

FLORIDA PUBLIC SERVICE COMMISSION

VOTE SHEET

AUGUST 3, 2004

RE: Docket No. 030446-SU - Application for rate increase in Pinellas County by Mid-County Services, Inc.

Issue 1: Is the quality of service provided by Mid-County satisfactory?

Recommendation: Yes. The quality of service should be considered satisfactory. However, staff believes that the utility should be ordered to make the plant improvements as outlined in the analysis portion of staff's July 22, 2004 memorandum to reduce the odors being released from the plant. The utility should be required to install and place in service improvements to the static screen and two return pipes on the North plant no later than 90 days after issuance of the consummating order.

APPROVED

COMMISSIONERS ASSIGNED: All Commissioners

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

Handwritten signatures of majority commissioners on a set of five horizontal lines.

Four horizontal lines for dissenting signatures.

REMARKS/DISSENTING COMMENTS:

DOCUMENT NUMBER-DATE

08417 AUG-3 04

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Issue 2: Are there any adjustments that should be made to land?

Recommendation: Yes. Land should be decreased by \$2,603 to remove an overstated balance.

APPROVED

Issue 3: Are there any additional rate base adjustments that should be made as a result of the staff audit?

Recommendation: Yes. Plant and accumulated depreciation should be reduced by \$1,148,015 and by \$370,955 respectively. Depreciation expense should also be increased by \$53,838. Further, accumulated amortization of CIAC should be increased by \$37,000, and CIAC amortization expense should be increased by \$9,866. Additionally, O&M expenses as a result of these adjustments should be increased by \$3,493.

APPROVED

Issue 4: Should an adjustment be made to reflect the utility's common plant allocations from Water Service Corporation (WSC)?

Recommendation: Yes. Plant should be increased by \$26,602.

APPROVED

Issue 5: What is the used and useful percentage for the utility's wastewater system?

Recommendation: The wastewater treatment plant should be considered 92% used and useful. The wastewater collection system should be considered 100% used and useful. Staff recommends that rate base should be reduced by \$65,559, with corresponding reductions to depreciation expense of \$9,497 and property taxes of \$918.

APPROVED

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Issue 6: What is the appropriate treatment of the utility's deferred taxes?

Recommendation: The utility's \$10,964 net debit balance of deferred taxes should be included as a separate line item in rate base.

APPROVED

Issue 7: What is the appropriate working capital allowance?

Recommendation: The appropriate working capital allowance is \$74,108 using the balance sheet method.

APPROVED

Issue 8: What is the appropriate rate base?

Recommendation: The appropriate rate base for the test year ending December 31, 2002, is \$1,982,244.

APPROVED

Issue 9: Are any adjustments necessary to Mid-County's capital structure and 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, 2002?

Recommendation: All deferred taxes should be removed from the capital structure because staff has previously recommended that the utility's net debit balance of deferred taxes should be included as a part of rate base. Based on the current leverage formula in effect, the appropriate cost of equity should be 11.00%, with a range of 10.00% to 12.00%. The overall cost of capital should be 9.00%, with a range of 8.56% to 9.45%.

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Issue 10: What adjustments, if any, should be made to the utility's test year revenues?

Recommendation: Test year revenues should be reduced by \$2,443 to properly reflect test year revenues.

APPROVED

Issue 11: Are there any O&M expense adjustments that should be made related to employee benefits as a result of staff's audit?

Recommendation: Yes. Employee benefits should be reduced by \$2,116.

APPROVED

Issue 12: What is the appropriate amount of rate case expense?

Recommendation: The appropriate rate case expense for this docket is \$75,813. This expense should be recovered over four years for an annual expense of \$18,953.

APPROVED

Issue 13: What is the test year wastewater operating income before any revenue increase?

Recommendation: Based on the adjustments discussed in previous issues, staff recommends that the test year wastewater operating loss before any provision for increased revenues should be (\$17,156).

APPROVED

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Issue 14: What is the appropriate revenue requirement?

Recommendation: The following revenue requirement should be approved.

<u>Test Year</u> <u>Revenues</u>	<u>\$ Increase</u>	<u>Revenue</u> <u>Requirement</u>	<u>% Increase</u>
\$1,026,215	\$328,399	\$1,354,614	32.00%

APPROVED

Issue 15: What are the appropriate wastewater rates for this utility?

Recommendation: The appropriate bi-monthly rates are shown on Schedule No. 4 of staff's memorandum. Staff's recommended rates are designed to produce revenues of \$1,354,294 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 16: 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.

APPROVED

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Issue 17: 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 ?

Recommendation: The rates should be reduced as shown on Schedule 4 to remove \$19,846 for rate case expense, grossed up for regulatory assessment fees (RAFs), which is being amortized over a four-year period. The decrease in rates should become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.0816, F.S. The utility should be required to file revised 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 18: 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 consummating order finalizing this docket, that the adjustments for all the applicable NARUC USOA primary accounts have been made.

APPROVED

Issue 19: Should the docket be closed?

Recommendation: Yes. 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. This docket should remain open for staff's verification that the revised tariff sheets and customer notice have been filed by the utility and approved by staff. Once the tariff and customer notice have been approved by staff, the corporate undertaking may be released. When the PAA issues are final, the tariff and notice actions are complete, this docket may be closed administratively.

APPROVED