

VOTE SHEET

December 4, 2007

Docket No. 070177-WU – Application for staff-assisted rate case in Pasco County by LWV Utility.

Issue 1: Should the quality of service provided by LWV Utilities, Inc. be considered satisfactory?

Recommendation: Yes. LWV Utilities, Inc.'s overall quality of service should be considered satisfactory.

**APPROVED**

Issue 2: Should the utility operations of Advisor Enterprises be consolidated with LWV Utilities?

Recommendation: Yes. The utility operations of Advisor Enterprises should be consolidated with LWV Utilities.

**APPROVED**

COMMISSIONERS ASSIGNED: All Commissioners

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

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REMARKS/DISSENTING COMMENTS:

DOCUMENT NUMBER-DATE

10678 DEC-4 07

FPSC-COMMISSION CLERK

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**Issue 3:** What are the used and useful percentages for the utility's water treatment plant and water distribution system?

**Recommendation:** LWV's water treatment and water distribution systems should be considered 100% used and useful (U&U).

**APPROVED**

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

**Recommendation:** The appropriate average test year rate base for the utility is \$44,175.

**APPROVED**

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

**Recommendation:** The appropriate return on equity is 9.06% with a range of 8.06% - 10.06%. The appropriate overall rate of return is 8.86%.

**APPROVED**

**Issue 6:** What is the appropriate test year revenue?

**Recommendation:** The appropriate test year revenue for this utility is \$91,853.

**APPROVED**

**Issue 7:** What is the appropriate allocation of common expenses to LWV Utilities?

**Recommendation:** The appropriate allocation of common expenses to LWV is 63%.

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**Issue 8:** What is the appropriate operating expense?

**Recommendation:** The appropriate amount of operating expense for the utility is \$93,860.

**APPROVED**

**Issue 9:** What is the appropriate revenue requirement?

**Recommendation:** The appropriate revenue requirement is \$98,052.

**APPROVED**

**Issue 10:** Should the utility's current water system rate structure be changed, and, if so, what is the appropriate rate structure?

**Recommendation:** Yes. The utility's current water system rate structure, which includes a 6,000 (6 kgal) water allotment in the base facility charge (BFC), should be changed to a two-tier inclining block rate structure. The pre-repression BFC cost recovery should be set at 40%. The usage blocks should be set for consumption at: a) 0-10 kgal; b) usage in excess of 10 kgal, with appropriate usage block rate factors of 1.0 and 1.25, respectively. Staff recommends changing the utility's current bi-monthly BFC to a monthly BFC based on an inclining block rate structure.

**APPROVED**

**Issue 11:** Is a repression adjustment appropriate in this case, and, if so, what is the appropriate adjustment?

**Recommendation:** No. A repression adjustment is not appropriate for this utility. However, in order to monitor the effects resulting from the changes in revenues, the utility should prepare monthly reports for the water system, detailing the number of bills rendered, the consumption billed and revenues billed. In addition, the reports should be prepared by customer class 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.

**APPROVED**

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**Issue 12:** What are the appropriate rates for the utility?

**Recommendation:** The appropriate monthly water rates are shown on Schedule No. 4 in staff's memorandum dated November 20, 2007. The recommended rates should be designed to produce revenue of \$97,287 for water, excluding miscellaneous service charges. 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 on the tariff sheet, 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 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.

**APPROVED**

**Issue 13:** Should the customers of Advisor receive refunds of incorrectly charged rates?

**Recommendation:** The utility should refund \$8,249 or 7.73% of test year revenues to Advisor customers. The refunds should be made monthly to these customers over the next twelve months and should be made with interest, as required by Rule 25-30.360(4), F.A.C. The utility should be required to submit the proper refund reports, pursuant to Rule 25-30.360(7), F.A.C. The refund should be completed within one year of the effective date of this Order. The utility should treat any unclaimed refunds as contributions-in-aid-of-construction (CIAC), pursuant to Rule 25-30.360(8), F.A.C.

**APPROVED**

**Issue 14:** 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 in staff's memorandum dated November 20, 2007, 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, 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 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 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), F.S., 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 in the analysis portion of staff's memorandum dated November 20, 2007. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., 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 LWV Utilities be ordered to show cause, in writing within 21 days, why it should not be fined for charging rates and charges that are not contained in its tariff, in apparent violation of Sections 367.081(1) and 367.091(4), Florida Statutes?

**Recommendation:** No, a show cause proceeding should not be initiated. The utility should, however, be put on notice that, pursuant to Sections 367.081(1) and 367.091(4), Florida Statutes, it must only charge those rates and charges approved by the Commission in its tariff.

**APPROVED**

**Issue 17:** Should this docket be closed?

**Recommendation:** No. 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 that the refund has been completed and verified by staff. Once these actions are complete, this docket should be closed administratively

**APPROVED**