

VOTE SHEET

JANUARY 16, 2001

RE: DOCKET NO. 000295-WU - Application for increase in water rates in Highlands County by Placid Lakes Utilities, Inc.

Issue 1: Is the quality of service provided by Placid Lakes to its customers satisfactory?

Recommendation: Yes. Staff recommends that the quality of service provided by Placid Lakes is satisfactory.

APPROVED

Issue 2: Should a year-end or simple average test year be recognized for ratemaking purposes?

Recommendation: A simple average should be used for both rate base and cost of capital. Also, adjustments should be made to remove the utility's year-end adjustments to annualize revenues, depreciation expense, and taxes other than income.

APPROVED

COMMISSIONERS ASSIGNED: Full Commission

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

Michael A. Pallesi

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REMARKS/DISSENTING COMMENTS:

DOCUMENT NUMBER-DATE

00649 JAN 17 01

FPSC-RECORDS/REPORTING

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Issue 3: What adjustments should be made to reflect pro forma plant?

Recommendation: Utility plant in service should be increased by \$11,865 to reflect pro forma plant. Corresponding adjustments to increase accumulated depreciation by \$297, to increase depreciation expense by \$593, and to increase taxes other than income for property/real estate tax by \$214 should be made.

APPROVED

Issue 4: Should capitalized interest on construction work in progress (CWIP) be allowed?

Recommendation: No. The utility capitalized interest on construction related to a plant expansion without a Commission-approved allowance-for-funds-used-during-construction (AFUDC) rate. Plant should be decreased by \$45,333, with corresponding adjustments made to decrease accumulated depreciation by \$3,857 and depreciation expense by \$1,543.

APPROVED

Issue 5: Should the used and useful be adjusted to allow for excessive unaccounted for water?

Recommendation: No, the unaccounted for water falls well within the acceptable limit.

APPROVED

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Issue 6: What are the used and useful percentages for the water treatment plant and water distribution system?

Recommendation: The water treatment plant should be considered 100% used and useful. The distribution system should be considered 76.37% used and useful. As a result, rate base should be decreased by \$31,432, with corresponding decreases to depreciation expense of \$1,120 and property taxes of \$239.

APPROVED

Issue 7: What is the appropriate working capital?

Recommendation: The appropriate amount of working capital is \$36,537 for the water system.

APPROVED

Issue 8: What is the appropriate rate base?

Recommendation: The appropriate rate base for the test year ended December 31, 1999 is \$562,673 for the water system.

APPROVED

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Issue 9: What is the weighted average cost of capital including the proper components, amounts, and cost rates associated with the appropriate capital structure?

Recommendation: The weighted average cost of capital is 10.50% for the test year ended December 31, 1999. Although the utility's capital structure is comprised of 100% debt, staff recommends a return on equity of 9.93% with a range of plus or minus 100 basis points.

APPROVED

Issue 10: Should the utility be allowed an AFUDC rate and, if so, what should it be?

Recommendation: The Commission should approve an AFUDC rate of 10.50% and a monthly discounted rate of 0.874579% effective January 1, 2000, based on the December 31, 1999 capital structure approved in this docket.

APPROVED

Issue 11: Should adjustments be made to O&M expenses to reflect several miscellaneous adjustments?

Recommendation: Yes, O&M expenses should be decreased by \$821 to reflect several miscellaneous adjustments.

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

Recommendation: The appropriate amount of rate case expense for this docket is \$84,393. This expense is to be recovered over four years for an annual expense of \$21,098. This results in a decrease to the utility's filing of \$17,476 in annual amortization. Further, non-recurring costs should be increased by \$6,919, contractual services- legal should be increased by \$1,452, and management fees should be decreased by \$2,351.

APPROVED

Issue 13: Should an additional adjustment be made to property taxes?

Recommendation: Yes. Property taxes should be decreased by \$535 for the water system to reflect the full discount available.

APPROVED

Issue 14: Should income tax expense be included in Placid Lakes' operating expenses?

Recommendation: No. Since the utility's capital structure consists of 100% debt, no taxable income exists and thus the utility should not receive recovery of income tax expense.

APPROVED

Issue 15: What is the test year operating income (loss) before any revenue increase?

Recommendation: The test year operating loss is \$101,955 for the water system.

APPROVED

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Issue 16: What is the appropriate revenue requirement?

Recommendation: The following revenue requirement should be approved:

	<u>Revenues</u>	<u>Increase</u>	<u>Percentage</u>
Water	\$417,316	\$168,624	67.80%

APPROVED

Issue 17: Should the utility's current rate structure be changed to an inclining-block rate structure, and, if so, what are the appropriate usage blocks, conservation adjustment and rate factors to be used?

Recommendation: Yes. The rate structure should be changed to an inclining-block rate structure for residential customers. The appropriate monthly usage blocks consist of three tiers of 0-10,000 gallons, 10,001-20,000 gallons and over 20,000 gallons. A conservation adjustment of 25% is appropriate, with usage block rate factors for each tier of 1.0, 1.5 and 2.0, respectively. The appropriate rate structure for the general service customers is a continuation of the traditional base facility and uniform gallonage charge rate structure.

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Issue 18: Is repression of consumption likely to occur and, if so, what is the appropriate adjustment and the resulting consumption to be used to calculate consumption charges?

Recommendation: Yes, repression of consumption is likely to occur. The appropriate repression adjustment is a reduction in consumption of 8,655 kgal, and the resulting consumption to be used to calculate consumption charges is 97,397 kgal. In order to monitor the effects of this rate proceeding on consumption, the utility should be ordered to prepare monthly reports detailing the number of bills rendered, the consumption billed (by usage block for residential customers) 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 increased rates go into effect.

APPROVED

Issue 19: What are the recommended monthly rates for service for this utility?

Recommendation: The recommended rates, as shown on Schedule No. 4 of staff's January 4, 2001 memorandum, should be designed to produce revenues of \$415,622, 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 on 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, and the notice has been received by the customers. The utility should provide proof of the date notice was given no less than 10 days after the date of the notice.

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Issue 20: Should any portion of the interim increase granted be refunded?

Recommendation: No. The utility should not be required to refund any water revenues collected under interim rates. The revenue held subject to refund and the letter of credit, required by Order No. PSC-00-1891-PCO-WU guaranteeing those revenues, should be released.

APPROVED

Issue 21: Should the utility be required to show cause, in writing within 21 days, why it should not be fined up to \$5,000 per day for its apparent violation of Rule 25-30.116(5), Florida Administrative Code, for failing to obtain prior Commission approval before capitalizing interest on construction related to the utility's plant expansion loan?

Recommendation: No. A show cause proceeding should not be initiated.

APPROVED

Issue 22: Should this docket be closed?

Recommendation: Yes. 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 and the docket should be closed upon the utility's filing and staff's approval of revised tariff sheets.

APPROVED