

VOTE SHEET

August 18, 2009

Docket No. 080353-WU – Application for increase in water rates in Highlands County by Placid Lakes Utilities, Inc. (Deferred from the June 30, 2009 Commission Conference, revised recommendation filed.)

**Issue 1:** Is the quality of service provided by Placid Lakes Utilities, Inc. satisfactory?

**Recommendation:** Yes. The overall quality of service provided by Placid Lakes Utilities, Inc. is satisfactory. The Utility should be ordered to install an additional water line to loop two existing water lines on Thurman Avenue to improve water quality. This creates an increase to plant of \$3,978. Accordingly, corresponding adjustments should be made to increase depreciation expense and accumulated depreciation both by \$93.

**APPROVED**

**Issue 2:** What should the used and useful percentages be for the Utility’s water facilities?

**Recommendation:** The water treatment plant is 100 percent used and useful, and the distribution system is 79.09 percent used and useful. As such, water rate base should be reduced by ~~\$15,363~~ ~~\$125,032~~ to reflect the 20.91 percent of the distribution system which is non-used and useful. Accordingly, corresponding adjustments should be made to reduce depreciation expense by ~~\$305~~ ~~\$5,715~~ and property tax expense by \$700.

**APPROVED**

COMMISSIONERS ASSIGNED: All Commissioners

COMMISSIONERS’ SIGNATURES

MAJORITY

DISSENTING

*[Handwritten signatures: Katrina J. McMurrin, Scott A. H., Lori Edger, Mary Argenziano]*

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**REMARKS/DISSENTING COMMENTS:** Commissioner Argenziano participated in the conference by telephone. She will sign the vote sheet upon her return to the office.

DOCUMENT NUMBER-DATE

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**Issue 3:** Should adjustments be made to Placid Lakes' requested pro-forma plant additions?

**Recommendation:** Yes. Plant-in-service should be reduced by \$65,450 to reflect pro-forma plant adjustments. Corresponding adjustments should also be made to decrease accumulated depreciation and depreciation expense by \$65,450 and 3,593, respectively.

**APPROVED**

**Issue 4:** What is the appropriate working capital?

**Recommendation:** The appropriate amount of working capital is \$59,853.

**APPROVED**

**Issue 5:** What is the appropriate rate base?

**Recommendation:** The appropriate rate base for the test year ended December 31, 2008 is \$535,134 \$425,464 for the water system.

**APPROVED**

**Issue 6:** What is the appropriate return on equity?

**Recommendation:** The appropriate return on equity (ROE) is 9.67 ~~9.48~~ percent, based on staff's recommended 2009 ~~2008~~ leverage formula and an equity ratio of 100 percent. Staff recommends an allowed range of plus or minus 100 basis points be recognized for ratemaking purposes.

**APPROVED**

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**Issue 7:** What is the weighted average cost of capital including the proper components, amounts, and cost rates associated with the appropriate capital structure?

**Recommendation:** The recommended weighted average cost of capital is 9.58 ~~9.42~~ percent for the test year ended December 31, 2008.

**APPROVED**

**Issue 8:** Should adjustments be made to O&M expenses?

**Recommendation:** Yes, adjustments should be made to reduce O&M by \$8,204.

**APPROVED**

**Issue 9:** What is the appropriate amount of rate case expense?

**Recommendation:** The appropriate amount of rate case expense for this docket is \$94,164. This expense should be recovered over four years for an annual expense of \$23,791. Thus, rate case expense should be reduced by \$9,872.

**APPROVED**

**Issue 10:** What is the test year water operating income or loss before any revenue increase?

**Recommendation:** Based on the operating expense adjustments discussed in previous issues, the test year operating loss is \$29,694 ~~\$26,365~~ before any revenue increase.

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**Issue 11:** What is the appropriate revenue requirement?

**Recommendation:** The following revenue requirement should be approved:

	<u>Test</u>	<u>\$ Increase</u>	<u>Revenue</u>	<u>% Increase</u>
	<u>Year Revenues</u>		<u>Requirement</u>	
Water	\$536,400	<u>\$136,093</u>	<u>\$672,493</u>	<u>25.37%</u>
		<u>\$111,540</u>	<u>\$647,940</u>	<u>20.79%</u>

**APPROVED**

**Issue 12:** Should the utility's current three-tiered inclining-block rate structure, with monthly usage blocks of: a) 0-10,000 gallons (10 kgals); b) 10.001-20 kgals; and c) usage in excess of 20 kgals, with usage block rate factors of 1.0, 1.5, and 2.0, respectively, be continued for its water system?

**Recommendation:** Yes. Furthermore, the base facility charge (BFC) cost recovery allocation should be set at 40 percent.

**APPROVED**

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**Issue 13:** Is a repression adjustment to the utility's water system 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 5.0 ~~2.2~~ percent, resulting in a consumption reduction of approximately 4,789.1 ~~2,058.4~~ kgals. Total residential water consumption for ratesetting is 90,225.5 ~~92,956.2~~ kgals, which represents a 4.9 ~~2.1~~ percent reduction in overall consumption. The resulting water system reductions to revenue requirements are \$836 ~~\$359~~ in purchased power expense, \$546 ~~\$235~~ in chemicals expense, and \$65 ~~\$28~~ in regulatory assessment fees (RAFs). The post-repression revenue requirement for the water system is \$664,977 ~~\$641,527~~. In order to monitor the effects of the change in revenues, the utility should be ordered to prepare 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. These reports should be filed with staff, on a semi-annual 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**

**Issue 14:** What are the appropriate rates for this utility?

**Recommendation:** The appropriate monthly water rates are shown on Schedule 4, in staff's memorandum dated August 6, 2009. Excluding miscellaneous service revenues, the recommended water rates are designed to produce revenues of \$664,977 ~~\$641,527~~. 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**

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**Issue 15:** 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?

**Recommendation:** The rates should be reduced as shown on Schedule No. 4 in staff's memorandum dated August 6, 2009, to remove the 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 one month 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. Placid Lakes should provide proof of the date notice was given no less than 10 days after the date of the notice. 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.

**APPROVED**

**Issue 16:** In determining whether any portion of the 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. Using these principals, staff recommends that no interim refund is required.

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**Issue 17:** Should the Utility be required to provide proof that it has adjusted its books for all Commission approved adjustments?

**Recommendation:** Yes. To ensure that the Utility adjusts its books in accordance with the Commission's decision, Placid Lakes should provide proof, within 90 days of the final order in this docket, that the adjustments for all the applicable National Association of Regulatory Utility Commissioners Uniform System of Accounts primary accounts have been made.

**APPROVED**

**Issue 18:** 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 should 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. Once these actions are complete, this docket should be closed administratively, and the corporate undertaking should be released.

**APPROVED**