

VOTE SHEET

October 26, 2010

Docket No. 090531-WS – Application for staff-assisted rate case in Highlands County by Lake Placid Utilities, Inc.

Issue 1: Is the quality of service provided by Lake Placid satisfactory?

Recommendation: Yes. The overall quality of service provided by Lake Placid is satisfactory.

DEFERRED

Issue 2: What are the used and useful percentages for the water treatment plant, the water distribution system, the wastewater treatment plant, and the wastewater collection system?

Recommendation: The Lake Placid water treatment plant, water distribution system, and wastewater collection system should be considered 100 percent used and useful (U&U). The wastewater treatment plant should be considered 44 percent U&U. A nine percent adjustment should be made to chemicals and electricity to reflect excessive unaccounted for water (EUW) in the distribution system. A five percent adjustment should be made to chemicals and electricity to reflect excessive infiltration and inflow (I&I) in the wastewater collection system.

DEFERRED

COMMISSIONERS ASSIGNED: All Commissioners

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

REMARKS/DISSENTING COMMENTS:

DOCUMENT NUMBER: EA1

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FPSC-COMMISSION CLERK

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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 \$559 for water and \$873 for wastewater. In addition, accumulated depreciation and depreciation expense both should be reduced \$180 for water and \$281 for wastewater, respectively.

DEFERRED

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

Recommendation: The appropriate average test year rate bases for the Utility are \$191,418 and \$164,885 for water and wastewater, respectively.

DEFERRED

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

Recommendation: The appropriate return on equity (ROE) is 10.64 percent with an allowed range of plus or minus 100 basis points. The appropriate overall rate of return is 7.85 percent.

DEFERRED

Issue 6: What is the appropriate amount of test year revenue?

Recommendation: The appropriate test year revenues for this Utility is \$52,417 for water and \$81,128 for wastewater.

DEFERRED

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

Recommendation: The appropriate amount of operating expenses for the Utility is \$53,343 for water and \$82,079 for wastewater.

DEFERRED

Issue 8: What is the appropriate revenue requirement?

Recommendation: The appropriate revenue requirement is \$68,360 for water and \$95,014 for wastewater.

DEFERRED

Issue 9: Should the Utility's current rate structures for the water and wastewater systems be changed, and, if so, what are the appropriate adjustments?

Recommendation: No. The Utility's current residential and non-residential water and wastewater rate structures, which consist of a monthly base facility (BFC)/uniform gallonage charge rate structures, should remain unchanged. The BFC cost recovery for the water system should be set at 54 percent. In addition, the bulk wastewater rate should continue to be based on a BFC/gallonage charge rate structure. The bulk customers' BFC should be based on 80 percent of the number of ERCs actually connected to the system. Also, the bulk customer's gallonage charge should be set at 80 percent of the general service gallonage charge. Finally, a flat rate structure should be implemented for the two unmetered residential wastewater customers. The BFC cost recovery for the wastewater system should be set at 50 percent.

DEFERRED

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Issue 10: Is a repression adjustment appropriate in this case, and if so, what is the appropriate adjustment to make for this utility, what are the corresponding expense adjustments, and what is the final revenue requirements for the water system?

Recommendation: No, a repression adjustment is not appropriate for this utility. However, in order to monitor the effects resulting from the changes in revenues, the Utility should prepare monthly reports for the water system, detailing the number of bills rendered, the consumption billed and revenues billed. 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.

DEFERRED

Issue 11: What are the appropriate rates for this utility?

Recommendation: The appropriate monthly water and wastewater rates are shown on Schedules Nos. 4-A and 4-B, in staff's memorandum dated October 14, 2010, respectively. The recommended rates should be designed to produce revenue \$68,360 for water and \$95,014 for wastewater, excluding miscellaneous service charges. 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 on the tariff sheet, 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 and the notice has been received by the customers. The Utility should provide proof of the date notice was given within no less than 10 days after the date of the notice.

DEFERRED

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Issue 12: Should the Utility's request for approval of a Non-Sufficient Funds fee be granted?

Recommendation: Yes. The Utility's request for a 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 within 10 days after the date of the notice.

DEFERRED

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, F.S.?

Recommendation: The water and wastewater rates should be reduced as shown on Schedule Nos. 4-A and 4-B in staff's memorandum dated October 14, 2010, to remove rate case expense grossed-up for RAFs 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. Lake Placid 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.

DEFERRED

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Issue 14: 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), F.S., 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 rate is approved on a temporary basis, the revenues collected by the Utility should be subject to the refund provisions discussed in the analysis portion of staff's memorandum dated October 14, 2010. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., 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.

DEFERRED

Issue 15: Should the Utility be required to provide proof, within 90 days of an order finalizing this docket, that it has adjusted its books for all the applicable National Association of Regulatory Utility Commissioners Uniform System of Accounts (NARUC 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, Lake Placid should provide proof, within 90 days of the final order issued in this docket, that the adjustments for all the applicable NARUC USOA primary accounts have been made.

DEFERRED

Issue 16: Should this docket be closed?

Recommendation: No. If no person whose substantial interests are affected by the proposed agency action files a protest within twenty-one days of the issuance of the order, a consummating order should be issued. 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. Once these actions are complete, this docket should be closed administratively.

DEFERRED