

VOTE SHEET

NOVEMBER 19, 2001

RE: Docket No. 010403-WU - Application for staff-assisted rate case in Highlands County by Holmes Utilities, Inc.

ISSUE 1: Is the quality of service provided by Holmes Utility considered satisfactory?

RECOMMENDATION: Yes. The quality of service provided by Holmes Utility should be considered satisfactory.

APPROVED

COMMISSIONERS ASSIGNED: Full Commission

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

Michael A. Palumbo

REMARKS/DISSENTING COMMENTS:

DOCUMENT NUMBER-DATE

14630 NOV 19 01

FPSC-COMMISSION CLERK

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ISSUE 2: Should the company have any excessive unaccounted for water recognized in the used and useful calculation?

RECOMMENDATION: No. Any amount over 10% of the water pumped and unaccounted for should be considered excessive. Holmes Utility's unaccounted for water was below this threshold.

APPROVED

ISSUE 3: What portions of water plant, transmission and distribution systems are used and useful?

RECOMMENDATION: The water treatment plant should be considered 100% used and useful. The water transmission and distribution system should be considered 90% used and useful.

APPROVED

ISSUE 4: Should an acquisition adjustment be approved in the determination of the utility's rate base?

RECOMMENDATION: No. An acquisition adjustment should not be approved in the determination of the utility's rate base.

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ISSUE 5: What is the appropriate average test year rate base for the utility?

RECOMMENDATION: The appropriate average test year rate base for Holmes Utility is \$24,135 for water. The utility should be required to complete all pro forma additions, as discussed in the analysis portion of staff's November 7, 2001 memorandum, within nine months of the effective date of the Commission Order.

APPROVED

ISSUE 6: 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 9.94% with a range of 8.94% - 10.94%. The appropriate overall rate of return is 8.50%.

APPROVED

ISSUE 7: What are the appropriate test year revenues?

RECOMMENDATION: The appropriate test year revenues for the utility are \$10,522 for water.

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ISSUE 8: What is the appropriate amount of operating expense?

RECOMMENDATION: The appropriate amount of operating expenses for this utility is \$22,113.

APPROVED

ISSUE 9: What is the appropriate revenue requirement?

RECOMMENDATION: The appropriate revenue requirement is \$24,164 for water.

APPROVED

ISSUE 10: Is a revision to the utility's current inclining-block rate structure for its water system appropriate in this case, and, if so, what is the appropriate conservation adjustment, and what are the appropriate number of usage blocks and usage block rate factors?

RECOMMENDATION: Yes. A revision to the utility's current rate structure for its water system is appropriate. No conservation adjustment is recommended. The rate structure should be changed to a two-tier inclining-block rate structure. The recommended usage blocks are for monthly consumption of: 1) 0-10,000 gallons; and 2) in excess of 10,000 gallons (10 kgal), with usage block rate factors of 1.0 and 1.25, respectively.

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ISSUE 11: 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 117 kgal to consumption is appropriate. In order to monitor the effects of both the change in rate structure and 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.

APPROVED

ISSUE 12: What are the appropriate monthly rates for service?

RECOMMENDATION: The appropriate monthly rates should be designed to produce revenues of \$24,164, 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 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.

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ISSUE 13: 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 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.

APPROVED

ISSUE 14: What are the appropriate customer deposits for this utility?

RECOMMENDATION: The appropriate customer deposits should be the recommended charges as specified in the staff analysis. The utility should file revised tariff sheets which are consistent with the Commission's vote. Staff should be given administrative authority to approve the revised tariff sheets upon staff's verification that the tariffs are consistent with the Commission's decision. If revised tariff sheets are filed and approved, the customer deposits should become effective for connections made on or after the stamped approval date of the revised tariff sheets, if no protest is filed.

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ISSUE 15: Should the utility's service availability charges be revised to include a tap in fee and a meter installation charge, and if so, what are the appropriate charges?

RECOMMENDATION: Yes, the utility's current service availability charges should be revised to include a tap in fee of \$150 and a meter installation charge of \$100. The utility should file revised tariff sheets which are consistent with the Commission's vote. Staff should be given administrative authority to approve the revised tariff sheets upon staff's verification that the tariffs are consistent with the Commission's decision. If revised tariff sheets are filed and approved, the service availability 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 16: 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 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 17: Should Holmes Utilities, Inc. be ordered to show cause, in writing, within 21 days, why it should not be fined for failure to comply with its tariff, in apparent violation of Sections 367.081(1), and 367.091(3), Florida Statutes?

RECOMMENDATION: No. Show cause proceedings should not be initiated at this time. The utility should hereby be put on notice that it must continue to comply with its tariff and bill accordingly in the future.

APPROVED

ISSUE 18: 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 nine months from the effective date of the Order to allow staff to verify completion of pro forma plant described in Issue No. 5. Once staff has verified that this work has been completed, the docket should be closed administratively.

APPROVED