

VOTE SHEET

DATE: October 10, 1995

RE: DOCKET NO. 950387-SU - Application for a rate increase for North Ft. Myers Division in Lee County by Florida Cities Water Company - Lee County Division.

Issue 1: Is the quality of service satisfactory?

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

APPROVED

Rate Base

Issue 2: What is the appropriate amount of used and useful plant?

Recommendation: The plant is 100% used and useful. For the continued provision of wastewater service in this service area, the utility should file a copy of its master plan with the Commission within 120 days of the date of the PAA order.

APPROVED

COMMISSIONERS ASSIGNED: Full Commission

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

[Handwritten signatures for majority: J. Spaccia, J. Miller, Susan J. Clark, J. Terry Deane, J. K. Gush]

[Handwritten signature for dissenting: Jane K. Gush (Issue 18)]

REMARKS/DISSENTING COMMENTS:

PSC/RAR33 (5/90)

DOCUMENT NUMBER-DATE

10039 OCT 11 95

FPSC-RECORDS/REPORTING

Vote Sheet
Docket No. 950387-SU
October 10, 1995

Issue 3: Should a margin reserve be allowed?

Recommendation: Yes. An amount equal to 292 ERCs should be allowed in margin reserve.

APPROVED

Issue 4: Should adjustments be made to plant in service to remove capitalized legal fees and incorrect allocations of engineering fees?

Recommendation: Yes, plant in service should be reduced by \$223,175.

APPROVED

Issue 5: What adjustments should be made to correct accounting errors?

Recommendation: The following adjustments should be made:

	<u>Plant</u>	<u>Accum. Depr.</u>	<u>Depr. Expense</u>
Retirement	\$ (9,057)	\$ (9,057)	\$ (482)
Reclassification			
Incorrect Depr. Rate		9,127	3,028
Double Posting Error		118	
Capitalized Equipment	1,352		72
Projected Retirements	<u>(26,130)</u>	<u>(26,130)</u>	<u>(1,390)</u>
Total	<u>\$(33,835)</u>	<u>\$(25,942)</u>	<u>\$ 1,228</u>

APPROVED

Issue 6: Should the Commission approve a year-end rate base value in this proceeding?

Recommendation: Yes, the Commission should approve a year-end rate base value in this proceeding. The utility's investment in rate base is substantially enlarged under year-end considerations. Further, the improvements are in the public interest.

APPROVED

Issue 7: Should CIAC be imputed for the wastewater division?

Recommendation: Yes. Consistent with Commission practice, CIAC should be imputed as a matching provision for the rate base component created by the margin reserve factor. Pursuant to this imputation adjustment, CIAC is increased by \$429,420, accumulated amortization is increased by \$22,845, and depreciation expense is reduced by \$22,845.

APPROVED

Issue 8: Should the provision for CIAC be reduced for the wastewater division?

Recommendation: Yes. CIAC should be reduced by \$85,792 to reflect reduced connection charges. This correction yields a corresponding \$927 reduction to Accumulated Amortization of CIAC and a \$4,564 net increase to depreciation expense.

APPROVED

Issue 9: Should unfunded post-retirement benefits be included in the rate base calculation?

Recommendation: Yes. Since post-retirement benefits are currently unfunded, a \$81,855 reduction to rate base is recommended to reflect the average balance associated with the unfunded balance.

APPROVED

Issue 10: Should working capital be adjusted?

Recommendation: Yes. A \$9,497 reduction to working capital is recommended to include unfunded pension costs in the utility's deferred credit balance.

APPROVED

Issue 11: What rate base amounts should be approved?

Recommendation: The recommended rate base amount is \$7,784,770.

APPROVED

Cost of Capital

Issue 12: What is the appropriate rate of return on equity?

Recommendation: Using the current leverage formula, the rate of return on equity should be 11.88%, with a range of 10.88% to 12.88%.

APPROVED

Issue 13: What is the appropriate cost for deferred investment tax credits?

Recommendation: The appropriate cost for deferred investment tax credits is 10.19%.

APPROVED

Issue 14: What is the appropriate overall cost of capital?

Recommendation: The appropriate overall cost of capital should be 9.23%, with a range of 8.96% to 9.50%.

APPROVED

Net Operating Income

Issue 15: What is the appropriate provision for rate case expense?
Recommendation: The appropriate provision for rate case expense is \$41,295. Two adjustments are recommended: a \$4,502 reduction to match the last authorized provision for rate case expense, and a \$2,576 reduction to reflect a revision to the current rate case estimate.

APPROVED

Issue 16: What is the test year operating income before any revenue increase?
Recommendation: The test year operating income is \$488,812 for the wastewater system.

APPROVED

Revenue Requirement

Issue 17: What is the appropriate revenue requirement?
Recommendation: The following revenue requirement should be approved:

	<u>Total</u>	<u>Increase</u>	<u>% Change</u>
Wastewater Division	\$2,489,487	\$377,772	17.89%

APPROVED

Rates and Rate Structure

Issue 18: How should the revenue increase be allocated among the water, wastewater, and reuse customers?

Primary Recommendation: The water customers should be allocated \$130,000 of the revenue increase. This amount should be recovered from the water customers in a separate filing involving the water system. A reuse rate of \$.21 per 1,000 gallons should be established, resulting in a revenue allocation of \$22,995. The remainder of the revenue increase, as determined in Issue 17, should be recovered from the wastewater customers.

DENIED

Alternative Recommendation: None of the revenue increase should be allocated to the water customers at this time. A reuse rate of \$.21 per 1,000 gallons should be established, resulting in a revenue allocation of \$22,995. The remainder of the revenue increase, as determined in Issue 17, should be recovered from the wastewater customers. The utility should be required to keep the Commission informed of the progress of negotiations with the City of Cape Coral for exchange of reuse for potable water.

APPROVED

*Commissioner Kiesling
dissented.*

Issue 19: What are the appropriate rates for Florida Cities Water Company - North Ft. Myers Wastewater Division?

Recommendation: If the Commission approves staff's primary recommendation in Issue 18, the recommended rates should be designed to produce revenues of \$2,346,437. However, if the Commission approves the alternative recommendation in Issue 18, the recommended rates should be designed to produce revenues of \$2,476,530. The utility should be required to file revised tariff sheets and a proposed customer notice to reflect the appropriate rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), F.A.C., provided the customers have received notice. The rates may not be implemented until proper notice has been received by the customers. The utility should provide proof of the date notice was given no less than 10 days after the date of the notice.

MODIFIED

*Approved with necessary
modifications to conform
with vote in Issue 18.*

Issue 20: 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 rates should be reduced, as shown on Schedule No. 5-A of staff's memorandum dated September 28, 1995, to remove \$10,324 of rate case expense grossed up for regulatory assessment fees which are being amortized over a four-year period. The decrease in rates should become effective immediately following the expiration of the four-year recovery period, pursuant to Section 367.0816, F.S. The utility should be required to file revised tariff sheets and a proposed customer notice setting forth the lower rates and the reason for the reduction not later than one month prior to the actual date of the required rate reduction.

MODIFIED

*Approved with necessary
modifications to conform
with vote in Issue 18.*

Issue 21: Should the docket be closed?

Recommendation: This docket should be closed if no person whose interests are substantially affected by the proposed action files a protest within the 21-day protest period.

APPROVED