

FLORIDA PUBLIC SERVICE COMMISSION

VOTE SHEET

MAY 17, 2005

RE: Docket No. 041145-WU - Application for staff-assisted rate case in Pasco County by Holiday Utility Company, Inc.

Issue 1: Is the quality of water service provided by Holiday Utility Company, Inc. considered satisfactory? Recommendation: Yes. The quality of service provided by Holiday Utility Company, Inc. should be considered satisfactory. Although the operational conditions at both water treatment plants are not 100% satisfactory, DEP's inspector and staff believe that the utility is cooperating and is improving the operational conditions. Therefore, the utility should complete any and all improvements to the system that are necessary to satisfy the standards set by DEP. Also, staff recommends that a local emergency phone number, which can be easily seen, be posted at both water treatment plants within 60 days from the date of the Consummating Order.

APPROVED

COMMISSIONERS ASSIGNED: All Commissioners

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

Handwritten signatures of commissioners in the majority column.

Blank lines for dissenting signatures.

REMARKS/DISSENTING COMMENTS:

DOCUMENT NUMBER-DATE

04787 MAY 17 05

VOTE SHEET

MAY 17, 2005

Docket No. 041145-WU - Application for staff-assisted rate case in Pasco County by Holiday Utility Company, Inc.

(Continued from previous page)

Issue 2: Does Holiday Utility Company, Inc. have an excessive unaccounted for water problem?

Recommendation: Yes. Anclote WTP has approximately 19.32% excessive unaccounted for water. Therefore, allowable expenses for purchased electricity and chemicals should be reduced by 19.32% for Anclote WTP.

APPROVED

Issue 3: What portions of Holiday's systems are used and useful?

Recommendation: Both the water treatment plants and water distribution systems should be considered 100% used and useful.

APPROVED

Issue 4: What is the appropriate average test year rate base for the utility?

Recommendation: The appropriate average test year rate base for Holiday is \$30,174 for water.

APPROVED

Issue 5: What is the appropriate rate of return on equity and the appropriate overall rate of return for this utility?

Recommendation: The appropriate return on equity is 9.10% with a range of 8.10% - 10.10%. The appropriate overall rate of return is 8.63%.

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VOTE SHEET

MAY 17, 2005

Docket No. 041145-WU - Application for staff-assisted rate case in Pasco County by Holiday Utility Company, Inc.

(Continued from previous page)

Issue 6: What is the appropriate test year revenue?

Recommendation: The appropriate test year revenue for this utility is \$60,269 for water.

APPROVED

Issue 7: What is the appropriate amount of operating expenses?

Recommendation: The appropriate amount of operating expenses for the utility is \$83,586 for water.

APPROVED

Issue 8: What is the appropriate revenue requirement?

Recommendation: The appropriate revenue requirement is \$86,190 for water.

APPROVED

Issue 9: Should the Commission approve pro forma plant additions and expenses for the utility and, if so, what is the appropriate return on equity, overall rate of return, revenue requirement and when should the resulting rates be implemented?

Recommendation: Yes. The Commission should approve pro forma plant additions and expenses for the utility. With the pro forma items, the utility's appropriate return on equity should be 11.40% with a range of 10.40% - 12.40%. The appropriate overall rate of return is 6.74%. The utility's revenue requirement should be \$120,914. The utility should complete the pro forma additions within 12 months of the issuance of the consummating order. The utility should be allowed to implement the resulting Phase II rates (as shown in Issue 12) once the completed pro forma additions have been verified by staff. If the utility fails to complete all of the pro forma additions within 12 months of the consummating order, it should not be entitled to the revenue requirement with the pro forma plant additions and the resulting Phase II rates.

APPROVED

(Continued from previous page)

Issue 10: What is the appropriate rate structure and base facility charge cost recovery percentage for this utility? Recommendation: The appropriate rate structure for this utility is a continuation of its base facility charge (BFC)/uniform gallonage charge rate structure. The BFC cost recovery percentage should be 30%.

Instead, the conservation rate structure set out in column C, page 11 of staff's recommendation and as discussed at the conference, was approved, with the understanding that Commission policy is not being established with this decision. Appropriate fallout adjustments will be made.

DENIED

Issue 11: Are adjustments to reflect repression of consumption appropriate in this case due to the price increases in Phase I and Phase II, and, if so, what are the appropriate repression adjustments to be applied in order to calculate Phase I and Phase II rates? Recommendation: Yes. Repression adjustments of 2,106.77 kgals for Phase I rates and 866.67 kgals for Phase II rates are appropriate. In order to monitor the effects of the recommended revenue increases for Phases I and II, 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, meter size and Phase, on a quarterly basis for a period of two years, beginning with the first billing period after the increased rates go into effect.

APPROVED

Issue 12: What are the appropriate monthly rates for service? Recommendation: The recommended rates should be designed to produce revenues of \$86,190 and \$120,914 for Phases I and II, respectively. The utility should be allowed to implement Phase II rates once the completed pro forma additions have been verified by staff. For each phase, 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 staff has approved the proposed customer notice. 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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VOTE SHEET

MAY 17, 2005

Docket No. 041145-WU - Application for staff-assisted rate case in Pasco County by Holiday Utility Company, Inc.

(Continued from previous page)

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 rates should be reduced as shown on Schedule 4, 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: Should the utility be authorized to collect miscellaneous charges and, if so, what are the appropriate charges?

Recommendation: Yes. The utility should be authorized to collect miscellaneous service charges and the appropriate charges as specified in the analysis portion of staff's May 5, 2005 memorandum. The approved charges 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. In addition, the charges should not be implemented until staff has approved the proposed customer notice. 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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VOTE SHEET

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Docket No. 041145-WU - Application for staff-assisted rate case in Pasco County by Holiday Utility Company, Inc.

(Continued from previous page)

Issue 15: 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 analysis portion of staff's May 5, 2005 memorandum. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), Florida Administrative Code, the utility should file reports with the Commission's Division of Economic Regulation no later than the 20th of each month indicating the monthly and total amount of money subject to refund at the end of the preceding month. The report filed should also indicate the status of the security being used to guarantee repayment of any potential refund.

APPROVED

Issue 16: Should this docket be closed?

Recommendation: No. If no timely protest is received from a substantially affected person 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 12 months from the date of the Consummating Order to allow staff to verify completion of pro forma plant items described in Issue No. 9. Once staff has verified that the pro forma items have been completed, the docket should be closed administratively.

APPROVED