

VOTE SHEET

AUGUST 1, 2000

RE: DOCKET NO. 991437-WU - Application for increase in water rates in Orange County by Wedgefield Utilities, Inc.

Issue 1: Is the quality of service provided by Wedgefield Utilities, Inc. satisfactory?

Recommendation: Yes, the quality of service is satisfactory.

APPROVED

Issue 2: What adjustments, if any, should be made to the utility's plant-in-service, accumulated depreciation, and depreciation expense?

Recommendation: Plant-in-service should be decreased by a total of \$105,166. Accumulated depreciation should be decreased by a total amount of \$74,119. Depreciation expense should be decreased by a total of \$13,796.

APPROVED

COMMISSIONERS ASSIGNED: Full Commission

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

[Handwritten signatures in the majority column]

REMARKS/DISSENTING COMMENTS:

DOCUMENT NUMBER-DATE

09371 AUG-30

FPSC-RECORDS/REPORTING

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Issue 3: Should accumulated depreciation be adjusted to reflect overstated depreciation calculations in years prior to the test year resulting from the utility's recording assets in incorrect sub-accounts?

Recommendation: No. The utility should not be allowed to adjust accumulated depreciation as filed in the MFRs. The utility should, however, be ordered to correct its books and records on a going-forward basis.

APPROVED

Issue 4: What adjustments, if any, should be made to Contributions-in-Aid-of-Construction (CIAC), and Accumulated Amortization of CIAC?

Recommendation: CIAC should be increased by \$750. Accumulated amortization of CIAC should be increased by \$12.

APPROVED

Issue 5: Should the parcel of land purchased on June 18, 1999, be considered 100 percent used and useful? If not, what percentage should be allowed?

Recommendation: No. The land should not be considered 100% used and useful. In its official filing and also in its response to the auditor's report, the utility stated that the land was purchased for future water plant. However, staff recommends allowing 25% of the land that was purchased, for future plant, to be considered use and useful. Accordingly, used and useful land should be reduced by \$8,888.

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Issue 6: What percentage of the utility's water treatment plant and distribution system is used and useful?

Recommendation: The water treatment plant should be considered 76%, and the water distribution system should be considered ~~66%~~ used and useful. Accordingly, used and useful plant should be reduced by \$706,209 and used and useful accumulated depreciation should be reduced by \$205,813. Used and useful CIAC should be reduced by \$11,941 and used and useful accumulated amortization of CIAC should be reduced by \$372. Used and useful depreciation expense, property taxes and CIAC amortization expense should be reduced by \$19,924, \$4,818, and \$743, respectively, to reflect the expenses associated with the non-used and useful plant.

7790

MODIFIED

Issue 7: Does Wedgefield have excessive unaccounted for water and, if so, what adjustments should be made?

Recommendation: Yes, Wedgefield has 17.1% excessive unaccounted for water. Therefore, allowable expenses for purchased electricity should be reduced by \$2,565 and allowable chemical expenses should be reduced by \$8,643.

APPROVED

Issue 8: What is the appropriate working capital allowance?

Recommendation: The appropriate amount of working capital is \$17,485, based on the formula approach.

APPROVED

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Issue 9: What is the appropriate rate base?

Recommendation: The appropriate water rate base for the test year ended June 30, 1999 is \$956,803.

MODIFIED

Ballot of issue 6

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 June 30, 1999?

Recommendation: The appropriate overall cost of capital is 8.34%, with a range of 7.91% to 8.77%. The return on equity (ROE) should be 9.82%, with a range of 8.82% to 10.82%.

APPROVED

Issue 11: What is the appropriate allowance for funds used during construction (AFUDC) rate?

Recommendation: The annual AFUDC rate for Wedgefield should be approved at 8.34%, in accordance with Rule 25-30.116, Florida Administrative Code, with a discounted monthly AFUDC rate of .695013%, to be applied to Wedgefield's qualified construction projects, effective July 1, 1999.

APPROVED

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Issue 12: Should adjustments be made to operation and maintenance expenses for non-utility items?

Recommendation: Yes. Operation and maintenance expenses should be reduced by \$604 to remove the allocation for non-utility shareholder expenses and keyman/life and fiduciary life insurance premium expenses.

APPROVED

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

Recommendation: The appropriate rate case expense for this docket is \$42,992. This expense is to be recovered over four years for an annual expense of \$10,748.

APPROVED

Issue 14: What adjustments, if any, should be made to the utility's property taxes?

Recommendation: Property taxes should be decreased by \$8,571.

MODIFIED

Rollout of issue 6

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Issue 15: 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 \$39,047.

MODIFIED *Fallout of Issue 6*

Issue 16: What is the appropriate revenue requirement?

Recommendation: The following revenue requirement should be approved:

	<u>TOTAL</u>	<u>\$ INCREASE</u>	<u>% INCREASE</u>
Water	\$ 327,729	\$ 68,469	26.41%

MODIFIED *Fallout of Issue 6*

Issue 17: Is an inclining-block rate structure appropriate for this utility, and, if so, what are the appropriate usage blocks, conservation adjustment and rate factors to be used?

Recommendation: Yes. An inclining-block rate structure is the appropriate rate structure for residential customers. The appropriate monthly usage blocks consist of three tiers of 0-10,000 gallons, 10,001-20,000 gallons, and over 20,000 gallons per month. A conservation adjustment of 30% is appropriate, with usage block rate factors for each tier of 1.0, 1.25, and 1.5, respectively. The appropriate rate structure for the general service customers is a continuation of the traditional base facility charge (BFC) and uniform gallonage charge rate structure.

APPROVED

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Issue 18: 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 4,355 kgals, and the resulting consumption to be used to calculate consumption charges is 71,170 kgals. In order to monitor the effects of this rate proceeding on consumption, the utility should be ordered to prepare 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.

MODIFIED

Fallout of issue 6

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Issue 19: What are the appropriate monthly rates for water service for this utility?

Recommendation: The appropriate monthly rates are listed below.

<u>Meter Sizes</u>	<u>Residential Service</u>	<u>General Service</u>
5/8" x 3/4"	\$ 11.78	\$ 11.78
3/4"	17.67	17.67
1"	29.45	29.45
1 1/2"	58.90	58.90
2"	94.24	94.24
3"	188.48	188.48
4"	294.50	294.50
6"	589.00	589.00
<u>Gallonage Charge</u>		
0 - 10,000 gallons	\$ 2.53	\$ 2.92
10,001 - 20,000 gallons	3.16	2.92
Over 20,000 gallons	3.80	2.92

These rates, also shown on Schedule No. 4-A, should be designed to produce revenues of \$325,730, 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 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

Fallout of issue 6

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Issue 20: What is the appropriate amount of the interim 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. This revised revenue requirement for the interim collection period should be compared to the amount of interim revenues granted. Based on this calculation, the utility should be required to refund 12.85% of water revenues collected under interim rates. The refund should be made with interest in accordance with Rule 25-30.360(4), Florida Administrative Code. The utility should treat any unclaimed refunds as CIAC pursuant to Rule 25-30.360(8), Florida Administrative Code.

MODIFIED

Ballot of Issue 6.

Issue 21: Should Wedgefield's water system capacity charge be discontinued?

Recommendation: Yes. Wedgefield's water system capacity charge of \$640 should be discontinued and replaced with a \$490 plant capacity charge and \$830 main extension fee. If approved, the utility shall file revised tariff sheets within thirty days of the issuance date of the consummating 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 plant capacity charge and main extension fee should become effective for connections made on or after the stamped approval date of the revised tariff sheets pursuant to Rule 25-30.475(2), Florida Administrative Code.

APPROVED

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Issue 22: Should the utility be required to show cause, in writing within 21 days, why it should not be fined \$3,000 for its apparent violation of Rule 25-30.115, Florida Administrative Code, and Order No. PSC-97-0531-FOF-WU, issued May 9, 1997, in Docket No. 960444-WU, for its failure to maintain its books and records in conformance with the National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts (USOA)?

Recommendation: Yes. the utility be required to show cause, in writing within 21 days, why it should not be fined \$3,000 for its apparent violation of Rule 25-30.115, Florida Administrative Code, and Order No. PSC-97-0531-FOF-WU, issued May 9, 1997, in Docket No. 960444-WU, for its failure to maintain its books and records in conformance with the NARUC USOA.

APPROVED

Issue 23: Should the docket be closed?

Recommendation: No. If no timely protest is filed within 21 days of the issuance of the PAA Order, the Order should become effective and final upon the issuance of a consummating order. This docket should remain open pending completion of these conditions: the utility's filing and staff's approval of the revised tariff sheets; proof of notice; and verification of the refund. If Issue 21 is approved, this docket should remain open pending disposition of the show cause. However, if the utility does not protest the show cause and remits the fine, then this docket should be administratively closed upon completion of the above conditions.

APPROVED