

FLORIDA PUBLIC SERVICE COMMISSION

VOTE SHEET

NOVEMBER 19, 2002

RE: Docket No. 011677-WU - Application for staff-assisted rate case in Polk County by Tevalo, Inc. d/b/a McLeod Gardens Water Company.

ISSUE 1: Is the quality of service provided by McLeod Gardens considered satisfactory?

RECOMMENDATION: Yes. However, the utility should be required to install the automatic chlorination system within four months of the Consummating Order.

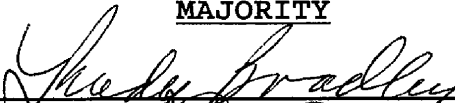
**APPROVED**

COMMISSIONERS ASSIGNED: Full Commission


COMMISSIONERS' SIGNATURES

MAJORITY


DISSENTING

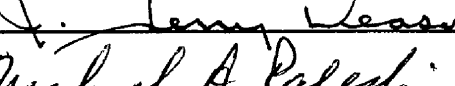

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REMARKS/DISSENTING COMMENTS:

DOCUMENT NUMBER-DATE

12658 NOV 19 02

FPSC-COMMISSION CLERK

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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, 2003, should be approved.

**APPROVED**

ISSUE 3: What portions of McLeod Gardens are used and useful?

RECOMMENDATION: The water treatment plant at McLeod Gardens should be considered 100% used and useful. The water distribution system should be considered 100% used and useful.

**APPROVED**

ISSUE 4: What is the appropriate projected average test year rate base for the utility?

RECOMMENDATION: The appropriate projected average test year rate base for this utility is \$68,792. The utility should be required to complete the installation of the automatic chlorination system within four months of the Consummating Order.

**APPROVED**

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ISSUE 5: What is the appropriate rate of return on equity and the appropriate overall rate of return for this utility?

RECOMMENDATION: The appropriate return on equity is 10.41% with a range of 9.41% - 11.41%. The appropriate overall rate of return is 9.98%.

**APPROVED**

ISSUE 6: What are the appropriate test year revenues?

RECOMMENDATION: The appropriate test year revenues for the utility are \$17,224.

**APPROVED**

ISSUE 7: What is the appropriate amount of operating expense?

RECOMMENDATION: The appropriate amount of operating expense for this utility is \$26,276.

**APPROVED**

ISSUE 8: What is the appropriate revenue requirement?

RECOMMENDATION: The appropriate revenue requirement is \$33,141 for water.

**APPROVED**

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ISSUE 9: Is a continuation of the utility's current flat 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 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. The cost recovery allocated to the BFC should be 30%.

**APPROVED**

ISSUE 10: Is an adjustment to reflect repression of consumption due to the rate structure and price changes appropriate in this case, and, if so, what is the appropriate repression adjustment?

RECOMMENDATION: Yes. A repression adjustment of 8,668 kgal is appropriate in this case. In order to monitor the effects of both the changes 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.

**APPROVED**

ISSUE 11: What are the appropriate monthly rates for service?

RECOMMENDATION: The appropriate monthly rates should be designed to produce revenues of \$32,441, 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

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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. 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.

**APPROVED**

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 rates should be reduced as shown on Schedule 4 of staff's November 7, 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. 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.

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ISSUE 13: What are the appropriate customer deposits for this utility?

RECOMMENDATION: The appropriate customer deposits should be the recommended charges as specified in the analysis portion of staff's November 7, 2002 memorandum. The utility should file revised tariff sheets 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 revised tariff sheets are filed and approved, 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.

**APPROVED**

ISSUE 14: Should the utility's service availability charges be revised?

RECOMMENDATION: Yes. The utility's current tap-in fee of \$275 should be discontinued and a plant capacity charge of \$275 should be approved. The utility should also be authorized to collect a meter installation fee of \$115. The utility should file revised tariff sheets which are consistent with the Commission's vote within thirty days of the Consummating Order. 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 revised tariff sheets are filed and approved, 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.

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ISSUE 15: 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 below in the analysis portion of staff's November 7, 2002 memorandum. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), Florida Administrative Code, the utility should file reports with the Commission's Division of Economic Regulation no later than the 20th of each month indicating the monthly and total amount of money subject to refund at the end of the preceding month. The report filed should also indicate the status of the security being used to guarantee repayment of any potential refund.

**APPROVED**

ISSUE 16: 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 date of the Consummating Order, to allow staff time to verify the installation of an automatic chlorination system as described in Issue Nos. 1 and 4. Once staff has verified that this work has been completed, the docket should be closed administratively.

**APPROVED**