

FLORIDA PUBLIC SERVICE COMMISSION

VOTE SHEET

FEBRUARY 7, 2006

RE: **Docket No. 050281-WS** - Application for increase in water and wastewater rates in Volusia County by Plantation Bay Utility Company.

Issue 1: Is Plantation's historical test period of the twelve months ending December 31, 2004 appropriate and, if not, what is the appropriate test year?

Recommendation: No. The simple average test year ending December 31, 2006, is a representative test period to measure the cost of service and to establish prospective rates.

APPROVED

COMMISSIONERS ASSIGNED: All Commissioners

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

Katrina Jew
[Signature]
[Signature]
[Signature]
[Signature]

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Issue (24) ad (37)

REMARKS/DISSENTING COMMENTS:

*Commissioner Deason dissented on Issue 4.
Commissioners Deason and Carter dissented on Issue 24.
Commissioner Carter dissented on Issue 37.*

DOCUMENT NUMBER-DATE
01084 FEB-7-06

FPSC-COMMISSION CLERK

VOTE SHEET

FEBRUARY 7, 2006

Docket No. 050281-WS - Application for increase in water and wastewater rates in Volusia County by Plantation Bay Utility Company.

(Continued from previous page)

Issue 2: Is the quality of service provided by Plantation satisfactory?

Recommendation: Staff recommends that the utility's overall quality of service for water should be considered satisfactory and the utility's overall quality of service for wastewater should be considered marginal. The utility should complete any and all improvements to the water and wastewater systems that are necessary to satisfy the standards set by the Department of Environmental Protection (DEP). Also, it is recommended that reuse advisory signs be placed at the beginning tees of each of nine holes at the Plantation Bay Golf Course and also around any pond structures that hold the reclaimed water. The reuse advisory signs should be posted at all locations no later than 90 days from the date of the Consummating Order for this rate case.

MODIFIED

No finding on quality of service will be made at this time. Instead, the order will reflect the company is not yet in compliance with DEP requirements and will require the company to file progress reports outside the docket, with OPC copied, with the understanding

Issue 3: Are there any stipulated rate base adjustments that should be made as result of staff's audits and the utility's responses to staff's data requests?

Recommendation: Yes. Based on uncontested audit adjustments, plant should be decreased by ~~\$114,376~~ \$85,504 for water and ~~\$290,569~~ \$294,141 for wastewater.

MODIFIED

Approved with understanding that the adjustments were made with agreement by the company and staff, but were not stipulated to by OPC.

a separate docket will be opened if necessary to address the matter.

Issue 4: What are the used and useful percentages for the utility's water and wastewater systems?

Recommendation: Plantation's used and useful percentages should be as follows:

Water Treatment Plant	79.22%
Water Distribution System	93.23%
Wastewater Treatment Plant	37.1%
Wastewater Collection Systems	73.05%
Reuse System	100%

As a result of the above recommended used and useful percentages, water rate base should be reduced by ~~\$165,804~~ \$165,538 to reflect that 20.78% of treatment plant and 6.77% of distribution system should be considered non-used and useful. Further, wastewater rate base should be reduced by ~~\$921,779~~ \$924,235 to

VOTE SHEET

FEBRUARY 7, 2006

Docket No. 050281-WS - Application for increase in water and wastewater rates in Volusia County by Plantation Bay Utility Company.

(Continued from previous page)

reflect that 62.9% of treatment plant and 26.95% of the collection system should be considered non-used and useful. Accordingly, corresponding adjustments should also be made to reduce depreciation expense by \$15,148 ~~\$15,132~~ and \$55,223 ~~\$55,153~~ for water and wastewater, respectively, and to reduce property tax expense by \$3,272 ~~\$3,270~~ and \$5,266 ~~\$5,260~~, for water and wastewater, respectively.

APPROVED

Commissioner Deason dissented.

Issue 5: What is the appropriate value of land acquired from a related party in 2002?

Recommendation: Because the utility has failed to provide the support that the \$25,195 recorded amount is a reasonable or actual market-based amount, the value for the land acquired in 2002 should be \$0. Thus, the \$25,195 amount should be removed from the land for the water system.

APPROVED

Issue 6: Should any further adjustment be made to the utility's December 31, 2004, accumulated depreciation balance?

Recommendation: Based on the stipulated plant adjustments in Issue 3, the utility's full year's depreciation policy, the use of year-end plant balances, and the depreciation rates prescribed by rule, the appropriate 2004 year-end balance for accumulated depreciation should be \$1,566,352 for water and \$1,429,690 for wastewater. Accordingly, the utility's ~~simple average~~ accumulated depreciation balances ~~ending December 31, 2004~~, should be reduced by \$9,572 ~~\$7,841~~ for water and \$20,163 ~~\$17,381~~ for wastewater. Further, consistent with Issue 7, corresponding adjustments should be made to increase net depreciation expense by \$9,056 ~~\$9,039~~ for water and to decrease net depreciation by \$23,624 ~~(\$22,940)~~ for wastewater.

APPROVED

VOTE SHEET

FEBRUARY 7, 2006

Docket No. 050281-WS - Application for increase in water and wastewater rates in Volusia County by Plantation Bay Utility Company.

(Continued from previous page)

Issue 7: What are the appropriate balances of contributions in aid of construction (CIAC) and accumulated amortization of CIAC as of December 31, 2004?

Recommendation: The appropriate balances of CIAC as of December 31, 2004, are \$1,800,812 ~~\$1,731,975~~ for water and \$2,371,658 ~~\$2,322,302~~ for wastewater. As a result, CIAC should be decreased by \$87,991 ~~\$46,796~~ for water and increased by \$89,259 ~~\$47,431~~ for wastewater. Further, the corresponding simple average accumulated amortization of CIAC balances are \$545,426 ~~\$518,201~~ for water and \$1,032,251 ~~\$995,455~~ for wastewater. Accordingly, accumulated amortization of CIAC should be decreased by \$30,082 ~~\$17,386~~ for water and increased by \$216,435 ~~\$25,079~~ for wastewater.

APPROVED

Issue 8: Should any net debit deferred taxes be included in rate base and, if so, what is the appropriate amount?

Recommendation: A deferred tax debit on net operating loss carry-forwards should not be allowed in the rate base calculation. This disallowance results in a deferred income tax credit of \$233,737 that should be included in the capital structure.

APPROVED

Issue 9: What is the appropriate working capital allowance?

Recommendation: The appropriate amount of working capital is \$29,139 for water and \$32,303 for wastewater.

APPROVED

VOTE SHEET

FEBRUARY 7, 2006

Docket No. 050281-WS - Application for increase in water and wastewater rates in Volusia County by Plantation Bay Utility Company.

(Continued from previous page)

Issue 10: What is the appropriate rate base for the December 31, 2006, projected test year?

Recommendation: Consistent with the appropriate amount of projected land, non-used and useful, and working capital components that were addressed in earlier issues and based on the recommended adjustments discussed in the analysis portion of staff's January 26, 2006 memorandum, the appropriate rate base for the December 31, 2006 projected test year is \$1,160,115 ~~\$1,286,320~~ for water and \$1,899,019 ~~\$1,535,228~~ for wastewater. Accordingly, plant should be increased by \$899,136 ~~\$897,730~~ for water and \$1,520,443 ~~\$1,510,718~~ for wastewater, and accumulated depreciation should be increased by \$197,645 ~~\$47,451~~ for water and \$254,011 ~~\$253,846~~ for wastewater. Further, CIAC should be increased by \$252,820 for water and \$182,055 for wastewater, and accumulated amortization of CIAC should be increased by \$91,351 ~~\$91,280~~ for water and \$113,806 ~~\$112,914~~ for wastewater.

APPROVED

Issue 11: What is the appropriate regulatory treatment of Plantation's affiliate long-term debt?

Recommendation: A promissory note between the utility and a related party, in the amount of \$3,571,367, should be treated as common equity. Based on promissory notes between the utility and related parties Prestwick at Plantation Bay and Intervest at Plantation Bay Partnership, the appropriate balance for long-term debt is \$3,654,614 for the 2006 simple average test year, with a cost rate of 10.00%.

APPROVED

Issue 12: What is the appropriate return on common equity?

Recommendation: The appropriate return on common equity is 11.78% with a range of plus or minus 100 basis points.

APPROVED

VOTE SHEET

FEBRUARY 7, 2006

Docket No. 050281-WS - Application for increase in water and wastewater rates in Volusia County by Plantation Bay Utility Company.

(Continued from previous page)

Issue 13: What is the appropriate weighted average cost of capital including the proper components, amounts, and cost rates associated with the capital structure for the test year ending December 31, 2006?

Recommendation: The appropriate weighted average cost of capital is 10.01%.

APPROVED

Issue 14: What are the appropriate methodologies for projecting customer growth and consumption for the residential and general service classes for the 2006 average test year, and what are the resulting bills, ERCs and consumption for the water and wastewater systems for that period?

Recommendation: The appropriate methodologies for projecting residential customer growth and consumption are quadratic regression for customer growth, multiple linear regression for residential water consumption and simple linear regression for residential wastewater consumption. No customer growth is assumed for the general service class, but the appropriate methodology to project general service consumption is multiple linear regression. The appropriate bills, ERCs and consumption for the water and wastewater systems are shown in the table below:

STAFF'S RECOMMENDED PROJECTIONS FOR THE 2006 TEST YEAR

	<u>Bills</u>	<u>ERCs</u>	<u>Consumption</u> <u>(kgals)</u>
Water	19,147	19,512	67,189.6
Wastewater	14,931	15,195	62,310.3

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VOTE SHEET

FEBRUARY 7, 2006

Docket No. 050281-WS - Application for increase in water and wastewater rates in Volusia County by Plantation Bay Utility Company.

(Continued from previous page)

Issue 15: What adjustments, if any, are necessary to the utility's historical test year revenues to reflect the appropriate number of projected customers, bills and consumption?

Recommendation: Based on the recommended 2006 billing determinants in Issue 14, the utility's operating revenues should be increased by \$140,461 for water and \$81,517 for wastewater.

APPROVED

Issue 16: Should revenues be imputed which are associated with a related party developer's water usage?

Recommendation: Yes. Revenues in the amount of \$2,811 associated with a related party developer's water usage should be imputed.

APPROVED

Issue 17: What is the appropriate amount of reuse revenue to include in the projected test year?

Recommendation: Based on the 2005 annualized reuse gallons and the recommended reuse rate in Issue 32, the appropriate reuse revenue for inclusion in the projected test year is \$1,034.

APPROVED

Issue 18: Are there any stipulated net operating income adjustments that should be made as a result of staff's audits and the utility's responses to staff's data requests?

Recommendation: Yes. Based on uncontested adjustments, revenues should be decreased by \$2,957 for water and increased by \$2,957 for wastewater. Further, O&M expenses should be decreased by \$20,951 for water and increased by \$36 for wastewater.

APPROVED

Approved with understanding that the adjustments were made with agreement by the company and staff, but were not stipulated to by OPC.

VOTE SHEET

FEBRUARY 7, 2006

Docket No. 050281-WS - Application for increase in water and wastewater rates in Volusia County by Plantation Bay Utility Company.

(Continued from previous page)

Issue 19: Should any other historical O&M expenses adjustments be made?

Recommendation: Yes. To reflect the appropriate 2004 historical purchased power and chemicals and the appropriate amortization of hurricane related costs, O&M expenses should be decreased by \$9,975 for water and increased by \$5,257 for wastewater.

APPROVED

Issue 20: What non-growth related adjustments are necessary to project sludge removal expense, fuel for power production, contractual services - management fees, and contractual services - other?

Recommendation: Based on the non-growth related adjustments discussed in the analysis portion of staff's memorandum, O&M expenses should be increased by \$29,344 for water and \$19,302 for wastewater.

APPROVED

Issue 21: What is the appropriate amount of purchased power expense for the December 31, 2006, projected test year?

Recommendation: The appropriate amount of purchased power expense for the December 31, 2006, projected test year is \$27,835 for water and \$33,425 for wastewater. Accordingly, purchased power expense should be increased by \$8,174 for water and \$9,130 for wastewater.

APPROVED

Issue 22: What is the appropriate amount of chemical expense for the December 31, 2006, projected test year?

Recommendation: The appropriate amount of chemical expense for the December 31, 2006, projected test year is \$21,072 for water and \$5,670 for wastewater. Accordingly, chemical expense should be increased by \$7,711 for water and \$2,400 for wastewater.

APPROVED

VOTE SHEET

FEBRUARY 7, 2006

Docket No. 050281-WS - Application for increase in water and wastewater rates in Volusia County by Plantation Bay Utility Company.

(Continued from previous page)

Issue 23: What other adjustments, if any, are necessary to the utility's historical test year expenses to reflect the appropriate number of projected customers, bills and consumption?

Recommendation: Based on staff's recommended 2005 expenses in Issue 20, the supplemental audit findings, and the staff's 2005 historical adjustments and the benchmark indices discussed in the analysis portion of staff's memorandum, O&M expenses should be increased by \$33,460 for water and by \$18,755 for wastewater, in order to reflect the appropriate number of projected customers, bills and consumption recommended in Issue 14.

APPROVED

Issue 24: What is the appropriate amount of rate case expense?

Recommendation: No rate case expense should be allowed for water, and the utility's wastewater system should be allowed \$38,680 in rate case expense. Rate case expense should be reduced by \$17,674 for water and by \$7,406 for wastewater.

APPROVED

With minor clarification to page 60 of staff's recommendation, as Commissioners Deason and Carter dissented. Stated orally at the conference

Commissioners Deason and Carter dissented. Stated orally at the conference

Issue 25: What is the appropriate amount of property taxes for the December 31, 2006, projected test year?

Recommendation: The appropriate real estate and tangible property taxes should be \$31,257 ~~\$32,234~~ for water and \$47,947 ~~\$43,622~~ for wastewater. Accordingly, property taxes should be decreased by \$3,157 ~~\$2,180~~ for water and increased by \$24,734 ~~\$20,409~~ for wastewater.

APPROVED

Issue 26: Should the utility be entitled to an income tax provision?

Recommendation: No. The utility should not be allowed an income tax provision.

APPROVED

VOTE SHEET

FEBRUARY 7, 2006

Docket No. 050281-WS - Application for increase in water and wastewater rates in Volusia County by Plantation Bay Utility Company.

(Continued from previous page)

Issue 27: What is the test year water and wastewater operating income or loss before any revenue increase?

Recommendation: Based on the adjustments discussed in previous issues, the test year water operating income before any provision for increased revenues should be \$132,958 ~~\$132,009~~. The test year wastewater operating loss before any provision for increased revenues should be (\$71,209) ~~(\$67,286)~~.

APPROVED

Issue 28: What is the appropriate revenue requirement for the December 31, 2006, projected test year?

Recommendation: The following revenue requirement should be approved:

	<u>Projected Test Year Revenues</u>	<u>\$ Increase</u>	<u>Revenue Requirement</u>	<u>% Increase</u>
Water	\$486,554	<u>(\$17,603)</u>	<u>\$468,950</u>	<u>(3.62%)</u>
		<u>(\$3,467)</u>	<u>\$483,087</u>	<u>(0.71%)</u>
Wastewater	\$310,428	<u>\$273,647</u>	<u>\$584,075</u>	<u>88.15%</u>
		<u>-\$231,296</u>	<u>\$541,724</u>	<u>74.51%</u>

APPROVED

Issue 29: What are the appropriate water and wastewater rate structures for this utility?

Recommendation: The appropriate rate structure for the water system is a continuation of the base facility charge (BFC)/uniform gallonage charge rate structure. The appropriate rate structure for the wastewater system is a continuation of the BFC/gallonage charge rate structure. Billed residential monthly wastewater consumption should remain capped at 10,000 gallons (10 kgals), and the general service gallonage charge rate differential should remain 20% greater than the corresponding residential gallonage charge.

APPROVED

VOTE SHEET

FEBRUARY 7, 2006

Docket No. 050281-WS - Application for increase in water and wastewater rates in Volusia County by Plantation Bay Utility Company.

(Continued from previous page)

Issue 30: Are adjustments to reflect repression of consumption due to the price changes and changes in rate structure appropriate in this case, and, if so, what are the appropriate repression adjustments for the water and the wastewater systems?

Recommendation: No. In order to monitor the effects of the changes in revenues, the utility should prepare monthly reports for both the water and wastewater systems, 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 31: What are the appropriate resulting water and wastewater rates?

Recommendation: ~~The appropriate monthly water rates are a continuation of current rates, shown on Schedule No. 4-A. The appropriate water and wastewater monthly rates are shown on Schedules Nos. 4-A and 4-B, respectively, of staff's memorandum Schedule No. 4-B. Excluding miscellaneous service and reuse charges, the recommended water and wastewater rates produce revenues of \$463,620 and \$578,262, respectively \$535,911.~~ The utility should file revised wastewater tariff sheets and a proposed customer notice to reflect the Commission-approved rates for the wastewater system. The approved wastewater 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), F.A.C. In addition, the approved wastewater rates should not be implemented until staff has approved the proposed customer notice. The utility should provide proof of the date notice was given no less than 10 days after the date of the notice.

MODIFIED

Approved with modification that there will be a 50/50 split between gallonage and base facility. The order will reflect that the change is for conservation purposes.

Issue 32: What are the appropriate reuse rates?

Recommendation: The appropriate reuse rate for this utility should be \$0.07 per 1,000 gallons of usage. The utility should file tariff sheets which are consistent with the Commission's decision within 30 days from the Commission's vote. The tariff sheets should be approved upon staff's verification that the tariffs are consistent with the Commission's decision. 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), F.A.C.

APPROVED

VOTE SHEET

FEBRUARY 7, 2006

Docket No. 050281-WS - Application for increase in water and wastewater rates in Volusia County by Plantation Bay Utility Company.

(Continued from previous page)

Issue 33: Should Plantation Bay Utility Company's request to implement a \$5.00 late payment charge be approved?

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 30 days from the Commission's 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, provided no protest is filed and customers have been noticed.

APPROVED

Issue 34: In determining whether any portion of the wastewater interim increase granted should be refunded, 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. This revised revenue requirement for the interim collection period should be compared to the amount of interim revenues granted. Based on this calculation, no wastewater interim refund is required. Further, upon issuance of the Consummating Order in this docket, the escrow account should be released. ~~the utility should be required to refund 9.15% of wastewater revenues collected under interim rates. The refund should be made with interest in accordance with Rule 25-30.360(4), F.A.C. The utility should be required to submit proper refund reports pursuant to Rule 25-30.360(7), F.A.C. The utility should treat any unclaimed refunds as CIAC pursuant to Rule 25-30.360(8), F.A.C.~~

APPROVED

VOTE SHEET

FEBRUARY 7, 2006

Docket No. 050281-WS - Application for increase in water and wastewater rates in Volusia County by Plantation Bay Utility Company.

(Continued from previous page)

Issue 35: 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-B to remove \$10,125 of wastewater rate case expense, grossed up for regulatory assessment fees, which is being 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, F.S. 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 30 days prior to the actual date of the required rate reduction. The approved rates should be effective for service rendered on or after the stamped approval date of the revised tariff sheets pursuant to Rule 25-40.475(1), F.A.C. The rates should not be implemented until staff has approved the proposed customer notice. The utility should provide proof of the date notice was given no less than 10 days after the date of the notice.

APPROVED

Issue 36: What are the appropriate service availability charges and/or policy for the utility?

Recommendation: Plantation's current system capacity charges should be discontinued, and the implementation of plant capacity charges of \$400 for water and \$358 for wastewater should be approved. Further, the utility should be allowed to collect donated property beginning January 1, 2007. If there is no timely protest to the Commission's Proposed Agency Action by a substantially affected person, the utility should file the appropriate revised tariff sheets within 10 days of the issuance of the Consummating Order for the Commission-approved tariff changes. Staff should be given administrative authority to approve the revised tariff sheets upon staff's verification that the tariff is consistent with the Commission's decision. If the revised tariff sheets are filed and approved, the tariff sheets should become effective on or after the stamped approval date. Within 10 days of the issuance of the Consummating Order for the Commission-approved tariff changes, the utility shall also provide notice of the Commission's decision to all persons in the service area who are affected by the recommended plant capacity charges and the authorization to collect donated property. The notice should be approved by Commission staff prior to distribution. The utility should provide proof that the appropriate customers or developers have received notice within 10 days of the date of the notice.

DENIED

OPC's position as stated at the conference was approved, with recognition staff will ~~not~~ recalculate all revenue requirements in other issues.

VOTE SHEET

FEBRUARY 7, 2006

Docket No. 050281-WS - Application for increase in water and wastewater rates in Volusia County by Plantation Bay Utility Company.

(Continued from previous page)

Issue 37: Should the Utility be required to show cause, in writing within 21 days, why it should not be fined for its apparent violation of Section 367.071, Florida Statutes, for its failure to file an application for a change in majority organizational control?

Recommendation: No, the utility should not be required to show cause why it should not be fined for its apparent violation of Section 367.071, F.S., for its failure to obtain Commission approval prior to transferring majority organizational control.

APPROVED

Commissioner Carter dissented.

with clarification stated at conference.

Issue 38: Should the utility be required to provide proof, within 90 days of the final order issued in this docket, that it has adjusted its books for all the applicable NARUC USOA primary accounts associated with the Commission-approved adjustments?

Recommendation: Yes. To ensure that the utility adjusts its books in accordance with the Commission's decision, Plantation Bay should provide proof, within 90 days of the final order issued in this docket, that the adjustments for all the applicable NARUC USOA primary accounts have been made.

APPROVED

Issue 39: Should this docket be closed?

Recommendation: No. If no person whose substantial interests are affected by the proposed agency action files a protest within 21 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 that the interim refund has been completed and verified by staff. Once these actions are complete, this docket should be closed administratively, and the escrow account should be released.

APPROVED