

FLORIDA PUBLIC SERVICE COMMISSION

VOTE SHEET

June 1, 2010

Docket No. 090402-WS – Application for increase in water and wastewater rates in Seminole County by Sanlando Utilities Corporation.

**Issue 1:** Is the quality of service provided by Sanlando Utilities Corporation satisfactory?

**Recommendation:** The quality of service provided by Sanlando Utilities Corporation is satisfactory.

**APPROVED**

COMMISSIONERS ASSIGNED: All Commissioners

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

*[Handwritten signatures in the majority column]*

*[Empty lines in the dissenting column]*

REMARKS/DISSENTING COMMENTS: *Oral modification (Document Number 04487-10) incorporated in the vote.*

DOCUMENT NUMBER-DATE  
04546 JUN-10

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**Issue 2:** Should audit adjustments to which the Utility agrees, be made?

**Recommendation:** Yes. Based on audit adjustments agreed to by the Utility and staff, staff recommends the following adjustments to rate base, O&M expenses, and taxes other than income (TOTI) for water and wastewater, respectively.

Audit Finding	UPIS	Accum. Depr.	Depr. Exp.	O&M Exp.	TOTI	Working Capital	Accum. Amort. Of CIAC
No. 6 - Plant Sample	(\$3,039)	\$60	(\$222)				
No. 7 - Acc. Amort. of CIAC							\$235,903
No. 9 - Unamort. Rate Case Exp.						(\$39,598)	
No. 9 - Customer Deposits						\$48,840	
No. 12 - Employee Not Replaced				(\$3,201)	(\$223)		
No. 18 - Property Taxes					\$17,347		
No. 20 - Reg. Assessment Fees					(\$9,510)		
<b>Total Water Adjustments:</b>	<b>(\$3,039)</b>	<b>\$60</b>	<b>(\$222)</b>	<b>(\$3,201)</b>	<b>\$7,614</b>	<b>\$9,242</b>	<b>\$235,903</b>

Audit Finding	UPIS	Accum. Depr.	Depr. Expense	O&M Expenses	TOTI	Working Capital	Accum. Amort. Of CIAC
No. 1 - Comm. Ordered Adjs.	(\$23,620)	\$30,844	(\$1,313)				
No. 6 - Plant Sample	(\$2,360)	\$46	(\$172)				
No. 7 - Acc. Amort. of CIAC							\$233,333
No. 9 - Unamort. Rate Case Exp.						(\$30,751)	
No. 9 - Customer Deposits						\$37,929	
No. 12 - Employee Not Replaced				(\$2,486)	(\$174)		
No. 18 - Property Taxes					\$13,630		
No. 20 - Reg. Assessment Fees					(\$10,741)		
<b>Total Wastewater Adjustments:</b>	<b>(\$25,980)</b>	<b>\$30,890</b>	<b>(\$1,485)</b>	<b>(\$2,486)</b>	<b>\$2,715</b>	<b>\$7,178</b>	<b>\$233,333</b>

**APPROVED**

**Issue 3:** 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 \$65,210 for water and \$51,237 for wastewater. In addition, accumulated depreciation and depreciation expense both should be reduced \$20,251 for water and \$17,251 for wastewater, respectively.

**APPROVED**

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**Issue 4:** Should any further adjustments be made to the test year plant in service?

**Recommendation:** Yes. Plant should be reduced by \$798,818 for water and \$644,145 for wastewater. Accordingly, accumulated depreciation should be reduced by \$231,121 for water and \$181,971 for wastewater. In addition, depreciation expense should be reduced by \$791 for water and \$1,550 for wastewater. Finally, a corresponding adjustment should be made to increase wastewater O&M expenses in the amount of \$12,480.

**APPROVED**

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

**Recommendation:** Yes. Plant should be increased by \$40,618 for water and decreased by \$687,500 for wastewater. Accordingly, accumulated depreciation and depreciation expense should be increased by \$783 for water and decreased by \$34,536 for wastewater. Finally, taxes other than income should be increased by \$1,390 for water and decreased by \$10,070 for wastewater.

**APPROVED**

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

**Recommendation:** The Utility's water and wastewater systems are 100 percent used and useful.

**APPROVED**

**Issue 7:** Should an adjustment be made to the Utility's accumulated amortization of CIAC for their service lines?

**Recommendation:** Yes. Staff recommends that accumulated amortization of CIAC service lines should be increased by \$8,519 for water.

**APPROVED**

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**Issue 8:** What is the appropriate working capital allowance?

**Recommendation:** The appropriate working capital allowance is \$303,106 for water and \$375,125 for wastewater. As such, working capital should be increased by \$3,285 for water and \$2,497 for wastewater.

**APPROVED**

**Issue 9:** What is the appropriate rate base for the December 31, 2008 test year?

**Recommendation:** Consistent with other recommended adjustments, the appropriate 13-month average rate base for the test year ended December 31, 2008 is \$6,036,005 for water and \$11,168,365 for wastewater.

**APPROVED**

**Issue 10:** What is the appropriate return on equity?

**Recommendation:** The appropriate return on equity is 11.17 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 11:** 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 8.10 percent.

**APPROVED**

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**Issue 12:** What are the appropriate annualized revenue adjustments?

**Recommendation:** The appropriate water and wastewater annualized revenue adjustments are \$164,420 and \$159,873, respectively. The Utility's annualized revenue adjustments of \$111,977 and \$123,625 for water and wastewater, respectively, should be increased by \$52,443 for water and \$36,248 for wastewater.

**APPROVED**

**Issue 13:** Should any adjustments contested by the Utility be made to test year O&M expenses?

**Recommendation:** Yes. O&M expenses should be decreased by \$36,834 for water and \$60,991 for wastewater. Accordingly, corresponding adjustments should be made to increase plant by \$4,483 for water and \$10,522 for wastewater. Finally, accumulated depreciation should be increased by \$58 for water and \$274 for wastewater, and depreciation expense should be increased by \$353 for water and \$560 for wastewater.

**APPROVED**

**Issue 14:** Should an adjustment be made to the Utility's salaries and wages, pensions and benefits, and payroll taxes?

**Recommendation:** Yes. Sanlando's balances of salaries and wages and pensions and benefits should be decreased by \$254,307 for water and increased by \$199,166 for wastewater. Accordingly, payroll taxes should be reduced by \$15,237 for water and increased by \$11,933 for wastewater.

**APPROVED**

**Issue 15:** Should an adjustment be made to Sanlando's O&M expenses for the costs associated with mailing two sets of bills to the same customers who have reuse?

**Recommendation:** Yes. The costs of mailing 145 duplicate bills in the amount of \$709 should be removed from wastewater O&M expense.

**APPROVED**

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**Issue 16:** Should any adjustment be made to chemical expense?

**Recommendation:** Yes. Proposed chemical expenses of \$88,161 for water and \$138,709 for wastewater should be reduced by \$9,009 and \$1,435, respectively.

**APPROVED**

**Issue 17:** Should there be an adjustment made to relocation expenses?

**Recommendation:** Yes. Consistent with Commission practice, relocation expense should be based on a 4-year average. Accordingly, Sanlando's allocated relocation expense of \$11,858 should be reduced by \$3,783 for water and \$3,389 for wastewater.

**APPROVED**

**Issue 18:** Should any adjustments be made to transportation expense?

**Recommendation:** Yes. Transportation expense should be decreased by \$7,180 for water and \$5,642 for wastewater.

**APPROVED**

**Issue 19:** Should any adjustment be made to unamortized rate case expense from the Utility's prior case?

**Recommendation:** Yes. Staff recommends reducing expenses by \$11,468 for water and \$9,168 for wastewater.

**APPROVED**

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**Issue 20:** What is the appropriate amount of rate case expense?

**Recommendation:** The appropriate amount of rate case expense is \$193,088. This expense should be recovered over four years for an annual expense of \$48,272. Thus, rate case expense should be decreased by \$6,107 and \$4,798 for water and wastewater, respectively.

**APPROVED**

**Issue 21:** Should any adjustments be made to bad debt expense?

**Recommendation:** Yes. Bad debt expense should be \$11,357. Accordingly, Sanlando's bad debt expense of \$17,360 should be reduced by \$2,821 for water and \$3,181 for wastewater.

**APPROVED**

**Issue 22:** Should an adjustment be made to taxes other than income taxes (TOTI)?

**Recommendation:** Yes. TOTI should be reduced by \$3,702 for water and \$2,875 for wastewater.

**APPROVED**

**Issue 23:** 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 \$570,249 for water and \$482,085 for wastewater.

**APPROVED**

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**Issue 24:** What is the appropriate revenue requirement for the December 31, 2008 test year?

**Recommendation:** The following revenue requirement should be approved.

	Test Year Revenues	(\$ Decrease) \$ Increase	Revenue Requirement	(% Decrease) % Increase
Water	\$3,226,166	(\$136,317)	\$3,089,848	(4.23%)
Wastewater	\$3,599,134	\$546,558	\$4,145,692	15.19%

**APPROVED**

**Issue 25:** 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 change to a three-tier inclining-block rate structure. The appropriate usage blocks are 0-10 kgal/month in the first usage block, 10.001 kgal/month to 15 kgal/month in the second usage block, and in excess of 15 kgal/month in the third usage block. The appropriate rate factors are 1.0, 1.25, and 1.75 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 below 6 kgals per month. The appropriate rate structure for the water system's nonresidential classes is a continuation of its base facility charge (BFC)/uniform gallonage charge rate structure. The BFC cost recovery percentage for the water system should be set at 25.65 percent. The entire water system revenue increase should be applied to the gallonage charge. In addition, \$546,558 of the wastewater system revenue requirement associated with the reuse facilities should be reallocated to the water system's gallonage charge. 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 10 kgal. The wastewater rates prior to filing should remain unchanged.

**APPROVED**



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**Issue 26:** Are repression adjustments appropriate in this case, and, if so, what are the appropriate adjustments to make for this utility, what are the corresponding expense adjustments to make and what are the final revenue requirements for respective water and wastewater systems?

**Recommendation:** Yes, a repression adjustment to the water system is appropriate for this utility. For the water system, test year residential kgal sold should be reduced by 110,231 kgal to 2,004,186 kgal, purchased power expense should be reduced by \$18,123, chemicals expenses should be reduced by \$3,407 and RAFs should be reduced by \$1,014. The final post-repression revenue requirement for the water system should be \$3,586,885. Staff recommends no repression adjustment to the wastewater system.

In order to monitor the effect of the rate structure and rate changes, the utility should be ordered to file reports detailing the number of bills rendered, the consumption billed and the revenues billed on a monthly basis. In addition, the reports should be prepared by customer class, usage block, and meter size. The reports should be filed with staff, on a semi-annual basis, for a period of two years beginning with 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.

**APPROVED**

**Issue 27:** What are the appropriate monthly rates for the water and wastewater systems for the utility?

**Recommendation:** The appropriate monthly water rates are shown on Schedule No. 4-A of staff's memorandum dated May 19, 2010. The appropriate wastewater monthly rates are shown on Schedule No. 4-B of staff's memorandum dated May 19, 2010. Excluding miscellaneous service charges, the recommended water rates produce revenues of \$3,586,885. Excluding miscellaneous service charges, the recommended wastewater rates produce revenues of \$3,599,134. The Utility should file revised water and wastewater tariff sheets and a proposed customer notice to reflect the Commission-approved rates for the water and wastewater systems. 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 approved 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.

**APPROVED**

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**Issue 28:** 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. Because of the reallocation of wastewater revenues, staff recommends using Sanlando's total net percentage of the interim refund. This would result in a water refund of 2.38 percent. Further, the surety bond should be released upon staff's verification that the required refunds have been made.

**APPROVED**

**Issue 29:** 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 and wastewater rates should be reduced as shown on Schedule Nos. 4-A and 4-B of staff's memorandum dated May 19, 2010, to remove \$32,893 of water rate case expense and \$25,844 of wastewater rate case expense (grossed up for regulatory assessment fees). 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 30 days prior to the actual date of the required rate reduction. The approved rates should be effective for service rendered on or after the stamped approval date of the revised tariff sheets, pursuant to Rule 25-40.475(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.

**APPROVED**

**Issue 30:** Should the Utility's request for approval of a Non-Sufficient Funds fee 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.

**APPROVED**

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**Issue 31:** 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, Sanlando 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**

**Issue 32:** 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 corporate undertaking 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 11:19 AM  
**To:** Marshall Willis; Commissioners Advisors; Ann Cole; Mary Anne Helton; Jennifer Brubaker; Sharon Allbritton; Selena Chambers  
**Cc:** Cheryl Bulecza-Banks; Andrew Maurey; Tonya Linn; Paul Stallcup; Bart Fletcher; Lisa Bennett; Tonya Linn; Tim Devlin  
**Subject:** RE: Request for Oral Modification to Item 10, June 1, 2010 Agenda, Docket No. 090402-WS - Sanlando Utilities Corporation

Approved

**From:** Marshall Willis  
**Sent:** Friday, May 28, 2010 11:14 AM  
**To:** Chuck Hill  
**Cc:** Cheryl Bulecza-Banks; Andrew Maurey; Tonya Linn; Paul Stallcup; Bart Fletcher; Lisa Bennett; Tonya Linn; Tim Devlin  
**Subject:** Request for Oral Modification to Item 10, June 1, 2010 Agenda, Docket No. 090402-WS - Sanlando Utilities Corporation

Item 10 relates to a PAA rate increase request by Sanlando Utilities Corporation. The Statutory time frame to process this case has been waived by Sanlando through the June 1, 2010, Agenda Conference. Staff requests approval to make an oral modification to Schedule 4-A for the above-referenced item. Staff inadvertently failed to include its recommended general service gallonage charge of \$1.08 per 1,000 gallons, as well as the four-year rate reduction to that rate. 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:

Page 64, Schedule 4-A

<b>Sanlando Utilities Corporation</b>		<b>Schedule No. 4-A</b>				
<b>Water Monthly Service Rates</b>		<b>Docket No. 090402-WS</b>				
<b>Test Year Ended 12/31/08</b>		<b>Rates</b>	<b>Commission</b>	<b>Utility</b>	<b>Staff</b>	<b>4-year</b>
		<b>Prior to</b>	<b>Approved</b>	<b>Requested</b>	<b>Recomm.</b>	<b>Rate</b>
		<b>Filing</b>	<b>Interim</b>	<b>Final</b>	<b>Final</b>	<b>Reduction</b>
<b>Residential, General Service and Multi-Family</b>						
Base Facility Charge by Meter Size:						
5/8" x 3/4"	\$4.36	\$4.91	\$4.91	\$4.36	\$0.05	
3/4"	\$6.55	\$7.37	\$7.37	\$6.54	\$0.07	
1"	\$10.90	\$12.28	\$12.28	\$10.90	\$0.12	
1-1/2"	\$21.80	\$24.55	\$24.55	\$21.80	\$0.23	
2"	\$0.00	\$39.28	\$39.28	\$34.88	\$0.37	
3"	\$0.00	\$73.65	\$73.65	\$69.76	\$0.74	
4"	\$0.00	\$122.75	\$122.75	\$109.00	\$1.16	
6"	\$0.00	\$245.50	\$245.50	\$218.00	\$2.32	
8"	\$0.00	\$392.80	\$392.80	\$348.80	\$3.71	
Gallonage Charge						
0-10,000 gallons	\$0.56	\$0.63	\$0.63			

DOCUMENT NUMBER - DATE

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FPSC-COMMISSION CLERK

over 10,000 gallons	\$1.10	\$1.24	\$1.24		
per 1,000 gallons	\$0.86	\$0.97	\$0.97	\$1.08	\$0.01
0-6,000 gallons				\$0.75	\$0.01
6,001-10,000 gallons				\$0.79	\$0.01
10,001-15,000 gallons				\$0.99	\$0.01
Over 15,000 gallons				\$1.39	\$0.01

**Private Fire Protection**

**Base Facility Charge by Meter Size:**

1-1/2"	\$1.82	\$2.05	\$2.05	\$1.82	\$0.02
2"	\$2.90	\$3.26	\$3.26	\$2.91	\$0.03
4"	\$9.08	\$10.22	\$10.22	\$9.08	\$0.10
6"	\$18.17	\$20.46	\$20.46	\$18.17	\$0.19
8"	\$29.06	\$32.73	\$32.73	\$29.07	\$0.31

**Typical Residential Bills 5/8" x 3/4" Meter**

3,000 Gallons	\$6.94	\$7.82	\$7.82	\$6.61	\$0.08
5,000 Gallons	\$8.66	\$9.76	\$9.76	\$8.11	\$0.10
10,000 Gallons	\$12.96	\$14.61	\$14.61	\$12.02	\$0.16