

VOTE SHEET

DECEMBER 17, 2002

RE: Docket No. 020406-WU - Application for staff-assisted rate case in Polk County by Pinecrest Ranches, Inc.

ISSUE 1: Is the quality of service provided by Pinecrest Ranches, Inc., considered satisfactory?

RECOMMENDATION: Yes. The quality of service provided by Pinecrest Ranches, Inc. should be considered satisfactory. However, the utility should be required to submit monthly reports for the next six months that chronicle the newly instituted flushing program.

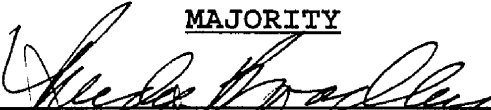
**APPROVED**

COMMISSIONERS ASSIGNED: Full Commission


COMMISSIONERS' SIGNATURES

MAJORITY

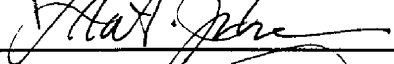
DISSENTING

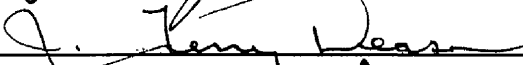

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REMARKS/DISSENTING COMMENTS:

DOCUMENT NUMBER 020406

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ISSUE 2: Should the Commission approve a projected test year for this utility?

RECOMMENDATION: Yes. The Commission should approve a projected test year for the utility. The historic test year is not representative of the revenues and expenses associated with an emergency interconnect which added rate base, expenses, revenues, and customers that did not exist during the historic test year. Therefore, a projected test year ending December 31, 2002, should be approved.

**APPROVED**

ISSUE 3: What portions of Pinecrest Ranches, Inc., are used and useful?

RECOMMENDATION: The Pinecrest utility water treatment plant should be considered 100% used and useful and the water distribution system should be considered to be 92% used and useful.

**APPROVED**

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

RECOMMENDATION: The appropriate average test year rate base for Pinecrest is \$55,120. The utility should be required to complete meter installations for all its customers, as discussed in the analysis portion of staff's December 5, 2002 memorandum, within six months of the issuance date of the Consummating Order.

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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 10.23% with a range of 9.23% - 11.23%. The appropriate overall rate of return is 10.23%.

**APPROVED**

ISSUE 6: What are the appropriate projected test year revenues?

RECOMMENDATION: The appropriate projected test year revenues for the utility are \$21,492.

**APPROVED**

ISSUE 7: What is the appropriate amount of operating expense?

RECOMMENDATION: The appropriate amount for operating expenses for this utility is \$46,270. The utility should be required to provide the Commission with proof of liability insurance within six months of the issuance date of the Consummating Order.

**APPROVED**

ISSUE 8: What is the appropriate revenue requirement?

RECOMMENDATION: The appropriate revenue requirement is \$51,909 for water.

**APPROVED**

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ISSUE 9: Is a continuation of the utility's current flat rate structure for its water system appropriate in this case, and, if not, what is the appropriate rate structure?

RECOMMENDATION: No. A continuation of the utility's current flat rate structure for its water system is not appropriate in this case. The water system rate structure should be changed to a traditional base facility charge (BFC)/gallage charge rate structure. A conservation adjustment should also be implemented so that a total of 70% of the revenue requirement is recovered through the gallage charge.

**APPROVED**

ISSUE 10: Is an adjustment to reflect repression of consumption appropriate in this case, and, if so, what is the appropriate repression adjustment?

RECOMMENDATION: Yes. A repression adjustment of 17,603 kgal is appropriate in this case. In order to monitor the effects of both the changes in rate structure and the recommended revenue change, the utility should be ordered to prepare monthly reports detailing the number of bills rendered, the consumption billed and the revenue billed. These reports should be provided, by customer class and meter size, on a quarterly basis for a period of two years, beginning with the first billing period after the approved rates go into effect.

**APPROVED**

ISSUE 11: What are the appropriate monthly rates for service?

RECOMMENDATION: The appropriate monthly rates should be designed to produce revenues of \$50,309, excluding miscellaneous service charge revenues. The utility should file revised tariff sheets reflecting staff's recommended phase I rates and a proposed customer notice to reflect the Commission-approved phase I and phase II rates. The approved rates should be effective for service rendered on or after the stamped approval date of

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the revised tariff sheets pursuant to Rule 25-30.475(1), Florida Administrative Code. The rates should not be implemented until staff has approved the proposed customer notice, the notice has been received by the customers, and staff has verified that the tariffs are consistent with the Commission's decision. The utility should provide proof of the date notice was given no less than 10 days after the date of the notice. Once the utility has completed the meter installations discussed in Issue No. 4, the utility should file revised tariff sheets reflecting staff's recommended phase II rates. The phase II rate tariffs should be approved once staff has verified that the tariffs are consistent with the Commission's decision.

**APPROVED**

ISSUE 12: 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 4 of staff's December 5, 2002 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, Florida Statutes. 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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ISSUE 13: Should the utility's service availability charges be revised to include a meter installation fee, and if so, what is the appropriate fee?

RECOMMENDATION: Yes. The utility's current service availability charges should be revised to include a meter installation charge of \$153. The utility should file revised tariff sheets which are consistent with the Commission's vote within one month of the Commission's final vote. The revised tariff sheets should be approved upon staff's verification that the tariffs are consistent with the Commission's decision. If revised tariff sheets are filed and approved, the meter installation fee should become effective for connections made on or after the stamped approval date of the revised tariff sheets, if no protest is filed.

**APPROVED**

ISSUE 14: Should the recommended rates 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?

RECOMMENDATION: Yes. Pursuant to Section 367.0814(7), Florida Statutes, 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 memorandum. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), Florida Administrative Code, 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.

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ISSUE 15: Should this docket be closed?

RECOMMENDATION: No. If no timely protest is received upon expiration of the protest period, the PAA Order will become final upon the issuance of a Consummating Order. However, this docket should remain open for an additional seven months from the issuance date of the Consummating Order to allow staff time to verify completion of meter installations as discussed in Issue No. 4, and to verify proof of insurance as discussed in Issue No. 7. Once staff has verified that these items have been completed, the docket should be closed administratively.

**APPROVED**