

FLORIDA PUBLIC SERVICE COMMISSION

VOTE SHEET

January 26, 2009

Docket No. 070693-WS – Application for increase in water and wastewater rates in Lake County by Lake Utility Services, Inc.

Issue 1: Is the quality of service provided by Lake Utility Services, Inc. satisfactory?

Recommendation: Yes. The overall quality of service provided by LUSI is satisfactory.

APPROVED

COMMISSIONERS ASSIGNED: All Commissioners

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

Handwritten signatures of majority commissioners: Katrina J. McMurrian, [unclear], [unclear], [unclear]

Blank lines for dissenting signatures.

REMARKS/DISSENTING COMMENTS:

Oral Modifications on clauses 19 + 20 and Changes to Schedule No 4-C. -cc

DOCUMENT NUMBER: DATE 00618 JAN 26 09

FPSC-COMMISSION CLERK

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Issue 2: Should the audit adjustments to rate base to which the Utility agrees be made?

Recommendation: Yes. Based on audit adjustments agreed to by the Utility and staff, the following adjustments should be made:

Audit Findings	Water	Wastewater
No. 1 – Decrease Plant in Service	\$156,060	
No. 1 – Increase Plant in Service		\$682
No. 1 – Decrease Land		\$784,994
No. 1 – Increase Accumulated Depreciation	\$4,293	
No. 1 – Decrease Accumulated Depreciation		\$107,363
No. 3 – Decrease Plant in Service	\$199,854	\$21,577
No. 3 – Decrease Plant in Service - Land		\$22,000
No 3 – Decrease Accumulated Depreciation	\$17,407	\$244
No 4 – Decrease Plant in Service	\$111,294	\$50,108
No 4 – Decrease Accumulated Depreciation	\$8,872	\$3,779
No 7 – Decrease CIAC	\$57,045	\$3,725
No 7 – Increase Accumulated Amortization of CIAC	\$322,091	\$82,158

In addition, corresponding allocation adjustments should be made to increase land for water by \$11,237 and decrease land for wastewater by \$4,771, as well as, decrease accumulated depreciation for water and wastewater by \$23,901 and \$5,473, respectively.

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Issue 3: Should any adjustments be made to rate base allocations for LUSI?

Recommendation: Yes. Rate Base should be reduced by \$329,828 for water and increased by \$11,626 for wastewater. The appropriate net rate base allocation for LUSI is \$771,159 for water and \$255,619 for wastewater.

APPROVED

Issue 4: Should any additional adjustments be made to the Utility's projected plant additions and associated expenses?

Recommendation: Yes. The Utility's projected plant in service additions should be increased by \$286,935 for water and decreased by \$581,517 for wastewater. Corresponding adjustments should be made to increase accumulated depreciation by \$26,767 for water and decrease accumulated depreciation by \$11,269 for wastewater.

APPROVED

Issue 5: What are the used and useful percentages of the Utility's water and wastewater systems?

Recommendation: The water treatment plants for all three water systems are 100 percent used and useful. The wastewater plant at Lake Groves is 52.42 percent used and useful, although the portions of the plant designated as providing reuse are 100 percent used and useful. The distribution and collection systems in all service areas are 100 percent used and useful.

APPROVED

Issue 6: What is the appropriate projected working capital allowance?

Recommendation: The appropriate amount of working capital is \$335,743 for water and \$111,300 for wastewater.

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Issue 7: Should any adjustments be made to the projected Contributions in Aid of Construction balances ending June 30, 2009?

Recommendation: Yes. Contributions in Aid of Construction (CIAC) should be increased by \$25,303 for water and \$1,074,697 for wastewater and the associated accumulated amortization of CIAC should be increased by \$460 for water and \$15,784 for wastewater.

APPROVED

Issue 8: What is the appropriate rate base for the projected June 30, 2009 test year?

Recommendation: Based on Staff's recommended adjustments, addressed in previous issues, the appropriate 13-month average rate base for the projected test year ending June 30, 2009 is \$17,149,714 for water and \$7,762,826 for wastewater.

APPROVED

Issue 9: What is the appropriate return on equity?

Recommendation: The appropriate return on common equity is 12.67 percent, based on the Commission's approved leverage formula as set forth in Order No. PSC-08-0846-FOF-WS. Staff recommends an allowed range of plus or minus 100 basis points be recognized for ratemaking purposes.

APPROVED

Issue 10: What is the appropriate weighted average cost of capital including the proper components, amounts, and cost rates associated with the capital structure for the projected test year ended 2009?

Recommendation: The appropriate weighted average cost of capital for the projected test year ended June 30, 2009, is 9.12 percent.

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Issue 11: Should any adjustments be made to projected expenses?

Recommendation: Yes. Projected expenses, excluding rate case expense, should be decreased by a total of \$320,759 for water and \$78,143 for wastewater. Moreover, corresponding adjustments should be made to decrease payroll taxes by \$15,117 for water and \$4,769 for wastewater.

APPROVED

Issue 12: What is the appropriate amount of rate case expense?

Recommendation: The appropriate rate case expense is \$331,450. This expense should be recovered over four years for an annual expense of \$82,862 (\$62,230 for water and \$20,632 for wastewater). Thus, rate case expense should be increased by \$13,360 for water and \$4,433 for wastewater.

APPROVED

Issue 13: Should any adjustments be made to projected 2009 property tax expense for water and wastewater?

Recommendation: Yes. Property tax expense projected for 2009 should be decreased by \$20,882 for water and decreased by \$27,065 for wastewater.

APPROVED

Issue 14: Should any adjustments be made to projected net depreciation expense for 2009 for water and wastewater?

Recommendation: Yes, based on the previously discussed adjustments to Plant in Service and CIAC, net depreciation expense for water should be increased by \$4,225 and net depreciation expense for wastewater should be decreased by \$40,596.

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Issue 15: What are the appropriate numbers of projected bills, equivalent residential connections (ERCs) and consumption for the water, wastewater and reuse systems for the projected test year ending June 30, 2009?

Recommendation: The appropriate numbers of projected bills, ERCs and consumption for the water, wastewater and reuse systems for the projected test year ending June 30, 2009, are shown in the table below.

LAKE UTILITY SERVICES, INC. STAFF'S RECOMMENDED PROJECTIONS FOR THE JUNE 30, 2009 PROJECTED TEST YEAR					
Water System		Wastewater System		Reuse System	
Bills	119,293	Bills	39,531	Bills	7,200
ERCs	124,065	ERCs	40,027	ERCs	7,200
Water consumption (000) lost due to reuse	(147,109)	Reuse bills	7,200	Reuse (000) to water system	147,109
Net consumption (000) after reuse	2,486,715	Wastewater consumption (000) lost due to reuse	(31,343)	Reuse reduction (000) to wastewater system	(31,343)
		Net consumption (000) after reuse	312,373		

APPROVED

Issue 16: What is the projected test year water and wastewater operating income before any revenue increases?

Recommendation: Based on the adjustments discussed in previous issues, the test year operating income is \$67,224 for water and a \$166,287 operating loss for wastewater.

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Issue 17: What is the appropriate pre-repression revenue requirement for the projected June 30, 2009 test year?

Recommendation: The following pre-repression revenue requirement should be approved.

	<u>Test Year</u> <u>Revenues</u>	<u>\$ Increase</u>	<u>Revenue</u> <u>Requirement</u>	<u>% Increase</u>
Water	\$2,968,002	\$2,512,077	\$5,480,079	84.64%
Wastewater	\$891,414	\$1,467,356	\$2,358,770	164.61%

APPROVED

Issue 18: What are the appropriate billing cycles and rate structures for the utility's water, wastewater and reuse systems?

Recommendation: The appropriate billing cycles for the utility's water, wastewater and reuse systems is a monthly billing cycle. The appropriate rate structure for the residential water system is a three-tiered inclining-block rate structure. The usage blocks should be set for monthly consumption of: a) 0-5 kgal; b) 5.001-10 kgal; and c) in excess of 10 kgal. The usage block rate factors should be 1.0, 1.25 and 1.5, respectively. The appropriate rate structure for the general service water system is a continuation of the base facility charge (BFC)/uniform gallonage charge rate structure. The pre-repression BFC cost recovery percentage should be 20 percent. The appropriate rate structure for the wastewater system is a continuation of the BFC/gallonage charge rate structure. The residential customers' billing for monthly consumption should be capped at 10 kgal. The general service gallonage charge should be 1.2 times greater than the residential gallonage charge. The pre-repression BFC cost recovery percentage should be set at 50 percent. The appropriate rate structure for the reuse system is the traditional BFC/uniform gallonage charge rate structure.

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Issue 19: Are repression adjustments appropriate in this case, and, if so, what are the appropriate adjustments to make for this utility, and what are the appropriate post-repression revenue requirements for the Utility's water and wastewater systems?

Recommendation: Yes, repression adjustments to the water and wastewater systems are appropriate. Residential water consumption should be reduced by 26.9 percent, resulting in a consumption reduction of approximately 633,036.7 kgal. Total water consumption for ratesetting is 1,853,573.4 kgals, which represents a 25.5 percent reduction in overall consumption. The resulting water system reductions to revenue requirements are \$120,216 in purchased power expense, \$67,602 in chemicals expense and \$8,452 in regulatory assessment fees (RAFs). The post-repression revenue requirement for the water system is \$5,235,010. Residential wastewater consumption should be reduced by 26.6 percent, resulting in a consumption reduction of approximately 79,661.4 kgal. Total wastewater consumption for ratesetting is 232,711.6 kgals, which represents a 25.5 percent reduction in overall consumption. The resulting wastewater system reductions to revenue requirements are \$43,206 in sludge removal expense, \$31,687 in purchased power expense, \$2,885 in chemicals expense and \$3,500 in RAFs. The post-repression revenue requirement for the wastewater system is ~~\$1,944,781~~ \$2,059,326. 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, *with oral modification (attached)*.

Issue 20: What are the appropriate monthly rates for the water, wastewater, and reuse systems for the utility?

Recommendation: The appropriate monthly water rates are shown on Schedule No. 4-A of staff's memorandum dated January 13, 2009, and the appropriate monthly wastewater and reuse rates are shown on Schedule No. 4-B of staff's memorandum dated January 13, 2009. Excluding miscellaneous service revenues, the recommended water rates are designed to produce revenues of \$5,235,010, while the recommended wastewater rates are designed to produce revenues of ~~\$1,944,781~~ \$2,059,326. The recommended reuse rates are designed to produce revenues of \$209,329. 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.

APPROVED, *with oral modification (attached)*.

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Issue 21: Should the Utility be authorized to revise its miscellaneous service charges, and, if so, what are the appropriate charges?

Recommendation: Yes. LUSI should be authorized to revise its miscellaneous service charges. 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, LUSI 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. The appropriate charges are reflected below.

Water and Wastewater Miscellaneous Service Charges

	<u>Water</u>		<u>Wastewater</u>	
	<u>Normal Hrs</u>	<u>After Hrs</u>	<u>Normal Hrs</u>	<u>After Hrs</u>
Initial Connection	\$21	\$42	\$21	\$42
Normal Reconnection	\$21	\$42	\$21	\$42
Violation Reconnection	Actual Cost	Actual Cost	Actual Cost	Actual Cost
Premises Visit (In lieu of disconnection)	\$21	\$42	\$21	\$42

APPROVED

Issue 22: In determining whether any portion of the water and 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 and other items not in effect during the interim period. This revised revenue requirement for the interim collection period should be compared to the amount of interim revenue requirement granted. Based on this calculation, no water or wastewater refunds are required.

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Issue 23: 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 and wastewater rates should be reduced as shown on Schedule Nos. 4-A and 4-B of staff's memorandum dated January 13, 2009, to remove \$65,162 of water and \$21,604 of wastewater rate case expense, grossed up for RAFs, 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 25-30.475(1), F.A.C. The rates should not be implemented until staff has approved the proposed customer notice. LUSI should provide proof of the date notice was given, no less than 10 days after the date of the notice.

APPROVED

Issue 24: 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 applicable NARUC USOA primary accounts associated with Commission-approved adjustments?

Recommendation: Yes. To ensure that the Utility adjusts its books in accordance with the Commission decision, LUSI 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 25: 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 interim refund has been completed and verified by staff. Once these actions are complete, this docket should be closed administratively, and the corporate undertaking should be released.

APPROVED

Carol Purvis

From: Ann Cole
Sent: Friday, January 23, 2009 1:47 PM
To: Carol Purvis
Cc: Hong Wang; Tiffany Williams
Subject: FW: Request for Oral Modifications to Item 11 on January 26, 2009 Agenda Conf re: Dkt No. 070693-WS, Lake Utility Services, Inc.

Please see approved oral modification, which I will have document numbered. Thank you.

From: Mary Bane
Sent: Friday, January 23, 2009 12:32 PM
To: Jennie Lingo
Cc: Tim Devlin; Marshall Willis; Connie Kummer; Paul Stallcup; Patti Daniel; Cheryl Bulecza-Banks; Bart Fletcher; Rick Wright; Tom Walden; Keino Young; Jennifer Brubaker; Betty Ashby; William C. Garner; Roberta Bass; Lorena Holley; Larry Harris; Bill McNulty; Ann Cole
Subject: RE: Request for Oral Modifications to Item 11 on January 26, 2009 Agenda Conf re: Dkt No. 070693-WS, Lake Utility Services, Inc.

Approved.

From: Jennie Lingo
Sent: Friday, January 23, 2009 12:22 PM
To: Mary Bane
Cc: Tim Devlin; Marshall Willis; Connie Kummer; Paul Stallcup; Patti Daniel; Cheryl Bulecza-Banks; Bart Fletcher; Rick Wright; Tom Walden; Keino Young; Jennifer Brubaker; Betty Ashby
Subject: Request for Oral Modifications to Item 11 on January 26, 2009 Agenda Conf re: Dkt No. 070693-WS, Lake Utility Services, Inc.
Importance: High

Staff respectfully requests approval to make oral modifications to Item 11 scheduled for the agenda this coming Monday, Jan. 26th. Item 11 relates to the PAA recommendation regarding an application for increase in water and wastewater rates in Lake County by Lake Utility Services, Inc. The oral modifications are necessary due to inadvertently double-counting the amount of reuse revenues to be removed from the final wastewater revenue requirement before setting wastewater rates. This had the effect of understating both the appropriate wastewater revenues from rates and the resulting final wastewater rates.

1) Changes to Issue 19, page 32:

** The next to the last sentence of both the recommendation statement and staff's analysis should be changed to read: "The post-repression revenue requirement for the wastewater system is ~~\$1,944,781~~ \$2,059,326."

2) Changes to Issue 20, page 34:

** The second sentence of the recommendation paragraph should be changed to read: "Excluding miscellaneous service revenues, the recommended water rates are designed to produce revenues of \$5,235,010, while the recommended wastewater rates are designed to produce revenues of ~~\$1,944,781~~ \$2,059,326."

** In the first paragraph of staff's analysis, the first sentence should be changed to read: "Excluding miscellaneous service revenues, the recommended water rates are designed to produce revenues of \$5,235,010; the recommended wastewater rates are designed to produce revenues of ~~\$1,944,781~~ \$2,059,326."

** In the first paragraph of staff's analysis, the last sentence should be changed to read: "For the wastewater system, approximately 50 percent (or ~~\$972,391~~ \$1,029,663) of the monthly service revenues is recovered through the base facility charges, while approximately 50 percent (or ~~\$972,391~~ \$1,029,663) represents revenue recovery through the consumption charges."

3) Changes to Schedule No. 4-C, page 58:

** The revised Sch No. 4-C is shown below, with the changes highlighted for ease of reference:

Lake Utility Services, Inc. - Lake Groves						Schedule No. 4-C
Wastewater Monthly Service Rates						Docket No. 070693-WS
Test Year Ended 6/30/09						
	Monthly Rates Prior to Filing	Monthly Comm. Approved Interim	Monthly Utility Requested Final	Prior Staff Recom Final	Revised Staff Recom Final	Monthly 4-Year Rate Reduction
Residential Service						
Base Facility Charge by Meter Size:						
5/8" x 3/4"	\$15.72	\$22.79	\$45.00			
1"	\$15.72	\$22.79	\$45.00			
1 1/2"	\$15.72	\$22.79	\$45.00			
2"	\$15.72	\$22.79	\$45.00			
All Sizes - Residential	\$15.72	\$22.79	\$45.00	\$22.67	\$24.00	\$0.22
General Service						
Base Facility Charge by Meter Size:						
5/8" x 3/4"	\$15.72	\$22.79	\$45.00	\$22.67	\$24.00	\$0.22
1" General Service	\$39.32	\$57.02	\$112.50	\$56.68	\$60.00	\$0.55
1 1/2" General Service	\$78.62	\$114.01	\$225.00	\$113.35	\$120.00	\$1.10
2" General Service	\$125.79	\$182.41	\$360.00	\$181.36	\$192.00	\$1.76
3" General Service	\$251.58	\$364.82	\$720.00	\$362.72	\$384.00	\$3.52
4" General Service	\$393.12	\$570.06	\$1,125.00	\$566.75	\$600.00	\$5.50
6" General Service	\$393.12	\$570.06	\$2,250.00	\$1,133.50	\$1,200.00	\$10.99
8" General Service				\$2,040.30	\$2,160.00	\$19.78
10" General Service				\$3,287.15	\$3,480.00	\$31.87
Gallonge Charge, per 1,000 Gallons						
Residential (10,000 gallon max)	\$1.08	\$1.57	\$2.60	\$4.13	\$4.38	\$0.04
General Service	\$1.36	\$1.97	\$3.50	\$4.96	\$5.26	\$0.05
Reclaimed Water						
Base Facility Charge			\$3.65	\$7.19	\$7.19	\$0.07
Gallonge Charge (per 1,000 Gallons)			\$0.60	\$1.07	\$1.07	\$0.01
Typical Residential Bills 5/8" x 3/4" Meter						
3,000 Gallons	\$18.96	\$27.50	\$52.80	\$35.06	\$37.14	
5,000 Gallons	\$21.12	\$30.64	\$58.00	\$43.32	\$45.90	
10,000 Gallons	\$26.52	\$38.49	\$71.00	\$63.97	\$67.80	