

FLORIDA PUBLIC SERVICE COMMISSION

VOTE SHEET

APRIL 5, 2005

RE: Docket No. 040254-WU - Application for staff-assisted rate increase in Polk County by Keen Sales, Rentals and Utilities, Inc.

Issue 1: Is the quality of service provided by Keen's Lake Region System considered satisfactory?

Recommendation: Yes. The quality of service provided by Keen's Lake Region System should be considered satisfactory.

**APPROVED**

Issue 2: What portions of Keen's water system are used and useful?

Recommendation: The water treatment plant and water distribution systems should be considered 100% used and useful.

**APPROVED**

COMMISSIONERS ASSIGNED: All Commissioners

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

*[Handwritten signatures in the majority column]*

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REMARKS/DISSENTING COMMENTS:

DOCUMENT NUMBER-DATE

03331 APR -5 05

FPSC-COMMISSION CLERK

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Issue 3: What is the appropriate allocation of common costs from Keen to Lake Region Paradise Island?

Recommendation: The appropriate allocation of common costs from Keen to Lake Region Paradise Island is 45%.

**APPROVED**

Issue 4: What is the appropriate test year rate base for the utility?

Recommendation: The appropriate average test year rate base for Keen Sales, Rentals and Utilities is \$20,742 for water.

**APPROVED**

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

Recommendation: The appropriate return on equity rate is 11.40% with a range of 10.40% to 12.40%. The appropriate overall rate of return is 7.25%.

**APPROVED**

Issue 6: What is the appropriate test year revenue?

Recommendation: The appropriate test year revenue for this utility is \$25,355.

**APPROVED**

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

Recommendation: The appropriate amount of operating expense for this utility is \$51,976.

**APPROVED**

Issue 8: What is the appropriate revenue requirement?

Recommendation: The appropriate revenue requirement is \$53,480.

**APPROVED**

Issue 9: Is a continuation of the current rate structure, which includes a 5,000-gallon (5 kgal) allotment, appropriate for this utility, and, if not, what is the appropriate rate structure?

Recommendation: No. A continuation of the utility's current rate structure is not appropriate. The rate structure should be changed to a three-tier inclining block rate structure. The pre-repression base facility charge (BFC) cost recovery should be set at 25%. The usage blocks should be set for consumption at: a) 0 - 5 kgal; b) 5.001 - 10 kgals; and c) for usage in excess of 10 kgal, with appropriate usage block rate factors of 1.0, 1.25, and 1.5, respectively.

**APPROVED**

*Approved with the caveat that the 3-tier rate structure will be monitored for one year and any customer complaints on the rate structure will be reported to the Commission; the*

Issue 10: Is an adjustment to reflect repression of consumption appropriate in this case, and, if so, what is the adjustment and the resulting number of kgals to be used to set rates?

Recommendation: Yes. An adjustment to reflect repression of consumption is appropriate. Residential consumption should be reduced by 36.3%, resulting in a consumption reduction of approximately 5,026.9 kgals. Total water consumption for ratesetting is 8,804.7 kgals. In order to monitor the effects of both the changes in

*utility will report periodically and staff will provide a final report*

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rate structures and revenues, the utility should prepare monthly reports detailing the number of bills rendered, the consumption billed, and the revenues billed. These reports should be provided to staff. In addition, the reports should be prepared, by customer class and meter size, on a quarterly basis for a period of two years, beginning the first billing period after the approved rates go into effect.

**APPROVED**

Issue 11: What are the appropriate rates for the system?

Recommendation: The recommended rates should be designed to produce monthly service revenues of \$52,280. Once approved, the 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.

**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 No. 4 of staff's March 24, 2005 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.

**APPROVED**

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Issue 13: What is the appropriate customer deposit for the utility?

Recommendation: The appropriate customer deposit should be the recommended charge as specified in the analysis portion of staff's March 24, 2005 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 deposit should become effective for connections made on or after the stamped approval date of the revised tariff sheets.

**APPROVED**

Issue 14: Should the utility be authorized to collect miscellaneous charges, and, if so, what are the appropriate charges?

Recommendation: Yes. The utility should be authorized to collect miscellaneous service charges and the appropriate charges should be the recommended charges specified in the analysis portion of staff's March 24, 2005 memorandum. The approved charges will 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. These charges may not be implemented until proper 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.

**APPROVED**

Issue 15: Should the utility be authorized to collect late payment fees, and if so what are the appropriate charges?

Recommendation: Yes. The utility should be authorized to collect a \$5.00 late fee. The utility should file revised tariff sheets which are consistent with the Commission's vote within one month of the Commission's final vote. The revised tariff sheets should be approved upon staff's verification that the tariffs are consistent with the Commission's decision. If revised tariff sheets are filed and approved, the late payment fee should become effective for connections made on or after the stamped approval date of the revised tariff sheets, and provided customers have been noticed.

**APPROVED**

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Issue 16: 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 shall be subject to the refund provisions discussed in the analysis portion of staff's March 24, 2005 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 17: What are the appropriate service availability charges?

Recommendation: The appropriate service availability charges for the utility are a plant capacity charge of \$400 and a meter installation charge of \$100. If the Commission approves these charges, the utility should file revised tariff sheets which are consistent with the Commission's vote. Staff recommends that it 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 revised service availability charges should become effective for connections made on or after the stamped approval date of the revised tariff sheets.

**APPROVED**

Issue 18: Should this docket be closed?

Recommendation: Yes. If no timely protest is filed by a person whose interest is substantial, this docket should be closed upon the issuance of a Consummating Order. If a protest is filed within 21 days of the issuance of the Order, the tariffs should remain in effect with any increase held subject to refund pending resolution of the protest, and the docket should remain open.

**APPROVED**