

VOTE SHEET

DECEMBER 4, 2001

RE: Docket No. 010396-WS - Application for staff-assisted rate case in Brevard County by Burkim Enterprises, Inc.

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

RECOMMENDATION: The quality of service provided by Burkim Enterprises, Inc., should not be considered satisfactory at this time due to deferred maintenance by the previous owner. No penalty should be issued against the current owner. Rather, the utility should be given ~~180 days~~ nine months from the effective date of the Order to complete the plant upgrades discussed in Issue 6 as Pro Forma plant.

MODIFIED

Approved w/ noted modification

COMMISSIONERS ASSIGNED: Full Commission

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

Michael A. Polech

[Signature]

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REMARKS/DISSENTING COMMENTS:

DOCUMENT NUMBER-DATE

15168 DEC-4 01

FPSC-COMMISSION CLERK

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

RECOMMENDATION: Yes. The Commission should approve a projected test year for the utility to allow it an opportunity to earn a fair return on the utility's investment and to better match rate base with customer growth on a going forward basis. A projected test year ending May 31, 2003, should be approved.

APPROVED

ISSUE 3: Does Burkim Enterprises, Inc., have an excessive unaccounted for water problem?

RECOMMENDATION: Yes. Burkim Enterprises, Inc., has an excessive unaccounted for water problem. However, staff recommends that due to numerous line breaks and bad meters, an adjustment to chemicals and electricity should not be made; rather a pro forma allowance should be granted to assist the utility in a meter replacement program, and the utility should be required to send monthly monitoring reports to the staff engineer for six months that contain the total metered water treated compared to metered water sold to customers.

APPROVED

ISSUE 4: What portions of Burkim Enterprises, Inc., systems are used and useful?

RECOMMENDATION: The water treatment plant, water distribution system, and wastewater collection system should be considered 100% used and useful. The wastewater treatment plant should be considered to be 54.4% used and useful.

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ISSUE 5: Should an acquisition adjustment be approved in the determination of the utility's rate base at the date of purchase?

RECOMMENDATION: Yes. A negative acquisition adjustment should be approved in the determination of the utility's rate base at the date of purchase.

APPROVED

ISSUE 6: What is the appropriate projected test year rate base for the utility?

RECOMMENDATION: The appropriate projected test year rate base for the utility is \$186,184 for water and \$133,218 for wastewater. The utility should be required to complete all pro forma additions, as discussed in the analysis portion of staff's November 19, 2001 memorandum, within nine months of the effective date of the Commission Order.

APPROVED

ISSUE 7: 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 is 9.94% with a range of 8.94% - 10.94%. The appropriate overall rate of return for the utility is 9.84%.

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ISSUE 8: What are the appropriate projected test year revenues?

RECOMMENDATION: The appropriate projected test year revenues for this utility are \$90,003 for water and \$55,742 for wastewater.

APPROVED

ISSUE 9: What is the appropriate amount of operating expense?

RECOMMENDATION: The appropriate amount of operating expense for this utility is \$95,905 for water and \$106,938 for wastewater. The utility should be required to provide the Commission with proof of the initiation of a pension plan and health insurance, as discussed in the staff analysis, within 90 days of the effective date of the Commission Order.

APPROVED

ISSUE 10: What is the appropriate revenue requirement?

RECOMMENDATION: The appropriate revenue requirement is \$114,225 for water and \$120,047 for wastewater.

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ISSUE 11: Is a continuation of the utility's current 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 rate structure for its water system is not appropriate in this case. A conservation adjustment of 15% should be implemented. In addition, the rate structure should be changed to a two-tier inclining-block rate structure, with recommended usage blocks of 0-10,000 gallons (10 kgal) and over 10 kgal. The recommended usage block rate factor for the second block is 1.50.

APPROVED

ISSUE 12: Is an adjustment to reflect repression of residential consumption appropriate due to the change in rate structure and price increase in this case, and, if so, what is the appropriate repression adjustment?

RECOMMENDATION: Yes. A repression adjustment of 601 kgal to residential water consumption and a corresponding adjustment of 481 kgal to residential wastewater 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.

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ISSUE 13: What are the appropriate rates for each system?

RECOMMENDATION: The recommended rates should be designed to produce revenue of \$111,412 for water and \$108,167 for wastewater, as shown in the staff analysis. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), Florida Administrative Code. The rates should not be implemented until notice has been received by the customers. The utility should provide proof of the date notice was given within 10 days after the date of the notice.

APPROVED

ISSUE 14: 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 and wastewater rates should be reduced as shown on Schedules 4 and 4A 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.

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ISSUE 15: Should the utility be authorized to collect service availability charges, and if so, what are the appropriate charges?

RECOMMENDATION: Yes. The utility should be allowed to collect service availability charges as shown 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 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: What are the appropriate customer deposits for this utility?

RECOMMENDATION: The appropriate customer deposits should be 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 17: What are the appropriate private fire protection rates for this utility?

RECOMMENDATION: The private fire protection tariffed rates should be calculated and set equivalent to one-twelfth of the tariffed base facility charges in accordance with Rule 25-30.465, Florida Administrative Code. The tariff should become effective for service rendered on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475(1), Florida Administrative Code, provided the customers have received notice.

APPROVED

ISSUE 18: What is the appropriate amount of the interim refund, if any?

RECOMMENDATION: The proper refund amount should be calculated by using the same data used to establish final rates, excluding rate case expense and UPIS and operating expenses not incurred during the interim period. This revised revenue requirement for the interim collection period should be compared to the amount of interim revenues granted. Based on this calculation, the utility should not be required to refund wastewater revenues collected under interim rates, and the escrow account should be released.

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ISSUE 19: 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(7), Florida Administrative Code, the utility should file reports with the Division of Commission Clerk and Administrative Services no later than 20 days after each monthly billing. These reports should indicate the amount of revenue collected under the increased rates subject to refund.

APPROVED

ISSUE 20: Should Burkim Enterprises, Inc. be ordered to show cause, in writing, within 21 days, why it should not be fined for collecting charges not approved by the Commission, 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 be put on notice that pursuant to Sections 367.081(1) and 367.091(3), Florida Statutes, it may only charge rates and charges approved by the Commission.

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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 ~~three~~ nine months from the effective date of the Order to allow staff to verify completion of pro forma plant items as described in Issue No. 6. Once staff has verified that this work has been completed, the docket should be closed administratively.

MODIFIED

Approved w/ noted modification