

FLORIDA PUBLIC SERVICE COMMISSION

VOTE SHEET

MARCH 16, 2004

RE: Docket No. 020408-SU - Application for rate increase in Seminole County by Alafaya Utilities, Inc.

Issue 1: Is the quality of service by Alafaya Utilities, Inc. satisfactory?

Recommendation: Yes. The utility's overall quality of service is satisfactory.

APPROVED

COMMISSIONERS ASSIGNED: Full Commission

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

Charles M. Dand

Maury S.

James W. ...

Rudy ...

REMARKS/DISSENTING COMMENTS:

DOCUMENT NUMBER-DATE

03548 MAR 16 04

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Issue 2: Are any adjustments necessary to reflect the appropriate 2001 test year plant in service?

Recommendation: Yes. Based on an original cost study and several audit adjustments, plant in service should be decreased by \$511,081 on a 13-month average basis and by \$594,921 on a year-end basis. In addition, Miscellaneous Deferred Debits should be increased by \$5,079 on a 13-month average basis and by \$66,029 on a year-end basis. Further, Contractual Services-Other should be increased by \$16,507.

APPROVED

Issue 3: What is the appropriate value of the utility's land?

Recommendation: The original cost of the utility's land is \$60,843. As a result, land should be increased by \$34,588.

APPROVED

Issue 4: What adjustments should be made to accumulated depreciation?

Recommendation: To correct errors in the reserve account and to reflect the corresponding adjustments to plant, accumulated depreciation should be increased by \$666,361 on a 13-month average basis and by \$825,467 on a year-end basis. A corresponding adjustment should be made to increase test year depreciation expense by \$143,861.

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Issue 5: Should adjustments be made to contributions in aid of construction (CIAC) and accumulated amortization of CIAC?

Recommendation: Yes. The appropriate 13-month average test year CIAC balance should be \$9,566,581, which represents an increase of \$340,686. The appropriate 13-month average test year accumulated amortization of CIAC balance should be \$3,450,340, which represents an increase of \$931,457. A corresponding adjustment should be made to increase the test year amortization expense by \$154,964.

APPROVED

Issue 6: Should an adjustment be made to the utility's pro forma plant additions?

Recommendation: Yes. The total pro forma plant additions should be \$2,939,504. As a result, the utility's requested amount of pro forma plant should be increased by \$92,245. Accordingly, accumulated depreciation and depreciation expense should both be increased by \$43,643.

APPROVED

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

Recommendation: Alafaya's wastewater treatment plant is 75.6% used and useful, the collection system is 100% used and useful, and the reuse system is 100% used and useful. Accordingly, staff's recommended non-used and useful plant, depreciation expense, and property taxes should be \$175,111, \$28,444, and \$653, respectively.

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Issue 8: What is the appropriate working capital allowance?

Recommendation: The appropriate working capital allowance should be \$259,263. As a result, working capital should be increased by \$146,363. O&M expenses should be decreased by \$19,467.

APPROVED

Issue 9: What is the appropriate rate base?

Recommendation: Consistent with other recommended adjustments, the appropriate 13-month average rate base for the test year ending December 31, 2001 is \$5,800,937.

APPROVED

Issue 10: Are any adjustments appropriate to the utility's cost of capital, and what is the appropriate weighted average cost of capital for the test year ended December 31, 2001?

Recommendation: Yes. To reflect the appropriate balances, long-term debt and common equity should be increased by \$1,747,588 and \$736,050, respectively, and short-term debt should be decreased by \$293,262. The appropriate cost rates for long and short-term debt should be 8.63% and 5.18%, respectively. Alafaya's total accumulated deferred income taxes should be included in the calculation of the utility's overall cost of capital with no proration. The appropriate amount of accumulated deferred income taxes for Alafaya should be \$517,298, which represents an increase of \$19,136. The return on equity should be 11.47%, with a range of 10.47% to 12.47%. The appropriate overall cost of capital is 8.72%, with a range of 8.31% to 9.13%.

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Issue 11: Are any adjustments necessary to test year revenues?

Recommendation: Yes. To correct the gallons sold to 3 inch and 4 inch meter customers, test year revenues should be increased by \$4,212.

APPROVED

Issue 12: Should a pro forma reuse revenue adjustment be made to test year revenues?

Recommendation: Yes. Reuse revenues should be increased by \$55,025 to reflect current and projected reuse consumption.

APPROVED

Issue 13: Should an adjustment be made to salaries, pension and benefits, and payroll taxes?

Recommendation: Yes. Salaries and pension and benefits should be reduced by \$18,662 and \$83,173, respectively. In addition, payroll taxes should be reduced by \$27,773.

APPROVED

Issue 14: Should further O&M expense adjustments be made due to lack of support documentation and misclassifications?

Recommendation: Yes. O&M expenses should be reduced by \$500 to remove an unsupported amount.

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Issue 15: Should an adjustment be made to the O&M expenses allocated from WSC?

Recommendation: Yes. O&M expenses should be reduced by \$10,189 to reflect the appropriate expense allocation from WSC.

APPROVED

Issue 16: What is the appropriate amount of rate case expense?

Recommendation: The appropriate rate case expense for this docket is \$93,360. This expense should be recovered over four years for an annual expense of \$23,318. This results in a decrease to the rate case expense requested in the MFRs of \$4,285.

APPROVED

Issue 17: Should any other adjustments be made to the utility's taxes other than income?

Recommendation: Yes. Regulatory assessment fees (RAFs) should be decreased by \$332 to correct the booked amount of test year RAFs. Real estate and tangible personal property taxes should be decreased by \$2,017 to reflect the appropriate historical test year property taxes. Further, tangible personal property taxes should be decreased by \$17,588 to reflect the appropriate pro forma property taxes.

APPROVED

Issue 18: What is the test year operating income before any revenue increase or decrease?

Recommendation: Based on the adjustments discussed in previous issues, staff recommends that the test year operating income before any provision for increased or decreased revenues should be \$385,995.

APPROVED

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Issue 19: What is the appropriate revenue requirement?

Recommendation: The following revenue requirement should be approved.

	<u>Test Year</u> <u>Revenues</u>	<u>\$ Increase</u>	<u>Revenue</u> <u>Requirement</u>	<u>% Increase</u>
Wastewater	\$1,870,715	\$200,879	\$2,071,594	10.74%

APPROVED

Issue 20: What are the appropriate monthly wastewater rates?

Recommendation: The appropriate monthly rates are shown on Schedule 4 of staff's March 4, 2004 memorandum. The recommended rates are designed to produce revenues of \$1,984,124, excluding miscellaneous service and reuse 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. In addition, the rates should not be implemented until after staff has approved the proposed customer notice, and after the notice has 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.

APPROVED

Issue 21: What is the appropriate reuse rate for this utility?

Recommendation: The appropriate reuse rate for this utility is a \$6.00 monthly flat rate for residential use and a \$0.25 per thousand gallon rate for the general service golf course. The appropriate residential reuse availability charge is \$5.00. The utility should file revised tariff sheets which are consistent with the Commission's decision within one month of the Commission's final vote. The revised tariff sheets should be approved upon staff's verification that the tariffs are consistent with the Commission's decision. 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.

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Issue 22: 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: Since the revenue requirement for the interim test year is less than the revenue requirement for the interim collection period, no refund is required.

APPROVED

Issue 23: 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 March 4, 2004 memorandum to remove \$24,440, which represents the annual amount of rate case expense amortization included in rates, grossed up for regulatory assessment fees. The decrease in rates should become effective immediately following the expiration of the four-year 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 reductions 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 24: Should the utility be required to show cause, in writing within 21 days, why it should not be fined \$3,000 for its apparent violation of Rules 25-30.115 and 25-30.450, Florida Administrative Code, for its failure to maintain its books and records in conformance with the National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts (USOA)?

Recommendation: No. Although it appears 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. In Docket No. 020407-WS, staff is recommending that the Commission open a separate docket to address the compliance of all of UI's Florida subsidiaries with Rule 25-30.115, Florida Administrative Code. Further, as discussed in Issue 17, rate case expense has been adjusted to remove excessive costs incurred for poor recordkeeping.

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Issue 25: Should the utility be required to provide proof, within 90 days of an effective order finalizing this docket, that it has adjusted its books for all the applicable NARUC USOA primary accounts associated with the Commission-approved adjustments?

Recommendation: Yes. To ensure that the utility adjusts its books in accordance with the Commission's decision, Alafaya should provide proof, within 90 days of an effective order finalizing this docket, that the adjustments for all the applicable NARUC USOA primary accounts have been made.

APPROVED

Issue 26: Should this docket be closed?

Recommendation: No. 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 corporate undertaking should escrow account may be released.

APPROVED