

VOTE SHEET

May 22, 2007

Docket No. 060253-WS – Application for increase in water and wastewater rates in Marion, Orange, Pasco, Pinellas, and Seminole Counties by Utilities, Inc. of Florida. (Deferred from April 24, 2007, conference; revised recommendation filed.)

Issue 1: Is the quality of service provided by Utilities, Inc. of Florida (UIF) satisfactory?

Recommendation: Yes, except in Pasco County. The overall quality of the water and wastewater service for the UIF systems in Marion, Pasco, Pinellas, Orange and Seminole Counties is satisfactory, except for the Summertree water system in Pasco County. The quality of water and customer satisfaction for the Summertree system is unsatisfactory. The utility should be required to file with the Commission a copy of any response the utility provides to the Department of Environmental Protection (DEP) or the utility’s Summertree customers as a result of its noncompliance with the DEP disinfection by-products rule beginning June 1, 2007, until the utility comes into compliance with the DEP disinfection by-products rule.

APPROVED

COMMISSIONERS ASSIGNED: All Commissioners

COMMISSIONERS’ SIGNATURES

MAJORITY

DISSENTING

Handwritten signatures of commissioners in the majority column, including names like Ned A. Stog and Katrina J. McNurrian.

Empty lines for dissenting signatures.

REMARKS/DISSENTING COMMENTS:

DOCUMENT NUMBER-DATE

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Issue 2: Should the audit adjustments to rate base and the corresponding net operating income adjustments with which the utility agrees, be made?

Recommendation: Yes. Based on uncontested audit adjustments, the adjustments in Table 2-1 should be made to rate base and the corresponding net operating income accounts.

Table 2-1

SUMMARY OF UTILITIES, INC. OF FLORIDA (UIF) ADJUSTMENTS								
System	Plant	Accum. Deprec.	CIAC	Accum. Amort. CIAC	Working Capital Allowance	Deprec. Expense	CIAC Amort.	O & M Expenses
Marion Water	(14,829)	16,749				(55)	(527)	1,324
Marion Wastewater	(450)	413				(25)		
Orange Water		958	(9,893)		(32,975)			
Pasco Water	(493,947)	411,628	12,627	(43,574)	2,697	(6,430)	415	
Pasco Wastewater	(156,653)	32,576	17,232	(9,449)		(1,627)		
Pinellas Water	(15,147)	16,776				(396)		
Seminole Water	(103,759)	111,367	(107,000)	16,051	5,055	(4,271)	(3,567)	(6,266)
Seminole Wastewater	(485,393)	353,606				(5,622)		
Adjustment Totals	(1,270,178)	944,073	(87,034)	(36,972)	(25,223)	(18,426)	(3,679)	(4,942)

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Issue 2A: What is the amount and treatment of the proceeds from the Ravenna Park/Lincoln Heights condemnation proceeding and what is the amount and treatment of the subsequent sale of the remaining Ravenna Park/Lincoln Heights property in Seminole County?

Recommendation: The net proceeds of \$141,720 from the \$850,000 condemnation of 8.7 acres should be recorded as a Contribution-in-Aid-of-Construction (CIAC) and amortized at the rate of 2.22%, commencing January 2002. The net proceeds of \$121,446 from the \$140,000 sale of the remaining 6.2 acres should be recorded as a gain and should be amortized above-the-line over five years, commencing May 2005.

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Issue 3: Should an adjustment be made to the Pasco County Water System to recognize the sale of land known as Parcel No. 6 in Utilities, Inc. of Florida's Bartelt-Wis-Bar purchase?

Recommendation: Yes. For the Pasco County Water System, land should be decreased by \$1,150; wells and springs should be decreased by \$15,174; accumulated depreciation, wells and springs should be decreased by \$15,174; and gain on sale should be increased by \$3,186. In addition, for UIF, the unamortized deferred credits in its working capital allowance should be increased by \$13,142.

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Issue 4: Should an adjustment be made to the Orange County Water System to recognize the dismantlement of the Crescent Heights and Davis Shores water treatment plant?

Recommendation: Yes. For the Orange County Water System, wells and springs should be decreased by \$19,127; accumulated depreciation should be decreased by \$1,594; depreciation expense should be decreased by \$638; amortization expense for the loss on disposition should be increased by \$2,103. In addition, for UIF, the unamortized deferred debits in working capital allowance should be increased by \$22,298. Further, the associated property taxes of \$467 should be removed. Last, the book cost of the water system land, \$2,783, should be recorded in Account No. 121, Non-utility property, a below the line account. The utility should be required to notify the Commission by petition when the land is sold or becomes usable for any purpose, at which time the appropriate gain or loss will be addressed.

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Issue 5: What are the appropriate Water Service Corporation (WSC) and Utilities, Inc. of Florida rate base allocations for the utility?

Recommendation: The appropriate WSC net rate base allocation for UIF is \$71,813. Accordingly, UIF's rate base and depreciation expense should be increased as follows:

Table 5-1

County	Water Rate Base	Wastewater Rate Base	Water Deprec. Expense	Wastewater Deprec. Exp.
Marion	\$4,053	\$514	\$598	\$76
Orange	2,392	-	353	-
Pasco	22,105	8,422	3,261	1,242
Pinellas	3,216	-	474	-
Seminole	19,850	11,261	2,928	1,661
Total	\$51,616	\$20,197	\$7,614	\$2,979

Further, the appropriate common rate base allocation for UIF is \$323,304. Accordingly, UIF's plant, accumulated depreciation, and depreciation expense should be adjusted as follows:

Table 5-2

County	Plant	Accum. Deprec.	Deprec. Expense
Marion - Water	\$8,692	(\$5,719)	\$463
Marion - Wastewater	1,125	(739)	58
Orange - Water	7,208	(3,897)	(25)
Pasco - Water	(45,108)	28,431	(21,597)
Pasco - Wastewater	8,314	(5,293)	(996)
Pinellas - Water	9,380	(5,945)	(1,266)
Seminole - Water	81,497	(46,426)	2,387
Seminole - Wastewater	44,494	(24,944)	19,240
Total	\$115,602	(\$64,532)	(\$1,736)
Note: Credits are shown in parenthesis			

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Issue 6: Should adjustments be made to the utility's pro forma plant additions?

Recommendation: Yes. UIF's pro forma plant, accumulated depreciation and depreciation expense should be adjusted as shown in Table 6-1.

Table 6-1
Summary
Utilities, Inc. of Florida Pro Forma Adjustments

Description	Pro forma		Include		Exclude	
	Water	W/Water	Water	W/Water	Water	W/Water
Marion	10,290	3,180	0	0	(10,290)	(3,180)
Pasco	150,298	190,580	98,127	155,116	(52,171)	(35,464)
Pinellas	4,738	0	0	0	(4,738)	0
Seminole	239,017	60,612	58,233	62,672	(180,784)	2,060
Total Plant	404,343	254,372	156,360	217,788	(247,983)	(36,584)
Accum. Depreciation	6,791	4,450	1,538	3,518	(5,253)	(932)
Net Rate Base Adjustment	411,134	258,822	157,898	221,306	(253,236)	(37,516)
Depreciation Expense	12,425	8,888	5,454	7,412	(6,971)	(1,476)

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Issue 7: What are the used and useful percentages of the utility's water and wastewater systems?

Recommendation: UIF water plants, transmission and distribution systems, and wastewater collection lines and lift stations should be considered to be 100% used and useful, except for the Crownwood wastewater treatment plant which should be 68.65% used and useful. No adjustment should be made for excess unaccounted for water for any of the utility's water systems. The appropriate non-used and useful rate base component, depreciation expense, and property taxes should be \$3,656, \$8, and \$0 respectively. Accordingly, rate base should be decreased by \$3,656 and depreciation expense should be decreased by \$8.

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Issue 8: What is the appropriate working capital allowance?

Recommendation: The appropriate working capital allowance for each system is in Table 8-1.

Table 8-1
Working Capital Allowance

County	Water	Wastewater	Total
Marion	25,292	7,840	33,132
Orange	21,081		21,081
Pasco	124,707	82,448	207,155
Pinellas	17,568		17,568
Seminole	114,841	121,650	236,491
TOTAL	303,489	211,938	515,426

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Issue 9: What is the appropriate rate base for the December 31, 2005, test year?

Recommendation: The appropriate rate bases for the UIF systems for the test year ending December 31, 2005, are as shown in Table 9-1.

Table 9-1
Rate Base

County	Water	Wastewater	Total
Marion	\$334,410	\$108,196	\$442,606
Orange	\$95,551		\$95,551
Pasco	\$1,890,259	\$737,180	\$2,627,439
Pinellas	\$282,052		\$282,052
Seminole	\$2,132,917	\$2,142,830	\$4,275,747
Total	\$4,735,189	\$2,988,206	\$7,723,395

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Issue 10: What is the appropriate return on common equity?

Recommendation: The appropriate return on common equity is 11.46% based on the Commission leverage formula currently in effect. Staff recommends an allowed range of plus or minus 100 basis points be recognized for ratemaking purposes.

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Issue 11: 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 ended December 31, 2005?

Recommendation: The appropriate weighted average cost of capital for the test year ended December 31, 2005, is 6.90% for Marion County, 6.87% for Orange County, 7.16% for Pasco County, 7.31% for Pinellas County, and 7.28% for Seminole County.

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Issue 12: Should the audit adjustments to net operating income with which the utility agrees, be made?

Recommendation: Yes. O&M expense, depreciation expense and property taxes should be decreased as shown in Tables 12-1 and 12-2.

Table 12-1
O&M Expense

Audit Finding	19	20	21	23	24	26	27	TOTAL
Marion Water				\$80		(\$6,617)	(\$903)	(\$7,440)
Marion Wastewater	(\$431)			(80)		(836)	903	(444)
Orange Water	(586)					(3,900)		(4,486)
Pasco Water	(1,346)	\$1,237				(36,069)		(36,178)
Pasco Wastewater	(935)		(\$14,464)			(13,745)		(29,144)
Pinellas Water	(755)	(1,237)				(5,247)		(7,239)
Seminole Water					(\$4,800)	(32,389)		(37,189)
Seminole Wastewater			(1,907)			(17,285)		(19,192)
Total	(\$4,053)	\$0	(\$16,371)	\$0	(\$4,800)	(\$116,088)	\$0	(\$141,312)

Table 12-2
Property Tax Expense

Audit Finding 32	Decrease	Increase
Marion Water	(\$1,081)	
Marion Wastewater	(137)	
Orange Water	(638)	
Pasco Water	(5,898)	\$17,186
Pasco Wastewater	(2,247)	
Pinellas Water	(858)	354
Seminole Water	(5,295)	1,440
Seminole Wastewater	(2,826)	
Total	(\$18,980)	\$18,980

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Issue 12A: Should an adjustment be made to bad debt expense?

Recommendation: Yes. Bad debt expense should be decreased as shown in Table 12A-2.

Table 12A-2
Bad Debt Expense

County	Water	Wastewater	Total
Pasco	(\$3,380)	(\$1,287)	(\$4,667)
Seminole	(\$4,014)	(\$2,144)	(\$6,158)

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Issue 13: Should an adjustment be made to Pinellas County's test year operating and maintenance expenses for billing and collection services provided by Utilities, Inc. of Florida?

Recommendation: Yes. The test year operating and maintenance expenses should be decreased by \$2,241 for the receipt of fees received from Pinellas County Utilities (PCU) for the billing and collection services provided to PCU.

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Issue 14: Should a pro forma miscellaneous service charge revenue adjustment be made to test year revenues?

Recommendation: Yes. Using the incremental increase from the recommended charges addressed in Issue 32 and the number of after hours initial connections, normal reconnections and premises visits, miscellaneous service revenues should be increased by \$305 in total and as shown by county in Table 14-1.

Table 14-1
Pro Forma Miscellaneous Service Charges

	Incremental Increase	No. of Reconnections and Premise Visits	Incremental Revenue Increase
Marion			
Initial Connections	\$7.50	0	0
Normal Reconnections	\$7.50	1	\$7.50
Premises Visit	\$5.00	0	0
Total – Marion			\$7.50
Orange			
Initial Connections	\$7.50	0	0
Normal Reconnections	\$7.50	4	\$30.00
Premises Visit	\$5.00	2	\$10.00
Total – Orange			\$40.00
Pasco			
Initial Connections	\$7.50	0	0
Normal Reconnections	\$7.50	12	\$90.00
Premises Visit	\$5.00	3	\$15.00
Total – Pasco			\$105.00
Pinellas			
Initial Connections	\$7.50	0	0
Normal Reconnections	\$7.50	1	\$7.50
Premises Visit	\$5.00	1	\$5.00
Total – Pinellas			\$12.50
Seminole			
Initial Connections	\$7.50	0	
Normal Reconnections	\$7.50	16	\$120.00
Premises Visit	\$5.00	4	\$20.00
Total – Seminole			\$140.00
Total Adjustment			\$305.00

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Issue 15: What is the appropriate amount of allocated WSC and common expenses for Utilities, Inc. of Florida?

Recommendation: The appropriate WSC O&M expenses and taxes other than income (TOTI) for UIF are \$198,176 and \$9,571, respectively. Accordingly, UIF's O&M expenses and taxes other than income should be adjusted as follows:

Table 15-1

County	Water O&M Exp.	Wastewater O&M Exp.	Water TOTI	Wastewater TOTI.
Marion	(\$905)	(\$114)	(\$20)	(\$2)
Orange	(535)	-	(11)	-
Pasco	(4,941)	(1,882)	(107)	(41)
Pinellas	(718)	-	(15)	-
Seminole	(4,441)	(524)	(96)	38
Total	(\$11,540)	(\$2,520)	(\$249)	(\$5)

Further, the appropriate common O&M expenses for UIF are \$125,268. Accordingly, UIF's O&M expenses should also be decreased as follows:

Table 15-2

County	Water O&M Exp.	Wastewater O&M Exp.
Marion	(\$732)	(\$93)
Orange	(432)	-
Pasco	(4,612)	(1,669)
Pinellas	(957)	-
Seminole	(3,613)	(1,948)
Total	(\$10,346)	(\$3,710)

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Issue 16: Should an adjustment be made to the utility's pro forma salaries & wages, pensions & benefits, and payroll taxes?

Recommendation: Yes. UIF's salaries and wages, pensions and benefits, and payroll taxes should be reduced as follows:

Table 16-1

County	Salaries & Wages	Pensions & Benefits	Payroll Taxes
Marion - Water	(\$4,423)	(\$245)	(\$365)
Marion - Wastewater	(562)	(31)	(46)
Orange - Water	(2,611)	(144)	(216)
Pasco - Water	(24,126)	(1,336)	(1,996)
Pasco - Wastewater	(9,192)	(509)	(761)
Pinellas - Water	(3,509)	(194)	(290)
Seminole - Water	(21,663)	(1,200)	(1,792)
Seminole - Wastewater	(11,561)	(640)	(956)
Total	(\$77,647)	(\$4,299)	(\$6,422)

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Issue 17: Should an adjustment be made to purchased power expense?

Recommendation: Staff recommends that O&M expenses be reduced by \$10,163 and as indicated for the respective water or wastewater systems, as shown in Table 17-1.

Table 17-1

County	Allocation Percentage	Allocation Error Office	Error Cherry Way	Add back L/S at Weathersfield	Total to Correct
Marion Water	5.70%	(\$636)	N/A	N/A	(\$636)
Marion Wastewater	0.72%	(81)	N/A	N/A	(81)
Orange Water	3.36%	(375)	N/A	N/A	(375)
Pasco Water	31.07%	(3,469)	N/A	N/A	(3,469)
Pasco Wastewater	11.84%	(1,322)	(\$358)	N/A	(1,680)
Pinellas Water	4.52%	(505)	N/A	N/A	(505)
Seminole Water	27.90%	(3,115)	N/A	N/A	(3,115)
Seminole Wastewater	14.89%	(1,662)	N/A	\$1,360	(302)
Total		(\$11,165)	(\$358)	\$1,360	(\$10,163)

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Issue 18: Should an adjustment be made to transportation expense?

Recommendation: Yes. O&M expense should be reduced by \$15,056, to remove an estimated amount for errors related to the assignment of transportation costs. The adjustments to the respective water or wastewater county systems are shown in Table 18-1.

Table 18-1

County	Allocation Percentage	Correction by County
Marion Water	5.70%	(\$858)
Marion Wastewater	0.72%	(109)
Orange Water	3.36%	(506)
Pasco Water	31.07%	(4,678)
Pasco Wastewater	11.84%	(1,782)
Pinellas Water	4.52%	(680)
Seminole Water	27.90%	(4,201)
Seminole Wastewater	14.89%	(2,242)
TOTAL	100.00%	(\$15,056)

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Issue 19: Should an adjustment be made to vehicle repairs?

Recommendation: Yes. A reduction to test year O&M expenses of \$6,441 should be made as shown in Table 19-1.

Table 19-1
Vehicle Repairs Expense Breakdown by County

County	Allocation Percentage	Reduction by County
Marion Water	5.70%	(\$367)
Marion Wastewater	0.72%	(46)
Orange Water	3.36%	(217)
Pasco Water	31.07%	(2,001)
Pasco Wastewater	11.84%	(763)
Pinellas Water	4.52%	(291)
Seminole Water	27.90%	(1,797)
Seminole Wastewater	14.89%	(959)
TOTAL	100.00%	(\$6,441)

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Issue 20: Should adjustments be made to the utility's pro forma expense adjustments?

Recommendation: Yes. UIF's O&M expenses should be decreased by \$21,529 to reflect the removal of the utility's CPI adjustments. Amounts by county are shown in Table 20-1.

Table 20-1
Pro Forma O&M Adjustments

County	CPI
Marion Water	(\$1,261)
Marion Wastewater	(478)
Orange Water	(587)
Pasco Water	(6,552)
Pasco Wastewater	(2,121)
Pinellas Water	(1,018)
Seminole Water	(6,780)
Seminole Wastewater	(2,732)
TOTAL	(\$21,529)

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Issue 21: Does Utilities, Inc. of Florida have excessive infiltration and inflow for any of its wastewater collection systems, and if so, what adjustments should be made?

Recommendation: Yes. UIF had approximately 19.3% excessive infiltration and inflow (I & I) for its Seminole County wastewater collection system of Ravenna Park during the test year period. Staff recommends that the total purchased wastewater should be reduced by \$20,600 due to excessive I & I.

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Issue 22: What is the appropriate amount of rate case expense?

Recommendation: The appropriate total rate case expense for the current docket is \$295,756. This expense should be recovered over four years for an annual expense of \$73,939. The allocated portion of the annual expense to water and wastewater is \$52,934 and \$21,005, respectively. As discussed in Issue 24, Orange County rates will remain unchanged. Since no rate increase is appropriate for Orange County, that portion of rate case expense should be disallowed.

Table 22-1
Rate Case Expense Adjustments for Current Case By County

County	Requested Amount	Adjustment	Staff Recommended Amount
Marion Water	\$4,621	(\$262)	\$4,359
Marion Wastewater	587	(33)	554
Orange Water	2,728	(2,728)	0
Pasco Water	25,204	(1,432)	23,772
Pasco Wastewater	9,603	(545)	9,058
Pinellas Water	3,666	(208)	3,458
Seminole Water	22,631	(1,286)	21,345
Seminole Wastewater	12,079	(686)	11,393
Total	\$81,119	(\$7,180)	\$73,939

The appropriate amount of amortization to be included for the prior rate proceeding is \$99,400. Rate case expense should be increased by \$62,125 to bring the prior rate case expense to this amount. The amortization adjustments for water and wastewater are \$45,646 and \$16,479, respectively.

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Table 22-2
Prior Rate Case Expense Adjustment By County

County	Prior Rate Proceeding	Amount included in requested rate case expense	Amount to be added to test year
Marion Water	\$7,668	\$2,123	\$5,545
Marion Wastewater	597	270	327
Orange Water	2,451	1,253	1,198
Pasco Water	38,060	11,581	26,479
Pasco Wastewater	15,152	4,413	10,739
Pinellas Water	4,226	1,685	2,541
Seminole Water	20,282	10,399	9,883
Seminole Wastewater	10,964	5,551	5,413
Total	\$99,400	\$37,275	\$62,125

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with modification that proposed rate case expense for Marion County Water be denied, recognizing that there will be fallout adjustment to be made.

Issue 23: What is the test year pre-repression water and wastewater operating income or loss before any revenue increase?

Recommendation: Test year pre-repression operating income for each county, before any provision for increased or decreased revenues, is shown in Table 23-1.

Table 23-1
Pre-repression Water and Wastewater Operating Income before any Revenue Increases/Decreases.

County	Water	Wastewater
Marion	\$31,262	\$11,667
Orange	\$8,011	
Pasco	\$17,768	\$14,458
Pinellas	\$2,967	
Seminole	\$107,052	\$75,459

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Issue 24: What are the appropriate pre-repression revenue requirements for the December 31, 2005, test year?

Recommendation: The pre-repression revenue requirements, as shown in Table 24-1, should be approved. As indicated, Marion County's Water and Wastewater rates should be decreased; Orange County's rates should remain the same; and increases should be granted for Pasco Water and Wastewater, Pinellas Water and Wastewater. Furthermore, the total amount of the collected interim increase in Orange County should be refunded and it should be prohibited from receiving a 2007 price-index adjustment.

Consistent with staff's recommendations concerning the underlying rate base, cost of capital, and operating income issues, and as explained in the body of this recommendation, staff recommends approval of rates that are designed to generate pre-repression revenue requirements as shown in Table 24-1.

Table 24-1
Pre-repression Revenue Requirements

	Test Year Revenues	Requested Final Rates	Requested % Increase	Recommended Increase/Decrease	Revenue Requirement	% Increase/Decrease
Marion						
Water	\$164,769	\$179,185	8.75%	(\$13,733)	\$154,279	(8.17%)
Wastewater	45,037	43,661	(3.06)	(7,050)	37,522	(15.82%)
Orange						
Water	\$97,411	\$121,555	24.79%	\$0	\$0	0%
Pasco						
Water	\$585,359	\$967,316	65.25%	\$197,271	\$788,921	33.34%
Wastewater	378,336	532,828	40.84%	\$64,294	\$440,444	17.09%
Pinellas						
Water	\$76,741	\$135,830	77.00%	\$29,626	\$107,716	37.94%
Seminole						
Water	\$679,867	\$960,123	41.22%	\$80,934	\$767,392	11.79%
Wastewater	589,169	891,161	51.26%	\$135,188	\$725,153	22.91%

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Issue 25: What are the appropriate rate structures for the water and wastewater systems in Marion, Orange, Pasco, Pinellas, and Seminole Counties?

Recommendation: The appropriate rate structures for the system in Marion County are the current base facility charge (BFC)/uniform gallonage charge rate structure for the water system and the BFC/gallonage charge rate structure for the wastewater system. The general service wastewater gallonage charge should be 1.2 times the corresponding residential charge. The BFC cost recovery percentages should be set at 33% for the water system and 25% for the wastewater system.

The appropriate rate structure for the water system in Orange County is the current three-tier inclining block rate structure for its residential customers. The usage blocks and usage block rate factors should remain unchanged. The BFC/uniform gallonage charge rate structure should be continued for the general service customers. The BFC cost recovery percentage for the water system should remain at 26%.

The appropriate rate structures for the systems in Pasco County are the current BFC/uniform gallonage charge rate structure for the water system and the BFC/gallonage charge rate structure for metered customers on the wastewater system. The rate structures for the Wis-Bar and Summertree wastewater systems should remain unconsolidated. For those Wis-Bar wastewater customers who are currently billed under flat rates, that rate structure should be retained. The general service wastewater gallonage charge should be 1.2 times the corresponding residential charge. The BFC cost recovery percentages should be set at 45% for the water system, 39% for the Wis-Bar wastewater system, and 37% for the Summertree wastewater system.

In Pinellas County, the appropriate rate structure for the water system is the current BFC/uniform gallonage charge rate structure. The BFC cost recovery percentage should be set at 40%.

In Seminole County, the appropriate rate structure for the water system is the current three-tier inclining block rate structure. The usage blocks and usage block rate factors should remain unchanged. The BFC/uniform gallonage charge rate structure should be continued for the general service customers. The BFC/gallonage charge rate structure should be continued for the wastewater system. The general service wastewater gallonage charge should be 1.2 times the corresponding residential charge. The BFC cost recovery percentages should be set at 25% for the water system and 25% for the wastewater system.

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Issue 26: Are repression adjustments appropriate in this case, and, if so, what are the appropriate adjustments to make for the water and wastewater systems, what are the corresponding expense adjustments to make, and what are the resulting final revenue requirements for the respective systems?

Recommendation: Yes. Repression adjustments and the corresponding expense adjustments for Pasco, Pinellas, and Seminole Counties are appropriate for this utility. The recommended repression and related expense adjustments, plus staff's resulting final revenue requirements for each system and county, are shown in Table 26-1 below.

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Table 26-1
Analysis of Repression Effects on Consumption, Associated
Revenue Adjustments, and Final Revenue Requirements

	Marion		Orange	Pasco		Pinellas	Seminole	
	Water	Wwater	Water	Water	Wwater	Water	Water	Wwater
Kgals repr	0	0	0	(2,364)	(2,222)	(489)	(2,610)	(2,219)
Pre repr revs from rates				\$776,724	\$433,787	\$106,501	\$756,241	\$725,154
Purch pwr				(\$311)	(\$182)	(\$63)	(\$425)	(\$131)
Chems				(\$141)	0	(\$36)	(\$297)	
Purch water						(\$45)	(\$22)	
Sludge removal					(\$615)			(\$528)
Purch sewage treatment					(\$10,415)			(\$5,791)
RAFs				(\$21)	(\$505)	(\$7)	(\$36)	(\$290)
Post repr revs from rates	\$151,970	\$37,522	\$94,685	\$776,251	\$422,071	\$106,351	\$755,461	\$718,414
Misc serv chgs	\$2,309	\$0	\$2,896	\$12,197	\$6,657	\$1,215	\$11,151	\$0
Post repr final rev reqmt	\$154,279	\$37,522	\$97,581	\$788,448	\$428,728	\$107,566	\$766,612	\$718,414

In order to monitor the effect of the revenue changes, the utility should be ordered to file reports detailing the number of bills rendered, the consumption billed and the revenues billed on a monthly basis. These reports should be prepared for Pasco, Pinellas, and Seminole Counties, by customer class, usage block and meter size. The reports should be filed with staff, on a quarterly basis, for a period of two years beginning the first billing period after the approved rates go into effect. To the extent the utility makes adjustments to consumption in any month during the reporting period, the utility should be ordered to file a revised monthly report for that month within 30 days of any revision.

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Issue 27: What are the appropriate rates for monthly service for the water and wastewater systems?

Recommendation: The appropriate monthly water rates are shown on Schedule No. 4-A of staff's May 10, 2007, memorandum, and the appropriate monthly wastewater rates are shown on Schedule No. 4-B of staff's memorandum. Excluding miscellaneous service charges, the recommended water and wastewater rates produce revenues as shown in Table 27-1.

Table 27-1
Revenues From Monthly Service Rates

County	Revenues
Marion	
Water	151,970
Wastewater	37,522
Orange	
Water	\$94,685
Pasco	
Water	\$776,251
Wastewater	\$422,071
Pinellas	
Water	\$106,351
Seminole	
Water	\$755,461
Wastewater	\$718,414

The utility should file revised water and wastewater tariff sheets and a proposed customer notice to reflect the Commission-approved rates for the respective systems. 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), F.A.C. In addition, the approved 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.

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Issue 28: Should the utility be authorized to revise its water and wastewater miscellaneous service charges, and, if so, what are the appropriate charges?

Recommendation: Yes. The utility should be authorized to revise its water and wastewater miscellaneous service charges as shown in Tables 28-1 and 28-2. The utility should file a proposed customer notice to reflect the Commission-approved charges. The approved charges should be effective for service rendered on or after the stamped approval date of the tariff, pursuant to Rule 25-30.475(1), F.A.C., provided the notice has been approved by staff. Within 10 days of the date the order is final, the utility should be required to provide notice of the tariff changes to all customers. The utility should provide proof the customers have received notice within 10 days after the date that the notice was sent.

Table 28-1
Water Miscellaneous Service Charges

For All Counties				
	Current Charges		Recommended Charges	
	Bus. Hrs.	After Hrs.	Bus. Hrs.	After Hrs.
Initial Connection Fee:	15.00	15.00	15.00	22.50
Normal Reconnection Fee:	15.00	15.00	15.00	22.50
Violation Reconnection Fee	15.00	15.00	15.00	22.50
Premises Visit Charge (in lieu of disconnection)	10.00	10.00	10.00	15.00

Table 28-2
Wastewater Miscellaneous Service Charges

For All Counties				
	Current Charges		Recommended Charges	
	Bus. Hrs.	After Hrs.	Bus. Hrs.	After Hrs.
Initial Connection Fee:	15.00	15.00	15.00	22.50
Normal Reconnection Fee:	15.00	15.00	15.00	22.50
Violation Reconnection Fee	Actual	Actual	Actual	Actual
Premises Visit Charge (in lieu of disconnection)	10.00	10.00	10.00	15.00

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Issue 29: In determining whether any portion of the water or wastewater interim increases granted should be refunded, how should the refunds be calculated, and what are the amounts of the refunds, if any?

Recommendation: The appropriate refund amounts should be calculated by using the same data used to establish final rates, excluding rate case expense and other items not in effect during the interim period. This revised revenue requirements for the interim collection period should be compared to the amount of interim revenues granted. Based on these calculation, staff recommends the refund percentages for the water systems shown in Table 29-1.

Table 29-1
Recommended Interim Refund Percentages

	(A)	(B)	(C)	(D)	(E)	(F)
County	Interim Test Year Revenues Granted	Less Interim Revenue from Miscellaneous Service Charges	Interim Test Year Revenues From Rates (A) – (B)	Recalculated Interim Revenues From Rates **	Excess Revenue Collected from Rates (C)-(D)	Refund Percentage (E)/(C)
Marion – Water						N/A
Marion – Wastewater						N/A
Orange – Water	\$108,004	\$2,856	\$105,148	\$94,685	\$10,463	100.00%
Pasco – Water	\$796,634	\$12,197	\$784,437	\$751,495	\$32,942	4.20%
Pasco – Wastewater	\$431,317	0	\$431,317	\$430,872	\$445	No Refund
Pinellas - Water	\$114,470	\$1,215	\$113,255	\$102,834	\$10,421	9.20%
Seminole - Water	\$809,835	\$11,151	\$798,684	\$733,542	\$65,142	8.16%
Seminole - Wastewater	\$783,689	0	\$783,689	\$783,689	(\$70,540)	No Refund
** Recalculated interim revenue requirement, excluding rate case expense and other items not in effect during the interim period						

Upon issuance of the consummating order in this docket, the corporate undertaking should be released after the appropriate amounts of interim revenues are refunded and the refund amounts are verified by staff.

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Issue 30: 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, F.S.?

Recommendation: The rates should be reduced as shown on Schedule Nos. 4-A and 4-B of staff's May 10, 2007, memorandum, to remove the revenue impact of rate case expense. This amount was calculated by taking the annual amount of rate case expense by system grossed up for regulatory assessment fees as shown below. Because rate case expense is disallowed for Orange County, as discussed in Issue 22, the four-year rate reduction is not appropriate for Orange County.

Table 30-1
Rate Case Expense Including Regulatory Assessment Fees

	Staff Recommended Amount	Amount Including RAF
Marion Water	\$4,359	\$4,564
Marion Wastewater	554	580
Orange Water	0	0
Pasco Water	23,772	24,892
Pasco Wastewater	9,058	9,485
Pinellas Water	3,458	3,621
Seminole Water	21,345	22,351
Seminole Wastewater	11,393	11,930
Total	\$73,939	\$77,423

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 proposed customer notices for each system 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. The rates should not be implemented until staff has approved the proposed customer notices, and the notice has been received by the customers. The utility should provide proof of the date notices were given no less than ten days after the date of the notices. 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 for the reduction in the rates due to the amortized rate case expense.

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Issue 31: Should Utilities, Inc. of Florida be required to show cause, in writing within 21 days, why it should not be fined for serving outside its certificated territory in apparent violation of Section 367.045(2), F.S.?

Recommendation: Yes. UIF should be ordered to show cause in writing, within 21 days, why it should not be fined a total of \$5,250, or \$750 per system, for apparently serving outside its certificated territory in seven separate systems. The order to show cause should incorporate the conditions stated in the analysis portion of staff's May 10, 2007, memorandum. Moreover, UIF should be ordered to file by September 30, 2007, an amendment application for all its systems in which it is serving outside its certificated territory to correct its apparent violation of Subsection 367.045(2), F.S.

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Issue 32: Should the utility be required to show cause, in writing within 21 days, why it should not be fined for its apparent failure to comply with the requirements of Rule 25-30.115, F.A.C., and Orders Nos. PSC-03-1440-FOF-WS and PSC-04-1275-AS-WS, to adjust its books to conform with the National Association of Regulatory Commissioners (NARUC) Uniform System of Accounts (USOA)?

Recommendation: Yes. Utilities, Inc. of Florida should be ordered to show cause in writing, within 21 days, why it should not be fined \$3,000 for its apparent failure to adjust its books to conform with the NARUC USOA as required by Rule 25-30.115, F.A.C., and Orders Nos. PSC-03-1440-FOF-WS and PSC-04-1275-AS-WS. The order to show cause should incorporate the conditions stated in the analysis portion of staff's May 10, 2007, memorandum.

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Issue 33: Should the utility be required to provide proof, within 90 days of an effective order finalizing 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, UIF 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.

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Issue 34: Should this docket be closed?

Recommendation: If no person whose substantial interests are affected by the proposed agency action issues files a protest within 21 days of the issuance of the Order, a Consummating Order will be issued. If UIF pays the \$8,250 in fines, the docket should be closed administratively upon staff's verification that there was no timely protest, the proposed fines have been paid, and the appropriate refunds have been made. If there is a timely protest by a substantially affected person or if the utility timely responds in writing to the Order to show cause, the docket should remain open to allow for the processing of either the protest or the response.

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