

VOTE SHEET

March 2, 2010

Docket No. 090346-WU – Application for staff-assisted rate case in Lake County by BRENDENWOOD WATER SYSTEM, INC.

**Issue 1:** Is the quality of service provided by Brendenwood Water System, Inc. satisfactory?

**Recommendation:** Yes, the overall quality of service provided by the Utility should be considered satisfactory.

**APPROVED**

**Issue 2:** What are the used and useful percentages of the water treatment plant and distribution system?

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

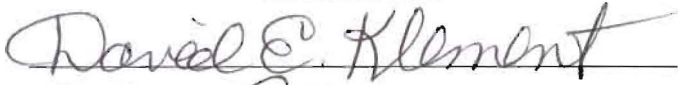
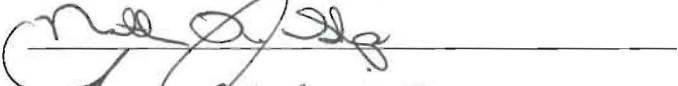



**APPROVED**

COMMISSIONERS ASSIGNED: All Commissioners

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

David C. Klement  
  
  
  
  


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REMARKS/DISSENTING COMMENTS:

DOCUMENT NUMBER-DATE

01421 MAR-20

FPSC-COMMISSION CLERK

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**Issue 3:** What is the appropriate average test year rate base for the Utility?

**Recommendation:** The appropriate average test year rate base for the Utility is \$13,213.

**APPROVED**

**Issue 4:** What is the appropriate return on equity and overall rate of return for this utility?

**Recommendation:** The appropriate return on equity (ROE) is 9.67 percent with a range of 8.67 percent to 10.67 percent. The appropriate overall rate of return is 9.67 percent.

**APPROVED**

**Issue 5:** What are the appropriate amount of test year revenues?

**Recommendation:** The appropriate test year revenues for this Utility are \$29,816.

**APPROVED**

**Issue 6:** What are the appropriate total operating expenses?

**Recommendation:** The appropriate amount of total operating expenses for the Utility is \$34,932.

**APPROVED**

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**Issue 7:** Should the Commission utilize the operating ratio methodology as an alternative means to calculate the revenue requirement for Brendenwood, and, if so, what is the appropriate margin?

**Recommendation:** Yes, the Commission should utilize the operating ratio methodology for calculating the revenue requirement for Brendenwood. The margin should be 10 percent of operation and maintenance expenses.

**APPROVED**

**Issue 8:** What is the appropriate revenue requirement?

**Recommendation:** The appropriate revenue requirement is \$38,119.

**APPROVED**

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

**Recommendation:** No. The Utility's current residential water rate structure consists of a two-tiered inclining block rate structure with usage blocks set at 0-10 kgals and usage in excess of 10 kgals, with rate factors of 1.0 and 2.0, respectively. While staff is not recommending that these rate blocks or rate factors be changed, we recommend that the rate charged for non-discretionary usage (0 to 5 kgals) within the first block not include any cost recovery attributable to the effects of repression. The base facility charge (BFC) allocation should be set at 30 percent. The recommended rate structure for the system's non-residential class consists of a traditional monthly BFC/uniform gallonage charge rate structure and should remain unchanged.

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**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 576 kgals or 6.2 percent. Purchased power expense should be reduced by \$152, chemical expense should be reduced by \$23, and regulatory assessment fees (RAFs) should be reduced by \$8. The final post-repression revenue requirement for the water system should be \$37,936. This repression adjustment is based upon a methodology that restricts cost recovery due to repression to discretionary usage only.

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**

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

**Recommendation:** The appropriate monthly water rates are shown on Schedule No. 4. The recommended rates should be designed to produce revenues of \$37,936 for water, excluding miscellaneous service revenues. 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.

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**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. Brendenwood's appropriate return on equity, with the pro forma items, should be 9.67 percent with a range of 8.67 – 10.67 percent. The appropriate overall rate of return is 9.67 percent. The Utility's phase II revenue requirement is \$38,806 which equates to an increase of 1.80 percent over phase I and was determined consistent with the operating ratio method discussed in Issue 7. Brendenwood 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. Brendenwood 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**

**Issue 13:** 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, to remove rate case expense grossed up for the regulatory assessment fee and amortized over a four-year period. The rate decrease should become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.0816, F.S. Brendenwood should be required to file revised tariffs and a proposed customer notice setting forth the lower rate 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 rate due to the amortized rate case expense.

**APPROVED**

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**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 Brendenwood?

**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, Brendenwood 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 February 18, 2010. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., Brendenwood 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 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 National Association of Regulatory Utility Commissioners Uniform System of Accounts (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, Brendenwood 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**