

FLORIDA PUBLIC SERVICE COMMISSION

VOTE SHEET

June 1, 2010

Docket No. 090381-SU – Application for increase in wastewater rates in Seminole County by Utilities Inc. of Longwood.

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

Recommendation: Yes. The overall quality of service is satisfactory.

APPROVED

COMMISSIONERS ASSIGNED: All Commissioners

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

Handwritten signatures of three commissioners under the MAJORITY column.

Blank lines under the DISSENTING column.

REMARKS/DISSENTING COMMENTS: Oral modification (Attached, Document Number 04486-10) incorporated in the vote.

DOCUMENT NUMBER-DATE

04545 JUN-10

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Issue 2: Should the audit adjustments to rate base and net operating income, to which the Utility agrees, be made?

Recommendation: Yes. Based on audit adjustments agreed to by the Utility and staff, the following adjustments to rate base and net operating income should be made.

Audit Adjustments to Which Longwood Agrees							
Audit Finding	Plant	Accum. Depr.	Accum. Amort. of CIAC	Operating Revenues	O&M Expense	Depr. Expense	Taxes Other Than Income (TOTI)
Finding No. 1 - Acquisition Adj. Correcting Entries		(\$46,464)				\$3,319	
Finding No. 3 - Plant Sample	(\$49,698)	16,007				(2,236)	
Finding No. 4 - Plant Retirements	(25,505)	31,238				(8,382)	
Finding No. 5 - Allowance for Funds Used During Construction	(7,282)	3,805				(371)	
Finding No. 8 - Accum. Amort. of CIAC			\$466,018				
Finding No. 9 - Revenue Adjustment				(\$16,459)			
Finding No. 11 - Employee Not Replaced					(\$474)		(\$33)
Finding No. 14 - Def. Main. Exp					(2,128)		
Finding No. 16 - O&M Sample					(3,789)		
Total Adjustments	(\$82,485)	\$4,586	\$466,018	(\$16,459)	(\$6,391)	(\$7,670)	(\$33)

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Issue 3: Should any audit adjustment contested by the Utility be made to test year plant?

Recommendation: Yes. Plant should be reduced by \$105,408. Moreover, a corresponding adjustment should be made to decrease accumulated depreciation by \$30,572.

APPROVED

Issue 4: Should any adjustments be made to the Utility's Project Phoenix Financial/Customer Care Billing System (Phoenix Project)?

Recommendation: Yes. Plant should be reduced by \$9,570. In addition, the balances of accumulated depreciation and depreciation expense both should be reduced by \$4,278.

APPROVED

Issue 5: Should adjustments be made to the Utility's pro forma plant additions?

Recommendation: Yes. Plant should be decreased by \$352,342. Accordingly, corresponding adjustments should be made to decrease accumulated depreciation and depreciation expense both by \$7,822. Finally, a corresponding adjustment should be made to decrease property taxes by \$1,560.

APPROVED

Issue 6: What are the used and useful percentages of the Utility's wastewater system?

Recommendation: The wastewater plant and collection system are 100 percent used and useful.

APPROVED

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Issue 7: What is the appropriate working capital allowance?

Recommendation: The appropriate working capital allowance is \$68,048.

APPROVED

Issue 8: What is the appropriate rate base for the test year ending December 31, 2008?

Recommendation: Consistent with other recommended adjustments, the appropriate rate base is \$1,964,085.

APPROVED

Issue 9: What is the appropriate return on equity?

Recommendation: The appropriate return on common equity is 11.13 percent based on the Commission leverage formula currently in effect. Staff recommends an allowed range of plus or minus 100 basis points be recognized for ratemaking purposes.

APPROVED

Issue 10: 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, 2008?

Recommendation: The appropriate weighted average cost of capital for the test year ended December 31, 2008, is 7.04 percent.

APPROVED

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Issue 11: What is the appropriate annualized revenue adjustment?

Recommendation: The appropriate annualized revenue adjustment is \$114,496 ~~\$126,765~~. The Utility's annualized revenue adjustment of \$9,695 should be increased by \$104,801 ~~\$117,070~~.

APPROVED

Issue 12: Should any audit adjustments contested by the Utility be made to test year O&M expenses?

Recommendation: Yes. O&M expenses should be decreased by \$7,591. Accordingly, a corresponding adjustment should be made to increase plant by \$82. Finally, accumulated depreciation and depreciation expense both should be increased by \$4.

APPROVED

Issue 13: Should any adjustment be made to the Utility's requested salaries, and wages expense and pensions and benefits expense?

Recommendation: Yes. Longwood's salaries and wages expense should be decreased by \$14,706. Accordingly, pensions and benefits expense should be reduced by \$3,628, and payroll taxes should be reduced by \$1,125.

APPROVED

Issue 14: Should any adjustment be made to allocated relocation expenses?

Recommendation: Yes. Consistent with Commission practice, relocation expense should be based on a 4-year average. Accordingly, Longwood's allocated relocation expense of \$971 should be reduced by \$550.

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Issue 15: Should any adjustment be made to transportation expenses?

Recommendation: Yes. Transportation expense should be decreased by \$1,215.

APPROVED

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

Recommendation: The appropriate rate case expense is \$116,025. This expense should be recovered over four years for an annual expense of \$29,006. Thus, rate case expense should be decreased by \$15,123.

APPROVED

Issue 17: Should any adjustment be made to bad debt expense?

Recommendation: Yes. Consistent with Commission practice, bad debt expense should be based on a 3-year average. The Utility's bad debt expense should be \$5,657. Accordingly, Longwood's bad debt expense of \$6,235 should be reduced by \$578.

APPROVED

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

Recommendation: Based on the adjustments discussed in other issues, the test year operating income is \$106,467 ~~\$113,775~~ before any revenue increase.

APPROVED

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Issue 19: What is the appropriate revenue requirement?

Recommendation: The following revenue requirement should be approved:

	<u>Test</u> <u>Year Revenues</u>	<u>\$ Increase</u>	<u>Revenue</u> <u>Requirement</u>	<u>% Increase</u>
Wastewater	\$845,405	\$41,091	\$886,496	4.86%
	<u>\$833,136</u>	<u>\$53,360</u>		<u>6.40%</u>

APPROVED

Issue 20: What are the appropriate rates for this Utility?

Recommendation: The appropriate monthly rates are shown on Schedule No. 4 of staff's memorandum dated May 19, 2010. Staff's recommended rates are designed to produce revenues of \$860,600 excluding miscellaneous service charge 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), F.A.C. 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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Issue 21: Should the Utility be authorized to revise its miscellaneous service charges, and, if so, what are the appropriate charges?

Recommendation: Yes. Longwood should be authorized to revise its miscellaneous service charges. The Utility should file a proposed customer notice to reflect the Commission-approved charges. The approved charges should be effective for service rendered on or after the stamped approval date of the tariff, pursuant to Rule 25-30.475(1), F.A.C., provided the notice has been approved by staff. The Utility should provide proof the customers have received notice within 10 days after the date that the notice was sent. The appropriate charges are reflected below. This notice may be combined with the notice required in Issue 20.

<u>Miscellaneous Service Charges</u>		
	<u>Normal Hrs</u>	<u>After Hrs</u>
Initial Connection	\$21	\$42
Normal Reconnection	\$21	\$42
Violation Reconnection	Actual Cost	Actual Cost
Premises Visit	\$21	\$42

APPROVED

Issue 22: Should the Utility's request for approval of Non-Sufficient Funds (NSF) fees be granted?

Recommendation: Yes. The Utility's requested Non-Sufficient Funds (NSF) fee should be approved. The NSF fee should be effective on or after the stamped approval date on the 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. This notice may be combined with the notice required in Issue 20.

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Issue 23: 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: 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, no wastewater refunds are required. Further, upon issuance of the Consummating Order in this docket, the surety bond should be released.

APPROVED

Issue 24: 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?

Recommendation: The rates should be reduced as shown on Schedule No. 4 of staff's memorandum dated May 19, 2010, to remove \$30,639 for rate case expense, grossed up for Regulatory Assessment Fees (RAFs), which is being 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.

APPROVED

Issue 25: Should the Utility be required to provide proof that it has adjusted its books for all Commission approved adjustments?

Recommendation: Yes. To ensure that the Utility adjusts its books in accordance with the Commission's decision, Longwood should provide proof, within 90 days of the final order in this docket, that the adjustments for all the applicable National Association of Regulatory Utility Commissioners Uniform System of Accounts primary accounts have been made.

APPROVED

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Issue 26: 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 and the surety bond released. However, 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.

APPROVED

**CLK AGENDA
STAFF COPIED**

Ann Cole

From: Chuck Hill
Sent: Friday, May 28, 2010 11:04 AM
To: Sharon Allbritton; Ann Cole
Subject: RE: Request for Oral Modification to Item 9, June 1, 2010 Agenda, Docket No. 090381-SU - Utilities Inc. of Longwood

From: Chuck Hill
Sent: Friday, May 28, 2010 11:03 AM
To: Cheryl Bulecza-Banks; Andrew Maurey; Bart Fletcher; Jennifer Brubaker; Caroline Klancke; Patti Daniel
Cc: Commissioners Advisors; Tim Devlin; Mary Anne Helton; Marshall Willis; Sharon Allbritton; Selena Chambers
Subject: RE: Request for Oral Modification to Item 9, June 1, 2010 Agenda, Docket No. 090381-SU - Utilities Inc. of Longwood

Approved.

From: Marshall Willis
To: Tim Devlin
Cc: Cheryl Bulecza-Banks; Andrew Maurey; Bart Fletcher; Jennifer Brubaker; Caroline Klancke; Patti Daniel
Sent: Fri May 28 10:52:25 2010
Subject: Request for Oral Modification to Item 9, June 1, 2010 Agenda, Docket No. 090381-SU - Utilities Inc. of Longwood

Item 9 relates to a PAA rate increase request by Utilities Inc. of Longwood. The Statutory time frame to process this case has been waived by Longwood through the June 1, 2010, Agenda Conference. Staff requests approval to make an oral modification to the recommendation paragraph of Issue 11 for the above-referenced item. Staff inadvertently made an inputting error its annualized revenue calculation for Longwood's 2" General Service customers which decreases staff's annualized revenue adjustment by \$12,269. This will effect fall-out issues for operating income, revenue increase, and rates. This requested modification has no other effects on Staff's recommendation including revenue requirement. The specific modifications are in type and strike format as follows:

1) Page 20, Issue 11

Issue 11:

What is the appropriate annualized revenue adjustment?

Recommendation:

The appropriate annualized revenue adjustment is ~~\$114,496~~ ~~\$126,765~~. The Utility's annualized revenue adjustment of \$9,695 should be increased by ~~\$104,801~~ ~~\$117,070~~. (Fletcher)

2) Page 33, Issue 18

Issue 18:

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

Recommendation:

Based on the adjustments discussed in other issues, the test year operating income is ~~\$106,467~~ ~~\$113,775~~ before any revenue increase. (Fletcher)

3) Page 34, Issue 19

DOCUMENT NUMBER-DATE

04486 MAY 28 09

5/28/2010

FPSC-COMMISSION CLERK

Issue 19:

What is the appropriate revenue requirement?

Recommendation:

The following revenue requirement should be approved:

	<u>Test Year Revenues</u>	<u>\$ Increase</u>	<u>Revenue Requirement</u>	<u>% Increase</u>
	\$833,136	\$53,360	-	6.40%
Wastewater (Fletcher)	\$845,405	\$41,091	\$886,496	4.86%

4) Page 35, Issue 20

Issue 20:

What are the appropriate rates for this Utility?

Recommendation:

The appropriate monthly rates are shown on Schedule No. 4. Staff's recommended rates are designed to produce revenues of \$860,600 excluding miscellaneous service charge 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), F.A.C. 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. (Fletcher)

Staff Analysis:

Staff's recommended revenue requirement is \$886,496. After excluding miscellaneous service and other revenues of \$26,370, the revenue to be recovered through rates is \$860,600. Longwood's current wastewater rate structure is a flat rate for residential customers and a base facility charge and gallonage charge for general service customers.

Because the revenue requirement increase is very small, staff recommends that an across-the-board increase be applied to the Utility service rates prior to filing. To determine the appropriate percentage increase to apply to the service rates prior to filing, miscellaneous service and other revenues should be removed from the test year revenues.

		<u>Wastewater</u>
		\$833,136
1	Total Test Year Revenues	\$845,405
2	Less: Miscellaneous Revenues	26,370
		\$806,766
3	Test Year Revenues from Service Rates	\$819,035
		\$53,360
4	Revenue Increase	\$41,091
		6.61%
5	% Service Rate Increase (Line 4/Line3)	5.02%

5) Page 49, Schedule 4

Utilities, Inc. of Longwood Wastewater Monthly Service Rates Test Year Ended 12/31/08				Schedule No. 4 Docket No. 090381-SU	
	Rates Prior to Filing	Commission Approved Interim	Utility Requested Final	Staff Recomm. Final	Four-Year Rate Reduction
Residential					
Base Facility Charge All Meter Sizes:	\$34.98	\$40.31	\$39.09	\$37.29 \$36.73	\$1.29 \$1.27
General Service					
Base Facility Charge by Meter Size:					
5/8" x 3/4"	\$15.14	\$17.45	\$17.14	\$16.14 \$15.90 \$40.33	\$0.56 \$0.55 \$1.39
1"	\$37.83	\$43.60	\$42.85	\$39.73 \$39.73 \$80.67	\$1.37 \$1.37 \$2.79
1-1/2"	\$75.67	\$87.21	\$85.71	\$79.47 \$79.47 \$129.07	\$2.75 \$2.75 \$4.46
2"	\$121.06	\$139.52	\$137.14	\$127.13 \$127.13 \$258.16	\$4.39 \$4.39 \$8.92
3"	\$242.14	\$279.06	\$257.13	\$254.29 \$254.29 \$3.02	\$8.79 \$8.79 \$0.10
Gallage Charge, per 1,000 Gallons	\$2.83	\$3.26	\$3.57	\$2.97 \$2.97	
Typical Residential Bills 5/8" x 3/4" Meter					
3,000 Gallons	\$34.98	\$40.31	\$39.09	\$37.29 \$36.73 \$37.29	
5,000 Gallons	\$34.98	\$40.31	\$39.09	\$36.73 \$36.73 \$37.29	
10,000 Gallons	\$34.98	\$40.31	\$39.09	\$36.73 \$36.73	