

VOTE SHEET

January 23, 2007

Docket No. 060254-SU – Application for increase in wastewater rates in Pinellas County by Mid-County Services, Inc.

Issue 1: Is the quality of service provided by Mid-County Services, Inc. satisfactory?

Recommendation: Staff recommends that the utility's overall quality of service is marginal. The utility should be required to complete any and all improvements to the wastewater system that are necessary to satisfy the standards set by the Department of Environmental Protection (DEP).

APPROVED

with modification to reporting requirements as stated at the conference.

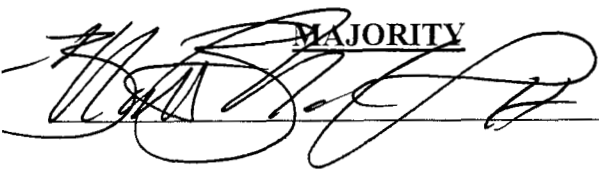
Issue 2: Should the audit rate base adjustments to which the utility agrees be made?

Recommendation: Yes. Based on audit adjustments which the utility agrees with, land should be reduced by \$200, and accumulated depreciation should be increased by \$23,111. In addition, accumulated amortization of Contributions in Aid of Construction (CIAC) should be increased by \$ 4,407.

APPROVED

COMMISSIONERS ASSIGNED: All Commissioners

COMMISSIONERS' SIGNATURESMAJORITYDISSENTING


Lisa Pollock
Katrina J. Jew

REMARKS/DISSENTING COMMENTS:

DOCUMENT NUMBER-DATE

00611 JAN 23 06

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Issue 3: What is the appropriate Water Service Corporation (WSC) and Utilities, Inc. of Florida (UIF) rate base allocations for Mid-County?

Recommendation: The appropriate WSC net rate base allocation for Mid-County is \$27,596. This represents an increase of \$11,015. WSC depreciation expense should be reduced by \$765. Further, the appropriate UIF rate base allocation for Mid-County is \$80,532. This represents wastewater plant and accumulated depreciation increases of \$76,124 and \$22,539, respectively. In addition, depreciation expense should be decreased by \$1,193.

APPROVED

Issue 4: Should other rate base adjustments be made in calculating final rates?

Recommendation: Yes. Pro forma plant should be reduced by \$65,139, and accumulated depreciation and depreciation expense should be reduced by \$1,631.

APPROVED

*with modification to adopt
OPC's position as stated at
the conference.*

Issue 5: What is the used and useful percentage of the utility's wastewater treatment plant?

Recommendation: The utility's wastewater treatment plant should be considered 92% used and useful. The wastewater collection system, with the exception of Account 354, should be considered 100% used and useful. As a result of the above adjustments, net rate base should be reduced by \$128,974. Corresponding adjustments should also be made to reduce depreciation expense by \$10,087 and property taxes by \$520.

APPROVED

Issue 6: What is the appropriate working capital allowance?

Recommendation: The appropriate working capital allowance is \$220,788 using the balance sheet method. As a result, working capital allowance has been increased by \$32,993.

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Issue 7: What is the appropriate rate base?

Recommendation: The appropriate rate base for the test year ending December 31, 2005, is \$2,577,579.

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Issue 8: 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.

APPROVED

Issue 9: 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 8.00%.

APPROVED

Issue 10: Should audit net operating income adjustments be made?

Recommendation: Yes. Operations and Maintenance (O&M) expense should be reduced by \$13,299, depreciation expense should be increased by \$23,111, CIAC amortization expense should be increased by \$4,407 and taxes other than income should be decreased by \$7,441.

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Issue 11: What is the appropriate amount of allocated WSC and UIF expenses for Mid-County?

Recommendation: Based on the audit adjustments and the ERC-only methodology, the appropriate WSC operation and maintenance (O&M) expenses and taxes other than income for Mid-County are \$93,604 and \$4,214, respectively. As such, O&M expenses and taxes other than income should be increased by \$13,171 and \$975, respectively. Further, the appropriate UIF O&M expenses for Mid-County is \$9,769. As such, O&M expense should be increased by \$2,349.

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Issue 12: Should adjustments be made to employee salaries and benefits?

Recommendation: Yes. Mid-County's salaries and wages should be reduced by \$23,657. Accordingly, pensions and benefits should be reduced by \$6,193, and payroll taxes should be reduced by \$1,336.

APPROVED

Issue 13: Should an adjustment be made to pro forma amortization expense?

Recommendation: Yes. Pro forma amortization expense should be reduced by \$16,930.

APPROVED

Issue 14: Should additional adjustments be made to Taxes Other Than Income?

Recommendation: Yes. Taxes other than income (TOTI) should be reduced by \$1,338 for the reduction of real estate and personal property taxes.

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Issue 15: What is the appropriate amount of rate case expense?

Recommendation: The appropriate rate case expense for the current docket is \$83,794. This expense should be recovered over four years for an annual expense of \$20,949, or \$19,332 less than requested. Rate case expense should be reduced by a total of \$32,472 (\$13,140 to correct inclusion of prior rate case expense + \$19,332 to adjust current rate case expense).

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Issue 16: What is the test year operating income before any revenue increase?

Recommendation: Based on the adjustments discussed in previous issues, the test year operating income before any provision for increased revenues is \$29,064.

APPROVED

Issue 17: What is the appropriate revenue requirement?

Recommendation: The following revenue requirement should be approved:

	<u>Test Year Revenues</u>	<u>\$ Increase</u>	<u>Revenue Requirement</u>	<u>% Increase</u>
Wastewater	\$1,392,117	\$297,304	\$1,689,421	21.36%

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Issue 18: What are the appropriate wastewater rates for this utility?

Recommendation: The appropriate monthly rates are shown on Schedule No. 4 of staff's January 10, 2007, memorandum. Staff's recommended rates are designed to produce revenues of \$1,688,822 excluding miscellaneous service charge revenues. The utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date of the revised tariff sheets pursuant to Rule 25-30.475(1), F.A.C. The rates should not be implemented until staff has approved the proposed customer notice. The utility should provide proof of the date notice was given no less than 10 days after the date of the notice.

APPROVED

Issue 19: 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 January 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 that customers have received notice within 10 days after the date that the notice was sent.

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Issue 20: 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. This revised revenue requirement for the interim collection period should be compared to the amount of interim revenues granted. Using these principles, staff recommends that no interim refund is required.

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Issue 21: 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 No. 4 of staff's January 10, 2007, memorandum to remove \$21,936 of rate case expense, grossed up for regulatory assessment fees, which is being amortized over a four-year period. The decrease in rates should become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.0816, F.S. The utility should be required to file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the reduction no later than one month prior to the actual date of the required rate reduction.

APPROVED

Issue 22: Should the utility be required to provide proof that it has adjusted its books for all Commission approved adjustments?

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

APPROVED

Issue 23: Should this docket be closed?

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

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