

FLORIDA PUBLIC SERVICE COMMISSION

VOTE SHEET

DECEMBER 2, 2003

RE: Docket No. 020071-WS - Application for rate increase in Marion, Orange, Pasco, Pinellas, and Seminole Counties by Utilities, Inc. of Florida.

ISSUE 1: Stipulated.

ISSUE 2: Dropped.

ISSUE 3: Stipulated.

ISSUE 4: Should any amortization expense be included for the Seminole County wastewater system televideo inspection charges?

RECOMMENDATION: No. All parties agree that these charges were fully amortized before the test year; therefore, no adjustments are necessary.

APPROVED

COMMISSIONERS ASSIGNED: Deason, Baez, Bradley

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

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REMARKS/DISSENTING COMMENTS:

DOCUMENT NUMBER-DATE

12245 DEC-28

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ISSUE 5: What adjustments, if any, should be made to the utility's UPIS with respect to common plant allocations from Water Services Corporation?

RECOMMENDATION: The utility's method of allocating common costs from Water Services Corporation (WSC) based on customer equivalents (CEs) is unsupported, as well as unreasonable. The following adjustments should be made to allocated plant to reflect corrections to the utility's method of recording allocations from WSC.

WSC Allocations of Common Plant

<u>County</u>	<u>Water</u>	<u>Wastewater</u>
Marion	109	17
Orange	(2,151)	0
Pasco	(5,812)	(1,815)
Pinellas	(3,181)	0
Seminole	2,377	1,283

Further, UI should be ordered to use ERCs, measured at the end of the applicable test year, as the primary factor in allocating affiliate costs in Florida as of January 1, 2004.

APPROVED

ISSUE 6: What adjustments should be made to CIAC and amortization of CIAC to reflect the contribution received from the City of Altamonte Springs?

RECOMMENDATION: Seminole County CIAC should be increased by \$107,000 to reflect the wastewater contribution received from the City of Altamonte Springs. Corresponding adjustments should also be made to increase accumulated amortization of CIAC and the test year amortization of CIAC by \$1,783 and \$3,567, respectively.

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ISSUE 7: What adjustments, if any, should be made to the amount of working capital allocated to each of the utility's operating systems?

RECOMMENDATION: The following adjustments should be made to the amount of working capital allocated to each of UIF's operating systems:

<u>County</u>	<u>Water</u>	<u>Wastewater</u>
Marion	(\$101,443)	(\$41,340)
Orange	(\$69,395)	\$0
Pasco	(\$205,937)	(\$226,005)
Pinellas	(\$25,370)	\$0
Seminole	(\$346,797)	(\$409,746)

APPROVED

ISSUE 8: If the Commission determines a system or a component of a system to be 100% used and useful in a prior case, is it obligated to keep that system 100% used and useful in a subsequent case?

RECOMMENDATION: No. The Commission is not obligated to keep a system 100% used and useful simply because it determined that system, or a component thereof, to be 100% used and useful in a prior case. In a rate case filed by the utility, the burden is on the utility to prove the used and usefulness of its systems. The Commission's decision on the used and usefulness of UIF's systems should be made based on the evidence of record, and the Commission's prior decisions involving a system or component of a system should be reviewed and considered in making that decision.

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ISSUE 9: If a local jurisdiction requires fire flow, is the Commission obligated to give the Utility a fire flow allowance even if the system provides little or no fire flow?

RECOMMENDATION: If fire protection is required by a local jurisdiction, the utility has a responsibility to maintain sufficient capacity to furnish the service at the required rate and duration, even if that protection is only available to a limited number of customers in the service area. Therefore, the utility should be allowed to recover the cost associated with maintaining fire flow capacity for the Orangewood and Oakland Shores systems.

APPROVED

ISSUE 10: Should any of the UIF systems be considered as 100% used and useful because they are built out?

RECOMMENDATION: Staff recommends that all of the UIF water distribution and wastewater collection systems should be considered 100% used and useful because they are built out, with the exception of the Summertree water and wastewater systems in Pasco County and Golden Hills/Crownwood water system in Marion County.

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ISSUE 11: What methodology should be employed to calculate the used and useful percentages, and what are the appropriate used and useful percentages for the utility's water treatment systems, including source of supply and pumping, water treatment plants, and storage and high service pumping?

RECOMMENDATION: Staff recommends that all components of each of the UIF water systems in this case are 100% used and useful, based on the methodology described in the analysis portion of staff's November 20, 2003 memorandum.

APPROVED

ISSUE 12: What methodology should be employed to calculate the used and useful percentages, and what are the appropriate used and useful percentages for the utility's wastewater treatment plants?

RECOMMENDATION: Staff recommends that the Crownwood wastewater treatment plant be considered 68.65% used and useful based on the methodology contained in Rule 25-30.432, F.A.C.

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ISSUE 13: What methodology should be employed to calculate the used and useful percentages, and what are the appropriate used and useful percentages for the utility's water distribution and wastewater collection systems?

RECOMMENDATION: Staff recommends that all of the UIF water distribution and wastewater collection systems should be considered 100% used and useful, based on the methodology discussed in the analysis portion of staff's November 20, 2003 memorandum.

APPROVED

ISSUE 14: What is the appropriate rate base?

RECOMMENDATION: The projected 13-month average rate base for each system is as follows:

	<u>Water</u>	<u>Wastewater</u>
Marion	\$ 266,335	\$ 59,128
Orange	\$ 46,653	N/A
Pasco	\$ 879,905	\$ 271,676
Pinellas	\$ 195,047	N/A
Seminole	\$ 1,429,842	\$ 1,319,403

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ISSUE 15: Stipulated.

ISSUE 16: What is the appropriate return on equity (ROE) for UIF?

RECOMMENDATION: The appropriate return on equity (ROE) for UIF is 11.45% with a range of plus or minus 100 basis points. This is based on the current leverage formula in Order No. PSC-03-0707-PAA-WS, issued June 13, 2003. The Commission should not adjust the leverage formula to remove the small utility risk premium.

APPROVED

ISSUE 17: Should UIF's ROE be lowered as a penalty to reflect the quality of its books and records?

RECOMMENDATION: No. The utility should not be penalized because of its books and records. The requirements necessary to bring the utility into compliance are being addressed in Docket No. 020407-WS, the Cypress Lakes Utilities, Inc. rate case.

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ISSUE 18: What is the appropriate cost of overall rate of return for water and wastewater for each county?

RECOMMENDATION: The appropriate cost of overall rate of return for each county is as shown in the table below. For identification purposes, the AFUDC rate should be the same as the rate of return, and the monthly discounted rate is also reflected.

<u>County</u>	<u>Rate of Return</u>	<u>AFUDC Monthly Discounted Rate</u>
Marion	9.59%	0.798611%
Orange	8.69%	0.723691%
Pasco	9.57%	0.797328%
Pinellas	9.48%	0.789695%
Seminole	9.58%	0.797650%

APPROVED

ISSUE 19: What is the appropriate amount of test year revenues?

RECOMMENDATION: The appropriate amount of test year revenues for Marion County Water is \$153,402 and for Marion County Wastewater is \$67,800. The appropriate amount of test year revenues for Orange County Water is \$85,713. The appropriate amount of test year revenues for Pasco County Water is \$432,971 and for Wastewater is \$284,248. The appropriate amount of test year revenues for Pinellas County Water is \$56,629. The appropriate amount of test year revenues for Seminole County Water is \$607,594 and for Wastewater is \$398,746.

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ISSUE 20: Directed Verdict.

ISSUE 21: Directed Verdict.

ISSUE 22: What adjustments, if any, should be made to the utility's operation and maintenance expense with respect to amounts allocated from WSC?

RECOMMENDATION: The following adjustments should be made to UIF's expenses to reflect corrections to the utility's method of recording allocations from Water Services Corporation, and to allocate the stipulated decrease in O&M costs from Florida Cost Center 600 to the UIF systems.

	<u>Water</u>	<u>Wastewater</u>
Marion	(\$4,986)	(\$743)
Orange	(1,899)	0
Pasco	(23,248)	(7,261)
Pinellas	(6,737)	0
Seminole	<u>(25,376)</u>	<u>(13,700)</u>
Total	<u>(\$62,246)</u>	<u>(\$21,704)</u>

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ISSUE 23: Should adjustments be made to the amount of salaries, pensions and benefit expense and payroll taxes included in the Company's MFR filing?

RECOMMENDATION: Yes. The following adjustments are necessary to salaries, benefits expense, and payroll taxes.

<u>Systems</u>	<u>Salaries</u>	<u>Pension & Benefits</u>	<u>Payroll Taxes</u>
Marion - Water	\$7,781	(\$1,143)	(\$990)
Marion - Wastewater	(\$10,225)	(\$170)	(\$147)
Orange - Water	(\$5,494)	(\$1,162)	(\$712)
Pasco - Water	\$17,995	(\$622)	(\$1,231)
Pasco - Wastewater	(\$8,003)	\$648	(\$385)
Pinellas - Water	(\$24,689)	(\$6,954)	(\$4,299)
Seminole - Water	\$5,051	(\$1,110)	(\$2,002)
Seminole - Wastewater	<u>\$2,727</u>	<u>(\$583)</u>	<u>(\$1,081)</u>
Total	<u>(\$14,856)</u>	<u>(\$10,860)</u>	<u>(\$10,846)</u>

APPROVED

ISSUE 24: What adjustments, if any, should be made to the utility's O&M expense in Seminole County with respect to the wastewater interconnection with the City of Sanford?

RECOMMENDATION: O&M expenses in Seminole County should be reduced by \$88,202 to reflect the proper amount of purchased wastewater treatment expense and other discontinued expense associated with the interconnection.

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ISSUE 25: What is the appropriate amount of rate case expense?

RECOMMENDATION: Total rate case expense of \$397,597 should be allowed, or \$99,399 in annual amortization. As a result, the adjustments listed in the table below should be made to each system.

<u>County</u>	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Marion	(\$15,764)	(\$3,239)	(\$19,003)
Orange	(\$23,613)		(\$23,613)
Pasco	\$14,825	\$6,396	\$21,221
Pinellas	(\$21,551)		(\$21,551)
Seminole	<u>(\$2,145)</u>	<u>(\$1,144)</u>	<u>(\$3,289)</u>
Total	<u>(\$48,248)</u>	<u>\$2,013</u>	<u>(\$46,235)</u>

APPROVED

ISSUE 26: Does UIF have excessive unaccounted for water and if so, what adjustments should be made?

RECOMMENDATION: No adjustment should be made for unaccounted for water where: (1) the amount is less than 10%, (2) the adjustment would be less than 1% and therefore immaterial, or (3) the utility is already addressing the problem through corrective measures. Adjustments should be made to reduce electric power purchased by \$2,297 and chemicals by \$373 to reflect unaccounted for water in excess of 10% for the Golden Hills/Crownwood system, for overall Pasco County, and the Lake Tarpon system.

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ISSUE 27: Does UIF have excessive infiltration/inflow in any of its wastewater systems, and if so, what adjustments should be made?

RECOMMENDATION: Staff recommends that the treatment costs associated with the Ravenna Park wastewater system in Seminole County be reduced by \$45,478 due to excessive inflow and infiltration. The other wastewater systems in this case do not require an adjustment for excessive inflow and infiltration.

APPROVED

ISSUE 28: Is there a gain on sale with respect to the sale of the Druid Isle water system and of a portion of the Oakland Shores water system to the City of Maitland and/or with respect to the sale of the Green Acres Campground water and wastewater facilities to the City of Altamonte Springs, and if so, in what amounts?

RECOMMENDATION: Yes. The gains on the sales to the City of Maitland and the City of Altamonte Springs should be \$67,695 and \$269,661, respectively.

APPROVED

ISSUE 29: Should gains or losses on the sale of utility assets be included in cost of service for rate setting purposes?

RECOMMENDATION: No. The gains on the Maitland and Altamonte Sales should be attributable to the shareholders. Thus, no adjustments are necessary to test year operating expenses.

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ISSUE 30: 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 for UIF should be as follows:

<u>County</u>	<u>Water</u>	<u>Wastewater</u>
Marion	\$ 20,307	\$ 20,530
Orange	\$ (6,120)	N/A
Pasco	\$ 42,352	\$ 16,190
Pinellas	\$ 4,085	N/A
Seminole	\$ 80,335	\$ (11,509)

APPROVED

ISSUE 31: What is the appropriate revenue requirement?

RECOMMENDATION: The following revenue requirement should be approved:

	<u>Adjusted Test Year Revenues</u>	<u>\$ Increase (Decrease)</u>	<u>Revenue Requirement</u>	<u>% Increase (Decrease)</u>
Marion Water	\$153,402	\$8,778	\$162,180	5.72%
Marion Wastewater	\$67,800	(\$24,950)	\$42,850	(36.80)%
Orange Water	\$85,713	\$17,080	\$102,793	19.93%
Pasco Water	\$432,971	\$70,299	\$503,270	16.24%
Pasco Wastewater	\$284,248	\$16,477	\$300,725	5.80%
Pinellas Water	\$56,629	\$24,186	\$80,815	42.71%
Seminole Water	\$607,594	\$95,002	\$702,596	15.64%
Seminole Wastewater	\$398,746	\$231,442	\$630,188	58.04%

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ISSUE 32: What are the appropriate bills, ECRs and gallons to be used to set water and wastewater rates for the 2001 test year?

RECOMMENDATION: The appropriate number of bills, gallons, and ERCs for Orange and Pinellas Counties is contained in Composite Exhibit 5. The appropriate number of bills, gallons, and ERCs for Pasco and Seminole Counties is contained in Exhibit 5, and updated to include the revised MFR Schedules E-2 and E-14 contained in Exhibit 6. Staff made two minor corrections to these schedules as described in the analysis portion of staff's November 20, 2003 memorandum. The appropriate number of bills, gallons, and ERCs for Marion County is contained in Composite Exhibit 5, as adjusted to reflect the annualization of the addition of a bulk wastewater customer during the test year.

APPROVED

ISSUE 33: Is the utility's proposed rate consolidation for Pasco and Seminole Counties appropriate, and if not, what, if any, rate consolidation is appropriate for those counties?

RECOMMENDATION: Yes. The utility's proposed rate consolidation is appropriate. The rates for each water system in Pasco County should be consolidated into a single tariff rate. The rates for the Oakland Shores water system in Seminole County should be consolidated with the remaining water systems into a single tariff rate.

APPROVED

ISSUE 34: What are the appropriate rates for water service for this utility?

RECOMMENDATION: The appropriate monthly rates for water service are shown on Schedule 4-A of staff's November 20, 2003 memorandum. The recommended water rates should be designed to produce revenues of \$160,900 in Marion County, \$100,581 in Orange County, \$494,751 in Pasco County, \$80,807 in Pinellas County and \$693,219 in Seminole County, all of which

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exclude miscellaneous revenues. The utility should file revised tariff sheets and proposed customer notices 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 notices, and the notices have 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.

APPROVED

ISSUE 35: What are the appropriate rates for wastewater for this utility?

RECOMMENDATION: The appropriate monthly rates for wastewater service are shown in Schedule 4B of staff's November 20, 2003 memorandum. The recommended wastewater rates should be designed to produce revenues of \$42,790 in Marion County, \$299,188 in Pasco County, and \$626,110 in Seminole County, all of which exclude miscellaneous revenues. The utility should file revised tariff sheets and 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 36: What is the appropriate amount by which rates should be reduced four years after the established effective date to reflect the removal of amortized rate case expense, as required by Section 367.0816, Florida Statutes?

RECOMMENDATION: The rates should be reduced as shown on Schedules 4-A and 4-B of staff's November 20, 2003 memorandum to remove the revenue impact of rate case expense. This amount was calculated by taking the annual amount of rate case expense by system grossed up for regulatory assessment fees. 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 proposed customer notices for each system 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 for the reduction in the rates due to the amortized rate case expense.

APPROVED

ISSUE 36A: Is an interim refund appropriate and if so, what is the appropriate amount?

(This issue was not included in the prehearing order and is a fall-out of Stipulation 29 regarding the methodology to determine if any interim refunds are required. Parties did not present positions on this issue.)

RECOMMENDATION: The utility should be required to refund 7.66% of water revenues collected under interim rates for Marion County. No other interim refunds are appropriate. The refund should be made with interest in accordance with Rule 25-30.360(4), Florida Administrative Code. The utility should treat any unclaimed refunds as CIAC pursuant to Rule 25-30.360(8), Florida Administrative Code.

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ISSUE 37: Should the utility be required to show cause, in writing within 21 days, why it should not be fined for its apparent violation of Rule 25-30.115, Florida Administrative Code, and Order No. PSC-97-0531-FOF-WU, issued May 9, 1995, in Docket No. 960444-WU, for its failure to maintain its books and records in conformance with the National Association of Regulatory Utility Commissioners Uniform System of Accounts?

RECOMMENDATION: No. Although the record reflects that the utility's books and records are not maintained in compliance with the NARUC USOA, the utility's compliance with this issue is being addressed in Docket No. 020407-WS. The utility's future compliance and actions should be monitored in conjunction with Docket No. 020407-WS and future rate filings for UI systems in Florida.

APPROVED

ISSUE 38: Should this docket be closed?

RECOMMENDATION: No. This docket should remain open pending staff's verification that the utility's revised tariff sheets and notice are consistent with the Commission's decision and that the utility has properly administered the interim refund. Once staff has verified that the refund has been made, the corporate undertaking should be released. Upon staff's verification that the above requirements have been met and after the time for filing an appeal has run, the docket should be administratively closed.

APPROVED