

VOTE SHEET

DATE: January 15, 1991

RE: DOCKET NO. 900025-WS - Application for staff-assisted rate case in Pasco County by SHADY OAKS MOBILE-MODULAR ESTATES, INC.

Issue 1: Recommendation that the following revenue requirement and increase should be approved:

	<u>Total</u>	<u>Increase</u>	<u>%</u>
Water	\$32,639	\$ 4,889	17.6%
Wastewater	\$65,953	\$38,203	137.7%

(Detailed issues are shown on the attached Supplemental Issue Listing.)

APPROVED WITH MODIFICATIONS NOTED ON ATTACHED PAGES.

COMMISSIONERS ASSIGNED: Full Commission

COMMISSIONERS' VOTES

APPROVED

APPROVED WITH MODIFICATIONS

DISAPPROVED

DEFER

_____	<i>[Signature]</i>	_____	_____
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REMARKS/DISSENTING COMMENTS:

TO:

PSC/RAR33 (5/90)

DOCUMENT NUMBER-DATE

00501 JAN 15 1991

PSC-RECORDS/REPORTING

SUPPLEMENTAL ISSUE LISTING

SHADY OAKS MOBILE-MODULAR ESTATES, INC.

DOCKET NO. 900025-WS

JANUARY 15, 1991

ISSUE 1: Should the utility be required to file a name change?
RECOMMENDATION: Yes, the utility should be required to file a request for acknowledgement of a corporate restructure and a name change within sixty days from the date of the order in this case.

APPROVED

QUALITY OF SERVICE

ISSUE 2: Is the quality of service satisfactory?
RECOMMENDATION: The quality of service is unsatisfactory. Accordingly, the utility should be penalized 1% on the return on equity. That penalty should be suspended for nine months. After six months, staff should review the quality of service. If found to be satisfactory, the penalty should then be removed.

APPROVED w/ mod. that penalty was set at \$2,000 and suspended as recommended. An amount equal to the fine is to be escrowed pending resolution of this matter.

RATE BASE

ISSUE 3: What percent of plant in service is used and useful?
RECOMMENDATION: The water and wastewater treatment facilities and the water distribution and wastewater collection systems are 100% used and useful.

APPROVED

ISSUE 4: What is the test year average depreciable plant in service?
RECOMMENDATION: The average test year plant for the water system is \$37,872 and, for the wastewater system, \$103,546.

APPROVED

ISSUE 5: Should the cost of the projected plant improvements be included in utility plant in service?
RECOMMENDATION: Yes, even though the utility has not acquired contracts, the \$145,765 in projected plant improvements should be included in utility plant in service. In addition, the \$94,738 cost of the additional land should be included in rate base and the old percolation pond site should be retired at a gain of \$31,435. Staff further recommends that the docket be kept open. Six months from the date of the order, the utility should submit copies of the invoices for staff to verify the cost to complete the construction. Staff also recommends that the revenue increase associated with the pro forma plant be escrowed until staff has verified the actual costs.

APPROVED w/mod. that ~~the~~ the value of land included in rate base was set at \$20,000. The gain on the pond site is to be calculated based on a comparable valuation.

ISSUE 6: Who owns the land and what is the appropriate value of land to include in rate base?
RECOMMENDATION: Shady Oaks Mobile-Modular Estates, Inc. owned the land during the test year at a value of \$730 for the water system and \$3,066 for the wastewater system.

APPROVED

ISSUE 7: What is the average test year balance of accumulated depreciation?
RECOMMENDATION: The average test year balance of accumulated depreciation for the water system is \$8,936 and, for the wastewater system, \$35,992.

APPROVED

ISSUE 8: What is the average test year balance of contributions in aid of construction (CIAC)?

RECOMMENDATION: The average test year balance of CIAC is \$26,103 for the water system and \$58,956 for the wastewater system.

APPROVED

ISSUE 9: What is the average test year balance of accumulated amortization of CIAC?

RECOMMENDATION: The average test year balance of accumulated amortization of CIAC is \$5,665 for the water system and \$15,483 for the wastewater system.

APPROVED

ISSUE 10: What is the appropriate method of calculating working capital allowance and what is the appropriate level for setting rates?

RECOMMENDATION: The appropriate method of calculating working capital allowance is the one-eighth of operation and maintenance expenses method. The appropriate amount to include in rate base is \$3,176 for the water system and \$3,613 for the wastewater system.

APPROVED

ISSUE 11: What is the appropriate average rate base?

RECOMMENDATION: Rate base is \$29,812 for the water system and \$246,594 for the wastewater system.

APPROVED

CAPITAL STRUCTURE

ISSUE 12: What is the appropriate amount and cost rate for long-term and short-term debt?

RECOMMENDATION: The average test year short-term debt is \$1,121 at an average rate of 16.8%. The average test year long-term debt is \$171,157 at an average interest rate of 11.55%.

APPROVED

ISSUE 13: What is the appropriate balance and return on equity?

RECOMMENDATION: Pro forma equity should be included at a return of 12.49% with a range from 11.49% to 13.49%. The 1% penalty should be escrowed until a final determination is made regarding the quality of service.

APPROVED

ISSUE 14: What is the overall rate of return?

RECOMMENDATION: The overall cost of capital should be 12.10%.

APPROVED

NET OPERATING INCOME

ISSUE 15: What are annualized revenues prior to adjustment for increased rates?

RECOMMENDATION: The annualized revenues for the water system should be \$27,750 and \$27,750 for the wastewater system.

APPROVED

ISSUE 16: What is the appropriate level of operating expenses?

RECOMMENDATION: The appropriate test year expenses for water are \$25,408 and for wastewater are \$28,905. In order to verify that the utility will need the \$1,700 per month for preventative maintenance, the utility should submit a record of its maintenance expenditures six months after the rates are put into effect. If the utility has not begun to spend an amount approximating the allowance, the utility should submit a statement as to the reasons and future plans to regularly maintain the system.

APPROVED

ISSUE 17: What is the appropriate depreciation expense?

RECOMMENDATION: The appropriate depreciation expense is \$1,533 for the water system and \$6,233 for the wastewater system.

APPROVED

ISSUE 18: What is the appropriate amortization expense to include in the revenue requirement?

RECOMMENDATION: The wastewater revenue requirement should include a negative amortization expense of \$4,491.

APPROVED

ISSUE 19: What is the appropriate level of taxes other than income taxes?

RECOMMENDATION: The appropriate level of test year taxes other than income is \$1,870 for the water system and \$3,742 for the wastewater system.

APPROVED

ISSUE 20: What is the appropriate amount of income tax expense for the test year?

RECOMMENDATION: The utility is a Subchapter S corporation and no income tax expense should be allowed.

APPROVED

ISSUE 21: What is the annualized test year operating income (loss) before any revenue increase?

RECOMMENDATION: The test year operating loss for the water system is \$1,061 and the test year operating income for the wastewater system is \$6,639.

APPROVED

ISSUE 22: What is the utility's revenue requirement and increase?

RECOMMENDATION: The following annual revenue requirement and increase should be approved:

	<u>Total</u>	<u>Increase</u>	<u>%</u>
Water	\$32,639	\$4,889	17.6%
Wastewater	\$65,953	\$38,203	137.7%

APPROVED

RATES AND CHARGES

ISSUE 23: Does the Commission have the authority to increase the water and wastewater rates and charges?

RECOMMENDATION: Yes.

APPROVED

ISSUE 24: What is the appropriate rate structure and what are the recommended rates?

RECOMMENDATION: Rates should be set to allow the utility the opportunity to recover its expenses of \$28,811 in the water system and \$34,389 in the wastewater system and earn a 12.10% return on its investment. The utility should maintain a copy of the tariff and Chapter 25-30, Florida Administrative Code, at its office for review by the customers. Staff recommends that the utility should employ the base facility/gallongage charge rate structure. However, until the utility completes the installation of all the meters, the utility may employ a flat rate of \$14.70 for the water system and \$29.71 for the wastewater system. These rates must be charged to all customers who receive service. The amount related to the pro forma increase and the proposed penalty, which should be escrowed, is \$.18 of the water gallongage charge, or \$1.07 of the water flat rate. The wastewater amount which should be escrowed is \$2.16 of the gallongage charge, or \$12.98 of the flat rate.

APPROVED w/mod. that the new flat rates will be discontinued at the end of six months and any customer not having a meter at that time shall be charged the base facility charge without a gallongage charge.

ISSUE 25: What is the appropriate recovery period for rate case expenses, and what is the appropriate annual rate reduction at the end of that period for each system?

RECOMMENDATION: The appropriate recovery period for rate case expenses is four years. Based on existing circumstances the appropriate rate reduction at the end of that period is a \$.01 reduction in the utility's water base facility charge and a \$.01 reduction in the wastewater gallongage charge.

APPROVED

ISSUE 26: Should miscellaneous service charges be authorized and, if so, what should the charges be?
RECOMMENDATION: Yes, miscellaneous service charges should be authorized. The charges should be set as follows:

	<u>WATER</u>	<u>WASTEWATER</u>
Initial Connection	\$15.00	\$15.00
Normal Reconnection	\$15.00	\$15.00
Violation Reconnection	\$15.00	Actual Cost
Premises Visit (in lieu of disconnection)	\$10.00	\$10.00

APPROVED

ISSUE 27: Should the utility's service availability charges (SAC) be revised?
RECOMMENDATION: Yes, the utility should be authorized to charge a water system capacity charge of \$200 and a wastewater system capacity charge of \$1,200.

APPROVED

ISSUE 28: Should the rates be approved for the utility in the case of a protest by a party other than the utility?
RECOMMENDATION: Yes, the utility should be authorized to collect the recommended rates subject to refund should a protest be filed by anyone other than the utility.

APPROVED

MISCELLANEOUS

ISSUE 29: What is the effective date of the increased rates and charges?

RECOMMENDATION: The flat rates should be effective for service rendered on or after the stamped approval date on the revised tariff sheets. The base facility charge rates should be effective for meter readings on or after thirty days from the stamped approval date on the revised tariff sheets. The service availability charges should be effective for connections on or after the stamped approval date on the revised tariff sheets. Miscellaneous service charges should be effective for service rendered on or after the stamped approval date. The tariff sheets should not be approved until the customer notice is approved and the security has been received.

APPROVED

ISSUE 30: Should the docket be closed?

RECOMMENDATION: No. The docket should be held open until the construction of the percolation pond is completed and the escrow is released, the transfer is filed with the Commission, and staff has verified the preventative maintenance schedule.

APPROVED