

VOTE SHEET

AUGUST 6, 2002

RE: Docket No. 010869-WS - Application for staff-assisted rate case in Marion County by East Marion Sanitary Systems, Inc.

ISSUE 1: Is the quality of service provided by East Marion Sanitary Systems, Inc., considered satisfactory?

RECOMMENDATION: No. The utility's quality of service should not be considered satisfactory until emergency phone numbers have been posted at each plant and both lift stations. The utility should be given 90 days from the effective date of the order to post the emergency phone numbers. This item is further addressed in Issue No. 18.

MODIFIED

The quality of service is considered satisfactory. The utility will be given 60 days (rather than 90) to post emergency phone numbers. The service number for emergencies should provide for response 24 hours a day, 7 days a week, and should be posted at the plants and lift stations and on the bill. The number for billing inquiries should be posted on the bill.

COMMISSIONERS ASSIGNED: Full Commission

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

July Bradley
Michael A. Palumbo
Had. Rpe
J. Terry Weaso
Michael A. Palumbo

REMARKS/DISSENTING COMMENTS:

DOCUMENT NUMBER-DATE

08246 AUG -6 02

VOTE SHEET

AUGUST 6, 2002

Docket No. 010869-WS - Application for staff-assisted rate case in Marion County by East Marion Sanitary Systems, Inc.

(Continued from previous page)

ISSUE 2: Should the Commission approve a projected test year for the utility?

RECOMMENDATION: Yes. The Commission should approve a projected test year for the utility to better match expenses with customer growth on a going-forward basis. A projected test year ending December 31, 2002, should be approved.

APPROVED

ISSUE 3: What portions of East Marion Sanitary System, Inc., are used and useful?

RECOMMENDATION: The East Marion utility water treatment plant is considered 60% used and useful, the water distribution and wastewater collection systems are considered to be 38.7% used and useful with the exception of Account Number 334 (Meters and Meter Installations) which are installed upon demand and should be considered 100% used and useful. The wastewater treatment plant is considered to be 7.5% used and useful.

APPROVED

ISSUE 4: What is the appropriate regulatory treatment of the land upon which the utility's treatment facilities are located?

RECOMMENDATION: The utility should be required to purchase the land on which it operates or enter into a long-term lease, such as a 99-year lease, pursuant to Section 367.1213, Florida Statutes, and submit either a warranty deed or copy of a long-term lease in the utility's name within 60 days of the Consummating Order. For rate-setting purposes, the utility should be allowed to recover an annual amount equal to the return on the original cost of the land when placed in service. If the utility does not submit a warranty deed or long-term lease in compliance with the above noted requirements, pursuant to Section 367.161, Florida Statutes, the

VOTE SHEET

AUGUST 6, 2002

Docket No. 010869-WS - Application for staff-assisted rate case in Marion County by East Marion Sanitary Systems, Inc.

(Continued from previous page)

utility should be made to show cause, in writing, within 21 days, why it should not be fined up to \$5,000 per day for each offense for its apparent violation of Section 367.1213, Florida Statutes, Rule 25-30.037(2)(q), Florida Administrative Code, and the above noted requirements.

MODIFIED

Approved with modification that utility must submit warranty deed or long-term lease within 6 months of today's vote. There will be no automatic show cause, but the utility is put on notice that the Commission will take action if evidence of compliance within the 6-month time frame is not provided.

ISSUE 5: What is the appropriate projected test year rate base for this utility? *provided.*

RECOMMENDATION: The appropriate projected test year rate base for this utility is \$29,619 for water and \$63,821 for wastewater. The utility should be required to complete the pro forma fence replacement and installation of the lift station alarm within 90 days of the Commission's final Order.

APPROVED

ISSUE 6: What is the appropriate rate of return on equity and the appropriate overall rate of return for this utility?

RECOMMENDATION: The appropriate rate of return on equity is 10.00% with a range of 9.00% - 11.00%. The appropriate overall rate of return for the utility is 10.00%. However, if Order No. PSC-02-0898-PAA-WS, issued July 5, 2002, in Docket No. 020006-WS, is not protested, the appropriate rate of return on equity should be 10.23% with a range of 9.23% - 11.23% and the appropriate overall rate of return for the utility should be 10.23%.

APPROVED

VOTE SHEET

AUGUST 6, 2002

Docket No. 010869-WS - Application for staff-assisted rate case in Marion County by East Marion Sanitary Systems, Inc.

(Continued from previous page)

ISSUE 7: What are the appropriate projected test year revenues?

RECOMMENDATION: The appropriate projected test year revenues for this utility are \$15,794 for water and \$14,949 for wastewater.

APPROVED

ISSUE 8: What is the appropriate amount of operating expense?

RECOMMENDATION: The appropriate amount of operating expense for this utility is \$18,679 for water and \$21,263 for wastewater. The utility should be required to provide staff with proof of insurance within 90 days of the Commission's final order.

APPROVED

- Staff's recommendation ^{on} ~~of~~ operating expenses was approved.

DENIED

- Staff's recommendation on attorney's fees in rate case expense was denied. Instead, attorney's fees were set at \$2,000

ISSUE 9: What are the appropriate revenue requirements?

RECOMMENDATION: The appropriate revenue requirements for water and wastewater are \$21,641 and \$27,645, respectively. However, if Order No. PSC-02-0898-PAA-WS, issued July 5, 2002, in Docket No. 020006-WS, is not protested, the appropriate revenue requirements for water and wastewater are \$21,716 and \$27,797, respectively.

APPROVED

with understanding this is a fallout issue

VOTE SHEET

AUGUST 6, 2002

Docket No. 010869-WS - Application for staff-assisted rate case in Marion County by East Marion Sanitary Systems, Inc.

(Continued from previous page)

ISSUE 10: Is a continuation of the utility's current rate structure for its water system appropriate in this case, and, if not, what is the appropriate rate structure?

RECOMMENDATION: No. A continuation of the utility's current rate structure for its water system is not appropriate in this case. The rate structure should be changed to a two-tier inclining-block rate structure. The usage blocks should be set at 0-10,000 gallons (10 kgal) and for usage above 10 kgal, with usage block rate factors of 1.0 and 1.50, respectively. A 30% conservation adjustment should also be implemented.

APPROVED

ISSUE 11: Is an adjustment to reflect repression of consumption appropriate in this case due to the price increase and change in rate structure, and, if so, what are the appropriate repression adjustments to the respective water and wastewater systems?

RECOMMENDATION: Yes. Repression adjustments of 722.5 kgal for the water system and 578.0 kgal for the wastewater system are appropriate. In order to monitor the effects of both the change in rate structure and the recommended revenue increase, the utility should be ordered to prepare monthly reports detailing the number of bills rendered, the consumption billed 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

AUGUST 6, 2002

Docket No. 010869-WS - Application for staff-assisted rate case in Marion County by East Marion Sanitary Systems, Inc.

(Continued from previous page)

ISSUE 12: What are the appropriate rates for each system?

RECOMMENDATION: The recommended rates should be designed to produce revenue of \$21,166 for water and \$27,270 for wastewater excluding miscellaneous service charges, as shown in the analysis portion of staff's July 25, 2002 memorandum. 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), Florida Administrative Code. The rates should not be implemented until notice has been received by the customers. The notice should include contact numbers for emergency, billing, and general inquiries. The utility should provide proof of the date notice was given within 10 days after the date of the notice. Further, the utility should modify its customer bills to include a telephone number customers can contact for billing inquiries. However, if Order No. PSC-02-0898-PAA-WS, issued July 5, 2002, in Docket No. 020006-WS, is not protested, staff should be given administrative authority to design rates to produce revenue of \$21,241 for water and \$27,422 for wastewater excluding miscellaneous service charges.

APPROVED

with understanding this is a fallout issue

ISSUE 13: 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, Florida Statutes?

RECOMMENDATION: The water and wastewater rates should be reduced as shown on Schedules 4 and 4A of staff's memorandum, to remove rate case expense grossed up for regulatory assessment fees and amortized over a four-year period. The decrease in rates should become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.0816, Florida Statutes. The utility should be required to file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the reduction no later than one month prior to the actual date of the required rate reduction. If the

VOTE SHEET

AUGUST 6, 2002

Docket No. 010869-WS - Application for staff-assisted rate case in Marion County by East Marion Sanitary Systems, Inc.

(Continued from previous page)

utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data should be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense.

APPROVED

with understanding this is a follow-up issue

ISSUE 14: Should the utility's current system capacity charge be revised to reflect a main extension charge and a plant capacity charge, and if so, what are the appropriate charges?

RECOMMENDATION: Yes. The utility's current system capacity charge should be revised to reflect a main extension charge of \$255 for water and \$517 for wastewater and a plant capacity charge of \$112 for water and \$358 for wastewater. The utility should file revised tariff sheets and proposed notice which are consistent with the Commission's vote. The service availability charges should become effective for connections made on or after the stamped approval date of the revised tariff sheets, if no protest is filed and provided that customers have been noticed.

APPROVED

ISSUE 15: What are the appropriate customer deposits for this utility?

RECOMMENDATION: The appropriate customer deposits should be as specified in the analysis portion of staff's memorandum. The utility should file revised tariff sheets and proposed notice which are consistent with the Commission's vote. The customer deposits should become effective for connections made on or after the stamped approval date of the revised tariff sheets if no protest is filed and provided customers have been noticed.

APPROVED

VOTE SHEET

AUGUST 6, 2002

Docket No. 010869-WS - Application for staff-assisted rate case in Marion County by East Marion Sanitary Systems, Inc.

(Continued from previous page)

ISSUE 16: Should the utility's request to implement a late payment charge be approved and, if so, what is the appropriate charge?

RECOMMENDATION: Yes. The utility should be allowed to implement a \$5.00 late payment charge. The utility should file revised tariff sheets and proposed notice which are consistent with the Commission's vote. The late payment charge should become effective on the stamped approval date of the revised tariff sheets if no protest is filed and provided customers have been noticed.

APPROVED

ISSUE 17: Should the recommended rates be approved for the utility on a temporary basis, subject to refund, in the event of a protest filed by a party other than the utility?

RECOMMENDATION: Yes. Pursuant to Section 367.0814(7), Florida Statutes, the recommended rates should be approved for the utility on a temporary basis, subject to refund, in the event of a protest filed by a party other than the utility. Prior to implementation of any temporary rates, the utility should provide appropriate security. If the recommended rates are approved on a temporary basis, the rates collected by the utility should be subject to the refund provisions discussed in the analysis portion of staff's memorandum. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(7), Florida Administrative Code, the utility should file reports with the Division of the Commission Clerk and Administrative Services no later than 20 days after each monthly billing. These reports should indicate the amount of revenue collected under the increased rates subject to refund.

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VOTE SHEET

AUGUST 6, 2002

Docket No. 010869-WS - Application for staff-assisted rate case in Marion County by East Marion Sanitary Systems, Inc.

(Continued from previous page)

ISSUE 18: Should East Marion Sanitary Systems, Inc. be ordered to show cause, in writing, within 21 days, why it should not be fined for: (1) Failing to provide customers with telephone numbers for regular and after hours and other information as required in Rules 25-30.330(1) and (2), Florida Administrative Code, and (2) for failing to follow the correct procedures for discontinuance of service as set forth in Rule 25-30.320, Florida Administrative Code?

RECOMMENDATION: No. Show cause proceedings should not be initiated at this time. However, the utility should be directed to review Rule 25-30.320, Florida Administrative Code, in detail to insure that it knows under what conditions service may be discontinued and that it uses the correct procedures for discontinuance of service. If a courtesy call is made by the utility to a customer, the utility should specifically advise the customer that the customer must also receive five working days' written notice before service may be discontinued. Moreover, the utility should be directed to place emergency numbers in a prominent place at the plant, and to place the number for billing inquiries and emergency service on its bills to its customers.

APPROVED

ISSUE 19: Should East Marion Sanitary Systems, Inc. be ordered to show cause, in writing, within 21 days, why it should not be fined for its apparent violation of Section 367.1213, Florida Statutes, Rule 25-30.037(2)(q), Florida Administrative Code, or Order No. PSC-98-0928-FOF-WS, all of which require either ownership of the land or continued use of the land on which the utility treatment facilities are located?

RECOMMENDATION: Yes. East Marion Sanitary Systems, Inc., should be ordered to show cause, in writing, within 21 days, why it should not be fined \$500 for its apparent violation of Section 367.1213, Florida Statutes, Rule 25-30.037(2)(q), Florida Administrative Code, or Order No. PSC-98-0928-FOF-WS.

NO VOTE

VOTE SHEET

AUGUST 6, 2002

Docket No. 010869-WS - Application for staff-assisted rate case in Marion County by East Marion Sanitary Systems, Inc.

(Continued from previous page)

ISSUE 20: Should the docket be closed?

RECOMMENDATION: No. If no timely protest is received upon expiration of the protest period, the PAA Order will become final upon the issuance of a Consummating Order. However, this docket should remain open for an additional 90 days from the effective date of the Order to allow staff to verify the utility has purchased insurance as described in Issue No. 8, that the utility has completed the pro forma improvements described in Issue No. 5, and that the utility has purchased the land on which its treatment systems are located or has entered into a long-term lease such as a 99-year lease (within 60 days) as described in Issue No. 4. Further, this docket should remain open pending the resolution of the show cause proceeding and any subsequent hearing. Upon verification of the above by staff and conclusion of the show cause proceeding, the docket may be administratively closed.

MODIFIED

Docket will remain open 8 months to ensure warranty deed or long-term lease has been obtained.