

FLORIDA PUBLIC SERVICE COMMISSION

VOTE SHEET

September 4, 2008

Docket No. 070394-WU – Application for staff-assisted rate case in Pasco County by Holiday Utility Company, Inc. (Deferred from the August 19, 2008 Commission Conference.)

Issue 1: Is the quality of service provided by Holiday Utility Company, Inc. considered satisfactory?

Recommendation: Yes. The overall quality of service provided by Holiday Utility Company, Inc. should be considered satisfactory. The quality of the water at Westwood should be considered satisfactory; however, the quality of water at the Anclote water system is marginal because of the sodium levels, although the utility appears to be working to improve the quality of the water through the interconnection with Tarpon Springs. The operational conditions at the water treatment plants and the utility's attempts to resolve customer complaints are satisfactory. However, staff recommends that the utility be required to provide monthly status reports to the Commission beginning November 1, 2008, addressing the requirements of the DEP consent order to abandon the wells in the Anclote water system and begin purchasing water from Tarpon Springs. The reporting should continue until all requirements of the consent order are fulfilled.

APPROVED

COMMISSIONERS ASSIGNED: All Commissioners

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

Neil A. De...
Katrina J. McMurrian
[Signature]
[Signature]
[Signature]

REMARKS/DISSENTING COMMENTS:

DOCUMENT NUMBER-DATE

08165 SEP-4 08

FPSC-COMMISSION CLERK

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Issue 2: Does the Utility have excessive unaccounted for water and, if so, what adjustments should be made?

Recommendation: Yes. During the test year period, the Westwood system had approximately 8 percent excessive unaccounted for water and the Anclote system had approximately 8 percent excessive unaccounted for water. Therefore, purchased power and chemicals for the Westwood system should be reduced by 8 percent and the pro forma purchased water expense for the Anclote water system should be reduced by 8 percent.

APPROVED

Issue 3: What portions of the utility's water facilities are used and useful?

Recommendation: The Westwood water treatment plant and distribution system and the Anclote water distribution system should be considered 100 percent used and useful.

APPROVED

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

Recommendation: The appropriate average test year rate base for Holiday is \$489,255 for water.

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 11.19 percent with a range of 10.19 percent - 12.19 percent. The appropriate overall rate of return is 9.24 percent.

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Issue 6: What are the appropriate amount of test year revenues?

Recommendation: The appropriate test year revenue for this utility is \$126,433 for water.

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Issue 7: What are the appropriate test year operating expenses?

Recommendation: The appropriate amount of operating expenses for Holiday is \$204,760 for water.

APPROVED

Issue 8: What is the appropriate revenue requirement?

Recommendation: The appropriate revenue requirement is \$255,788 for water.

APPROVED

Issue 9: What is the appropriate rate structure for the Utility?

Recommendation: The appropriate rate structure for the Utility is a three-tier inclining block rate structure. The usage blocks should be set for monthly usage levels of: 1) 0-8 kgals; 2) 8.001-15 kgals; and 3) usage in excess of 15 kgals. The usage block rate factors should be set at 1.0, 1.25 and 1.5, respectively, and the BFC cost recovery allocation should be set at 25 percent.

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Issue 10: Is a repression adjustment appropriate in this case, and, if so, what is the appropriate adjustment to make for this utility?

Recommendation: Yes, a repression adjustment is appropriate. Residential water consumption should be reduced by 10.3 percent, resulting in a consumption reduction of approximately 1,882 kgals. Total water consumption for ratesetting is 23,915 kgals. The resulting water system reductions to revenue requirements are \$106 in purchased power expense, \$23 in chemicals expense, \$5,708 in purchased water expense, and \$275 in regulatory assessment fees (RAFs). The post-repression revenue requirement is \$249,625.

In order to monitor the effects of both the changes in revenues and rate structure, the utility should be ordered to file monthly reports detailing the number of bills rendered, the consumption billed and the revenues billed for each system. 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.

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Issue 11: What are the appropriate rates for this utility?

Recommendation: The appropriate monthly water rates are shown on Schedule No. 4 of staff's memorandum dated August 7, 2008. Excluding miscellaneous service revenues, the recommended rates are designed to produce revenues of \$249,625. 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 of the revised tariff sheets, pursuant to Rule 25-30.475(1), F.A.C. In addition, the rates should not be implemented until staff has approved the proposed customer notice. The utility should provide proof of the date the notice was given no less than 10 days after the date of the notice.

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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, F.S.?

Recommendation: The water rates should be reduced as shown on Schedule No. 4 of staff's memorandum dated August 7, 2008, 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.

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Issue 13: 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 Holiday?

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, Holiday 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 August 7, 2008. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., Holiday 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.

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Issue 14: Should this docket be closed?

Recommendation: No. 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. However, 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. When the PAA issues are final and the tariff and notice actions are complete, this docket may be closed administratively.

APPROVED