

VOTE SHEET

APRIL 15, 2003

RE: Docket No. 020409-SU - Application for rate increase in Charlotte County by Utilities, Inc. of Sandalhaven.

ISSUE 1: Is the quality of service provided by Sandalhaven satisfactory?
RECOMMENDATION: Yes. The quality of service should be considered satisfactory.

APPROVED

COMMISSIONERS ASSIGNED: Full Commission

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

Charles W. Darr
Michael J. ...
...
A. Jerry ...
Rudy Bradley

REMARKS/DISSENTING COMMENTS:

DOCUMENT NUMBER-DATE

03467 APR 15 8

FPSC-COMMISSION CLERK

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ISSUE 2: Should adjustments be made to organization and franchise costs?

RECOMMENDATION: Yes. Sandalhaven's organization and franchise costs should be reduced by \$76,921 and \$23,241, respectively, to reclassify them as below the line acquisition costs, prior owner and undocumented costs. Corresponding adjustments are also necessary to decrease accumulated depreciation and depreciation expense as follows:

	<u>Accumulated Depreciation</u>	<u>Depreciation Expense</u>
Organization Costs	\$20,866	\$1,920
Franchise Costs	\$13,258	\$ 580

APPROVED

ISSUE 3: Should plant additions related to capitalized Allowance for Funds Used During Construction (AFUDC) accruals be allowed?

RECOMMENDATION: No. The utility did not have an approved AFUDC rate. The utility should remove \$8,628 and \$432 of average capitalized AFUDC and accumulated depreciation, respectively. The utility should also remove \$452 of depreciation expense. The utility should also be required to adjust its books to remove year-end plant of \$9,881 and \$657 of year-end plant and accumulated depreciation, respectively.

APPROVED

ISSUE 4: Should an adjustment be made to the value of utility land?

RECOMMENDATION: Yes. The value of utility land is overstated and should be reduced by \$190,000.

APPROVED

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ISSUE 5: Should adjustments be made to the accumulated depreciation and accumulated amortization of contributions in aid of construction (CIAC) accounts?

RECOMMENDATION: Yes. The utility failed to record depreciation and amortization of CIAC and used incorrect rates. Accordingly, accumulated depreciation should be increased by \$84,433; depreciation expense should be increased by \$15,949; accumulated amortization of CIAC should be increased by \$35,128; and CIAC amortization expense should be increased by \$11,461.

APPROVED

ISSUE 6: Should an adjustment be made to the Water Services Corp. (WSC) rate base allocation?

RECOMMENDATION: Yes. An adjustment in the amount of \$12,208 should be made to increase rate base.

APPROVED

ISSUE 7: What are the used and useful percentages of the utility's wastewater treatment plant, wastewater collection system, and reclaimed water system?

RECOMMENDATION: Based on staff's analysis in its April 3, 2003 memorandum, the wastewater treatment plant should be considered 57.54% used and useful (49.89% on a composite basis), and the collection system and reclaimed water system should be considered 100% used and useful. However, since the net plant subject to used and useful consideration is 100% contributed, staff believes that it would be inappropriate to make any rate base adjustment for used and useful.

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ISSUE 8: What is the appropriate working capital allowance?

RECOMMENDATION: The appropriate amount of working capital is \$26,623, based on the formula method.

APPROVED

ISSUE 9: What is the appropriate rate base?

RECOMMENDATION: The appropriate wastewater rate base for the test year ending December 31, 2001 is \$54,048.

APPROVED

ISSUE 10: What is the appropriate weighted cost of capital including the proper components, amounts and cost rates associated with the capital structure for the test year ending December 31, 2001?

RECOMMENDATION: Adjustments should be made to include Sandalhaven's balance of average accumulated deferred income taxes at a zero-cost rate and to correct the interest costs for long- and short-term debt. The resulting overall cost of capital should be 5.72%, with a range of 5.49% to 5.96%. The return on equity (ROE) should be 10.93%, with a range of 9.93% to 11.93%.

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ISSUE 11: Should an Allowance for Funds Used During Construction (AFUDC) rate be approved, and if so, what is the appropriate annual rate, monthly discounted rate, and the effective date for Sandalhaven?

RECOMMENDATION: Yes. Since the utility does not currently have an authorized AFUDC rate, the Commission, on its own motion, should establish such a rate. The utility should be authorized to implement an AFUDC rate of 5.72%, on an annual basis, with a monthly discounted rate of 0.476756%. These charges should be effective for projects as of January 1, 2002.

APPROVED

ISSUE 12: Should adjustments be made to salaries, other O&M expenses, and taxes other than income?

RECOMMENDATION: Yes. Salaries should be reduced by \$24,946 with a corresponding reduction to payroll taxes of \$1,909. In addition, due to allocation errors, allocated expenses O&M and payroll taxes should be reduced by \$2,032 and \$971, respectively.

APPROVED

ISSUE 13: Are any miscellaneous adjustments necessary to O&M expenses?

RECOMMENDATION: Yes. O&M expenses should be decreased by \$8,730 to remove prior period, unsupported, and non-recurring items from several accounts.

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ISSUE 14: What is the appropriate amount of rate case expense?

RECOMMENDATION: The appropriate rate case expense for this docket is \$49,750. This expense is to be recovered over four years for an annual expense of \$12,438. This results in a decrease to the rate case expense requested in the MFRs of \$17,563.

APPROVED

ISSUE 15: What adjustments, if any, should be made to the utility's property taxes?

RECOMMENDATION: Property taxes should be decreased by \$6,893 to remove a prior year past due amount.

APPROVED

ISSUE 16: What is the test year operating income before any revenue increase?

RECOMMENDATION: Based on the adjustments discussed in previous issues, staff recommends that the test year operating income before any provision for increased revenues should be (\$14,405).

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ISSUE 17: What is the appropriate revenue requirement?

RECOMMENDATION: The following revenue requirement should be approved.

	Test Year <u>Revenues</u>	\$ <u>Increase</u>	Revenue <u>Requirement</u>	% <u>Increase</u>
Wastewater	\$221,904	\$29,378	\$251,282	13.24%

APPROVED

ISSUE 18: Should the utility's general service tariff be revised to remove a 1½-inch meter (15 ERC Restaurant) class of service?

RECOMMENDATION: Yes. That class of service should be discontinued and the customer should be charged a tariff rate based on its water meter size.

APPROVED

ISSUE 19: What are the appropriate monthly rates for wastewater services for this utility?

RECOMMENDATION: The appropriate monthly rates are shown on Schedule 4 of staff's April 3, 2003 memorandum. Staff's recommended rates are designed to produce revenues of \$245,872, 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), F.A.C. In addition, the rates should not be implemented until after staff has approved the proposed customer notice, and after the notice is expected to have been received by the customers. The utility should provide proof of the date the notice was given no less than 10 days after the date of the notice.

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ISSUE 20: Should the utility's proposed tariff to implement a reuse service rate be approved?

RECOMMENDATION: Yes. The utility's proposed tariff to implement a reuse service rate should be approved. First Revised Tariff Sheet No. 16.0 and Original Tariff Sheet No. 17.5 should be approved as filed. The approved tariffs should be effective for service rendered on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475(1), F.A.C.

APPROVED

ISSUE 21: In determining whether any portion of the interim increase granted should be refunded, how should the refund be calculated, and what is the amount of the 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. 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 be required to refund 14.11% of wastewater revenues collected under interim rates. The refund should be made with interest in accordance with Rule 25-30.360(4), F.A.C. The utility should treat any unclaimed refunds as CIAC pursuant to Rule 25-30.360(8), F.A.C.

APPROVED

ISSUE 22: 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 wastewater rates should be reduced as shown on Schedule 4 of staff's analysis to remove \$13,024 in rate case expense, grossed up for regulatory assessment fees, which is being amortized over a four-year period. The decrease in rates should become effective immediately

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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.

APPROVED

ISSUE 23: Should Sandalhaven 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. A show cause proceeding should not be initiated at this time for this issue. 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.

APPROVED

ISSUE 24: Should this docket be closed?

RECOMMENDATION: If no person whose substantial interests are affected by the proposed agency action files a protest within twenty-one days of the issuance of the order, a consummating order will be issued. The docket should remain open for staff's verification that the revised tariff sheets and customer notice have been filed by the utility and approved by staff, and the refund has been completed and verified by staff. Once these actions are complete, this docket may be closed administratively, and the escrow account may be released.

APPROVED