

FLORIDA PUBLIC SERVICE COMMISSION

VOTE SHEET

October 6, 2009

Docket No. 090072-WU – Application for staff-assisted rate case in Polk County by Keen Sales, Rentals and Utilities, Inc.

Issue 1: Is the quality of service provided by Keen or Utility satisfactory?

Recommendation: Yes. The quality of service provided by Keen Sales, Rentals and Utilities is satisfactory.

APPROVED

Issue 2: What are the used and useful percentages of the Utility's water system?

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

APPROVED

COMMISSIONERS ASSIGNED: All Commissioners

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

[Handwritten signatures in the majority column]

REMARKS/DISSENTING COMMENTS:

DOCUMENT NUMBER-DATE
10290 OCT-6 8
FPSC-COMMISSION CLERK

Vote Sheet

October 6, 2009

Docket No. 090072-WU – Application for staff-assisted rate case in Polk County by Keen Sales, Rentals and Utilities, Inc.

(Continued from previous page)

Issue 3: What is the appropriate allocation of common costs from Keen to the Subdivisions?

Recommendation: The appropriate allocation of common costs from Keen to the Subdivisions is 55 percent.

APPROVED

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

Recommendation: The appropriate average test year rate base for Keen is \$53,840.

APPROVED

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

Recommendation: The appropriate return on equity (ROE) is 11.30 percent with a range of 10.30 percent–12.30 percent. The appropriate overall rate of return is 7.39 percent.

APPROVED

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

Recommendation: The appropriate test year revenue for this Utility is \$41,536.

APPROVED

Issue 7: What are the appropriate operating expenses?

Recommendation: The appropriate amount of operating expenses for Keen is \$65,859.

APPROVED

Vote Sheet

October 6, 2009

Docket No. 090072-WU – Application for staff-assisted rate case in Polk County by Keen Sales, Rentals and Utilities, Inc.

(Continued from previous page)

Issue 8: What is the appropriate revenue requirement?

Recommendation: The appropriate revenue requirement is \$69,837 for water.

APPROVED

Issue 9: Should the Utility's current water system rate structure be changed, and, if so, what is the appropriate adjustment?

Recommendation: Yes. The Utility's current water system rate structure, which includes a 1,000 (1 kgal) allotment, should be changed to a three-tier inclining block rate structure. The usage blocks should be set for consumption at: a) 0-6 kgals; b) 6-12 kgals; c) usage in excess of 12 kgals, with appropriate usage block rate factors of 1.00; 1.50; and 2.00, respectively. The BFC cost recovery should be set at 35 percent.

APPROVED

Issue 10: Is a repression adjustment appropriate in this case, and if so, what are the appropriate adjustments to make for this Utility, what are the appropriate corresponding expense adjustments to make, and what are the final revenue requirements?

Recommendation: Yes, a repression adjustment is appropriate for this Utility. Test year consumption should be reduced by 15.6 percent, resulting in a consumption reduction of approximately 1,690 kgals. Purchased power expense should be reduced by \$302, chemical expense should be reduced by \$125, and regulatory assessment fees (RAFS) should be reduced by \$20. The final post-repression revenue requirement for the water system should be \$69,391.

In order to monitor the effect of the changes to rate structure and revenue, 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. In addition, the reports should be prepared, by customer class and meter size. The 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

Vote Sheet

October 6, 2009

Docket No. 090072-WU – Application for staff-assisted rate case in Polk County by Keen Sales, Rentals and Utilities, Inc.

(Continued from previous page)

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

Recommendation: The appropriate monthly water rates are shown on Schedule 4-A of staff's memorandum dated September 24, 2009. The recommended rates should be designed to produce revenue \$69,391 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 12: Should the Commission approve pro forma plant and expenses for the Utility, and if so, what is the appropriate return on equity, overall rate of return, revenue requirement and date for implementing the new rates?

Recommendation: Yes. The Commission should approve a Phase II revenue requirement associated with pro forma plant additions. With the pro forma items, Keen's appropriate return on equity should be 11.30 percent with a range of 10.30–12.30 percent. The appropriate overall rate of return is 7.39 percent. The Utility's revenue requirement should be \$71,167. Keen should complete the pro forma additions within 12 months of the issuance of the consummating order. The Utility should be allowed to implement the resulting rates once the pro forma additions have been completed and verified by staff. Once verified, the rates should be effective for service rendered on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475(1), F.A.C. The rates should not be implemented until notice has been received by the customers. Keen should provide proof of the date notice was given within 10 days after the date of the notice. If the Utility encounters any unforeseen events that will impede the completion of the pro forma additions, the Utility should immediately notify the Commission.

APPROVED

Vote Sheet

October 6, 2009

Docket No. 090072-WU – Application for staff-assisted rate case in Polk County by Keen Sales, Rentals and Utilities, Inc.

(Continued from previous page)

Issue 13: What is the appropriate amount 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 September 24, 2009, 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. Keen 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

Issue 14: 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 Keen?

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, Keen 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 September 24, 2009. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., Keen 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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Vote Sheet

October 6, 2009

Docket No. 090072-WU – Application for staff-assisted rate case in Polk County by Keen Sales, Rentals and Utilities, Inc.

(Continued from previous page)

Issue 15: 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, Keen 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 16: Should this docket be closed?

Recommendation: No. If no timely protest is received from a substantially affected person upon expiration of the protest period, the PAA Order will become final upon the issuance of a Consummating Order. However, this docket should remain open for an additional 12 months from the date of the Consummating Order to allow staff to verify completion of pro forma plant items described in Issue No. 12. Once staff has verified that the pro forma items have been completed, the docket should be closed administratively.

APPROVED