

VOTE SHEET

September 18, 2012

Docket No. 110238-WU – Application for staff-assisted rate case in Polk County by Sunrise Utilities, LLC.

**Issue 1:** Is the quality of service provided by Sunrise satisfactory?

**Recommendation:** The quality of service provided by Sunrise is marginal. The Utility should be put on notice of its requirement to notify the Commission of water interruptions that affect more than 10 percent of its customers. However, no adjustment to the Utility’s operating expenses should be made at this time. Sunrise should be required to provide the Commission the final Polk County Health Department (PCHD) order following the May 2013 inspection and repairs.

**APPROVED**

**Issue 2:** What are the used and useful percentages for Sunrise?

**Recommendation:** The Sunrise water treatment plant and distribution system are 100 percent used and useful (U&U). A 16 percent adjustment should be made to chemicals and electricity to reflect excessive unaccounted for water (EUW).

**APPROVED**

COMMISSIONERS

All Commissioners

ASSIGNED:

COMMISSIONERS’ SIGNATURES

MAJORITY

DISSENTING

*[Handwritten signatures of four commissioners]*

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**REMARKS/DISSENTING COMMENTS:**

DOCUMENT NUMBER-DATE

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Vote Sheet

September 18, 2012

Docket No. 110238-WU – Application for staff-assisted rate case in Polk County by Sunrise Utilities, LLC.

(Continued from previous page)

**Issue 3:** What is the appropriate average test year rate base for Sunrise?

**Recommendation:** The appropriate average test year rate base for the Utility is \$57,040.

**APPROVED**

**Issue 4:** What is the appropriate rate of return on equity and overall rate of return for Sunrise?

**Recommendation:** The appropriate return on equity (ROE) is 10.26 percent with a range of 9.26 percent to 11.26 percent. The appropriate overall rate of return is 7.10 percent.

**APPROVED**

**Issue 5:** What is the appropriate amount of test year revenue in this case?

**Recommendation:** The appropriate test year revenue for this Utility is \$67,677.

**APPROVED**

**Issue 6:** What is the appropriate amount of operating expense?

**Recommendation:** The appropriate amount of operating expense for Sunrise is \$71,950.

**APPROVED**

Vote Sheet

September 18, 2012

Docket No. 110238-WU – Application for staff-assisted rate case in Polk County by Sunrise Utilities, LLC.

(Continued from previous page)

**Issue 7:** Should the Commission utilize the operating ratio methodology as an alternative means to calculate the revenue requirement for Sunrise, and if so, what is the appropriate margin?

**Recommendation:** Yes, the Commission, on its own motion, should utilize the operating ratio methodology for calculating the revenue requirement for the Utility. The margin should be 10 percent of O&M expense.

**APPROVED**

**Issue 8:** What is the appropriate revenue requirement?

**Recommendation:** The appropriate revenue requirement is \$78,116.

**APPROVED**

**Issue 9:** What are the appropriate rate structures for Sunrise's water system?

**Recommendation:** The appropriate rate structure for the residential class is a continuation of the three tier inclining block rate structure. The three-tier rate structure for monthly consumption consists of usage blocks of: a) 0-5,000 gallons; b) 5,000-10,000 gallons; and c) all usage in excess of 10,000 gallons and usage block rate factors of .91, 1.00, and 2.00 respectively. The appropriate rate structure for the non-residential class is a continuation of its base facility charge (BFC)/uniform gallonage charge rate structure. The BFC cost recovery percentage should be set at 34 percent.

**APPROVED**

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**Issue 10:** Is a repression adjustment appropriate in this case, and if so, what are the appropriate adjustments?

**Recommendation:** Yes, a repression adjustment is appropriate for this Utility. Test year residential gallons sold should be reduced by 3.1 percent, resulting in a consumption reduction of 486,000 gallons. Purchased power expense should be reduced by \$68, chemical expense should be reduced by \$35, and regulatory assessment fees (RAFs) should be reduced by \$5. The final post-repression revenue requirement should be \$72,703.

In order to monitor the effect of the changes to rate structure and rates, 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 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 11:** What are the appropriate rates for Sunrise?

**Recommendation:** The appropriate monthly water rates are shown on Schedule No. 4 of staff's memorandum dated September 6, 2012. The recommended rates should be designed to produce revenue of \$72,703, 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 10 days of the date of the notice.

**APPROVED**

(Continued from previous page)

**Issue 12:** What is the appropriate amount by which rates should be reduced in four years after the published 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 September 6, 2012, 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. Sunrise 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.

**APPROVED**

**Issue 13:** Should Sunrise's request for approval of a Non-Sufficient Funds (NSF) fee be granted?

**Recommendation:** Yes. Sunrise's requested 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), Florida Administrative Code (F.A.C.). Furthermore, the fees 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 of the date of the notice.

**APPROVED**

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**Issue 14:** Should the Commission approve a Phase II increase for pro forma items for Sunrise?

**Recommendation:** Yes. The Commission should approve a Phase II revenue requirement associated with pro forma items. The operating ratio method of 10 percent should be used to determine the revenue requirement. The Utility's Phase II revenue requirement is \$80,927 which equates to a 3.60 percent increase over the Phase I revenue requirement. Staff recommends that the increase be applied as an across-the-board increase to the Phase I BFC and gallonage charges.

Sunrise should be required to complete the pro forma items within 12 months of the issuance of the consummating order. The Utility should also be required to submit a copy of the final invoices and cancelled checks for all pro forma plant items. The Utility should be allowed to implement the above rates once all pro forma items have been completed and documentation provided showing that the improvements have been made. Once verified, the 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. The rates should not be implemented until notice has been received by the customers. Sunrise should provide proof of the date notice was given within 10 days of the date of the notice. If the Utility encounters any unforeseen events that will impede the completion of the pro forma items, the Utility should immediately notify the Commission in writing.

**APPROVED**

**Issue 15:** Should the recommended rates be approved for the Utility on a temporary basis, subject to refund with interest, 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 with interest, in the event of a protest filed by a party other than the Utility. Sunrise 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 temporary rates should not be implemented until staff has approved the proposed notice, and the notice has been received by the customers. Prior to implementation of any temporary rates, the Utility should provide appropriate security. If the recommended rates are approved on a temporary basis, the rates collected by the Utility should be subject to the refund provisions discussed in the analysis portion of staff's memorandum dated September 6, 2012. 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 Office of Commission Clerk 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.

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Vote Sheet

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Docket No. 110238-WU – Application for staff-assisted rate case in Polk County by Sunrise Utilities, LLC.

(Continued from previous page)

**Issue 16:** 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 applicable National Association of Regulatory 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, Sunrise should provide proof, within 90 days of the final order in this docket, that the adjustments for all applicable NARUC USOA primary accounts have been made.

**APPROVED**

**Issue 17:** Should this docket be closed?

**Recommendation:** No. If no person whose substantial interests are affected by the proposed agency action files a protest within 21 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. Also, the docket should remain open to allow staff to verify that the pro forma items have been completed and the Phase II rates properly implemented. Once these actions are complete, this docket should be closed administratively.

**APPROVED**