

FLORIDA PUBLIC SERVICE COMMISSION

VOTE SHEET

SEPTEMBER 18, 2001

RE: Docket No. 001682-WU - Application for staff-assisted rate case in Columbia County by Consolidated Water Works, Inc.

ISSUE 1: Should the Commission approve a year end rate base for Consolidated?

RECOMMENDATION: Yes. The Commission should approve a year end rate base for Consolidated to allow it an opportunity to earn a fair return on the required pro forma items, as well as to provide compensatory rates in this rate case.

**APPROVED**

COMMISSIONERS ASSIGNED: Full Commission

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

*Raymond A. Palesh*  
*Heidi Johnson*  
*[Signature]*  
*[Signature]*

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REMARKS/DISSENTING COMMENTS:

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

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ISSUE 2: Is the quality of service provided by Consolidated satisfactory?

RECOMMENDATION: No. The quality of service should not be considered satisfactory. In addition, staff recommends that the utility be required to complete the pro forma improvements and rectify all the discrepancies found in this case.

**APPROVED**

ISSUE 3: What used and useful percentages should be applied to the three treatment plants and three distribution systems?

RECOMMENDATION: The three separate plants are each closed systems consisting of one operational well, chlorination equipment, and a hydropneumatic tank for storage and pressure control. Each water treatment plant should be considered 100% used and useful. Two of the service areas, Azalea Park and Shady Oaks, are essentially built out with no appreciable growth anticipated. The distribution systems for Azalea Park and Shady Oaks should also be considered 100% used and useful. The remaining system, 242 Village, has numerous undeveloped lots although the distribution lines are in place and capable of serving those lots when needed. The distribution system for 242 Village should be considered 80% used and useful.

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ISSUE 4: Are there deficiencies at Consolidated's water treatment facilities?

RECOMMENDATION: Yes. There are numerous deficiencies associated with the plants that provide services to the Shady Oaks and Azalea Park subdivisions. Staff recommends that Consolidated be required to bring its water treatment facilities into compliance with the requirements comprised in the Consent Order issued by the DEP.

**APPROVED**

ISSUE 5: Are any pro forma adjustments needed for Consolidated's plant?

RECOMMENDATION: Yes. Pro forma adjustments of \$29,617 are needed for a meter replacement program, replacement of a hydropneumatic tank, construction of plant security fences, one new well, flow meters, doors for the chlorinator rooms, tank painting, and replacement of a chlorine pump. These items should be installed and operational within six months of the effective date of the Order arising from this recommendation.

**APPROVED**

ISSUE 6: What is the appropriate year end rate base?

RECOMMENDATION: The appropriate year end rate base is \$62,449.

**APPROVED**

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ISSUE 7: Should a negative acquisition adjustment be approved relating to the purchase of 242 Village?

RECOMMENDATION: Yes. A negative acquisition adjustment in the amount of \$4,651 should be approved relating to the purchase of 242 Village. The acquisition adjustment should be amortized over the life of the plant. This is the first time the Commission has addressed a negative acquisition adjustment for reasons of poor management and/or poor quality of service caused by the subsequent owner of a utility.

**APPROVED**

ISSUE 8: What is the appropriate rate of return on equity and the appropriate overall rate of return for this utility?

RECOMMENDATION: The appropriate rate of return on equity should be 9.94% with a range of 8.94% to 10.94% and the appropriate overall rate of return should be 10.48%.

**APPROVED**

ISSUE 9: What is the appropriate test year revenue for this utility?

RECOMMENDATION: The appropriate test year revenue should be \$45,339.

**APPROVED**

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ISSUE 10: What is the appropriate amount of operating expenses for rate setting purposes?

RECOMMENDATION: The appropriate amount of operating expenses for rate setting purposes should be \$63,488. The utility should provide staff with a signed contract with Wiley's Insurance with proof of the insurance policy within 30 days of the effective date of the Commission Order. Further, the utility should maintain its books and records in compliance with NARUC USOA. The utility should provide a statement with its 2002 annual report that it has brought its books and records into compliance with the NARUC USOA.

**APPROVED**

ISSUE 11: What is the appropriate revenue requirement for this system?

RECOMMENDATION: The appropriate revenue requirement should be \$70,036 for the test year.

**APPROVED**

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ISSUE 12: Is a continuation of the utility's current rate structures for its separate subdivisions appropriate in this case, and, if not, what is the appropriate rate structure?

RECOMMENDATION: No. A continuation of the utility's current rate structures for its separate subdivisions is not appropriate in this case. The current rate structures should be changed to a traditional base facility charge (BFC)/gallage charge rate structure with uniform rates for the three subdivisions. No conservation adjustment should be implemented at this time. In order to monitor the effects of the new meters on customers' consumption, the utility should be ordered to provide actual billing reports, by customer and subdivision, for the period of August 2001 - December 2001. The implementation of a conservation adjustment and an inclining-block rate structure will be reevaluated in six months after staff has obtained actual billing data for that period.

**APPROVED**

ISSUE 13: Is an adjustment to reflect repression of residential consumption due to the price increase and change in rate structures appropriate in this case, and, if so, what is the appropriate repression adjustment and the resulting residential consumption for rate-setting?

RECOMMENDATION: Yes. A repression adjustment of 2,573 kgal to residential consumption is appropriate, resulting in residential consumption for rate-setting of 10,639 kgal. In order to monitor the effects of the recommended revenue increase, 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 increased rates go into effect.

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ISSUE 14: What are the appropriate monthly rates for service?

RECOMMENDATION: The appropriate monthly rates should be designed to produce revenues of \$69,563, excluding miscellaneous service charges. Although the three plants in Consolidated's system operate under two different rate structures, staff recommends combining the three systems under a uniform rate. 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), 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.

*has received and approved the required escrow agreement addressed in Issue 15,*

**MODIFIED**

*Approved with noted modification*

ISSUE 15: Should the utility be required to place in escrow the percentage of revenues that are directly related to the necessary pro forma plant additions?

RECOMMENDATION: Yes. The utility should be required to escrow 11.18% of revenues related to the pro forma items. Consolidated should file a monthly report with this Commission detailing the monthly collections, as well as the aggregate amount. The escrow requirement should remain in effect until the requirements set forth in the DEP Consent Order are met and all additional pro-forma items are purchased and properly installed.

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ISSUE 16: Should the utility be authorized to collect miscellaneous service charges, and if so, what are the appropriate charges?

RECOMMENDATION: Yes. The utility should be authorized to collect miscellaneous service charges as recommended in the analysis portion of staff's September 6, 2001 memorandum. The utility should file revised tariff sheets which are consistent with the Commission's decision. Staff should be given administrative authority to approve the revised tariff sheets upon staff's verification that tariffs are consistent with the Commission's decision. If revised tariff sheets are filed and approved, the miscellaneous service charges 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 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 as required by Section 367.0816, Florida Statutes?

RECOMMENDATION: The rates should be reduced, as shown on Schedule 4 of staff's memorandum, to remove rate case expense grossed up for 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, 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.

**APPROVED**



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ISSUE 18: 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 staff analysis. 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 Office of the Commission Clerk and Administrative Services 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.

**APPROVED**

ISSUE 19: Should Consolidated be ordered to show cause, in writing within 21 days, why it should not be fined for charging rates and charges that are not contained in its tariff, in apparent violation of Sections 367.081(1) and 367.091(4), Florida Statutes?

RECOMMENDATION: No. A show cause proceeding should not be initiated. The utility should, however, be put on notice that, pursuant to Sections 367.081(1) and 367.091(4), Florida Statutes, it must only charge those rates and charges approved by the Commission in its tariff.

**APPROVED**

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ISSUE 20: Should Consolidated be ordered to show cause, in writing within 21 days, why it should not be fined for failing to file a revised tariff for the 242 Village system, in apparent violation of Order No. PSC-94-1357-FOF-WU and Section 367.091(3), Florida Statutes?

RECOMMENDATION: No. A show cause proceeding should not be initiated. The utility should, however, be put on notice that, pursuant to Section 367.091(3), Florida Statutes, it must have a tariff on file with the Commission containing its Commission-approved rates, charges and customer service policies.

**APPROVED**

ISSUE 21: 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 12 months from the effective date of the Order to allow staff to verify completion of pro forma meter installations and other system repairs as described in Issues 4 and 5. Due to incomplete gallonage data, staff will adjust rates, if necessary, six months from the effective date of the Order to better match rates with the approved revenue requirement. If staff determines that a rate adjustment is necessary at that time, staff will file a recommendation with the new rates for the Commission's consideration at a future agenda conference. At that time, staff will readdress the escrow requirement discussed in Issue 15 and the appropriate time to close the docket.

**APPROVED**