

FLORIDA PUBLIC SERVICE COMMISSION

VOTE SHEET

January 24, 2013

Docket No. 110257-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 satisfactory?

Recommendation: Yes. The quality of service provided by Sanlando is satisfactory.

APPROVED

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Issue 2: Should the audit adjustments to rate base and operating expense to which the Utility and staff agree be made?

Recommendation: Yes. Based on the audit adjustments agreed to by the Utility, staff recommends that the adjustments set forth in Table 2-2 and Table 2-3 of staff's memorandum dated January 10, 2013 be made to rate base and net operating expense.

APPROVED

COMMISSIONERS ASSIGNED: All Commissioners

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

Julie M
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REMARKS/DISSENTING COMMENTS:

Oral modification was filed and assigned document number 00422-13

DOCUMENT NUMBER-DATE

00431 JAN 24 2013

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Issue 3: Should any adjustment be made to the Utility's Project Phoenix Financial/Customer Care Billing System (Phoenix Project)?

Recommendation: Yes. Plant should be reduced by \$105,531 for water and \$82,347 for wastewater. In addition, accumulated depreciation should be reduced by \$63,729 for water and \$49,729 for wastewater. Depreciation expense should be decreased by \$36,514 for water and \$28,492 for wastewater. Consistent with the Commission's decision in recent Utilities, Inc. (UI) rate cases, Sanlando should be authorized to create a regulatory asset or liability for costs associated with the Phoenix Project, and to accrue interest on the regulatory asset or liability at the 30-day commercial paper rate until the establishment of rates in Sanlando's next rate proceeding. Furthermore, the regulatory asset or liability should be amortized over 4 years.

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Issue 4: Should any further adjustments be made to test year rate base?

Recommendation: Yes. To correctly reflect prior Commission-ordered adjustments, average water and wastewater plant should be reduced by \$4,152 and \$21,691, respectively. Average water accumulated depreciation should be increased by \$169,796. Average wastewater accumulated depreciation should be decreased by \$30,138. Average water accumulated amortization of CIAC should be reduced by \$1,630. Average wastewater accumulated amortization of CIAC should be increased by \$74,843. Water depreciation expense should be increased by \$37, and wastewater depreciation expense should be decreased by \$638.

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

Recommendation: Yes. Plant should be increased by \$9,180 for water and \$615,639 for wastewater. Corresponding adjustments should be made to increase accumulated depreciation and depreciation expense by \$213 and \$14,342 for water and wastewater, respectively. Wastewater CIAC should be increased by \$1,445,252. Also, corresponding adjustments should be made to increase wastewater accumulated amortization of CIAC and CIAC amortization expense both by \$5,704. Finally, Taxes Other Than Income (TOTI) should also be increased by \$8,288 for wastewater.

APPROVED

Issue 6: What are the used and useful percentages of the Utility's water treatment plant, wastewater treatment plant, wastewater collection system, and reuse water system?

Recommendation: Sanlando's water and wastewater systems and the reuse facilities are 100 percent used and useful. An adjustment of 0.91 percent should be made to chemicals expense and electricity expense to reflect excessive unaccounted-for-water which results in a reduction of \$5,568.

APPROVED

Issue 7: What is the appropriate working capital allowance?

Recommendation: The appropriate working capital allowance is \$278,640 for water and \$340,751 for wastewater. As such, the working capital allowance should be increased by \$21,462 for water and \$27,374 for wastewater.

APPROVED

Issue 8: What is the appropriate rate base for the test year period ended December 31, 2010?

Recommendation: The appropriate 13-month average rate base for the test year ended December 31, 2010, is \$8,924,016 for water and \$13,675,634 for wastewater.

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Issue 9: What is the appropriate return on equity?

Recommendation: Based on the Commission leverage formula currently in effect, the appropriate return on equity (ROE) is 10.60 percent with an allowed range of plus or minus 100 basis points.

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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, 2010?

Recommendation: The appropriate weighted average cost of capital for the test year ended December 31, 2010 is 8.16 percent.

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Issue 11: Should any adjustment be made to the Utility's salaries and wages expense?

Recommendation: Yes. Salaries and wages expense should be decreased by \$223,078 for water and increased \$124,449 for wastewater. In addition, pensions and benefits expense should be decreased by \$57,690 for water and increased by \$32,466 for wastewater. Further, corresponding adjustments should be made to decrease payroll taxes by \$17,065 for water and increase payroll taxes by \$9,520 for wastewater.

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Issue 12: Should further adjustments be made to the Utility's O&M expense?

Recommendation: Yes. O&M expense should be reduced by \$1,848 to remove duplicative billing costs.

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Issue 13: What is the appropriate amount of rate case expense?

Recommendation: The appropriate amount of rate case expense is \$235,820. This expense should be recovered over four years for an annual expense of \$58,955, or \$33,115 for water and \$25,840 for wastewater. Therefore, annual rate case expense should be reduced by \$7,933 for water and \$6,190 for wastewater from the amounts requested in the Utility's MFRs.

APPROVED

As discussed at the Commission Conference, staff was given administrative authority to review and make a \$9,000 adjustment, if warranted and to adjust the remaining issues, as warranted.

Issue 14: What is the appropriate revenue requirement for the test year ended December 31, 2010?

Recommendation: The following revenue requirement should be approved.

	<u>Test Year Revenue</u>	<u>\$ Increase</u>	<u>Revenue Requirement</u>	<u>% Increase</u>
Water	<u>\$3,516,994</u>	<u>-\$6,861</u>	<u>\$3,510,133</u>	<u>-0.20%</u>
Wastewater	<u>\$3,456,533</u>	<u>\$1,111,438</u>	<u>\$4,567,971</u>	<u>32.15%</u>

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Issue 15: 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 continuation of the base facility charge (BFC)/three-tier inclining-block rate structure. The appropriate usage blocks are for monthly consumption of: a) 0-10,000 gallons; b) 10,001-15,000 gallons; and c) for all usage in excess of 15,000 gallons. The appropriate rate factors are 1.0, 1.5, and 2.0, respectively. As discussed in Issue 16, by restricting any cost recovery due to repression of discretionary usage, an additional fourth tier will be created for nondiscretionary monthly usage of 6,000 gallons or less. The appropriate rate structure for the water system's nonresidential classes is a continuation of the BFC/uniform gallonage rate structure. The BFC cost recovery percentage for the water system should be set at 22.25 percent. In addition, \$750,000 in wastewater system revenue requirement associated with the reuse facilities should be reallocated to the water system. The appropriate rate structure for the wastewater system is a continuation of the BFC/gallonage charge rate structure. The residential wastewater monthly gallonage cap for billed usage should continue at 10,000 gallons, and the multi-residential and general service gallonage charge should be set at 1.2 times the corresponding residential rate. The BFC cost recovery percentage for the wastewater system should be set at 50 percent.

APPROVED; *Alternative one.
Commissioner Edgaw dissented.*

Issue 16: Are repression adjustments for the Utility's water system appropriate in this case, and, if so, what are the appropriate adjustments to make, what are the corresponding expense adjustments to make, and what is the final revenue requirement for the water system?

Recommendation: Yes, a repression adjustment to the water system is appropriate for this utility. For the water system, test year gallons sold should be reduced by 149,029,000 gallons, purchased power expense should be reduced by \$28,247, chemicals expenses should be reduced by \$9,949 and regulatory assessment fees (RAFs) should be reduced by \$1,719. The final post-repression revenue requirement for the water system should be \$4,170,216. Staff does not recommend making repression adjustments to wastewater systems due to the nondiscretionary nature of residential wastewater usage. Therefore, no wastewater repression adjustment is appropriate.

In order to monitor the effect of the rate structure and rate changes, the Utility should 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 quarterly 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 file a revised monthly report for that month within 30 days of any revision.

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Staff was given administrative authority to make technical changes on the remaining issues, as necessary.

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Issue 17: 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 of staff's memorandum dated January 10, 2013. The appropriate wastewater monthly rates are shown on Schedule No. 4-B of staff's memorandum dated January 10, 2013. Excluding miscellaneous service charges, the recommended water rates produce revenues of \$4,170,216. Excluding miscellaneous service charges, the recommended wastewater and reuse rates produce revenues of \$3,820,177. 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

Issue 18: In determining whether any portion of the interim water and wastewater revenue 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. The total net difference between the combined water and wastewater interim revenue requirements granted and the combined interim collection period revenue should be used because of the reallocation of wastewater revenues. No refund is required because the total interim revenue requirement collection period revenue calculated is greater than the total interim revenue requirement granted. Further, the surety bond should be released.

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Issue 19: 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, Florida Statutes?

Recommendation: The rates should be reduced as shown on Schedule Nos. 4-A and 4-B of staff's memorandum dated January 10, 2013, to remove \$40,332 for water and \$31,472 for wastewater related the annual rate case expense, grossed up for 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 20: 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 the applicable National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts (USOA) associated with the 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 to all the applicable NARUC USOA accounts have been made.

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Issue 21: 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 will 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, and that the interim refund has been completed and verified by staff. Once these actions are complete, this docket should be closed administratively.

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