

VOTE SHEET

FEBRUARY 18, 2003

RE: Docket No. 020344-SU - Application for rate increase in Monroe County by Key Haven Utility Corporation.

ISSUE 1: Is the quality of service satisfactory?

RECOMMENDATION: Yes. The overall quality of service provided by Key Haven Utility Corporation is satisfactory.

APPROVED

ISSUE 2: What adjustments, if any, should be made to the utility's plant in service?

RECOMMENDATION: Plant in service should be increased by a total of \$2,391 to remove incorrect reconciling adjustments and other unsupported and unreported items. Corresponding adjustments should also be made to increase accumulated depreciation by \$1,392, and depreciation expense by \$52.

APPROVED

COMMISSIONERS ASSIGNED: Full Commission

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

[Handwritten signatures of majority commissioners]

REMARKS/DISSENTING COMMENTS:

DOCUMENT NUMBER-DATE

01654 FEB 18 2003

FPSC-COMMISSION CLERK

VOTE SHEET

FEBRUARY 18, 2003

Docket No. 020344-SU - Application for rate increase in Monroe County by Key Haven Utility Corporation.

(Continued from previous page)

ISSUE 3: Should the abandoned wastewater plant be retired and the associated non-used and useful adjustments to utility plant in service be reversed?

RECOMMENDATION: Yes. Plant and accumulated depreciation should both be decreased by \$325,474 to retire the abandoned plant. Rate base should be increased to remove the utility's erroneous non-used and useful adjustment of \$47,757 associated with this retired plant.

APPROVED

ISSUE 4: What are the appropriate used and useful percentages for the wastewater treatment facility and wastewater collection system?

RECOMMENDATION: The wastewater treatment facility should be considered 79% used and useful. The wastewater collection system should be considered 100% used and useful. Accordingly, rate base should be reduced by \$94,130 and depreciation expense by \$5,002. Non-used and useful property tax expense should be reduced by \$189.

MODIFIED

Consistent with the company's suggestion, the Commission will recognize the economies of scale concept. Changes to fallout issues are approved.

ISSUE 5: What is the appropriate amount for working capital?

RECOMMENDATION: The appropriate amount for working capital using the formula method is \$22,492. This is a decrease of \$725 from the utility's requested working capital allowance.

APPROVED

VOTE SHEET

FEBRUARY 18, 2003

Docket No. 020344-SU - Application for rate increase in Monroe County by Key Haven Utility Corporation.

(Continued from previous page)

ISSUE 6: What is the appropriate amount for rate base?

RECOMMENDATION: The appropriate wastewater rate base for the test year ended January 31, 2001 is \$915,189.

APPROVED

ISSUE 7: What is the appropriate weighted average cost of capital including the proper components and cost rates, associated with the capital structure for the test year ended December 31, 2001?

RECOMMENDATION: The appropriate weighted average cost of capital should be 9.29%, with a range of 9.00% to 9.58%. The appropriate rate of return on equity should be 11.10%, with a range of 10.10% to 12.10%.

APPROVED

ISSUE 8: What adjustments, if any, should be made to purchased power expenses?

RECOMMENDATION: Purchased power expenses should be reduced by \$517 to correct the overstated amount in the filing.

APPROVED

VOTE SHEET

FEBRUARY 18, 2003

Docket No. 020344-SU - Application for rate increase in Monroe County by Key Haven Utility Corporation.

(Continued from previous page)

ISSUE 9: Are any adjustments necessary to miscellaneous expenses?

RECOMMENDATION: Yes. Miscellaneous expenses should be reduced by \$1,500 to remove duplicate charges for overhead expenses paid to an affiliate.

APPROVED

ISSUE 10: Should proforma billing expenses be allowed for the utility to implement a measured service billing structure?

RECOMMENDATION: Yes. The appropriate proforma billing expenses of \$9,538 should be allowed. Since the \$1,800 expense paid to the FKAA was already included in the MFRs, the net addition to O&M Expenses should be \$7,738.

APPROVED

ISSUE 11: What is the appropriate amount of rate case expense?

RECOMMENDATION: The appropriate rate case expense for this docket is \$53,915. This expense is to be recovered over four years for an annual expense of \$13,479. The utility's requested rate case expense amortization should be decreased by \$11,521.

APPROVED

VOTE SHEET

FEBRUARY 18, 2003

Docket No. 020344-SU - Application for rate increase in Monroe County by Key Haven Utility Corporation.

(Continued from previous page)

ISSUE 12: What adjustments, if any, should be made to taxes other than income?

RECOMMENDATION: Taxes other than income should be reduced by \$140 to reflect miscellaneous adjustments.

APPROVED

ISSUE 13: 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 \$15,569.

APPROVED

ISSUE 14: What is the appropriate revenue requirement?

RECOMMENDATION: The following revenue requirement should be approved.

	<u>Test Year</u> <u>Revenues</u>	<u>\$</u> <u>Increase</u>	<u>Revenue</u> <u>Requirement</u>	<u>%</u> <u>Increase</u>
Wastewater	\$241,107	\$72,704	\$313,811	30.15%

APPROVED

VOTE SHEET

FEBRUARY 18, 2003

Docket No. 020344-SU - Application for rate increase in Monroe County by Key Haven Utility Corporation.

(Continued from previous page)

ISSUE 15: What is the appropriate rate structure for this utility?

RECOMMENDATION: The appropriate rate structure for this utility is the base facility/gallonge charge rate structure.

APPROVED

ISSUE 16: What is the appropriate level for the residential wastewater gallonge cap?

RECOMMENDATION: The appropriate level for the residential wastewater gallonge cap is 10,000 gallons per month.

APPROVED

ISSUE 17: What are the recommended rates for this utility?

RECOMMENDATION: The recommended rates should be designed to produce annual revenues of \$313,391, excluding miscellaneous revenues. The utility should file revised tariff sheets and a proposed customer notice to reflect the Commissions approved rates. 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), FAC, provided the customers have received notice. The rates may 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

VOTE SHEET

FEBRUARY 18, 2003

Docket No. 020344-SU - Application for rate increase in Monroe County by Key Haven Utility Corporation.

(Continued from previous page)

ISSUE 18: In determining whether an interim refund is appropriate, how should the refund be calculated, and what is the amount of the 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 and the proforma billing 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 ~~6.34%~~ 2.28% of wastewater revenues collected under interim rates. The refund should be made with interest in accordance with Rule 25-30.360(4), FAC. The utility should treat any unclaimed refunds as CIAC pursuant to Rule 25-30.360(8), FAC.

MODIFIED

The interim refund is to be credited to CIAC.

ISSUE 19: 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 wastewater rates should be reduced as shown on Schedule No. 4 of staff's February 6, 2003 memorandum to remove \$14,114, which represents the annual amount of rate case expense amortization included in rates, grossed up for regulatory assessment fees. The decrease in rates should become effective immediately following the expiration of the four-year 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 reductions no later than one month prior to the actual date of the required rate reductions.

APPROVED

VOTE SHEET

FEBRUARY 18, 2003

Docket No. 020344-SU - Application for rate increase in Monroe County by Key Haven Utility Corporation.

(Continued from previous page)

ISSUE 20: Should the utility's current service availability charge be revised?

RECOMMENDATION: Yes. The utility's existing system capacity charge of \$1,200 should be cancelled, and replaced with an increased plant capacity charge of \$1,800 for each new ERC. Additionally, each new ERC should be assessed \$700 as a main extension charge. If there is no timely protest to the Commission's PAA by a substantially affected person, the utility should file the appropriate revised tariff sheets and a proposed notice within twenty days of the effective date of the PAA Order. The revised tariff sheets should be approved administratively upon staff's verification that the tariffs are consistent with the Commission's decision and the utility's proposed notice is adequate. If the revised tariff sheets are approved, the system capacity and main extension charges 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), FAC, providing the appropriate notice has been made. The notice shall be mailed or hand-delivered to all persons in the service area who have filed a written request for service within the past 12 calendar months or who have been provided a written estimate for service within the past 12 calendar months. The utility shall provide proof of the date the notice was given within 10 days after the date of the notice.

APPROVED

ISSUE 21: Should the docket be closed?

RECOMMENDATION: If no person whose substantial interests are affected by the proposed agency action files a protest within twenty-one days of the issuance of the order, a consummating order will be issued. The docket should remain open for staff's verification that the revised tariff sheets and customer notice have been filed by the utility and approved by staff, and the refund has been completed and verified by staff. Once these actions are complete, this docket may be closed administratively and the escrow account may be released.

APPROVED