

VOTE SHEET

DATE: March 18, 1997

RE: DOCKET NO. 951056-WS - Application for rate increase in Flagler County by Palm Coast Utility Corporation.

Issue 1: Should the Commission grant PCUC's Requests for Oral Argument on its Motions for Reconsideration?

Recommendation: No. PCUC's requests for oral argument on all three motions should be denied.

APPROVED

Issue 2: Should PCUC'S Motion for Reconsideration concerning computational errors of the approved water rates be granted?

Recommendation: Yes. Due to a computational error in the calculation of water rates, the water rates approved in the final order do not generate the revenue requirement approved by the Commission. Therefore, the appropriate water rates should be adjusted to reflect this error in calculation. The appropriate water rates will be addressed in a subsequent issue.

APPROVED

COMMISSIONERS ASSIGNED: DS JN KS

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

J. Terry Deaso

James K. ...

REMARKS/DISSENTING COMMENTS:

PSC/RAR33 (5/90)

DOCUMENT NUMBER-DATE

02924 MAR 20 5

PSC-RECORDS/REPORTING

Issue 3: Should PCUC's Motion for Reconsideration concerning computational errors of the used and useful calculations be granted?

Recommendation: PCUC's reconsideration request should be granted in part and include general service and multi-family connections in the numerator of the used and useful calculations for water transmission mains and water services. The Commission should deny PCUC's request to include general service and multi-family connections in the numerator of the used and useful calculations for water distribution and wastewater gravity lines. The Commission, on its own motion, should change the number of residential connections which were used in the calculation of used and useful for water distribution mains, water transmission mains, water services, and wastewater gravity mains. If these recommended changes are approved, then the used and useful percentage for water distribution mains decreases from 23.91% to 23.36% (a \$100,615 decrease to rate base), the used and useful percentage for water transmission mains increases from 32.27% to 35.14% (a \$223,733 increase to rate base), the used and useful percentage for water services increases from 73.70% to 74.47% (a \$7,984 increase to rate base), and the used and useful percentage for wastewater gravity mains increases from 34.29% to 35.95% (a \$377,274 increase to rate base).

APPROVED

Issue 4: Should PCUC'S Motion for Reconsideration concerning computational errors in calculating water and wastewater rate base be granted?

Recommendation: PCUC's motion for reconsideration concerning computational errors in calculating water and wastewater rate base should be granted in part and denied in part. Corrections should be made to increase wastewater plant in service by \$173,869. Non-used and useful, accumulated depreciation, and depreciation expense adjustments are also necessary as a result of this correction. Further, the correct amount of CIAC on the margin reserve should be \$688,310 for water and \$680,040 for wastewater. Accumulated amortization of CIAC should be increased by \$10,968 and \$10,439 for water and wastewater, respectively. Also, test year amortization of CIAC should be increased by \$21,936 for water and \$20,877 for wastewater.

APPROVED

Issue 5: Should PCUC's Motion for Reconsideration concerning evidentiary deficiency for nonreconciliation of investment tax credits (ITCs) be granted?

Primary Recommendation: Yes. Unamortized ITCs should be increased by \$129,534 to the 13-month average balance of \$2,445,760 at a cost rate of zero. Upon reconsideration, the ITCs should receive a pro rata reconciliation adjustment.

DENIED

Alternative Recommendation: No. Unamortized ITCs should be increased by \$129,534 to the 13-month average balance of \$2,445,760 at a cost rate of zero. Upon clarification, the Commission should find that PCUC did not carry its burden of proof and, therefore, no pro rata reconciliation is appropriate.

APPROVED

Issue 6: Should the Commission grant PCUC's First and Second Amended Motions for Reconsideration or, Alternatively, Motions to Correct Computational Errors?

Recommendation: No. PCUC's First and Second Amended Motions for Reconsideration or, Alternatively, Motions to Correct Computational Errors should be denied as untimely.

APPROVED

Issue 7: Should the Commission reconsider, on its own motion, a computational error in the calculation of rate base for the water system?

Recommendation: Yes. The Commission should correct a computational error made in calculating water rate base in the final order. Based on this, water rate base should be increased by \$2,491,147.

APPROVED

Issue 8: What are the appropriate rate base amounts, weighted average cost of capital, and revenue requirements?

Recommendation: The appropriate rate base amounts should be \$13,372,875 for water and \$5,654,867 for wastewater. The weighted average cost of capital should be 8.75%. Additionally, the following revenue requirements should be approved:

	<u>Total</u>	<u>\$Incr. (Decr.)</u>	<u>%Change</u>
Water	\$5,483,087	\$82,723	1.53%
Wastewater	\$3,232,996	(\$54,209)	(1.65%)

APPROVED

- fallout change will result from Issue 5

Issue 9: What is the appropriate bulk water rate for PCUC?

Recommendation: The appropriate bulk water rate for PCUC should be the rate achieved when the same percentage increase for other water rates is applied to PCUC's current bulk rate. Therefore, the appropriate bulk water rate for PCUC to charge Hammock Dunes should be a BFC of \$198.81 and a gallonage charge of \$1.03.

APPROVED

- fallout change will result from Issue 5

Issue 10: What are the appropriate water and wastewater service rates for PCUC?

Recommendation: Consistent with Order No. PSC-96-1338-FOF-WS, adjusted for staff's recommendations concerning reconsideration, the recommended service rates should be designed to produce annual operating revenues of \$5,385,301 and \$3,148,420 for the water and wastewater divisions, respectively. These recommended revenues exclude any miscellaneous revenues, bulk water revenues, and reuse revenues. 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 should not be implemented until required notice has been received by the customers pursuant to Rule 25-30.475(1), F.A.C. The utility should provide proof of the date notice was given within 10 days after the date of notice.

APPROVED

- see Issue 9

Issue 11: What are the appropriate amounts by which rates should be reduced four years after the established effective date to reflect the removal of the amortized rate case expense required by Section 367.0816, Florida Statutes?

Recommendation: The water and wastewater rates should be reduced, as shown on Schedule Nos. 5-A and 5-B, to remove \$51,176 for water and \$51,176 for wastewater for rate case expense grossed up for regulatory assessment fees which are being amortized over a four-year period. The decreases 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 proposed customer notices setting forth the lower rates and the reason for the reductions no later than one month prior to the actual date of required rate reductions.

APPROVED

- see Issue 9

Issue 12: 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?

Recommendation: Consistent with the methodology approved in the final order, the utility should be required to refund 1.09% of water revenues and 7.18% of wastewater revenues collected under interim rates. The refunds should be made with interest in accordance with Rule 25-30.360(4), F.A.C. The utility should be required to submit the proper refund reports pursuant to Rule 25-30.360(7), F.A.C. The utility should treat any unclaimed refunds as CIAC pursuant to Rule 25-30.360(8), F.A.C.

APPROVED

- See Issue 9

Issue 13: Should the docket be closed?

Recommendation: This docket should be closed after the time for filing an appeal has run, upon staff's verification that the utility has completed the required refunds with interest, and the proper revised tariff sheets and customer notice have been filed by the utility and approved by staff. Further, the utility's corporate undertaking may be released upon staff's verification that the refunds have been completed.

APPROVED