

VOTE SHEET

NOVEMBER 3, 2003

RE: Docket No. 021228-WS - Application for staff-assisted rate case in Brevard County by Service Management Systems, Inc. (Deferred from August 5, 2003 conference; revised recommendation filed.)

ISSUE 1: Is the quality of service provided by Service Management Systems, Inc. considered satisfactory?

RECOMMENDATION: The quality of service provided by Service Management Systems, Inc. should be considered unsatisfactory until the utility completes all upgrades necessary to lift the moratorium imposed by Brevard County Fire Rescue. The utility should open a line of communication with customers by providing a one-time notice to customers, along with the notice of rate changes resulting from this rate case, informing them of the upgrades to the utility's fire-flow system and a schedule for remaining upgrades that will allow full compliance with the Brevard County Fire Rescue. The utility should be granted 180 days from the Consummating Order to meet the National Fire Protection Association (NFPA) requirements and provide the notice to its customers.

APPROVED

COMMISSIONERS ASSIGNED: Full Commission

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

[Handwritten signatures of majority commissioners]

REMARKS/DISSENTING COMMENTS:

DOCUMENT NUMBER-DATE

10938 NOV-3 8

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ISSUE 2: What portions of Service Management Systems, Inc. are used and useful?

RECOMMENDATION: The Service Management Systems, Inc. water treatment plant is considered to be 29.7%, the water distribution system is considered 62.6%, the wastewater treatment plant is considered to be 55.9%, and the wastewater collection system is considered 65.4% used and useful. The nonpotable water plant is considered 53.5% except for the high service pumps required by Brevard County which are considered 100% used and useful. The nonpotable water distribution system is considered 100% used and useful.

APPROVED

ISSUE 3: What is the appropriate average test year rate base for this utility?

RECOMMENDATION: The appropriate average test year rate base for this utility is \$456,731 for water and \$142,224 for wastewater. The utility should be required to complete the pro forma high service pump installation and common area irrigation meters installation within 180 days from the date of the Consummating Order. The utility should also be required to continue to maintain separate records associated with the nonpotable system.

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ISSUE 4: 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 8.94%.

APPROVED

ISSUE 5: What are the appropriate test year revenues?

RECOMMENDATION: The appropriate test year revenues for this utility are \$195,470 for water and \$95,937 for wastewater.

APPROVED

ISSUE 6: What is the appropriate amount of operating expense?

RECOMMENDATION: The appropriate amount of operating expense for this utility is \$185,613 for water and \$93,464 for wastewater.

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ISSUE 7: What are the appropriate revenue requirements?

RECOMMENDATION: The appropriate revenue requirements for water and wastewater are \$226,445 and \$106,179, respectively.

APPROVED

ISSUE 8: What are the appropriate amounts of common water system revenue requirement line items (cost of service) allocable to the potable and nonpotable water systems, respectively?

RECOMMENDATION: The appropriate amount of common water system cost of service elements allocable to the potable system is \$48,659, and the corresponding amount allocable to the nonpotable system is \$19,209.

APPROVED

ISSUE 9: Is a continuation of the utility's current base facility charge (BFC)/gallonge charge rate structure appropriate for this utility?

RECOMMENDATION: Yes. A continuation of the utility's current BFC/gallonge charge rate structure is appropriate for this utility. A conservation adjustment of 29.82% should be made such that the final BFC remains at the current rate of \$16.88, with the entire water system revenue requirement increase allocated to the gallonge charge.

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ISSUE 10: Is an adjustment to reflect repression of consumption due to the price changes appropriate in this case, and if so, what is the appropriate repression adjustment?

RECOMMENDATION: No. A repression adjustment is not appropriate in this case.

APPROVED

ISSUE 11: What is the appropriate rate structure and rate for nonpotable water service?

RECOMMENDATION: The appropriate rate structure for nonpotable water service is a continuation of the gallonage-charge only rate structure, and the appropriate rate is \$0.69 per one thousand gallons (kgal).

APPROVED

ISSUE 12: What are the appropriate rates for each system?

RECOMMENDATION: The rates should be designed to produce revenue of \$226,445 for water and \$106,179 for wastewater excluding miscellaneous service charges, as shown in the analysis portion of staff's October 22, 2003 memorandum. The approved rates should be 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. The rates should not be implemented until staff has approved the proposed customer notice, the notice has been received by the customers, and staff has verified that the tariffs are consistent with the Commission's decision. 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 and wastewater rates should be reduced as shown on Schedule 4 of staff's October 22, 2003 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 as specified in the analysis portion of staff's October 22, 2003 memorandum. The utility should file revised tariff sheets and proposed notice, which are consistent with the Commission's vote. 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 and provided customers have been noticed.

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ISSUE 15: Should the utility's service availability charges be revised?

RECOMMENDATION: Yes. The utility's existing system capacity charge should be discontinued and the utility's service availability charges should be revised to reflect a plant capacity charge of \$780 for water and a main extension charge of \$500 for water and \$635 for wastewater. The utility should file revised tariff sheets and proposed notice which are consistent with the Commission's vote. 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 and provided that customers have been noticed.

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 the appropriate security as described in the analysis portion of staff's October 22, 2003 memorandum. 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 staff's 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.

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ISSUE 17: Should the 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 180 days after the Consummating Order to allow staff time to verify the utility has completed the pro forma fire service pump replacement and common area irrigation meter installations. Upon verification of the above by staff, the docket should be administratively closed.

APPROVED