: Administrative

Staff: ECR: Ballinger, Baxter, Brown, Maurey

GCL: Holley

Issue 1: Are the standard offer contracts filed by Florida Power & Light (FPL), Progress Energy Florida (PEF), Gulf Power Company (Gulf), and Tampa Electric Company (TECO) in compliance with Rules 25-17.200 through 25-17.310, Florida Administrative Code?

Recommendation: Gulf's and TECO's proposed Standard Offer Contracts are in compliance with Rules 25-17.200 through 25-17.310, Florida Administrative Code, and therefore should be approved. Staff recommends the Commission deny FPL's and PEF's proposed Standard Offer Contracts because the utilities have not justified the inclusion of an equity adjustment in the calculation of capacity payments.

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CASE

10**

Docket No. 070232-EQ – Petition for approval of new standard offer for purchase of firm capacity and energy from renewable energy facilities or small qualifying facilities and approval of tariff schedule REF-1, by Gulf Power Company.

Docket No. 070234-EQ – Petition for approval of renewable energy tariff standard offer contract, by Florida Power & Light Company.

Docket No. 070235-EQ – Petition for approval of standard offer contract for purchase of firm capacity and energy from renewable energy producer or qualifying facility less than 100 kW tariff, by Progress Energy Florida, Inc.

Docket No. 070236-EQ – Petition for approval of standard offer contract for small qualifying facilities and producers of renewable energy, by Tampa Electric Company.

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Issue 2: Should these dockets be closed?

Recommendation: If the Commission approves staff's recommendation to approve the proposed Standard Offer Contracts and tariffs filed by Gulf and TECO, and no person whose substantial interests are affected requests a hearing to address these matters, then Docket Nos. 070232-EQ and 070236-EQ should be closed, and the Standard Offer Contracts and tariffs filed by Gulf and TECO should be effective as of the date of the Commission's vote. If a protest is filed within 21 days of the issuance of the Commission's order, the tariffs should remain in effect pending resolution of the protest. Potential signatories to the standard offer contract should be aware that Gulf's and TECO's tariffs and standard offer contracts may be subject to a request for hearing, and if a hearing is held, may subsequently be revised.

If the Commission approves staff's recommendation to deny the proposed Standard Offer Contracts and tariffs filed by FPL and PEF, Docket Nos. 070234-EQ and 070235-EQ should be closed. If a person whose substantial interests are affected requests a hearing to address the denial of the tariffs within 21 days of the issuance of the Commission's order, Docket Nos. 070234-EQ and 070235-EQ should remain open pending resolution of the protest.

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CASE

11**PAA

Docket No. 070237-EG – Petition for modifications to approved energy conservation programs and adoption of new energy conservation programs, by St. Joe Natural Gas Company, Inc.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Administrative

Staff: ECR: Brown

GCL: Fleming

Issue 1: Should the Commission approve St. Joe Natural Gas Company's petition for approval of modifications to approved energy conservation programs?

Recommendation: Yes. Each of the proposed residential programs are cost effective. The higher appliance allowances should increase customer participation resulting in more overall savings.

Issue 2: Should this docket be closed?

Recommendation: Yes. If Issue 1 is approved, the program modifications should become effective July 6, 2007. If a protest is filed within 21 days of the issuance of the proposed agency action order, the modifications should not be implemented until after the resolution of the protest. If no timely protest is filed, the docket should be closed upon the issuance of a consummating order.

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12**PAA

Docket No. 070108-EI – Petition for approval of agreement for generation services and related terms and conditions with Gulf Power Company for Northwest Division (Marianna) beginning 2008, by Florida Public Utilities Company.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: McMurrian

Staff: ECR: Sickel, Windham

GCL: Bennett

Issue 1: Should the Commission approve Florida Public Utilities Company's (FPUC) petition for approval of the agreement for generation services to be provided by Gulf Power Company (Gulf) for purposes of fuel cost recovery calculations?

Recommendation: Yes. By the terms of the agreement submitted in this petition, Florida Public Utilities Company (FPUC) will meet its power needs for a period of ten (10) years beginning January 1, 2008.

Issue 2: Should this docket be closed?

Recommendation: 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, this docket should be closed upon the issuance of a consummating order.

ITEM NO.

CASE

13**PAA

Docket No. 050862-WU – Application for staff-assisted rate case in Marion County by County-Wide Utility Co., Inc. (Deferred from February 13, 2007, conference; revised recommendation filed.)

Critical Date(s): 06/06/07 (15-month effective date - SARC)

Commissioners Assigned: All Commissioners

Prehearing Officer: Skop

Staff: ECR: Hudson, Edwards, Fletcher, Lingo, Rendell

GCL: Gervasi

(All issues proposed agency action except for Issues 16 and 17.)

Issue 1: Should the quality of service provided by County-Wide Utility be considered satisfactory?

Recommendation: Yes. The quality of service should be considered satisfactory.

Issue 2: Was it prudent for the utility to interconnect to the City of Ocala to serve current customers?

Recommendation: No. It was not prudent for the utility to interconnect to the City of Ocala to serve current customers; however, it was prudent to interconnect to provide water service to future customers.

Issue 3: What are the used and useful percentages for the utility's water distribution system?

Recommendation: The water distribution system should be considered 100% used and useful.

Issue 4: What is the appropriate test year rate base for the utility?

Recommendation: The appropriate test year rate base for the utility is \$17,981.

Issue 5: 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 8.01%.

Issue 6: What are the appropriate test year revenues?

Recommendation: The appropriate test year revenue for this utility is \$112,099 for water.

Issue 7: What is the appropriate amount of operating expenses?

Recommendation: The appropriate amount of operating expenses for the utility is \$144,978 for water.

Issue 8: What is the appropriate revenue requirement?

Recommendation: The appropriate revenue requirement is \$146,419 for water.

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13**PAA

Docket No. 050862-WU – Application for staff-assisted rate case in Marion County by County-Wide Utility Co., Inc. (Deferred from February 13, 2007, conference; revised recommendation filed.)

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Issue 9: Is a continuation of the utility’s current rate structure for its water system appropriate, and, if not, what is the appropriate rate structure?

Recommendation: No. A continuation of the utility’s current rate structure is not appropriate. Specifically, the utility’s current gallonage allotments should be removed from both the residential and general service base facility charges (BFCs), and the declining block rate structure should be eliminated. The residential rate structure should be replaced with a three-tier inclining block rate structure, with usage blocks of 0 – 10 kgals, 10.001 – 20 kgals, and in excess of 20 kgals. The usage block rate factors should be 1.0, 1.25, and 1.5, respectively. The general service rate structure should be replaced with a BFC/uniform gallonage charge. The appropriate post-repression BFC cost recovery should be set at 40%. The utility’s standby class of service should be eliminated.

Issue 10: Is a repression adjustment appropriate in this case, and, if so, what is the appropriate adjustment to make for this utility?

Recommendation: Yes. A repression adjustment is appropriate. Residential consumption should be reduced by 3.5%, resulting in a consumption reduction of approximately 1,159 kgal. The resulting total water consumption for ratesetting is 35,784 kgal, which represents a 3.1% reduction in overall consumption, a reduction in purchased water expense of \$1,122, and a reduction in regulatory assessment fees (RAFs) of \$53. The post-repression revenue requirement is \$143,036. In order to monitor the effects of both the changes in revenue and rate structure, the utility should be ordered to file monthly reports detailing the number of bills rendered, the consumption billed, and the revenues billed. In addition, the reports should be prepared, by customer class, usage block, 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.

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CASE

13**PAA

Docket No. 050862-WU – Application for staff-assisted rate case in Marion County by County-Wide Utility Co., Inc. (Deferred from February 13, 2007, conference; revised recommendation filed.)

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Issue 11: What are the appropriate rates for this utility?

Recommendation: The appropriate monthly water rates are shown on Schedule 4 of staff's May 10, 2007, memorandum. Excluding miscellaneous service revenues, the recommended water rates are designed to produce revenues of \$143,036. 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. In addition, the rates should not be implemented until staff has approved the proposed customer notice. The utility should provide proof of the date the notice was given no less than 10 days after the date of the notice.

Issue 12: 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 May, 10, 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 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.

Issue 13: Should the utility be authorized to collect a \$5.00 late payment fee?

Recommendation: Yes. The utility should be authorized to collect a \$5.00 late payment fee. The utility should file revised tariff sheets that are consistent with the Commission's decision within one month of the Commission's vote. The tariff sheet should be implemented on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(2), Florida Administrative Code, provided the customers have received notice.

Issue 14: Should the utility's meter test fees be changed to allow the actual cost to the utility?

Recommendation: No. The utility's meter test fees should not be changed. The utility's meter test fees should be allowed as prescribed in Rule 25-30.266, F.A.C.

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CASE

13**PAA

Docket No. 050862-WU – Application for staff-assisted rate case in Marion County by County-Wide Utility Co., Inc. (Deferred from February 13, 2007, conference; revised recommendation filed.)

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Issue 15: In determining whether any portion of the emergency 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 emergency rate collection period and comparing it to the amount of emergency revenues granted. Based on this calculation, the utility should be required to refund 42% of water revenues collected under emergency rates. The refund should be made with interest, in accordance with Rule 25-30.360(4) F.A.C. The utility should be required to submit proper 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.

Issue 16: 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 rates should be reduced as shown on Schedule No. 4 of staff's May 10, 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.

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CASE

13**PAA

Docket No. 050862-WU – Application for staff-assisted rate case in Marion County by County-Wide Utility Co., Inc. (Deferred from February 13, 2007, conference; revised recommendation filed.)

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Issue 17: Should the recommended rates be approved for the utility on a temporary basis, subject to refund, in the event of protest filed 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 should be subject to the refund provisions discussed in the analysis portion of staff's May 10, 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.

Issue 18: What are the appropriate service availability charges?

Recommendation: The appropriate service availability charge for the utility is a main extension charge of \$1,520. The utility's system capacity charge should be discontinued. If the Commission approves these charges, the utility should file revised tariff sheets which are consistent with the Commission's vote. Staff recommends that it be given administrative authority to approve the revised tariff sheets upon staff's verification that the tariffs are consistent with the Commission's decision. If revised tariff sheets are filed and approved, the revised service availability charges should become effective for connections made on or after the stamped approval date of the revised tariff sheets.

Issue 19: Should County-Wide be authorized to collect Allowance for Funds Prudently Invested (AFPI) charges, and, if so, what are the appropriate charges?

Recommendation: Yes. County-Wide should be authorized to collect water AFPI charges. The beginning date of the AFPI charges should be January 1, 2006. After December 31, 2010, the utility should be allowed to collect the constant charge until all projected 422 water ERCs in the calculation have been added, at which time the charge should be discontinued. The utility should file revised tariff sheets which are consistent with the Commission's vote within 30 days of the issuance of the Consummating Order. The revised tariff sheets should be approved upon staff's verification that the tariffs are consistent with the Commission's decision and provided future customers have been noticed, pursuant to Rule 25-30.475(2), F.A.C. In no event should the rates be effective for services rendered prior to the stamped approval date.

ITEM NO.

CASE

13**PAA

Docket No. 050862-WU – Application for staff-assisted rate case in Marion County by County-Wide Utility Co., Inc. (Deferred from February 13, 2007, conference; revised recommendation filed.)

(Continued from previous page)

Issue 20: 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 and that the refund of a portion of the emergency rates has been completed and verified by staff. Once these actions are complete, this docket should be closed administratively.

ITEM NO.

CASE

14**PAA

Docket No. 060253-WS – Application for increase in water and wastewater rates in Marion, Orange, Pasco, Pinellas, and Seminole Counties by Utilities, Inc. of Florida. (Deferred from April 24, 2007, conference; revised recommendation filed.)

Critical Date(s): 05/22/07 (5-month effective date - PAA rate CASE)

Commissioners Assigned: All Commissioners

Prehearing Officer: Skop

Staff: ECR: Kaproth, Bulecza-Banks, Fletcher, Kyle, Lingo, Marsh, Redemann, Romig, Springer, Walden

GCL: Jaeger

(All issues proposed agency action except for Issues 30, 31, 32 and 33.)

Issue 1: Is the quality of service provided by Utilities, Inc. of Florida (UIF) satisfactory?

Recommendation: Yes, except in Pasco County. The overall quality of the water and wastewater service for the UIF systems in Marion, Pasco, Pinellas, Orange and Seminole Counties is satisfactory, except for the Summertree water system in Pasco County. The quality of water and customer satisfaction for the Summertree system is unsatisfactory. The utility should be required to file with the Commission a copy of any response the utility provides to the Department of Environmental Protection (DEP) or the utility's Summertree customers as a result of its noncompliance with the DEP disinfection by-products rule beginning June 1, 2007, until the utility comes into compliance with the DEP disinfection by-products rule.

ITEM NO.

CASE

14**PAA

Docket No. 060253-WS – Application for increase in water and wastewater rates in Marion, Orange, Pasco, Pinellas, and Seminole Counties by Utilities, Inc. of Florida. (Deferred from April 24, 2007, conference; revised recommendation filed.)

(Continued from previous page)

Issue 2: Should the audit adjustments to rate base and the corresponding net operating income adjustments with which the utility agrees, be made?

Recommendation: Yes. Based on uncontested audit adjustments, the adjustments in Table 2-1 should be made to rate base and the corresponding net operating income accounts.

Table 2-1

SUMMARY OF UTILITIES, INC. OF FLORIDA (UIF) ADJUSTMENTS								
System	Plant	Accum. Deprec.	CIAC	Accum. Amort. CIAC	Working Capital Allowance	Deprec. Expense	CIAC Amort.	O & M Expenses
Marion Water	(14,829)	16,749				(55)	(527)	1,324
Marion Wastewater	(450)	413				(25)		
Orange Water		958	(9,893)		(32,975)			
Pasco Water	(493,947)	411,628	12,627	(43,574)	2,697	(6,430)	415	
Pasco Wastewater	(156,653)	32,576	17,232	(9,449)		(1,627)		
Pinellas Water	(15,147)	16,776				(396)		
Seminole Water	(103,759)	111,367	(107,000)	16,051	5,055	(4,271)	(3,567)	(6,266)
Seminole Wastewater	(485,393)	353,606				(5,622)		
Adjustment Totals	(1,270,178)	944,073	(87,034)	(36,972)	(25,223)	(18,426)	(3,679)	(4,942)

Issue 2A: What is the amount and treatment of the proceeds from the Ravenna Park/Lincoln Heights condemnation proceeding and what is the amount and treatment of the subsequent sale of the remaining Ravenna Park/Lincoln Heights property in Seminole County?

Recommendation: The net proceeds of \$141,720 from the \$850,000 condemnation of 8.7 acres should be recorded as a Contribution-in-Aid-of-Construction (CIAC) and amortized at the rate of 2.22%, commencing January 2002. The net proceeds of \$121,446 from the \$140,000 sale of the remaining 6.2 acres should be recorded as a gain and should be amortized above-the-line over five years, commencing May 2005.

ITEM NO.

CASE

14**PAA

Docket No. 060253-WS – Application for increase in water and wastewater rates in Marion, Orange, Pasco, Pinellas, and Seminole Counties by Utilities, Inc. of Florida. (Deferred from April 24, 2007, conference; revised recommendation filed.)

(Continued from previous page)

Issue 3: Should an adjustment be made to the Pasco County Water System to recognize the sale of land known as Parcel No. 6 in Utilities, Inc. of Florida's Bartelt-Wis-Bar purchase?

Recommendation: Yes. For the Pasco County Water System, land should be decreased by \$1,150; wells and springs should be decreased by \$15,174; accumulated depreciation, wells and springs should be decreased by \$15,174; and gain on sale should be increased by \$3,186. In addition, for UIF, the unamortized deferred credits in its working capital allowance should be increased by \$13,142.

Issue 4: Should an adjustment be made to the Orange County Water System to recognize the dismantlement of the Crescent Heights and Davis Shores water treatment plant?

Recommendation: Yes. For the Orange County Water System, wells and springs should be decreased by \$19,127; accumulated depreciation should be decreased by \$1,594; depreciation expense should be decreased by \$638; amortization expense for the loss on disposition should be increased by \$2,103. In addition, for UIF, the unamortized deferred debits in working capital allowance should be increased by \$22,298. Further, the associated property taxes of \$467 should be removed. Last, the book cost of the water system land, \$2,783, should be recorded in Account No. 121, Non-utility property, a below the line account. The utility should be required to notify the Commission by petition when the land is sold or becomes usable for any purpose, at which time the appropriate gain or loss will be addressed.

ITEM NO.

CASE

14**PAA

Docket No. 060253-WS – Application for increase in water and wastewater rates in Marion, Orange, Pasco, Pinellas, and Seminole Counties by Utilities, Inc. of Florida. (Deferred from April 24, 2007, conference; revised recommendation filed.)

(Continued from previous page)

Issue 5: What are the appropriate Water Service Corporation (WSC) and Utilities, Inc. of Florida rate base allocations for the utility?

Recommendation: The appropriate WSC net rate base allocation for UIF is \$71,813. Accordingly, UIF’s rate base and depreciation expense should be increased as follows:

Table 5-1

County	Water Rate Base	Wastewater Rate Base	Water Deprec. Expense	Wastewater Deprec. Exp.
Marion	\$4,053	\$514	\$598	\$76
Orange	2,392	-	353	-
Pasco	22,105	8,422	3,261	1,242
Pinellas	3,216	-	474	-
Seminole	19,850	11,261	2,928	1,661
Total	\$51,616	\$20,197	\$7,614	\$2,979

Further, the appropriate common rate base allocation for UIF is \$323,304. Accordingly, UIF’s plant, accumulated depreciation, and depreciation expense should be adjusted as follows:

Table 5-2

County	Plant	Accum. Deprec.	Deprec. Expense
Marion - Water	\$8,692	(\$5,719)	\$463
Marion - Wastewater	1,125	(739)	58
Orange - Water	7,208	(3,897)	(25)
Pasco - Water	(45,108)	28,431	(21,597)
Pasco - Wastewater	8,314	(5,293)	(996)
Pinellas - Water	9,380	(5,945)	(1,266)
Seminole - Water	81,497	(46,426)	2,387
Seminole - Wastewater	44,494	(24,944)	19,240

ITEM NO.

CASE

14**PAA

Docket No. 060253-WS – Application for increase in water and wastewater rates in Marion, Orange, Pasco, Pinellas, and Seminole Counties by Utilities, Inc. of Florida. (Deferred from April 24, 2007, conference; revised recommendation filed.)

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Total	\$115,602	(\$64,532)	(\$1,736)
Note: Credits are shown in parenthesis			

Issue 6: Should adjustments be made to the utility's pro forma plant additions?

Recommendation: Yes. UIF's pro forma plant, accumulated depreciation and depreciation expense should be adjusted as shown in Table 6-1.

Table 6-1
Summary
Utilities, Inc. of Florida Pro Forma Adjustments

Description	Pro forma		Include		Exclude	
	Water	W/Water	Water	W/Water	Water	W/Water
County						
Marion	10,290	3,180	0	0	(10,290)	(3,180)
Pasco	150,298	190,580	98,127	155,116	(52,171)	(35,464)
Pinellas	4,738	0	0	0	(4,738)	0
Seminole	239,017	60,612	58,233	62,672	(180,784)	2,060
Total Plant	404,343	254,372	156,360	217,788	(247,983)	(36,584)
Accum. Depreciation	6,791	4,450	1,538	3,518	(5,253)	(932)
Net Rate Base Adjustment	411,134	258,822	157,898	221,306	(253,236)	(37,516)
Depreciation Expense	12,425	8,888	5,454	7,412	(6,971)	(1,476)

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

Recommendation: UIF water plants, transmission and distribution systems, and wastewater collection lines and lift stations should be considered to be 100% used and useful, except for the Crownwood wastewater treatment plant which should be 68.65% used and useful. No adjustment should be made for excess unaccounted for water for any of the utility's water systems. The appropriate non-used and useful rate base component, depreciation expense, and property taxes should be \$3,656, \$8, and \$0 respectively. Accordingly, rate base should be decreased by \$3,656 and depreciation expense should be decreased by \$8.

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14**PAA

Docket No. 060253-WS – Application for increase in water and wastewater rates in Marion, Orange, Pasco, Pinellas, and Seminole Counties by Utilities, Inc. of Florida. (Deferred from April 24, 2007, conference; revised recommendation filed.)

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Issue 8: What is the appropriate working capital allowance?

Recommendation: The appropriate working capital allowance for each system is in Table 8-1.

Table 8-1
Working Capital Allowance

County	Water	Wastewater	Total
Marion	25,292	7,840	33,132
Orange	21,081		21,081
Pasco	124,707	82,448	207,155
Pinellas	17,568		17,568
Seminole	114,841	121,650	236,491
TOTAL	303,489	211,938	515,426

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

Recommendation: The appropriate rate bases for the UIF systems for the test year ending December 31, 2005, are as shown in Table 9-1.

Table 9-1
Rate Base

County	Water	Wastewater	Total
Marion	\$334,410	\$108,196	\$442,606
Orange	\$95,551		\$95,551
Pasco	\$1,890,259	\$737,180	\$2,627,439
Pinellas	\$282,052		\$282,052
Seminole	\$2,132,917	\$2,142,830	\$4,275,747
Total	\$4,735,189	\$2,988,206	\$7,723,395

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14**PAA

Docket No. 060253-WS – Application for increase in water and wastewater rates in Marion, Orange, Pasco, Pinellas, and Seminole Counties by Utilities, Inc. of Florida. (Deferred from April 24, 2007, conference; revised recommendation filed.)

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

Recommendation: The appropriate return on common equity is 11.46% 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.

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 6.90% for Marion County, 6.87% for Orange County, 7.16% for Pasco County, 7.31% for Pinellas County, and 7.28% for Seminole County.

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14**PAA

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Issue 12: Should the audit adjustments to net operating income with which the utility agrees, be made?

Recommendation: Yes. O&M expense, depreciation expense and property taxes should be decreased as shown in Tables 12-1 and 12-2.

Table 12-1
O&M Expense

Audit Finding	19	20	21	23	24	26	27	TOTAL
Marion Water				\$80		(\$6,617)	(\$903)	(\$7,440)
Marion Wastewater	(\$431)			(80)		(836)	903	(444)
Orange Water	(586)					(3,900)		(4,486)
Pasco Water	(1,346)	\$1,237				(36,069)		(36,178)
Pasco Wastewater	(935)		(\$14,464)			(13,745)		(29,144)
Pinellas Water	(755)	(1,237)				(5,247)		(7,239)
Seminole Water					(\$4,800)	(32,389)		(37,189)
Seminole Wastewater			(1,907)			(17,285)		(19,192)
Total	(\$4,053)	\$0	(\$16,371)	\$0	(\$4,800)	(\$116,088)	\$0	(\$141,312)

Table 12-2
Property Tax Expense

Audit Finding 32	Decrease	Increase
Marion Water	(\$1,081)	
Marion Wastewater	(137)	
Orange Water	(638)	
Pasco Water	(5,898)	\$17,186
Pasco Wastewater	(2,247)	
Pinellas Water	(858)	354
Seminole Water	(5,295)	1,440

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14**PAA

Docket No. 060253-WS – Application for increase in water and wastewater rates in Marion, Orange, Pasco, Pinellas, and Seminole Counties by Utilities, Inc. of Florida. (Deferred from April 24, 2007, conference; revised recommendation filed.)

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Seminole Wastewater	(2,826)	
Total	(\$18,980)	\$18,980

Issue 12A: Should an adjustment be made to bad debt expense?

Recommendation: Yes. Bad debt expense should be decreased as shown in Table 12A-2.

Table 12A-2
Bad Debt Expense

County	Water	Wastewater	Total
Pasco	(\$3,380)	(\$1,287)	(\$4,667)
Seminole	(\$4,014)	(\$2,144)	(\$6,158)

Issue 13: Should an adjustment be made to Pinellas County’s test year operating and maintenance expenses for billing and collection services provided by Utilities, Inc. of Florida?

Recommendation: Yes. The test year operating and maintenance expenses should be decreased by \$2,241 for the receipt of fees received from Pinellas County Utilities (PCU) for the billing and collection services provided to PCU.

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14**PAA

Docket No. 060253-WS – Application for increase in water and wastewater rates in Marion, Orange, Pasco, Pinellas, and Seminole Counties by Utilities, Inc. of Florida. (Deferred from April 24, 2007, conference; revised recommendation filed.)

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Issue 14: Should a pro forma miscellaneous service charge revenue adjustment be made to test year revenues?

Recommendation: Yes. Using the incremental increase from the recommended charges addressed in Issue 32 and the number of after hours initial connections, normal reconnections and premises visits, miscellaneous service revenues should be increased by \$305 in total and as shown by county in Table 14-1.

Table 14-1
Pro Forma Miscellaneous Service Charges

	Incremental Increase	No. of Reconnections and Premise Visits	Incremental Revenue Increase
Marion			
Initial Connections	\$7.50	0	0
Normal Reconnections	\$7.50	1	\$7.50
Premises Visit	\$5.00	0	0
Total - Marion			\$7.50
Orange			
Initial Connections	\$7.50	0	0
Normal Reconnections	\$7.50	4	\$30.00
Premises Visit	\$5.00	2	\$10.00
Total – Orange			\$40.00
Pasco			
Initial Connections	\$7.50	0	0
Normal Reconnections	\$7.50	12	\$90.00
Premises Visit	\$5.00	3	\$15.00
Total - Pasco			\$105.00
Pinellas			
Initial Connections	\$7.50	0	0
Normal Reconnections	\$7.50	1	\$7.50
Premises Visit	\$5.00	1	\$5.00
Total - Pinellas			\$12.50

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14**PAA

Docket No. 060253-WS – Application for increase in water and wastewater rates in Marion, Orange, Pasco, Pinellas, and Seminole Counties by Utilities, Inc. of Florida. (Deferred from April 24, 2007, conference; revised recommendation filed.)

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	Incremental Increase	No. of Reconnections and Premise Visits	Incremental Revenue Increase
Seminole			
Initial Connections	\$7.50	0	
Normal Reconnections	\$7.50	16	\$120.00
Premises Visit	\$5.00	4	\$20.00
Total - Seminole			\$140.00
Total Adjustment			\$305.00

Issue 15: What is the appropriate amount of allocated WSC and common expenses for Utilities, Inc. of Florida?

Recommendation: The appropriate WSC O&M expenses and taxes other than income (TOTI) for UIF are \$198,176 and \$9,571, respectively. Accordingly, UIF's O&M expenses and taxes other than income should be adjusted as follows:

Table 15-1

County	Water O&M Exp.	Wastewater O&M Exp.	Water TOTI	Wastewater TOTI
Marion	(\$905)	(\$114)	(\$20)	(\$2)
Orange	(535)	-	(11)	-
Pasco	(4,941)	(1,882)	(107)	(41)
Pinellas	(718)	-	(15)	-
Seminole	(4,441)	(524)	(96)	38
Total	(\$11,540)	(\$2,520)	(\$249)	(\$5)

Further, the appropriate common O&M expenses for UIF are \$125,268. Accordingly, UIF's O&M expenses should also be decreased as follows:

Table 15-2

County	Water O&M Exp.	Wastewater O&M Exp.
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14**PAA

Docket No. 060253-WS – Application for increase in water and wastewater rates in Marion, Orange, Pasco, Pinellas, and Seminole Counties by Utilities, Inc. of Florida. (Deferred from April 24, 2007, conference; revised recommendation filed.)

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Marion	(\$732)	(\$93)
Orange	(432)	-
Pasco	(4,612)	(1,669)
Pinellas	(957)	-
Seminole	(3,613)	(1,948)
Total	(\$10,346)	(\$3,710)

Issue 16: Should an adjustment be made to the utility's pro forma salaries & wages, pensions & benefits, and payroll taxes?

Recommendation: Yes. UIF's salaries and wages, pensions and benefits, and payroll taxes should be reduced as follows:

Table 16-1

County	Salaries & Wages	Pensions & Benefits	Payroll Taxes
Marion - Water	(\$4,423)	(\$245)	(\$365)
Marion - Wastewater	(562)	(31)	(46)
Orange - Water	(2,611)	(144)	(216)
Pasco - Water	(24,126)	(1,336)	(1,996)
Pasco - Wastewater	(9,192)	(509)	(761)
Pinellas - Water	(3,509)	(194)	(290)
Seminole - Water	(21,663)	(1,200)	(1,792)
Seminole - Wastewater	(11,561)	(640)	(956)
Total	(\$77,647)	(\$4,299)	(\$6,422)

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14**PAA

Docket No. 060253-WS – Application for increase in water and wastewater rates in Marion, Orange, Pasco, Pinellas, and Seminole Counties by Utilities, Inc. of Florida. (Deferred from April 24, 2007, conference; revised recommendation filed.)

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Issue 17: Should an adjustment be made to purchased power expense?

Recommendation: Staff recommends that O&M expenses be reduced by \$10,163 and as indicated for the respective water or wastewater systems, as shown in Table 17-1.

Table 17-1

County	Allocation Percentage	Allocation Error Office	Error Cherry Way	Add back L/S at Weathersfield	Total to Correct
Marion Water	5.70%	(\$636)	N/A	N/A	(\$636)
Marion Wastewater	0.72%	(81)	N/A	N/A	(81)
Orange Water	3.36%	(375)	N/A	N/A	(375)
Pasco Water	31.07%	(3,469)	N/A	N/A	(3,469)
Pasco Wastewater	11.84%	(1,322)	(\$358)	N/A	(1,680)
Pinellas Water	4.52%	(505)	N/A	N/A	(505)
Seminole Water	27.90%	(3,115)	N/A	N/A	(3,115)
Seminole Wastewater	14.89%	(1,662)	N/A	\$1,360	(302)
Total		(\$11,165)	(\$358)	\$1,360	(\$10,163)

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14**PAA

Docket No. 060253-WS – Application for increase in water and wastewater rates in Marion, Orange, Pasco, Pinellas, and Seminole Counties by Utilities, Inc. of Florida. (Deferred from April 24, 2007, conference; revised recommendation filed.)

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Issue 18: Should an adjustment be made to transportation expense?

Recommendation: Yes. O&M expense should be reduced by \$15,056, to remove an estimated amount for errors related to the assignment of transportation costs. The adjustments to the respective water or wastewater county systems are shown in Table 18-1.

Table 18-1

County	Allocation Percentage	Correction by County
Marion Water	5.70%	(\$858)
Marion Wastewater	0.72%	(109)
Orange Water	3.36%	(506)
Pasco Water	31.07%	(4,678)
Pasco Wastewater	11.84%	(1,782)
Pinellas Water	4.52%	(680)
Seminole Water	27.90%	(4,201)
Seminole Wastewater	14.89%	(2,242)
TOTAL	100.00%	(\$15,056)

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14**PAA

Docket No. 060253-WS – Application for increase in water and wastewater rates in Marion, Orange, Pasco, Pinellas, and Seminole Counties by Utilities, Inc. of Florida. (Deferred from April 24, 2007, conference; revised recommendation filed.)

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Issue 19: Should an adjustment be made to vehicle repairs?

Recommendation: Yes. A reduction to test year O&M expenses of \$6,441 should be made as shown in Table 19-1.

Table 19-1
Vehicle Repairs Expense Breakdown by County

County	Allocation Percentage	Reduction by County
Marion Water	5.70%	(\$367)
Marion Wastewater	0.72%	(46)
Orange Water	3.36%	(217)
Pasco Water	31.07%	(2,001)
Pasco Wastewater	11.84%	(763)
Pinellas Water	4.52%	(291)
Seminole Water	27.90%	(1,797)
Seminole Wastewater	14.89%	(959)
TOTAL	100.00%	(\$6,441)

Issue 20: Should adjustments be made to the utility's pro forma expense adjustments?

Recommendation: Yes. UIF's O&M expenses should be decreased by \$21,529 to reflect the removal of the utility's CPI adjustments. Amounts by county are shown in Table 20-1.

Table 20-1
Pro Forma O&M Adjustments

County	CPI
Marion Water	(\$1,261)
Marion Wastewater	(478)
Orange Water	(587)
Pasco Water	(6,552)
Pasco Wastewater	(2,121)
Pinellas Water	(1,018)
Seminole Water	(6,780)
Seminole Wastewater	(2,732)
TOTAL	(\$21,529)

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CASE

14**PAA

Docket No. 060253-WS – Application for increase in water and wastewater rates in Marion, Orange, Pasco, Pinellas, and Seminole Counties by Utilities, Inc. of Florida. (Deferred from April 24, 2007, conference; revised recommendation filed.)

(Continued from previous page)

Issue 21: Does Utilities, Inc. of Florida have excessive infiltration and inflow for any of its wastewater collection systems, and if so, what adjustments should be made?

Recommendation: Yes. UIF had approximately 19.3% excessive infiltration and inflow (I & I) for its Seminole County wastewater collection system of Ravenna Park during the test year period. Staff recommends that the total purchased wastewater should be reduced by \$20,600 due to excessive I & I.

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14**PAA

Docket No. 060253-WS – Application for increase in water and wastewater rates in Marion, Orange, Pasco, Pinellas, and Seminole Counties by Utilities, Inc. of Florida. (Deferred from April 24, 2007, conference; revised recommendation filed.)

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Issue 22: What is the appropriate amount of rate case expense?

Recommendation: The appropriate total rate case expense for the current docket is \$295,756. This expense should be recovered over four years for an annual expense of \$73,939. The allocated portion of the annual expense to water and wastewater is \$52,934 and \$21,005, respectively. As discussed in Issue 24, Orange County rates will remain unchanged. Since no rate increase is appropriate for Orange County, that portion of rate case expense should be disallowed.

Table 22-1
Rate Case Expense Adjustments for Current Case By County

County	Requested Amount	Adjustment	Staff Recommended Amount
Marion Water	\$4,621	(\$262)	\$4,359
Marion Wastewater	587	(33)	554
Orange Water	2,728	(2,728)	0
Pasco Water	25,204	(1,432)	23,772
Pasco Wastewater	9,603	(545)	9,058
Pinellas Water	3,666	(208)	3,458
Seminole Water	22,631	(1,286)	21,345
Seminole Wastewater	12,079	(686)	11,393
Total	\$81,119	(\$7,180)	\$73,939

The appropriate amount of amortization to be included for the prior rate proceeding is \$99,400. Rate case expense should be increased by \$62,125 to bring the prior rate case expense to this amount. The amortization adjustments for water and wastewater are \$45,646 and \$16,479, respectively.

Table 22-2
Prior Rate Case Expense Adjustment By County

County	Prior Rate Proceeding	Amount included in requested rate case expense	Amount to be added to test year
Marion Water	\$7,668	\$2,123	\$5,545
Marion Wastewater	597	270	327
Orange Water	2,451	1,253	1,198

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CASE

14**PAA

Docket No. 060253-WS – Application for increase in water and wastewater rates in Marion, Orange, Pasco, Pinellas, and Seminole Counties by Utilities, Inc. of Florida. (Deferred from April 24, 2007, conference; revised recommendation filed.)

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Pasco Water	38,060	11,581	26,479
Pasco Wastewater	15,152	4,413	10,739
Pinellas Water	4,226	1,685	2,541
Seminole Water	20,282	10,399	9,883
Seminole Wastewater	10,964	5,551	5,413
Total	\$99,400	\$37,275	\$62,125

Issue 23: What is the test year pre-repression water and wastewater operating income or loss before any revenue increase?

Recommendation: Test year pre-repression operating income for each county, before any provision for increased or decreased revenues, is shown in Table 23-1.

Table 23-1
Pre-repression Water and Wastewater Operating Income
before any Revenue Increases/Decreases.

County	Water	Wastewater
Marion	\$31,262	\$11,667
Orange	\$8,011	
Pasco	\$17,768	\$14,458
Pinellas	\$2,967	
Seminole	\$107,052	\$75,459

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Issue 24: What are the appropriate pre-repression revenue requirements for the December 31, 2005, test year?

Recommendation: The pre-repression revenue requirements, as shown in Table 24-1, should be approved. As indicated, Marion County’s Water and Wastewater rates should be decreased; Orange County’s rates should remain the same; and increases should be granted for Pasco Water and Wastewater, Pinellas Water and Seminole Water and Wastewater. Furthermore, the total amount of the collected interim increase in Orange County should be refunded and it should be prohibited from receiving a 2007 price-index adjustment.

Consistent with staff’s recommendations concerning the underlying rate base, cost of capital, and operating income issues, and as explained in the body of this recommendation, staff recommends approval of rates that are designed to generate pre-repression revenue requirements as shown in Table 24-1.

Table 24-1
Pre-repression Revenue Requirements

	Test Year Revenues	Requested Final Rates	Requested % Increase	Recommended Increase/Decrease	Revenue Requirement	% Increase/Decrease
Marion						
Water	\$164,769	\$179,185	8.75%	(\$13,733)	\$154,279	(8.17%)
Wastewater	45,037	43,661	(3.06)	(7,050)	37,522	(15.82%)
Orange						
Water	\$97,411	\$121,555	24.79%	\$0	\$0	0%
Pasco						
Water	\$585,359	\$967,316	65.25%	\$197,271	\$788,921	33.34%
Wastewater	378,336	532,828	40.84%	\$64,294	\$440,444	17.09%
Pinellas						
Water	\$76,741	\$135,830	77.00%	\$29,626	\$107,716	37.94%
Seminole						
Water	\$679,867	\$960,123	41.22%	\$80,934	\$767,392	11.79%
Wastewater	589,169	891,161	51.26%	\$135,188	\$725,153	22.91%

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Issue 25: What are the appropriate rate structures for the water and wastewater systems in Marion, Orange, Pasco, Pinellas, and Seminole Counties?

Recommendation: The appropriate rate structures for the system in Marion County are the current base facility charge (BFC)/uniform gallonage charge rate structure for the water system and the BFC/gallonage charge rate structure for the wastewater system. The general service wastewater gallonage charge should be 1.2 times the corresponding residential charge. The BFC cost recovery percentages should be set at 33% for the water system and 25% for the wastewater system.

The appropriate rate structure for the water system in Orange County is the current three-tier inclining block rate structure for its residential customers. The usage blocks and usage block rate factors should remain unchanged. The BFC/uniform gallonage charge rate structure should be continued for the general service customers. The BFC cost recovery percentage for the water system should remain at 26%.

The appropriate rate structures for the systems in Pasco County are the current BFC/uniform gallonage charge rate structure for the water system and the BFC/gallonage charge rate structure for metered customers on the wastewater system. The rate structures for the Wis-Bar and Summertree wastewater systems should remain unconsolidated. For those Wis-Bar wastewater customers who are currently billed under flat rates, that rate structure should be retained. The general service wastewater gallonage charge should be 1.2 times the corresponding residential charge. The BFC cost recovery percentages should be set at 45% for the water system, 39% for the Wis-Bar wastewater system, and 37% for the Summertree wastewater system.

In Pinellas County, the appropriate rate structure for the water system is the current BFC/uniform gallonage charge rate structure. The BFC cost recovery percentage should be set at 40%.

In Seminole County, the appropriate rate structure for the water system is the current three-tier inclining block rate structure. The usage blocks and usage block rate factors should remain unchanged. The BFC/uniform gallonage charge rate structure should be continued for the general service customers. The BFC/gallonage charge rate structure should be continued for the wastewater system. The general service wastewater gallonage charge should be 1.2 times the corresponding residential charge. The BFC cost recovery percentages should be set at 25% for the water system and 25% for the wastewater system.

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Issue 26: Are repression adjustments appropriate in this case, and, if so, what are the appropriate adjustments to make for the water and wastewater systems, what are the corresponding expense adjustments to make, and what are the resulting final revenue requirements for the respective systems?

Recommendation: Yes. Repression adjustments and the corresponding expense adjustments for Pasco, Pinellas, and Seminole Counties are appropriate for this utility. The recommended repression and related expense adjustments, plus staff's resulting final revenue requirements for each system and county, are shown in Table 26-1 below.

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Table 26-1
Analysis of Repression Effects on Consumption, Associated
Revenue Adjustments, and Final Revenue Requirements

	Marion		Orange	Pasco		Pinellas	Seminole	
	Water	Wwater	Water	Water	Wwater	Water	Water	Wwater
Kgals repr	0	0	0	(2,364)	(2,222)	(489)	(2,610)	(2,219)
Pre repr revs from rates				\$776,724	\$433,787	\$106,501	\$756,241	\$725,154
Purch pwr				(\$311)	(\$182)	(\$63)	(\$425)	(\$131)
Chems				(\$141)	0	(\$36)	(\$297)	
Purch water						(\$45)	(\$22)	
Sludge removal					(\$615)			(\$528)
Purch sewage treatment					(\$10,415)			(\$5,791)
RAFs				(\$21)	(\$505)	(\$7)	(\$36)	(\$290)
Post repr revs from rates	\$151,970	\$37,522	\$94,685	\$776,251	\$422,071	\$106,351	\$755,461	\$718,414
Misc serv chgs	\$2,309	\$0	\$2,896	\$12,197	\$6,657	\$1,215	\$11,151	\$0
Post repr final rev reqmt	\$154,279	\$37,522	\$97,581	\$788,448	\$428,728	\$107,566	\$766,612	\$718,414

In order to monitor the effect of the revenue changes, the utility should be ordered to file reports detailing the number of bills rendered, the consumption billed and the revenues billed on a monthly basis. These reports should be prepared for Pasco, Pinellas, and Seminole Counties, by customer class, usage block 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.

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Issue 27: What are the appropriate rates for monthly service for the water and wastewater systems?

Recommendation: The appropriate monthly water rates are shown on Schedule No. 4-A of staff's May 10, 2007, memorandum, and the appropriate monthly wastewater rates are shown on Schedule No. 4-B of staff's memorandum. Excluding miscellaneous service charges, the recommended water and wastewater rates produce revenues as shown in Table 27-1.

Table 27-1
 Revenues From Monthly Service Rates

County	Revenues
Marion	
Water	151,970
Wastewater	37,522
Orange	
Water	\$94,685
Pasco	
Water	\$776,251
Wastewater	\$422,071
Pinellas	
Water	\$106,351
Seminole	
Water	\$755,461
Wastewater	\$718,414

The utility should file revised water and wastewater tariff sheets and a proposed customer notice to reflect the Commission-approved rates for the respective systems. 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. In addition, the approved 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 28: Should the utility be authorized to revise its water and wastewater miscellaneous service charges, and, if so, what are the appropriate charges?

Recommendation: Yes. The utility should be authorized to revise its water and wastewater miscellaneous service charges as shown in Tables 28-1 and 28-2. 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 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.

Table 28-1
Water Miscellaneous Service Charges

For All Counties				
	Current Charges		Recommended Charges	
	Bus. Hrs.	After Hrs.	Bus. Hrs.	After Hrs.
Initial Connection Fee:	15.00	15.00	15.00	22.50
Normal Reconnection Fee:	15.00	15.00	15.00	22.50
Violation Reconnection Fee	15.00	15.00	15.00	22.50
Premises Visit Charge (in lieu of disconnection)	10.00	10.00	10.00	15.00

Table 28-2
Wastewater Miscellaneous Service Charges

For All Counties				
	Current Charges		Recommended Charges	
	Bus. Hrs.	After Hrs.	Bus. Hrs.	After Hrs.
Initial Connection Fee:	15.00	15.00	15.00	22.50
Normal Reconnection Fee:	15.00	15.00	15.00	22.50
Violation Reconnection Fee	Actual	Actual	Actual	Actual
Premises Visit Charge (in lieu of disconnection)	10.00	10.00	10.00	15.00

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Issue 29: In determining whether any portion of the water or wastewater interim increases granted should be refunded, how should the refunds be calculated, and what are the amounts of the refunds, if any?

Recommendation: The appropriate refund amounts 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 revenue requirements for the interim collection period should be compared to the amount of interim revenues granted. Based on these calculation, staff recommends the refund percentages for the water systems shown in Table 29-1.

Table 29-1
Recommended Interim Refund Percentages

	(A)	(B)	(C)	(D)	(E)	(F)
County	Interim Test Year Revenues Granted	Less Interim Revenue from Miscellaneous Service Charges	Interim Test Year Revenues From Rates (A) – (B)	Recalculated Interim Revenues From Rates **	Excess Revenue Collected from Rates (C)-(D)	Refund Percentage (E)/(C)
Marion – Water						N/A
Marion – Wastewater						N/A
Orange – Water	\$108,004	\$2,856	\$105,148	\$94,685	\$10,463	100.00%
Pasco – Water	\$796,634	\$12,197	\$784,437	\$751,495	\$32,942	4.20%
Pasco – Wastewater	\$431,317	0	\$431,317	\$430,872	\$445	No Refund
Pinellas - Water	\$114,470	\$1,215	\$113,255	\$102,834	\$10,421	9.20%
Seminole - Water	\$809,835	\$11,151	\$798,684	\$733,542	\$65,142	8.16%
Seminole - Wastewater	\$783,689	0	\$783,689	\$783,689	(\$70,540)	No Refund
** Recalculated interim revenue requirement, excluding rate case expense and other items not in effect during the interim period						

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Upon issuance of the consummating order in this docket, the corporate undertaking should be released after the appropriate amounts of interim revenues are refunded and the refund amounts are verified by staff.

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Issue 30: 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 rates should be reduced as shown on Schedule Nos. 4-A and 4-B of staff's May 10, 2007, memorandum, to remove the revenue impact of rate case expense. This amount was calculated by taking the annual amount of rate case expense by system grossed up for regulatory assessment fees as shown below. Because rate case expense is disallowed for Orange County, as discussed in Issue 22, the four-year rate reduction is not appropriate for Orange County.

Table 30-1
Rate Case Expense Including Regulatory Assessment Fees

	Staff Recommended Amount	Amount Including RAF
Marion Water	\$4,359	\$4,564
Marion Wastewater	554	580
Orange Water	0	0
Pasco Water	23,772	24,892
Pasco Wastewater	9,058	9,485
Pinellas Water	3,458	3,621
Seminole Water	21,345	22,351
Seminole Wastewater	11,393	11,930
Total	\$73,939	\$77,423

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 proposed customer notices for each system 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. The rates should not be implemented until staff has approved the proposed customer notices, and the notice has been received by the customers. The utility should provide proof of the date notices were given no less than ten days after the date of the notices. 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 31: Should Utilities, Inc. of Florida be required to show cause, in writing within 21 days, why it should not be fined for serving outside its certificated territory in apparent violation of Section 367.045(2), F.S.?

Recommendation: Yes. UIF should be ordered to show cause in writing, within 21 days, why it should not be fined a total of \$5,250, or \$750 per system, for apparently serving outside its certificated territory in seven separate systems. The order to show cause should incorporate the conditions stated in the analysis portion of staff's May 10, 2007, memorandum. Moreover, UIF should be ordered to file by September 30, 2007, an amendment application for all its systems in which it is serving outside its certificated territory to correct its apparent violation of Subsection 367.045(2), F.S.

Issue 32: 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 the requirements of Rule 25-30.115, F.A.C., and Orders Nos. PSC-03-1440-FOF-WS and PSC-04-1275-AS-WS, to adjust its books to conform with the National Association of Regulatory Commissioners (NARUC) Uniform System of Accounts (USOA)?

Recommendation: Yes. Utilities, Inc. of Florida should be ordered to show cause in writing, within 21 days, why it should not be fined \$3,000 for its apparent failure to adjust its books to conform with the NARUC USOA as required by Rule 25-30.115, F.A.C., and Orders Nos. PSC-03-1440-FOF-WS and PSC-04-1275-AS-WS. The order to show cause should incorporate the conditions stated in the analysis portion of staff's May 10, 2007, memorandum.

Issue 33: 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, UIF 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.

Issue 34: Should this docket be closed?

Recommendation: If no person whose substantial interests are affected by the proposed agency action issues files a protest within 21 days of the issuance of the Order, a Consummating Order will be issued. If UIF pays the \$8,250 in fines, the docket should be closed administratively upon staff's verification that there was no timely protest, the proposed fines have been paid, and the appropriate refunds have been made. If there is a timely protest by a substantially affected person or if the utility timely responds in writing to the Order to show cause, the docket should remain open to allow for the processing of either the protest or the response.

ITEM NO.

CASE

15**PAA

Docket No. 060246-WS – Application for increase in water and wastewater rates in Polk County by Gold Coast Utility Corp.

Critical Date(s): Gold Coast has waived the 5-month effective date (PAA-Rate Case) of 04/02/07 until 5/22/07.

Commissioners Assigned: All Commissioners

Prehearing Officer: Skop

Staff: ECR: Rendell, Bulecza-Banks, Edwards, Lingo

GCL: Fleming

(All issues proposed agency action except Issues 22 and 23.)

Issue 1: Is the quality of service provided by Gold Coast Utilities Corp., satisfactory?

Recommendation: Gold Coast's overall quality of service should be considered satisfactory.

Issue 2: Should adjustments be made to remove plant additions for which the Utility failed to provide supporting documentation?

Recommendation: Yes. Gold Coast's average water utility plant in service balance should be reduced by \$5,835 and its average wastewater plant in service balance should be reduced by \$4,727. Associated reductions should be made to accumulated depreciation of \$1,606 for water and \$1,538 for wastewater. Depreciation expense for water and wastewater should be reduced by \$494 and \$445, respectively.

Issue 3: Should adjustments be made to Gold Coast's water accumulated amortization of contributions in aid of construction (CIAC) to correct the composite rate used to amortize CIAC?

Recommendation: Yes. Gold Coast's water accumulated amortization of CIAC should be reduced by \$4,780.

Issue 4: What is the appropriate amount of pro forma plant?

Recommendation: The appropriate amount of pro forma plant is \$240,529 for water and \$343,365 for wastewater. The respective retirements associated with these pro forma plant items are \$83,612 for water and \$91,788 for wastewater. To arrive at staff's recommended amounts, net adjustments should be made to reduce water plant in the amount of \$194,875 and wastewater plant in the amount of \$179,014. Accumulated depreciation should be increased by \$44 for water and \$72,144 for wastewater. Depreciation expense should also be reduced by \$14,081 for water and \$7,858 for wastewater. Corresponding adjustments should also be made to reduce taxes other than income by \$2,723 for water and \$8,290 for wastewater. The utility should be required to complete all recommended pro forma items by December 31, 2007. The utility should be required to file a report with the Commission no later than January 31, 2008, that identifies each pro forma plant addition, the amount and the date of completion.

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Docket No. 060246-WS – Application for increase in water and wastewater rates in Polk County by Gold Coast Utility Corp.

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Issue 5: What is the appropriate used and useful percentage for the utility's water treatment plant and storage?

Recommendation: The utility's water treatment plant should be considered 63.67% used and useful, and the storage should be considered 100% used and useful. As a result, net water rate base should be reduced by \$119,666. Corresponding adjustments should be made to reduce water depreciation expense by \$3,650 and property taxes by \$824 for water.

Issue 6: What is the appropriate used and useful percentage for the utility's wastewater treatment plant?

Recommendation: The wastewater treatment plant should be considered 62.65% used and useful. As a result, net wastewater rate base should be reduced by \$209,408. Corresponding adjustments should be made to reduce wastewater depreciation expense by \$12,736 and property taxes by \$1,977. In addition, an adjustment should be made to reduce wastewater O&M expense by \$8,759 for excessive inflow and infiltration.

Issue 7: What is the appropriate used and useful percentages for the utility's water distribution and wastewater collection systems?

Recommendation: The wastewater collection and water distribution systems should be considered 100% used and useful.

Issue 8: What is the appropriate working capital allowance?

Recommendation: The appropriate amount of working capital is \$24,739 for water and \$40,110 for wastewater.

Issue 9: What are the appropriate water and wastewater rate bases?

Recommendation: The appropriate water and wastewater rate bases for the test year ending December 31, 2005, are \$150,710 and \$266,799, respectively.

Issue 10: What is the appropriate return on common equity and the appropriate overall rate of return for this utility?

Recommendation: The appropriate return on equity is 11.55% based on the Commission leverage formula currently in effect. The overall rate of return is 7.46%.

Issue 11: What is the appropriate amount of pro forma salaries for Gold Coast?

Recommendation: The appropriate pro forma salaries for Gold Coast are \$130,300 for employees and \$72,000 for officers. Adjustments should be made to reduce Account 601 by \$30,668 and Account 701 by \$39,032. Further to correct a utility error, adjustments should be made to reduce Accounts 603 by \$8,483 for water and Account 703 by \$9,517. In addition, payroll taxes should be reduced by \$2,995 for water and \$3,714 for wastewater to reflect these reductions.

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15**PAA

Docket No. 060246-WS – Application for increase in water and wastewater rates in Polk County by Gold Coast Utility Corp.

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Issue 12: What, if any, adjustment should be made to pensions and benefits?

Recommendation: Adjustments should be made to Accounts 604 and 704, pensions and benefits to remove the pro forma request for Individual Retirement Account (IRA) contributions and to reflect the appropriate amount of insurance. The total adjustments to reduce these accounts are \$8,164 for water and \$10,520 for wastewater.

Issue 13: Should Gold Coast’s wastewater Operation and Maintenance (O&M) expense be reduced by \$128 for unsupported expenses and reduced by \$3,837 to remove non-recurring expenses related to periodic permit renewal fees and periodic permits for engineering studies?

Recommendation: Yes. Gold Coast’s wastewater O&M expense should be reduced by \$128 for unsupported expenses and by \$3,837 for non-recurring expenses.

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

Recommendation: The appropriate amount of rate case expense is \$99,859 (\$43,938 for water and \$55,921 for wastewater.) This expense should be recovered over four years for an annual expense of \$10,984 for water and \$13,980 for wastewater. Thus, rate case expense should be reduced by \$1,422 for water and increased by \$1,761 for wastewater.

Issue 15: Should an adjustment be made to Taxes Other than Income to remove unsupported amounts and to correct the allocation of taxes between water and wastewater?

Recommendation: Yes. Taxes Other than Income for water should be reduced by \$1,558 and Taxes Other than Income for wastewater should be increased by \$458.

Issue 16: What is the test year operating income?

Recommendation: Based on the adjustments discussed in previous issues, the test year operating loss before any provision for increased revenues is \$43,548 and \$85,964 for water and wastewater, respectively.

Issue 17: What are the appropriate pre-repression revenue requirements for water and wastewater?

Recommendation: The following revenue requirements should be approved.

	<u>Test Year</u> <u>Revenues</u>	<u>\$ Increase</u>	<u>Revenue</u> <u>Requirement</u>	<u>% Increase</u>
Water	\$140,385	\$91,979	\$232,364	65.52%
Wastewater	\$214,728	\$177,724	\$392,452	82.77%

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Issue 18: What are the appropriate rate structures for the water and wastewater systems?

Recommendation: The appropriate rate structure for the water system is the base facility charge (BFC)/uniform gallonage charge rate structure. The residential flat rates, as well as the 5,000 gallon (5 kgal) allotment in the residential metered base facility charge, should be discontinued. The customers located in the Nalcrest, Lakeshore, and Village Green service areas should be reclassified from the residential to the general service customer class. The BFC cost recovery percentage for the water system should be set at 60%. The appropriate rate structure for the wastewater system is the BFC/gallonage charge rate structure. Residential flat rates should be eliminated, and the residential wastewater monthly gallonage cap should be set at 10 kgal. The customers located in the Nalcrest, Lakeshore, and Village Green service areas should be reclassified from the residential to the general service customer class. The general service 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 50%.

Issue 19: Are repression adjustments appropriate in this case, and, if so, what are the appropriate adjustments to make for the water and wastewater systems, what are the corresponding expense adjustments to make, and what are the resulting final revenue requirements for the respective systems?

Recommendation: Yes. Repression adjustments are appropriate for this utility. For the water system, test year kgals sold should be reduced by 3,020 kgals, purchased power expense should be reduced by \$947, chemicals expense should be reduced by \$86, and regulatory assessment fees (RAFs) should be reduced by \$49. The final post-repression revenue requirement for the water system should be \$231,848. For the wastewater system, test year kgals sold should be reduced by 2,356 kgals, purchased power expense should be reduced by \$1,047, chemicals expense should be reduced by \$55, and RAFs should be reduced by \$50. The final post-repression revenue requirement for the wastewater system should be \$391,299.

In order to monitor the effect of the rate changes, the utility should be ordered to file reports detailing the number of bills rendered, the consumption billed, and the revenues billed on a monthly basis. In addition, the reports should be prepared by customer class, usage block, 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.

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15**PAA

Docket No. 060246-WS – Application for increase in water and wastewater rates in Polk County by Gold Coast Utility Corp.

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Issue 20: What are the appropriate monthly service rates for the water and wastewater systems?

Recommendation: The appropriate monthly water rates are shown on Schedule No. 4-A of staff's May 10, 2007, memorandum, and the appropriate wastewater monthly rates are shown on Schedule No. 4-B of staff's memorandum. The recommended water rates produce revenues of \$231,848, and the recommended wastewater rates produce revenues of \$391,299. The utility should file revised water and wastewater tariff sheets and a proposed customer notice to reflect the Commission-approved rates for the respective systems. 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. In addition, the approved 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.

Issue 21: In determining whether any portion of the interim increases 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 revenue requirement for the interim collection period should be compared to the amount of interim revenues granted. Based on this calculation, no refund is required. Further, upon issuance of the Consummating Order in this docket, the irrevocable letter of credit should be released.

Issue 22: 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 May 10, 2007, memorandum, to remove rate case expense, grossed up for regulatory assessment fees, which is being amortized over a four-year period. The decrease in water 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.

ITEM NO.

CASE

15**PAA

Docket No. 060246-WS – Application for increase in water and wastewater rates in Polk County by Gold Coast Utility Corp.

(Continued from previous page)

Issue 23: 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, Gold Coast 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.

Issue 24: Should this docket be closed?

Recommendation: No. If no person whose substantial interests are affected by the proposed agency action issues files a protest within 21 days of the issuance of the order, a Consummating Order will be issued. However, 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. When the PAA issues are final and the tariff and notice actions are complete, this docket may be closed administratively.

ITEM NO.

CASE

16**PAA

Docket No. 070006-WS – Water and wastewater industry annual reestablishment of authorized range of return on common equity for water and wastewater utilities pursuant to Section 367.081(4)(f), F.S.

Critical Date(s): 12/30/07 (Pursuant to Section 367.081(4)(f), Florida Statutes.)

Commissioners Assigned: All Commissioners

Prehearing Officer: Argenziano

Staff: ECR: Springer

GCL: Jaeger

Issue 1: What is the appropriate range of returns on common equity for water and wastewater (WAW) utilities, pursuant to Section 367.081(4)(f), Florida Statutes?

Recommendation: Based on updated financial data, staff recommends that the appropriate range of returns on common equity for water and wastewater (WAW) utilities is 9.07% @ 100% equity to 12.01% @ 40% equity. The range is based on the following leverage formula:

$$\text{Return on Common Equity} = 7.10\% + 1.961/\text{Equity Ratio}$$

Where the Equity Ratio equals:

Common Equity / (Common Equity + Preferred Equity + Long-Term and Short-Term Debt)

Issue 2: Should the Commission close this docket?

Recommendation: No. Upon expiration of the protest period, if a timely protest is not received from a substantially affected person, the decision should become final and effective upon the issuance of a Consummating Order. However, this docket should remain open to allow staff to monitor changes in capital market conditions and to readdress the reasonableness of the leverage formula as conditions warrant.

ITEM NO.

CASE

17**PAA

Docket No. 070135-GU – Petition for waiver of service line abandonment provisions of Rule 25-12.045, F.A.C. by Florida Natural Gas Association.

Critical Date(s): 06/01/07 (Statutory deadline for waiver waived until this date.)

Commissioners Assigned: All Commissioners

Prehearing Officer: McMurrin

Staff: RCA: Mills

GCL: Young

Issue 1: Should the Commission grant FNGA's petition to temporarily waive parts of Rule 25-12.045, F.A.C.?

Recommendation: Yes. FNGA's petition for temporary waiver of Rule 25-12.045 (1) (b) and (c) , F.A.C., should be granted until December 31, 2009. Upon expiration of the waiver period, all LDCs should be in compliance by December 31, 2011, if the waiver is not extended.

Issue 2: Should this docket be closed?

Recommendation: Yes. 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, this docket should be closed upon the issuance of a consummation order.

