

VOTE SHEET

OCTOBER 15, 2002

RE: Docket No. 020010-WS - Application for staff-assisted rate case in Highlands County by The Woodlands of Lake Placid, L.P.

ISSUE 1: Is the quality of service provided by The Woodlands of Lake Placid, L.P., considered satisfactory?

RECOMMENDATION: The quality of service provided by The Woodlands of Lake Placid, L.P., should be considered satisfactory; however, the utility should be required to complete the pro forma plant modification for the wastewater treatment plant within 120 days of the issuance of the Consummating Order. The docket should remain open for staff to verify the project as complete.

**DEFERRED**

COMMISSIONERS ASSIGNED: Full Commission

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

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REMARKS/DISSENTING COMMENTS:

DOCUMENT NUMBER DATE

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FPSC-COMMISSION CLERK

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ISSUE 2: What portions of utility plant in service serving the territory known as The Woodlands of Lake Placid, L.P., are used and useful?

RECOMMENDATION: The water treatment plant is considered to be 100% used and useful, the water distribution system is considered to be 86.9% used and useful with the exception of meters and meter installations (Account No. 334) which should be 100% used and useful, the wastewater treatment plant is considered to be 59% used and useful, and wastewater collection system is considered to be 84.6% used and useful.

ISSUE 3: What is the appropriate average test year rate base for the utility?

RECOMMENDATION: The appropriate average test year rate base for the utility is \$218,618 for water and \$191,341 for wastewater. The utility should be required to complete all pro forma additions, as discussed in the analysis portion of staff's October 3, 2002 memorandum, within 120 days of the issuance of the Consummating Order.

ISSUE 4: 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 11.10% with a range of 10.10% - 12.10%. The appropriate overall rate of return for the utility is 7.18%.

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ISSUE 5: What are the appropriate test year revenues?

RECOMMENDATION: The appropriate test year revenues for this utility are \$98,155 for water and \$50,544 for wastewater.

ISSUE 6: What is the appropriate amount of operating expense?

RECOMMENDATION: The appropriate amount of operating expense for this utility is \$49,160 for water and \$42,054 for wastewater.

ISSUE 7: What are the appropriate revenue requirements?

RECOMMENDATION: The appropriate revenue requirements for water and wastewater are \$64,858 and \$55,792, respectively.

ISSUE 8: What is the appropriate residential gallonage cap for wastewater service?

RECOMMENDATION: The appropriate residential gallonage cap for wastewater service should be 8,000 gallons for residential customers.

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ISSUE 9: Should the utility's current flat rate structure for its water system be continued, and, if not, what is the appropriate rate structure?

RECOMMENDATION: No. A continuation of the utility's current flat rate structure for its water system is not appropriate in this case. The water system rate structure should be changed to a traditional base facility charge (BFC)/gallorage charge rate structure. In addition, staff recommends that 19% of the BFC cost recovery be shifted to the gallorage charge, resulting in a pre-repression cost recovery split of 35% from the BFC and 65% from the gallorage charge.

ISSUE 10: Are adjustments to the water and wastewater systems to reflect repression of consumption appropriate in this case, and, if so, what are the appropriate repression adjustments?

RECOMMENDATION: Yes. Repression adjustments of 4,861 kgal to the water system and 3,889 kgal to the wastewater system are appropriate in this case. In order to monitor the effects of both the change in rate structure and the recommended revenue change, 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 approved rates go into effect.

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ISSUE 11: What are the appropriate rates for each system?

RECOMMENDATION: The recommended rates should be designed to produce revenues of \$70,106 for water and \$50,544 for wastewater excluding miscellaneous service charges, as shown in the analysis portion of staff's October 3, 2002 memorandum. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheet, 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 utility should provide proof of the date notice was given within 10 days after the date of the notice.

ISSUE 12: 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 October 3, 2002 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 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.

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ISSUE 13: In the event of a protest of the Proposed Agency Action (PAA) Order, should any amount of annual water revenues be held subject to refund?

RECOMMENDATION: Yes. In the event of a protest of the PAA Order, the utility should be allowed to continue collecting current rates as temporary rates. However, in order to protect utility customers from potential overearnings, the utility should hold \$33,298 (33.92%) of annual service revenues subject to refund. In the event of a protest, the security should be in the form of a bond or letter of credit. Alternatively, the utility could establish an escrow agreement with an independent financial institution. If security is provided through an escrow agreement, the utility should escrow 33.92% of its monthly water service revenues. By no later than the twentieth day of each month, the utility should file a report showing the amount of revenues collected each month and the amount of revenues collected to date relating to the amount subject to refund. Should a refund be required, the refund should be with interest and undertaken in accordance with Rule 25-30.360, Florida Administrative Code.

ISSUE 14: Should Woodlands be ordered to refund the revenues collected from its unauthorized rate increase and if so, what is the amount and how should it be distributed?

RECOMMENDATION: Yes. The utility should refund the revenues collected from its unauthorized rate increase. The utility should credit \$6.29 or 62.86% of the unauthorized rate increase for water collected from January 1998 until the effective date of the final rates. The refunds should be made with interest in accordance with Rule 25-30.360(4), Florida Administrative Code. The refund and the accrued interest should be paid only to those water customers who paid the unauthorized rates from January 1998 until the implementation of the Commission-approved final rates. The utility should be allowed to make refunds over the same amount of time it collected its unauthorized rates. In no instance should maintenance and administrative costs associated with any refund be borne by the customers; the costs are

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the responsibility of, and should be borne by, the utility. The utility should provide refund reports pursuant to Rule 25-30.360(7), Florida Administrative Code. The utility should treat any unclaimed refunds in accordance with Rule 25-30.360(8), Florida Administrative Code.

ISSUE 15: Should this 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 five months from the Consummating Order to allow staff time to verify the completion of the pro forma plant items as described in Issue No. 3. Once staff has verified that this work has been completed, the docket should be closed administratively. Additionally, staff should continue to monitor the required refunds for the duration of the refund period. If the utility fails to meet the requirements of the refund, at any point in time during the refund period, a new docket should be opened to address possible violations of the refund ordered.