

VOTE SHEET

JANUARY 16, 2001

RE: DOCKET NO. 991643-SU - Application for increase in wastewater rates in Seven Springs System in Pasco County by Aloha Utilities, Inc.

Issue 1: Is the quality of service satisfactory?

Recommendation: Yes. Staff recommends that the quality of service provided by Aloha Utilities, Inc. at its Seven Springs Wastewater Treatment Plant is satisfactory.

APPROVED

Issue 2: Are the proposed modifications and expansion of the Aloha wastewater treatment plant prudent and justified?

Recommendation: Yes. The proposed modifications and expansion of the treatment plant are prudent and justified.

APPROVED

COMMISSIONERS ASSIGNED: JC JB BZ

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

[Handwritten signatures in majority column]

[Empty lines for dissenting signatures]

REMARKS/DISSENTING COMMENTS:

Replacement
DOCUMENT NUMBER-DATE

00655 JAN 17 01

FPSC-RECORDS/REPORTING

VOTE SHEET

JANUARY 16, 2001

DOCKET NO. 991643-SU - Application for increase in wastewater rates in Seven Springs System in Pasco County by Aloha Utilities, Inc.

(Continued from previous page)

Issue 3: Are the costs of the utility's infiltration and inflow (I&I) reduction program prudent?

Recommendation: Yes. The costs of the utility's I&I reduction program are prudent.

APPROVED

Issue 4: Should the utility be allowed to capitalize invoices previously expensed?

Recommendation: No. The capitalization of these previously expensed items would constitute double recovery and should be disallowed. Thus, the Seven Springs wastewater system's plant should be reduced by \$127,232 and accumulated depreciation should be reduced by \$73,211. Depreciation expense should also be reduced by \$6,675.

APPROVED

Issue 5: Should the Commission consider the new office building cost for the utility in this rate proceeding?

Recommendation: No. Based on the evidence in the record, staff cannot determine that the purchase of the building was the most cost effective alternative. As such, staff recommends that all the requested costs associated with the purchase of the building should not be considered in this rate proceeding.

APPROVED

VOTE SHEET

JANUARY 16, 2001

DOCKET NO. 991643-SU - Application for increase in wastewater rates in Seven Springs System in Pasco County by Aloha Utilities, Inc.

(Continued from previous page)

Issue 6: Does Aloha have excessive infiltration and inflow?

Recommendation: Aloha does not have excessive I&I.

APPROVED

Issue 7: What is the used and useful percentage of the wastewater treatment plant and the wastewater collection system?

Recommendation: Staff recommends that the wastewater treatment plant and the wastewater collection system are both 100% U&U.

APPROVED

Issue 8: Should a used and useful adjustment be applied to the reuse facilities?

Recommendation: No. Section 367.0817(3), Florida Statutes, requires that "all prudent costs of a reuse project shall be recovered in rates."

APPROVED

Issue 9: Are any adjustments necessary to test year CIAC and accumulated amortization of CIAC for changes in projection methodology?

Recommendation: Consistent with staff's recommendation in Issue 18, CIAC and accumulated amortization of CIAC should be increased by \$7,387 and \$273, respectively.

APPROVED

VOTE SHEET

JANUARY 16, 2001

DOCKET NO. 991643-SU - Application for increase in wastewater rates in Seven Springs System in Pasco County by Aloha Utilities, Inc.

(Continued from previous page)

Issue 10: What is the appropriate regulatory treatment of contributed taxes (CTs) and accumulated deferred income taxes?

Recommendation: Consistent with staff's recommendation in Issue 32, staff recommends that the September 30, 2001, 13-month average test year should be adjusted as follows: 1) CTs of \$1,544,865 for the Seven Springs wastewater system should be reflected as CIAC and included in rate base; 2) the amortization of these CTs of \$295,878 should be reflected as accumulated amortization of CIAC and also included in rate base; 3) the Seven Springs wastewater system's U&U debit deferred income taxes of \$1,084,985 should be offset with its U&U credit deferred income taxes of \$578,619; 4) the net debit balance of \$506,367 should be included as an addition item to rate base for the Seven Springs wastewater system. Staff also recommends that credit deferred income taxes of \$770,040 should be removed from the capital structure.

APPROVED

Issue 11: Should the cash operating account balance be removed from the working capital calculation?

Recommendation: No. The cash operating account balance should be included in the working capital calculation.

APPROVED

Issue 12: Are any adjustments necessary to the working capital allowance for rate case expense?

Recommendation: Yes. Working capital should be adjusted to reflect the average unamortized balance of rate case expense approved by the Commission.

~~**MODIFIED**~~

~~Approved with modifications to be made^{by staff} as a result of the vote in Issue 31.~~

APPROVED

Corrected 1/23/01 after discussion with LEG/Jaeger.

14

VOTE SHEET

JANUARY 16, 2001

DOCKET NO. 991643-SU - Application for increase in wastewater rates in Seven Springs System in Pasco County by Aloha Utilities, Inc.

(Continued from previous page)

Issue 13: What is the appropriate working capital allowance?

Recommendation: The issue is a fall-out of Issues 11, 12, 18, and 31. The appropriate working capital allowance for the utility's Seven Springs wastewater system is \$546,232.

APPROVED

Issue 14: What is the appropriate projected rate base?

Recommendation: Consistent with other recommended adjustments, the appropriate projected rate base for the 13-month average is ~~\$9,552,096~~ \$9,549,093.

~~MODIFIED~~

Approved with modifications to be made by staff as a result of the vote in Issues 1-13 and 40.

APPROVED WITH NOTED MODIFICATION

Corrected 1/23/01 after discussion with LEG/Jaeger.

1cf

Issue 15: Stipulated

APPROVED

Issue 16: What is the appropriate weighted average cost of capital for the projected test year ending September 30, 2001?

Recommendation: Based on Stipulation 4, Stipulation 13, and the recommended adjustments discussed in Issue 10, the weighted average cost of capital should be ~~9.92%~~ 9.71%.

APPROVED

with noted modification

VOTE SHEET

JANUARY 16, 2001

DOCKET NO. 991643-SU - Application for increase in wastewater rates in Seven Springs System in Pasco County by Aloha Utilities, Inc.

(Continued from previous page)

Issue 17: What is the appropriate prospective Allowance for Funds Used During Construction rate for Aloha?

Recommendation: The calculation and the effective date of the AFUDC rate were stipulated to as discussed in the case background in Stipulation 12. The actual AFUDC rate should be approved by the Commission based on the approved cost of capital. Based on the staff-recommended capital structure, the Commission should approve an AFUDC rate of 9.92% and a monthly discounted rate of ~~0.826185%~~ .808755%.

APPROVED *with noted modification*

Issue 18: What is the appropriate method of projecting customers and consumption for the projected year ending September 30, 2001, and what changes, if any, are appropriate to the utility's projection factors?

Recommendation: The appropriate method of projecting customers and consumption for the projected year ending September 30, 2001, is based on the utility's revised forecast as presented on MFR Schedule F-10, pages 1 and 2. There are two projected growth factors that would be affected by staff's recommended projection methodology. The projected growth factor used to escalate base year bills and gallons up to test year levels should be changed to 1.07093. The projected growth factor used to account for the impact of forecasted ERC growth on selected O&M accounts should be changed to 1.03486.

APPROVED

VOTE SHEET

JANUARY 16, 2001

DOCKET NO. 991643-SU - Application for increase in wastewater rates in Seven Springs System in Pasco County by Aloha Utilities, Inc.

(Continued from previous page)

Issue 19: What adjustments, if any, are necessary to the 2001 projected test year revenues and expenses to reflect the appropriate number of wastewater customers, bills, and consumption?

Recommendation: Consistent with staff's recommendation in Issue 18, the appropriate projected test year ending September 30, 2001, bills and consumption are 108,266 and 633,079,000, respectively, for residential service customers and 1,696 and 61,822, respectively, for general service customers. The utility's test year revenues before any rate adjustment should be further reduced by \$36,194, and the utility's O&M expenses should be reduced by \$32,883.

APPROVED

Issue 20: What is the appropriate amount of reuse revenue to include in the test year?

Recommendation: Consistent with staff's recommendations in Issue 37, staff recommends that the appropriate amount of reuse revenue to include in the September 30, 2001, projected test year is \$28,474, which results in a \$18,885 reduction to test year revenues.

~~MODIFIED~~

APPROVED

~~Approved with modifications to be made by staff as a result of the vote in Issue 37.~~

Corrected 1/23/01 after discussion with LEG/Jaeger.

109

Issue 21: What is the appropriate salary for Aloha's vice president?

Recommendation: The vice president's salary should be 20% of the president's salary. As a result, Salary & Wages - Officers and Employee Benefits accounts for the Seven Springs wastewater system should be reduced by \$15,507 and \$5,319, respectively. Payroll taxes should also be reduced by \$1,392.

APPROVED

VOTE SHEET

JANUARY 16, 2001

DOCKET NO. 991643-SU - Application for increase in wastewater rates in Seven Springs System in Pasco County by Aloha Utilities, Inc.

(Continued from previous page)

Issue 22: Should an adjustment be made to remove expenses associated with an administrative employee?

Recommendation: No. This employee is needed due to the increased workload caused by reporting requirements imposed by DEP and the ARCFJ.

APPROVED

Issue 23: Should the cost of the annual financial audit be allocated to all of the utility's systems?

Recommendation: No. Staff recommends that no adjustment should be made.

APPROVED

Issue 24: Should any additional adjustments be made to Contractual Services - Accounting, for non-recurring costs?

Recommendation: Yes. Accounting expenses for the Seven Springs wastewater system should be reduced by \$1,113 to remove non-recurring fees associated with the implementation of the new accounting software system.

APPROVED

Issue 25: Should an adjustment be made to Contractual Services - Accounting, as a result of the Company hiring a new comptroller?

Recommendation: No adjustment is necessary.

APPROVED

VOTE SHEET

JANUARY 16, 2001

DOCKET NO. 991643-SU - Application for increase in wastewater rates in Seven Springs System in Pasco County by Aloha Utilities, Inc.

(Continued from previous page)

Issue 26: Should any adjustments be made to remove expenses associated with the settlement of the DEP enforcement action?

Recommendation: Yes. Legal expenses associated with a DEP enforcement action are non-recurring and should be amortized over five years, which results in a reduction to legal expenses of \$14,020. Also, miscellaneous expenses should be reduced by \$20,706.

APPROVED

Issue 27: Is an adjustment necessary to chemicals and purchased power expenses as a result of the utility's infiltration and inflow reduction program?

Recommendation: No. An adjustment is not necessary because there is no excessive I&I.

APPROVED

Issue 28: Should any adjustments be made to the utility's base year ended 9/30/99 balance for Account 720 - Materials & Supplies?

Recommendation: No adjustment should be made.

APPROVED

Issue 29: Should an adjustment be made to Contractual Services - Other, to remove the projected maintenance expense for the new plant?

Recommendation: No. No adjustment should be made to Contractual Services-Other, Account 736, to remove the projected maintenance expense for the new plant.

APPROVED

VOTE SHEET

JANUARY 16, 2001

DOCKET NO. 991643-SU - Application for increase in wastewater rates in Seven Springs System in Pasco County by Aloha Utilities, Inc.

(Continued from previous page)

Issue 30: Should any adjustments be made to the base year ended September 30, 1999 balance for miscellaneous expenses?

Recommendation: Yes. In addition to the adjustments made in Issues 19 and 26, miscellaneous expenses should be reduced by \$7,593 for non-recurring advertising expenses and by \$162 for a misclassification error by the utility, which represents a total reduction of \$7,755.

APPROVED

Issue 31: What is the appropriate amount of current rate case expense?

Recommendation: Total current rate case expense of \$426,676 should be allowed. This results in an increase of \$126,676 above the revised estimate in the MFRs and a decrease of \$46,139 to the updated rate case expense per Exhibit 22.

APPROVED

Issue 32: What is the appropriate amortization period and amount of contributed taxes (CTs) associated with the Seven Springs wastewater system?

Recommendation: The appropriate amortization period is 32.68 years or 3.06%, and the appropriate annual amortization amount is \$47,273. Thus, the utility's annual amortization amount should be increased by \$8,651.

APPROVED

Issue 33: Stipulated.

APPROVED

VOTE SHEET

JANUARY 16, 2001

DOCKET NO. 991643-SU - Application for increase in wastewater rates in Seven Springs System in Pasco County by Aloha Utilities, Inc.

(Continued from previous page)

Issue 34: What is the test year operating income before any revenue increase?

Recommendation: The test year operating income should be ~~\$131,673~~ **\$123,545** for wastewater before any revenue increase.

APPROVED *with noted modification*

Issue 35: What is the appropriate revenue requirement?

Recommendation: The following revenue requirement should be approved:

	<u>TOTAL</u>	<u>\$ INCREASE</u>	<u>% INCREASE</u>
Wastewater	\$4,095,504	\$1,369,589	50.24%
	\$4,075,088	\$1,349,173	49.49%

APPROVED *with noted modification*

Issue 36: What are the appropriate final wastewater rates?

Recommendation: Consistent with staff's recommendations in Issues 18 and 19, the recommended rates should be designed to allow the utility the opportunity to generate annual operating revenues of ~~\$4,059,430~~ **\$4,024,894** for its Seven Springs wastewater system, excluding miscellaneous service revenues, interest income on its cash operating account, and reuse revenues. The utility should be required to file revised tariff sheets and proposed customer notice to reflect the appropriate rates pursuant to Rule 25-22.0407(10), F.A.C. 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 proper notice has been received by the customers. The utility should provide proof of the date notice was given within 10 days after the date of the notice.

APPROVED *with noted modification*

VOTE SHEET

JANUARY 16, 2001

DOCKET NO. 991643-SU - Application for increase in wastewater rates in Seven Springs System in Pasco County by Aloha Utilities, Inc.

(Continued from previous page)

Issue 37: Should the Commission determine a reuse rate in this proceeding and, if so, what is the appropriate rate?

Recommendation: Yes. Staff recommends no charge for the Fox Hollow Golf Course from the date it begins receiving reuse service from Aloha to exactly four years from that date, at which time the utility should begin charging the approved charge for all other reuse customers. In addition, staff recommends that, in the future, the utility should file an application for new reuse rates or changes in reuse rates, pursuant to Section 367.091, Florida Statutes. Further, staff recommends that the utility's current reuse rate of \$0.25 per thousand gallons should be increased to \$0.29 per thousand gallons and that the zero rate for the Mitchell property be continued. The utility should be required to file revised tariff sheets and proposed customer notice to reflect the appropriate rates pursuant to Rule 25-22.0407(10), F.A.C. 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 proper notice has been received by the customers. The utility should provide proof of the date notice was given within 10 days after the date of the notice.

APPROVED

Issue 37A: Should any portion of the utility's proposed final rates implemented pursuant to Section 367.081(6), Florida Statutes, be refunded?

Recommendation: Yes. Consistent with staff's recommendation in Issue 36, staff recommends that the utility should refund ~~6.03%~~ **6.50%** of the service rates collected during the period of time Aloha collects revenues under its proposed final rates. Further, staff recommends that the utility administer this refund, pursuant to Rule 25-30.360, F.A.C.

APPROVED

with noted modification

VOTE SHEET

JANUARY 16, 2001

DOCKET NO. 991643-SU - Application for increase in wastewater rates in Seven Springs System in Pasco County by Aloha Utilities, Inc.

(Continued from previous page)

Issue 38: Who should bear the risk that the company will not find buyers for its reclaimed water?

Recommendation: Consistent with staff's recommendations in Issues 20 and 37, staff recommends that the risk that Aloha will not find buyers for its reclaimed water should be limited to the anticipated reuse customers for the final September 30, 2001, projected test year. Further, staff recommends that the Commission should monitor Aloha's reuse revenue and customers by requiring the utility to submit additional information in its annual report. This information should include the name of each non-residential reuse customer, number of gallons of reuse sold and the revenue collected for the year. For residential reuse service, Aloha should provide the number of residential customers by development, the number of gallons sold and the revenue collected for the year.

APPROVED

Additionally, Aloha will be required to pursue negotiations with Pasco County concerning acceptance of re-use from Aloha, and report back to the Commission within six months on status.

Issue 39: Should the three-step rate reduction required by Order No. PSC-97-0280-FOF-WS be implemented, modified, or canceled?

Recommendation: Consistent with staff's recommendation in Issue 38, the three-step rate reduction should not be implemented.

APPROVED

VOTE SHEET

JANUARY 16, 2001

DOCKET NO. 991643-SU - Application for increase in wastewater rates in Seven Springs System in Pasco County by Aloha Utilities, Inc.

(Continued from previous page)

Issue 40: Should Aloha's Seven Springs wastewater plant capacity charge be revised?

Recommendation: Yes. Staff recommends that the appropriate plant capacity charge for the utility's Seven Springs wastewater system be set at \$1,650 per residential ERC and \$12.79 per gallon for all others. Further, staff recommends that the utility should file an appropriate revised tariff sheet within twenty days of the date of the Order, and staff should be given administrative authority to approve the revised tariff sheet upon staff's verification that the tariffs are consistent with the Commission's decision. If a revised tariff sheet is filed and approved, the service availability charges should become effective for connections made on or after the stamped approval date of the revised tariff sheet pursuant to Rule 25-30.475(2), F.A.C.

APPROVED

Issue 41: Should Aloha be fined in the amount of \$250 for its apparent violation of Order No. PSC-97-0280-FOF-WS for its failure to timely file the extension of the Mitchell agreement with the Commission for approval?

Recommendation: Yes, pursuant to Section 367.161, Florida Statutes, Aloha should be fined \$250 for its failure to timely comply with Order No. PSC-97-0280-FOF-WS, issued March 12, 1997, which required any extension of the Mitchell contract to be filed with the Commission for approval. The Commission should approve the renewed contract after the fact, but no further extension of the contract after this current term expires should take place until the utility has Commission approval. Moreover, Aloha should either obtain approval of the Commission for another extension of the Mitchell agreement, or charge the Mitchell property the approved system-wide reuse rate upon expiration of this latest extension.

APPROVED

with understanding that fines may increase if this occurs again

VOTE SHEET

JANUARY 16, 2001

DOCKET NO. 991643-SU - Application for increase in wastewater rates in Seven Springs System in Pasco County by Aloha Utilities, Inc.

(Continued from previous page)

Issue 42: Should Aloha be fined for its apparent violation of Order No. PSC-97-0280-FOF-WS for its failure to file sufficient information to enable the Commission to address reuse rates for all reuse customers and whether and how much of the reuse revenue requirement should be allocated to its water customers?

Recommendation: The utility should not be fined for its apparent failure to file the directed information in violation of the Order.

APPROVED

Issue 43: Should this docket be closed?

Recommendation: No. This docket should remain open pending staff's verification that the utility's revised tariff sheets are consistent with the Commission's decision and that the utility has properly administered the refund. Upon staff's verification, this docket should be administratively closed.

APPROVED