

FLORIDA PUBLIC SERVICE COMMISSION

Item 4

VOTE SHEET

April 4, 2017

FILED APR 04, 2017
DOCUMENT NO. 04021-17
FPSC - COMMISSION CLERK

Docket No. 160065-WU – Application for increase in water rates in Charlotte County by Bocilla Utilities, Inc.

Issue 1: Is the quality of service provided by Bocilla satisfactory?

Recommendation: Yes. Staff recommends that the quality of Bocilla’s product and the condition of the water treatment facilities is satisfactory. It appears that the Utility has attempted to address customers’ concerns. Therefore, staff recommends that the overall quality of service for the Bocilla water system in Charlotte County is satisfactory.

DEFERRED to May 4, 2017 Commission Conference.

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

Recommendation: Yes. Accumulated amortization of Contributions-in-aid-of-Construction (CIAC) should be decreased by \$44,625, and CIAC amortization expense should be decreased by \$3,538. Further, Operations and Maintenance (O&M) expense should be decreased by \$5,048.

COMMISSIONERS ASSIGNED: All Commissioners

COMMISSIONERS’ SIGNATURES

MAJORITY

DISSENTING

REMARKS/DISSENTING COMMENTS: See DN 03960-17.

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Issue 3: Should the full amount of the original cost study provided by the Utility be accepted as a factor in determining Utility Plant in Service?

Recommendation: No. Staff recommends that the original cost study is sufficient to support the amount of Utility Plant in Service (UPIS) presented in the MFRs; however, errors and discrepancies discovered by staff suggest that the original cost study is not sufficiently reliable to support the higher plant values. Staff recommends that UPIS balances should be based on the MFRs, with adjustments described in the analysis portion of staff's memorandum dated March 23, 2017. Accordingly, UPIS should be increased by \$9,848. A corresponding adjustment should be made to decrease accumulated depreciation by \$49,695 and depreciation expense by \$1,025.

Issue 4: Should further adjustments be made to the Utility's rate base?

Recommendation: Yes. UPIS should be reduced by \$44,000 to remove double counting of land. Land should be also reduced by \$44,000 to reflect the removal of land from rate base. CIAC should be increased by \$83 associated with the meter installation charges collected by the Utility. Corresponding adjustments should be made to increase both accumulated amortization of CIAC and CIAC amortization expense by \$8 and to decrease property taxes by \$3,179.

Issue 5: Should any adjustments be made to the Utility's pro forma plant?

Recommendation: Yes. The appropriate amount of pro forma plant additions is \$139,708. This results in a decrease of \$50,067 from the Utility's requested amount. Therefore, UPIS should be increased by \$139,708. Corresponding adjustments should also be made to increase accumulated depreciation by \$11,709 and increase depreciation expense by \$11,709. Additionally, property taxes should be increased by \$2,136.

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Issue 6: What is the used and useful (U&U) percentage of the Utility's water transmission and distribution system?

Recommendation: Bocilla's water transmission and distribution system should be considered 100 percent U&U. There appears to be no excessive unaccounted for water (EUW), therefore, staff recommends that no adjustment be made to operating expenses for purchased water.

Issue 7: What is the appropriate working capital allowance?

Recommendation: The appropriate working capital allowance is \$44,993. As such, the working capital allowance should be decreased by \$473.

Issue 8: What is the appropriate rate base for the test year period ended December 31, 2015?

Recommendation: Consistent with staff's other recommended adjustments, the appropriate rate base for the test year ended December 31, 2015, is \$744,524.

Issue 9: What is the appropriate return on equity?

Recommendation: Based on the Commission's leverage formula currently in effect, the appropriate return on equity (ROE) is 11.16 percent with an allowed range of plus or minus 100 basis points.

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Issue 10: What is the appropriate weighted average cost of capital based on the proper components, amounts, and cost rates associated with the capital structure for the test year ended December 31, 2015?

Recommendation: The appropriate weighted average cost of capital for the test year ended December 31, 2015, is 6.03 percent.

Issue 11: What is the appropriate amount of test year revenues?

Recommendation: The appropriate test year revenues for Bocilla's water system are \$398,153.

Issue 12: Should any adjustments be made to the Utility's pro forma expenses?

Recommendation: Yes. Bocilla's requested pro forma O&M expenses should be reduced by \$29,402. A corresponding adjustment should be made to increase payroll taxes by \$765.

Issue 13: Should any adjustments be made to the Utility's salaries and wages expense?

Recommendation: Yes. Salaries and wages expense should be reduced by \$13,896. Pensions and benefits should be decreased by \$1,510. A corresponding adjustment should be made to reduce payroll taxes by \$1,103.

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Issue 14: Should further adjustments be made to the Utility’s O&M expense?

Recommendation: Yes. O&M expense should be further decreased by \$18,520.

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

Recommendation: The appropriate amount of rate case expense is \$99,588. This expense should be recovered over four years for an annual expense of \$24,897. Therefore, annual rate case expense should be increased by \$3,797.

Issue 16: What is the appropriate revenue requirement for the test year ended December 31, 2015?

Recommendation: Staff recommends the following revenue requirement be approved.

Test Year Revenue	\$ Increase	Revenue Requirement	% Increase
\$398,153	\$82,665	\$480,818	20.76%

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Issue 17: What are the appropriate rate structures and rates for Bocilla's water system?

Recommendation: The recommended rate structure and monthly water rates are attached as Schedule No. 4 of staff's memorandum dated March 23, 2017. The Utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rates should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The Utility should provide proof of the date notice was given within 10 days of the date of the notice.

Issue 18: Should Bocilla's request to implement a late payment charge be approved?

Recommendation: Yes. Bocilla's request to implement a late payment charge of \$7.12 should be approved. Bocilla should be required to file a proposed customer notice and tariff to reflect the Commission-approved charge. The approved charge should be effective for services rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved charge 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 19: Should the Utility's approved service availability policy and charges be revised?

Recommendation: Yes. Bocilla's existing wastewater system capacity charge should be discontinued. Staff recommends a new meter installation charge of \$365 and a main extension charge of \$1,279 per ERC. The Utility's existing AFPI charge should be collected from the remaining 315 ERCs the system was originally designed to serve. The approved service availability charges may only be collected from new connections to the Utility's water system. The approved service availability charges should be effective for service rendered on or after the stamped approval date of the tariff, pursuant to Rule 25-30.475, F.A.C.

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Issue 20: What are the appropriate initial customer deposits for Bocilla?

Recommendation: The appropriate water initial customer deposit should be \$171 for the residential 5/8 inch x 3/4 inch meter size. The initial customer deposits for all other residential meter sizes and all general service meter sizes should be two times the average estimated bill for water service. The approved initial customer deposits should be effective for connections made on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475, F.A.C.

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.?¹

Recommendation: The water rates should be reduced as shown on Schedule No. 4 of staff's memorandum dated March 23, 2017, to remove rate case expense grossed up for regulatory assessment fees (RAFs) 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. Bocilla 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.

¹Section 367.0816, F.S., was repealed, pursuant to Ch. 2016-226, Laws of Florida, effective July 1, 2016. However, the Statute was in effect when Bocilla's application was filed, and therefore shall remain applicable in this case.

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Issue 22: In determining whether any portion of the interim water revenue increase granted should be refunded, how should the refund be calculated, and what is the amount of the refund, if any?

Recommendation: The appropriate 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. The revised revenue requirements for the interim collection period should be compared to the amount of interim revenues granted. This results in a refund of 11.3 percent for water. 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 refund reports, pursuant to Rule 25-30.360(7), F.A.C. The Utility should treat any unclaimed refunds as Contributions in Aid of Construction (CIAC), pursuant to Rule 25-30.360(8), F.A.C. Further, the letter of credit should be released upon staff's verification that the required refunds have been made.

Issue 23: Should the Utility be required to notify, within 90 days of an effective order finalizing this docket, that it has adjusted its books for all the applicable NARUC Uniform System of Accounts (USOA) associated with the Commission-approved adjustments?

Recommendation: Yes. The Utility should be required to notify the Commission, in writing, that it has adjusted its books in accordance with the Commission's decision. Bocilla should submit a letter within 90 days of the final order in this docket, confirming that the adjustments to all the applicable NARUC USOA accounts have been made to the Utility's books and records. In the event the Utility needs additional time to complete the adjustments, notice should be provided within seven days prior to deadline. Upon providing good cause, staff should be given administrative authority to grant an extension of up to 60 days.

Issue 24: Should this docket be closed?

Recommendation: No. If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, a consummating order should 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 the Utility has provided staff with proof that the adjustments for all the applicable NARUC USOA primary accounts have been made. Once these actions are complete, this docket should be closed administratively.