

VOTE SHEET

JANUARY 18, 2000

RE: DOCKET NO. 990535-WU - Request for approval of increase in water rates in Nassau County by Florida Public Utilities Company (Fernandina Beach System).

Issue 1: Is the quality of service satisfactory?

Recommendation: Yes, the quality of service is satisfactory.

APPROVED

Rate Base

Issue 2: Should the utility be required to adjust its plant in service, accumulated depreciation, contributions in aid of construction (CIAC), accumulated amortization of CIAC and depreciation expense so as to be in conformity with the National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts (USOA)?

COMMISSIONERS ASSIGNED: Full Commission

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

Ausan I. Clark
Joe
J. Terry
[Signature]

REMARKS/DISSENTING COMMENTS:

DOCUMENT NUMBER-DATE

00745 JAN 198

FPSC-RECORDS/REPORTING

VOTE SHEET

JANUARY 18, 2000

DOCKET NO. 990535-WU - Request for approval of increase in water rates in Nassau County by Florida Public Utilities Company (Fernandina Beach System).

(Continued from previous page)

Recommendation: Yes. The utility should be required to make the following adjustments to its books and records:

Utility Plant in Service	\$490,350
CIAC	(490,350)
Accumulated Depreciation	(117,535)
Accumulated Amortization of CIAC	117,535
Depreciation Expense	11,944
CIAC Amortization Expense	(11,944)

Further, the utility should be required to maintain its books and records in conformity with the NARUC Uniform System of Accounts as required by Rule 25-30.115, Florida Administrative Code.

APPROVED

Issue 3: What additional adjustments, if any, should be made to the utility's projected plant in service, accumulated depreciation, depreciation expense, and property taxes?

Recommendation: The utility's projected plant in service should be decreased by a net amount of \$72,651. Accumulated depreciation should be decreased by a net amount of \$60,943. Depreciation expense should be increased by a net amount of \$6,097. Property taxes should be increased by \$6,579.

APPROVED

VOTE SHEET

JANUARY 18, 2000

DOCKET NO. 990535-WU - Request for approval of increase in water rates in Nassau County by Florida Public Utilities Company (Fernandina Beach System).

(Continued from previous page)

Issue 4: Should a margin reserve be included in the used and useful determination?

Recommendation: Yes, a margin reserve of 1,207,614 gallons per day (GPD) should be included in the plant's used and useful. In addition, the margin reserve for the distribution system is 1030 equivalent residential connections (ERCs).

APPROVED

Issue 5: Is there excessive unaccounted for water and, if so, what adjustments should be made to purchased power and chemical costs?

Recommendation: Yes, there is excessive unaccounted for water in the amount of 15,211 GPD. The resulting adjustments required are \$4,175.60 for purchased power cost and \$604.04 for chemical cost.

APPROVED

Issue 6: What used and useful percentages are appropriate for this proceeding?

Recommendation: The water treatment plant should be considered 100% used and useful, and the distribution system should be considered 100% used and useful.

APPROVED

VOTE SHEET

JANUARY 18, 2000

DOCKET NO. 990535-WU - Request for approval of increase in water rates in Nassau County by Florida Public Utilities Company (Fernandina Beach System).

(Continued from previous page)

Issue 7: What additional adjustments, if any, should be made to the utility's projected CIAC, accumulated amortization of CIAC, advances for construction and depreciation expense?

Recommendation: The utility's projected CIAC should be increased by \$108,341. Accumulated amortization of CIAC should be increased by \$4,833. Advances for construction should be decreased by \$59,018. Depreciation expense should be decreased by \$2,787.

APPROVED

Issue 8: By what amount, if any, should rate base be reduced for unfunded liability for Other Postretirement Employee Benefits (OPEBs)?

Recommendation: The utility has included its unfunded liability for OPEBs in its working capital calculation. No additional reduction in rate base is required.

APPROVED

Issue 9: What is the appropriate working capital?

Recommendation: The appropriate working capital for the test year ended December 31, 2000 is \$46,712.

APPROVED

VOTE SHEET

JANUARY 18, 2000

DOCKET NO. 990535-WU - Request for approval of increase in water rates in Nassau County by Florida Public Utilities Company (Fernandina Beach System).

(Continued from previous page)

Issue 10: What is the appropriate rate base?

Recommendation: The appropriate rate base for the test year ended December 31, 2000 is \$8,026,640.

APPROVED

Cost of Capital

Issue 11: What is the appropriate weighted average cost of capital including the proper components, amounts and cost rates associated with the capital structure for the projected test year ending December 31, 2000?

Recommendation: The appropriate cost of capital is 9.10% based on a return on equity (ROE) of 9.98%, with a range of 8.98% to 10.98%, and a 13-month average capital structure for the period ending December 31, 2000.

APPROVED

Net Operating Income

Issue 12: What is the appropriate method of projecting customers and consumption for the projected test year ending December 31, 2000, and what are the resulting projected numbers of bills and consumption for the 2000 projected test year before any adjustments are made?

Recommendation: Linear regression is the appropriate method of projecting customers and consumption. The resulting projected numbers of bills and consumption for the 2000 projected test year, before adjustments, are 82,649 bills and 1,778,308 hundred cubic feet (CCF), respectively.

APPROVED

VOTE SHEET

JANUARY 18, 2000

DOCKET NO. 990535-WU - Request for approval of increase in water rates in Nassau County by Florida Public Utilities Company (Fernandina Beach System).

(Continued from previous page)

Issue 13: What adjustments, if any, are necessary to the 2000 projected test year revenues and expenses to reflect the appropriate number of water customers, bills, and consumption?

Recommendation: Based on staff's revised projections of the appropriate number of water customers, bills, and consumption discussed in Issue 12, test year projected operating revenue at the current rates, chemical expense, power expense, and bad debt expense should be increased as outlined in the analysis portion of staff's January 6, 2000 memorandum.

APPROVED

Issue 14: Should adjustments be made to O&M expenses for the reclassification of legal fees from the electric division?

Recommendation: Yes. O&M expense should be increased by \$1,822 to reflect reclassification of legal fees from the electric division.

APPROVED

Issue 15: Should adjustments be made to O&M expenses for the removal of transportation expense related to the electric division?

Recommendation: Yes. O&M expenses should be reduced by \$15,069 to reflect the removal of transportation expense for the electric division.

APPROVED

VOTE SHEET

JANUARY 18, 2000

DOCKET NO. 990535-WU - Request for approval of increase in water rates in Nassau County by Florida Public Utilities Company (Fernandina Beach System).

(Continued from previous page)

Issue 16: Should the utility's methodology for calculating the projected purchase power expense and the chemical expense be approved?

Recommendation: No. The variable portion of projected purchased power expense should be based on the projected increase of water pumped from 1998 to 2000, not the change in the amount of water sold. Projected chemical expense should be escalated based on a combination of the change in water pumped, customer growth and inflation from 1998 to 2000, not just by customer growth and inflation factors.

APPROVED

Issue 17: What is the appropriate amount of rate case expense?

Recommendation: The appropriate rate case expense for this docket is \$45,988. This expense is to be recovered over four years for an annual expense of \$11,497.

APPROVED

Issue 18: Should an adjustment be made to payroll taxes to reflect the addition of a new employee?

Recommendation: Yes. Payroll taxes should be increased \$5,519 for the omitted payroll taxes for a projected salary increase for a new employee.

APPROVED

VOTE SHEET

JANUARY 18, 2000

DOCKET NO. 990535-WU - Request for approval of increase in water rates in Nassau County by Florida Public Utilities Company (Fernandina Beach System).

(Continued from previous page)

Issue 19: Should an adjustment be made to remove franchise fees and associated revenue from net operating income?

Recommendation: Yes. Franchise fees of \$157,149 and revenues of \$121,900 should not be included in the revenue requirement.

APPROVED

Issue 20: What is the test year operating income before any revenue increase?

Recommendation: Based on the adjustments discussed in previous Issues, staff recommends that the test year operating income before any provision for increased revenues should be \$504,324.

APPROVED

Revenue Requirement

Issue 21: What is the appropriate revenue requirement?

Recommendation: The following revenue requirement should be approved:

	<u>TOTAL</u>	<u>\$ INCREASE</u>	<u>% INCREASE</u>
Water	\$ 2,791,850	\$ 380,652	15.79%

APPROVED

VOTE SHEET

JANUARY 18, 2000

DOCKET NO. 990535-WU - Request for approval of increase in water rates in Nassau County by Florida Public Utilities Company (Fernandina Beach System).

(Continued from previous page)

Rates and Rate Structure

Issue 22: Is it appropriate to modify the utility's customer classifications to reflect a shift of residential bills and consumption to the general service (commercial) category, and, if so, what are the appropriate numbers of bills and consumption to shift and when should the shift be made?

Recommendation: Yes, it is appropriate to modify the utility's customer classifications to shift bills and CCF from the residential to the general service category. The appropriate numbers of bills and CCF to shift are 1,553 and 160,668, respectively. The shift should be made after the customer and consumption projections are complete. The utility should be ordered to make the appropriate reclassifications before the recommended rates go into effect.

APPROVED

Issue 23: What is the appropriate rate structure for this utility, and what are the appropriate monthly rates for service?

Recommendation: The appropriate rate structure for residential customers is a base facility and CCF charge rate structure consisting of three tiers (usage blocks) with an inclining rate for each subsequent tier. The appropriate rate structure for the general service customers is a continuation of the traditional base facility and uniform CCF charge rate structure. The recommended rates, as shown on Schedule No. 4 of staff's memorandum, should be designed to produce revenues of \$2,733,930, excluding miscellaneous service charge revenues. 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 of the revised tariff sheets pursuant to Rule 25-30.475(1), Florida Administrative Code. The rates

VOTE SHEET

JANUARY 18, 2000

DOCKET NO. 990535-WU - Request for approval of increase in water rates in Nassau County by Florida Public Utilities Company (Fernandina Beach System).

(Continued from previous page)

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 no less than 10 days after the date of the notice.

MODIFIED

Approved with revision to Schedule No. 4 (attached to vote sheet)

Issue 24: Is repression of consumption likely to occur, and, if so, what is the appropriate adjustment and the resulting consumption to be used to calculate consumption charges?

Recommendation: Yes, repression of consumption is likely to occur. The appropriate repression adjustment is a reduction in consumption of 27,617 CCF, and the resulting consumption to be used to calculate consumption charges is 1,750,691 CCF. In order to monitor the effects of this rate proceeding on consumption, the utility should be ordered to file monthly reports detailing the number of bills rendered, the consumption billed (by usage block for residential customers) and the revenue billed. These reports should be provided, by customer class and meter size, on a quarterly basis for a period of two years, beginning with the first billing period after the increased rates go into effect.

APPROVED

VOTE SHEET

JANUARY 18, 2000

DOCKET NO. 990535-WU - Request for approval of increase in water rates in Nassau County by Florida Public Utilities Company (Fernandina Beach System).

(Continued from previous page)

Issue 25: What are the appropriate private fire protection rates?

Recommendation: The private fire protection rates should be recalculated and set equivalent to one-twelfth of the general service base facility charges in accordance with Rule 25-30.465, Florida Administrative Code. In addition, staff recommends that water base facility charges should be set for 6-inch, 8-inch and 10-inch general service meter sizes.

APPROVED

Issue 26: Should the utility's proposed miscellaneous service charges be approved?

Recommendation: Yes. The utility's proposed miscellaneous service charges should be approved. If the utility files revised tariff sheets within thirty days of the issuance date of the order which are consistent with the Commission's vote, staff should be given administrative authority to approve the revised tariff sheets upon staff's verification that the tariffs are consistent with the Commission's decision. If the revised tariff sheets are filed and approved, the revised miscellaneous service charges should be implemented on or after the stamped approval date of the tariff sheets pursuant to Rule 25-30.475(2), Florida Administrative Code, provided customers have received notice. The utility should provide proof that the customers have received notice within 10 days after the date of the notice.

APPROVED

VOTE SHEET

JANUARY 18, 2000

DOCKET NO. 990535-WU - Request for approval of increase in water rates in Nassau County by Florida Public Utilities Company (Fernandina Beach System).

(Continued from previous page)

Issue 27: Should this docket be closed?

Recommendation: Yes. If no timely protest is received upon the expiration of the protest period, the Order should become final and effective upon issuance of a consummating order and this docket should be closed. Staff will nevertheless monitor the utility's compliance with Rule 25-30.115, Florida Administrative Code, as addressed in Issue 2.

APPROVED



Public Service Commission

-M-E-M-O-R-A-N-D-U-M-

RECEIVED-PPSC
JAN 14 PM 4:01
RECORDS AND REPORTING

DATE: January 14, 2000
TO: Dr. Mary A. Bane, Deputy Executive Director/Technical *DM*
FROM: Patricia W. Merchant, Supervisor, Accounting Section, WAW Bureau of Economic Regulation
RE: Item No. 33 - Docket No. 990535-WU, Request for Approval of Increase in Water Rates in Nassau County by Florida Public Utilities Company (Fernandina Beach System)

A recommendation addressing the above docket has been filed for consideration by the Commission at the January 18, 2000 Agenda Conference. This rate case docket has a statutory 5-month time frame which requires this recommendation to be on the January 18, 2000 agenda.

Staff would like to submit a corrected Schedule No. 4, which lists the utility's present and requested rates, and staff's recommended rates. The recommended Base Facility Charge for a 5/8" meter should reflect \$8.57 instead of \$8.56. This change flows through to the Base Facility Charge for the other meter sizes. Therefore, a revised Schedule No. 4 had to be created. Only the staff recommended base facility charge rates in the last column have been changed.

This change does not affect any of the issues or recommendations or any other calculations included in the recommendation. Attached is the revised Schedule No. 4.

cc: Division of Water and Wastewater (Hoppe, Lowe, Willis, John Williams)
Division of Records and Reporting (2 copies)

*OK
MAB
1/14/2000*

DOCUMENT NUMBER-DATE

00849 JAN 14 8

PPSC-RECORDS/REPORTING

	Rate Prior to Effect	Utility Requested Final	Staff Recomm. Final
Residential			
Base Facility Charge:			
Meter Size:			
5/8"	\$8.20	\$10.45	\$8.57
1"	\$18.54	\$23.62	\$21.43
2"	\$56.51	\$72.00	\$68.56
3"	\$111.70	\$142.32	\$128.55
4"	\$208.33	\$265.43	\$214.25
Charge Per CCF	\$0.84	0-5 CCFs \$0.62	0-10 CCFs \$0.87
		6-20 CCFs \$0.93	10-25 CCFs \$1.09
		>20 CCFs \$1.28	>25 CCFs \$1.31
General Service (Commercial, Industrial, and Public Authority)			
Meter Size:			
5/8"	\$8.20	\$10.45	\$8.57
1"	\$18.54	\$23.62	\$21.43
2"	\$56.51	\$72.00	\$68.56
3"	\$111.70	\$142.32	\$149.98
4"	\$208.33	\$265.43	\$257.10
6"			\$535.63
8"			\$771.30
10"			\$1,242.65
Charge Per CCF	\$0.84	\$1.09	\$1.04
Fire Hydrant Service			
Meter Size:			
4"	\$70.29	\$89.56	\$81.39
5"	\$107.11	\$136.47	\$124.02
6"	\$145.07	\$184.83	\$167.97
Automatic Sprinkler System Service			
Base Facility Charge:			
Meter Size:			
2"	\$19.09	\$24.32	\$5.71
4"	\$70.29	\$89.56	21.43
6"	\$145.07	\$184.83	44.64
8"	\$185.32	\$236.12	64.28
10"	\$265.82	\$338.68	103.55
Typical Residential Bills			
5/8" x 3/4" Meter Size			
3,000 Gallons	\$10.72	\$12.31	\$11.18
8,000 Gallons	\$14.92	\$17.89	\$17.29
22,000 Gallons	\$26.68	\$38.61	\$37.39

*The utility did not request interim rates.