FLORIDA PUBLIC SERVICE COMMISSION

VOTE SHEET

September 4, 2008

Docket No. 060540-WU – Application for increase in water rates in Pasco County by Colonial Manor Utility Company. (Deferred from the August 19, 2008 Commission Conference.)

QUALITY OF SERVICE

Issue 1: Is the quality of service provided by Colonial considered satisfactory?
Recommendation: Yes. The overall quality of service provided by Colonial should be considered satisfactory. Although the Utility's quality of water is currently marginal because of the nitrate levels, Colonial appears to be working to improve the quality by proposing to construct an ion exchange filter system. The operational condition of the system and the Utility's attempts to resolve customer complaints should be considered satisfactory. However, Colonial should be required to provide quarterly status reports to the Commission beginning November 1, 2008, addressing the requirements of the FDEP Consent Order to construct a centralized ion exchange treatment system to reduce the nitrate levels in the system's water. The reporting should continue until all requirements of the consent order are fulfilled.

APPROVED

COMMISSIONERS ASSIGNED: All Commissioners

COMMISSIONERS' SIGNATURES

MAJORITY	DISSENTING
Matthew M. Carter II	
Katrina J. McMurrian	
Matthew M. Carter	
Lisa Polak Edgar	
N. Argenziano	

REMARKS/DISSENTING COMMENTS:

DOCUMENT NUMBER-DATE

08166 SEP-4 8

FPSC-COMMISSION CLERK

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RATE BASE

Issue 2: Should the audit adjustments to rate base and net operating income be made?
Recommendation: Yes. Plant-in-service, revenues, operation and maintenance (O&M) expense, depreciation expense, and taxes other than income should be reduced by $76,382, $5,219, $7,358, $1,427, and $185, respectively. Accumulated depreciation should be increased by $76,847. The detailed account adjustments for plant, accumulated depreciation, O&M expenses, and depreciation expense are shown on Schedules Nos. 1-E and 1-H of staff's memorandum dated August 11, 2008.

APPROVED

Issue 3: Should any adjustment be made to plant-in-service for the test year ending December 31, 2007?
Recommendation: Yes. In order to reflect the Utility's rate base to a 2007 simple average balance and to capitalize expenses associated with emergency main breaks, plant should be increased by $13,632. Corresponding adjustments should be made to increase accumulated depreciation by $15,699 and depreciation expense by $478.

APPROVED

Issue 4: Should adjustments be made to the Utility's pro forma plant additions?
Recommendation: Yes. In order to remove pro forma amounts to reflect the appropriate phase-one rate base, plant and accumulated depreciation should be reduced by $794,458 and $37,826, respectively. With regard to phase-two, pro forma plant should be increased by $99,642. In accordance with the depreciation rates required in Rule 25-30.140, F.A.C., phase-two pro forma accumulated depreciation should be decreased by $3,907.

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Issue 5: What portions of the Utility's water facilities are used and useful?
Recommendation: The Utility's water treatment facilities and distribution system should be considered 100 percent used and useful.

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Issue 6: Should the Utility's request for an acquisition adjustment be approved?
Recommendation: No. Colonial's request for a positive acquisition should be denied. An adjustment should be made to remove the acquisition adjustment in the amount of $188,851.

APPROVED

Issue 7: What is the appropriate working capital allowance?
Recommendation: In accordance with Rule 25-30.433(2), F.A.C., the appropriate amount of working capital is $15,324 for phase-one and $20,359 for phase-two.

APPROVED

Issue 8: What is the appropriate rate base for the December 31, 2007, test year?
Recommendation: The appropriate water rate base for the test year ending December 31, 2007, is $244,706 for phase-one and $1,109,922 for phase-two.

APPROVED

COST OF CAPITAL
Issue 9: What is the appropriate weighted average cost of capital including the proper components, amounts, and cost rates associated with the capital structure for the test year ended December 31, 2007?
Recommendation: The appropriate return on equity is 12.01 percent with a range of 11.01 percent - 13.01 percent. The appropriate overall rate of return is 5.86 percent for phase-one and 6.59 percent for phase-two.

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NET OPERATING INCOME

Issue 10: What is the appropriate annualized revenue adjustment?
Recommendation: The appropriate annualized revenue adjustment is $1,786, and the utility's annualized revenue adjustment amount of $5,000 should be reduced by $3,214.

APPROVED

Issue 11: Should any further adjustments be made to the Utility's test year operation and maintenance expenses?
Recommendation: Yes. O&M expenses should be decreased by $6,689 to amortize non-recurring expenses and by $4,953 to remove expenses that should be capitalized.

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Issue 12: Should any adjustments be made to pro forma operating expenses?
Recommendation: Yes. In order to remove pro forma amounts to reflect the appropriate phase-one net operating income, O&M expense, depreciation expense, and property taxes should be reduced by $43,165, $37,826, and $15,108, respectively. Phase-two pro forma O&M expenses, depreciation expense, and property taxes should be reduced by $2,883, $3,907, and $883, respectively.

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Issue 13: What is the test year pre-repression operating income or loss before any revenue increase?
Recommendation: Based on the adjustments discussed in previous issues, the test year operating income for phase-one and operating loss for phase-two before any provision for increased revenues are $11,764 and $28,225, respectively.

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REVENUE REQUIREMENT

Issue 14: What is the appropriate pre-repression revenue requirement for the December 31, 2007 test year?

Recommendation: The following pre-repression revenue requirement should be approved.

	Test Year Revenues	$ Increase	Revenue Requirement	% Increase
Phase-One	$157,364	$4,308	$161,672	2.74%
Phase-Two	$157,364	$170,204	$327,568	108.16%

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RATES AND CHARGES

Issue 15: What are the appropriate rate structures for phase-one and phase-two for the Utility?

Recommendation: The Utility's current inclining block rate structure should remain in place during phase-one. The appropriate phase-two rate structure is a continuation of the phase-one rate structure, with usage blocks remaining at residential monthly usage levels of: 1) 0-10,000 gallons (10 kgals); and 2) usage in excess of 10 kgals. However, the usage block rate factors should be changed to 1.0 and 2.0, respectively, and the base facility charge (BFC) cost recovery allocation should be set at 40 percent. The uniform gallonage charge should continue to be applied to all general service consumption.

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Issue 16: Are repression adjustments appropriate for phase-one and phase-two in this case, and, if so, what are the appropriate adjustments to make for this utility?
Recommendation: No repression adjustment is appropriate for phase-one; however, a repression adjustment is appropriate for phase-two. Residential water consumption in phase-two should be reduced by 15.1%, resulting in a consumption reduction of approximately 5,846 kgals. Total water consumption for rate setting is 33,953 kgals. The resulting water system reductions to revenue requirements are $2,534 in purchased power expense, $1,058 in chemicals expense, $495 in purchased water expense, and $192 in regulatory assessment fees (RAFs). The appropriate phase-two post-repression revenue requirement is $319,192.
In order to monitor the effects of both the changes in revenues and rate structure, the Utility should be ordered to file monthly reports detailing the number of bills rendered, the consumption billed and the revenues billed for each system during phase-one and phase-two. In addition, the reports should be prepared by customer class and meter size. The reports should be filed with staff, on a quarterly basis, for a period of two years beginning the first billing period after the approved phase-one rates go into effect. To the extent the Utility makes adjustments to consumption in any month during the reporting period, the Utility should be ordered to file a revised monthly report for that month within 30 days of any revision.

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Issue 17: What are the appropriate monthly rates for the Utility?
Recommendation: The appropriate monthly phase-one and phase-two rates are shown on Schedule No. 4 of staff's memorandum dated August 11, 2008. Excluding miscellaneous service revenues, the phase-two recommended rates are designed to produce revenues of $319,192. In addition, phase-two rates should not become effective until the FDEP certifies completion of the ion exchange treatment system. 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 the notice was given no less than 10 days after the date of the notice.

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Issue 18: 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, F.S.?
Recommendation: The water rates should be reduced as shown on Schedule No. 4 of staff's memorandum dated August 11, 2008, 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, F.S. 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.

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OTHER
Issue 19: 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 National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts (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, Colonial should provide proof, within 90 days of the Consummating Order, that the adjustments for all the applicable NARUC USOA primary accounts have been made.

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Issue 20: Should this docket be closed?
Recommendation: No. If no timely protest is filed by a substantially affected person within 21 days of the Proposed Agency Action Order, a Consummating Order should be issued. However, the docket should remain open to allow staff to monitor the appropriate implementation of phase-two rates.

APPROVED