

Ann Cole

090392-WS

From: Chuck Hill
Sent: Friday, May 28, 2010 1:43 PM
To: Cheryl Bulecza-Banks; Tim Devlin; Commissioners Advisors; Mary Anne Helton; Ann Cole; Sharon Allbritton; Selena Chambers
Cc: Marshall Willis; Andrew Maurey; Bart Fletcher; Jennifer Brubaker; Erik Saylor; Patti Daniel
Subject: RE: Request for Oral Modification to Item 8, June 1, 2010 Agenda, Docket No. 090392-WS - Utilities Inc. of Pennbrooke

Approved

From: Cheryl Bulecza-Banks
Sent: Friday, May 28, 2010 12:55 PM
To: Tim Devlin
Cc: Chuck Hill; Marshall Willis; Andrew Maurey; Bart Fletcher; Jennifer Brubaker; Erik Saylor; Patti Daniel
Subject: Request for Oral Modification to Item 8, June 1, 2010 Agenda, Docket No. 090392-WS - Utilities Inc. of Pennbrooke
Importance: High

Good Afternoon,

Item 8 relates to a PAA rate increase request by Utilities Inc. of Pennbrooke. The Statutory time frame to process this case has been waived by Pennbrooke through the June 1, 2010, Agenda Conference. Staff requests approval to make an oral modification to the recommendation paragraph of Issue 20 for the above-referenced item. Staff inadvertently failed to include a reduction to O&M expense of \$4,617 for unsupported proforma deferred maintenance expenses. This will affect fall-out issues for revenue requirement, rates, and interim refunds for the water system only. This requested modification has no other effects on Staff's recommendation. The specific modifications are in type and strike format as follows:

1) Page 42, Issue 20

Issue 20:

What is the test year water and wastewater operating income before any revenue increase?

Recommendation:

Based on the adjustments discussed in previous issues, the test year operating income is ~~\$29,766~~ ~~\$26,894~~ for water and \$49,024 for wastewater. (Deason)

2) Page 43, Issue 21

Issue 21:

What is the appropriate revenue requirement for the December 31, 2008 test year?

Recommendation:

The following revenue requirement should be approved. (Deason)

	Test Year Revenues	\$ Increase	Revenue Requirement	% Increase
		\$59,835	\$449,063	15.37%
Water	\$389,228	\$64,736	\$453,964	16.63%
Wastewater	\$440,068	\$71,279	\$511,347	16.20%

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3) Page 44, Issue 22

Issue 22:

What are the appropriate rate structures for the Utility's water and wastewater systems?

Recommendation:

The appropriate rate structure for the water system's residential class is a three-tier inclining-block rate structure. The usage blocks should be set for monthly consumption at: (a) 0-6 kgals; (b) 6.001-12 kgals; and (c) usage in excess of 12 kgals. The usage block rate factors should be set at 1.00, 1.25, and 1.50 respectively. As discussed in the following issue, by restricting any cost recovery due to repression to discretionary usage, an additional fourth tier will be created for non-discretionary usage at or below 3 kgals per month. The appropriate rate structure for the water system's general service customers is a continuation of the traditional base facility charge (BFC)/uniform gallonage charge rate structure. The BFC cost recovery percentage for the water system should be set at ~~20.22~~ 20 percent. The appropriate rate structure for the wastewater system is a continuation of the BFC/gallonage charge rate structure. The residential wastewater monthly gallonage cap should continue at 6 kgals. The general service gallonage charge should remain 1.2 times greater than the corresponding residential charge. The post-repression BFC cost recovery percentage should be set at 40 percent. The appropriate rate structure for the reuse system is a pure consumption-only based charge per kgal. (Stallcup, Lingo, Thompson)

4) Page 46, Table 22-1

Table 22-1

UTILITIES INC. OF PENNBROOKE STAFF'S RECOMMENDED AND ALTERNATIVE RATE STRUCTURES FOR TYPICAL RESIDENTIAL CUSTOMERS ON 5/8" x 3/4" METERS			
Current Rate Structure and Rates		Recommended Rate Structure and Rates	
2-Tier Inclining Block Rate Structure Rate Factors 1.00 and 1.25 BFC = 25%		3-Tier Inclining Block Rate Structure Rate Factors 1.00, 1.25 and 1.50 BFC = 20.22 20%	
BFC	\$5.20	BFC	\$5.20
0-10 kgals	\$1.76	0-3 kgals (no repression)	\$1.86 \$1.89
10+ kgals	\$2.20	3-6 kgals	\$1.95 \$1.98
		6-12 kgals	\$2.43 \$2.48
		12+ kgals	\$2.92 \$2.97
Typical Monthly Bills		Typical Monthly Bills	
Cons (kgal)		Cons (kgal)	
0	\$5.20	0	\$5.20
1	\$6.96	1	\$7.06 \$7.09
3	\$10.48	3	\$10.78 \$10.87
5	\$14.00	5	\$14.68 \$14.83
10	\$22.80	10	\$26.35 \$26.73
20		20	\$54.57

	\$44.80		\$55.45
Alternative 1		Alternative 2	
3-Tier Inclining Block Rate Structure Rate Factors 1.00, 1.25 and 1.50 BFC = 30%		2-Tier Inclining Block Rate Structure Rate Factors 1.00 and 2.00 BFC = 20.22 20%	
BFC	\$7.71 \$7.79	BFC	\$5.20
0-3 kgals (no repression)	\$1.63 \$1.65	0-3 kgals (no repression)	\$1.68 \$1.70
3-6 kgals	\$1.71 \$1.73	3,001-10 kgals	\$1.78 \$1.81
6-12 kgals	\$2.13 \$2.17	10+ kgals	\$3.55 \$3.61
12+ kgals	\$2.56 \$2.60		
Typical Monthly Bills		Typical Monthly Bills	
Cons (kgal)		Cons (kgal)	
0	\$7.71 \$7.79	0	\$5.20
1	\$9.34 \$9.44	1	\$6.88 \$6.90
3	\$12.60 \$12.74	3	\$10.24 \$10.30
5	\$16.02 \$16.20	5	\$13.80 \$13.92
10	\$26.25 \$26.61	10	\$22.70 \$22.97
20	\$50.99 \$51.75	20	\$58.20 \$59.10

5) Page 49, Issue 23

Issue 23:

Is a repression adjustment to the Utility's water system appropriate in this case, and, if so, what is the appropriate adjustment to make for this Utility?

Recommendation:

Yes, a repression adjustment is appropriate. Residential water consumption should be reduced by 4.0 percent, resulting in a consumption reduction of approximately 5,125 ~~5,587~~ kgals. Total post-repression residential water consumption for ratesetting is 134,043 ~~133,581~~ kgals. The resulting water system reductions to revenue requirements are \$1,192 ~~\$1,299~~ in purchased power expense, \$622 ~~\$678~~ in chemicals expense and \$85 ~~\$93~~ in RAFs. The post-repression revenue requirement for the water system is \$446,381 ~~\$451,111~~.

In order to monitor the effects of both the changes in revenues and rate structure, the Utility should be ordered to prepare monthly reports detailing the number of bills rendered, the consumption billed and the revenues billed for each system. In addition, the reports should be prepared by customer class and meter size. The reports should be filed with staff, on a semi-annual basis, for a period of two years beginning the first billing period after the approved 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. (Stallcup, Thompson)

6) Page 51, Issue 24

Issue 24:

What are the appropriate monthly rates for the water, wastewater and reuse systems for the Utility?

Recommendation:

The appropriate monthly water rates are shown on Schedule No. 4-A, and the appropriate monthly wastewater rates are shown on Schedule No. 4-B. Excluding miscellaneous service charges, the recommended rates for the water system are designed to produce annual revenues of \$446,381 ~~\$451,111~~. The recommended reuse rate of \$0.85 per kgal is designed to produce annual revenues of \$22,648, which should be used as an offset to wastewater revenues from rates. Therefore, excluding miscellaneous service charges, the recommended rates for the wastewater system are designed to produce annual revenues of \$488,033. The Utility should file revised water, wastewater and reuse tariff sheets and a proposed customer notice to reflect the Commission-approved rates for the respective systems. The approved water, wastewater and reuse 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 approved water, wastewater and reuse 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. (Thompson, Lingo, Deason)

7) Page 56, Issue 27

Issue 27:

In determining whether any portion of the water and wastewater interim increase granted should be refunded, how should the refund be calculated, and what is the amount of the refund, if any?

Recommendation:

The proper refund amount should be calculated by using the same data used to establish final rates, excluding rate case expense and other items not in effect during the interim period. This revised revenue requirement for the interim collection period should be compared to the amount of interim revenue requirement granted. Based on this calculation, the Utility should be required to refund 22.05 ~~20.96~~ percent of water revenues and 16.77 percent of wastewater revenues collected under interim rates. The refunds should be made with interest in accordance with Rule 25-30.360(4), F.A.C. The Utility should be required to submit proper refund reports pursuant to Rule 25-30.360(7), F.A.C. The Utility should treat any unclaimed refunds as CIAC pursuant to Rule 25-30.360(8), F.A.C. Further, the surety bond should be released upon staff's verification that the required refunds have been made. (Deason)

8) Page 68, Schedule 4-A

Utilities Inc. of Pennbrooke Water Monthly Service Rates Test Year Ended 12/31/08			Schedule No.4-A Docket No.090392-WS		
	Rates Prior to Filing	Commission Approved Interim	Utility Requested Final	Staff Recomm. Final	4-Year Rate Reduction
Residential, General Service and Multi-Family					
Base Facility Charge by Meter Size:					
5/8" x 3/4"	\$5.20	\$7.51	\$8.87	\$5.20	\$0.21
3/4"	\$0.00	\$0.00	\$0.00	\$7.80	\$0.32
1"	\$12.99	\$18.78	\$22.15	\$13.00	\$0.53
1-1/2"	\$25.97	\$37.54	\$44.29	\$26.00	\$1.06
2"	\$41.55	\$60.05	\$70.86	\$41.60	\$1.70
3"	\$83.10	\$120.11	\$141.72	\$83.20	\$3.39

4"	\$129.84	\$187.66	\$221.43	\$130.00	\$5.30
6"	\$0.00	\$0.00	\$0.00	\$260.00	\$10.61
Gallonge Charge, per 1,000 gallons					
GS- Gallonge Charge, per 1,000 Gallons	\$1.87	\$2.71	\$3.19	\$2.28 \$2.32	\$0.09
RS- Gallonge Charge, 0-10,000 gallons	\$1.76	\$2.54	\$3.00	\$0.00	\$0.00
RS- Gallonge Charge, over 10,000 gallons	\$2.20	\$3.18	\$3.75	\$0.00	\$0.00
RS- Gallonge Charge, 0-3,000 gallons	\$0.00	\$0.00	\$0.00	\$1.86 \$1.89	\$0.08
RS- Gallonge Charge, 3,000-6,000 gallons	\$0.00	\$0.00	\$0.00	\$1.95 \$1.98	\$0.08
RS- Gallonge Charge, 6,000-12,000 gallons	\$0.00	\$0.00	\$0.00	\$2.43 \$2.48	\$0.10
RS- Gallonge Charge, over 12,000 gallons	\$0.00	\$0.00	\$0.00	\$2.92 \$2.97	\$0.12
Irrigation-General Service					
Base Facility Charge by Meter Size:					
5/8" x 3/4"	\$5.20	\$7.51	\$8.87	\$5.20	\$0.21
2"	\$41.55	\$60.05	\$70.86	\$41.60	\$1.70
3"	\$83.10	\$120.11	\$141.72	\$83.20	\$3.39
4"	\$129.84	\$187.66	\$221.43	\$130.00	\$5.30

	Typical Residential Bills 5/8" x 3/4" Meter				
3,000 Gallons	\$10.48	\$15.13	\$17.87	\$10.78 \$10.87	
5,000 Gallons	\$14.00	\$20.21	\$23.87	\$14.68 \$14.83	
10,000 Gallons	\$22.80	\$32.91	\$38.87	\$26.35 \$26.73	