

VOTE SHEET

June 29, 2010

Docket No. 090447-WS – Application for staff-assisted rate case in Seminole County by CWS Communities d/b/a Palm Valley Utilities.

Issue 1: Is the quality of service provided by Palm Valley satisfactory?

Recommendation: Yes, the quality of service provided by Palm Valley is satisfactory.

DEFERRED

Issue 2: What are the used and useful percentages for the water treatment plant, the distribution system, the storage tanks, the wastewater treatment plant, the collection system, and the reuse facilities?

Recommendation: The Palm Valley water treatment plant (WTP) should be considered 78 percent used and useful (U&U). The wastewater treatment plant (WWTP) should be considered 81 percent U&U. The distribution system, the two storage tanks, the collection system, and the reuse facilities should be considered 100 percent U&U. In addition, staff recommends that chemicals and electricity for the water system be adjusted by 3 percent to recognize excessive unaccounted for water (UFW), and chemicals and electricity for the wastewater system be adjusted by 9 percent to recognize excessive I&I.

DEFERRED

COMMISSIONERS ASSIGNED: All Commissioners

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

REMARKS/DISSENTING COMMENTS: Deferred to the August 3, 2010 Commission Conference

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Issue 3: What is the appropriate average test year rate base for Palm Valley?

Recommendation: The appropriate average test year rate base for the Utility is \$622,337 for water and \$1,468,447 for wastewater.

DEFERRED

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 11.22 percent with a range of 10.22–12.22 percent. The appropriate overall rate of return is 7.84 percent.

DEFERRED

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

Recommendation: The appropriate test year revenue for this Utility is \$163,648 for water and \$234,130 for wastewater.

DEFERRED

Issue 6: What are the appropriate operating expenses?

Recommendation: The appropriate amount of operating expense for the Utility is \$128,408 for water and \$457,928 for wastewater.

DEFERRED

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Issue 7: What is the appropriate revenue requirement?

Recommendation: The appropriate revenue requirement is \$177,200 for water and \$573,054 for wastewater.

DEFERRED

Issue 8: What are the appropriate rate structures for the Utility's water and wastewater systems?

Recommendation: The appropriate rate structure for the water system's residential and non-residential class is a continuation of the monthly base facility charge (BFC)/uniform gallonage charge rate structure. The water system's BFC cost recovery should be set at 56 percent. The appropriate rate structure for the wastewater system's residential and non-residential class is a monthly BFC/uniform gallonage. The non-residential gallonage charge should be 1.2 times greater than the corresponding residential charge, and the BFC cost recovery percentage for the wastewater system should be set at 50 percent. The residential wastewater cap should remain set at 6,000 gallons (6 kgals). Also, staff recommends that the current reuse rate structure and rates remain unchanged.

DEFERRED

Issue 9: 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 for the respective water and wastewater systems?

Recommendation: No, a repression adjustment is not appropriate for this Utility. However, in order to monitor the effects resulting from the changes in revenues, the Utility should prepare monthly reports for the water system, detailing the number of bills rendered, the consumption billed and revenues billed. 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.

DEFERRED

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Issue 10: What are the appropriate rates for this Utility?

Recommendation: The appropriate monthly water and wastewater rates are shown on Schedules Nos. 4-A and 4-B of staff's memorandum dated June 17, 2010, respectively. The recommended rates should be designed to produce revenue \$177,200 for water and \$559,152 for wastewater, 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.

DEFERRED

Issue 11: 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 and wastewater rates should be reduced as shown on Schedule Nos. 4-A and 4-B of staff's memorandum dated June 17, 2010, 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. Palm Valley 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.

DEFERRED

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Issue 12: 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 Palm Valley?

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, Palm Valley 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 June 17, 2010. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., Palm Valley 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.

DEFERRED

Issue 13: 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, Palm Valley 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.

DEFERRED

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Issue 14: Should this docket be closed?

Recommendation: No. The docket should remain open until a final order has been issued, staff has approved the revised tariffs sheets and customer notices, the Utility has sent the notices to its customers, staff has received proof that the customers have received notice within 10 days after the date of the notice, and the Utility has provided staff with proof that the adjustments for all the applicable NARUC USOA primary accounts have been made. Once staff has verified all of the above actions are complete, this docket should be closed administratively.

DEFERRED