

FLORIDA PUBLIC SERVICE COMMISSION

VOTE SHEET

December 14, 2010

Docket No. 100104-WU – Application for increase in water rates in Franklin County by Water Management Services, Inc.

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

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

APPROVED

Issue 2: What is the used and useful percentage of the Utility's water distribution system?

Recommendation: Consistent with the methodology in Order No. PSC-94-1383-FOF-WU, the Utility's transmission and distribution mains should be considered 100 percent used and useful, except for the distribution mains less than 8" in diameter serving certain subdivisions within the area known as the Plantation. Those lines inside the Plantation should be considered 60.9 percent used and useful and no further adjustment to the Utility's MFRs is necessary for the water distribution system.

APPROVED

COMMISSIONERS ASSIGNED: Graham, Edgar, Skop

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

Handwritten signatures for majority: Neil A. Skop, [Signature], Lois Edger.

Handwritten signatures for dissenting: Neil A. Skop, [Signature], Lois Edger issue 22 only.

REMARKS/DISSENTING COMMENTS: Oral modification, Document Number 09881-10, attached. Commissioner Edger dissented on Issue 22. Commissioner Skop dissented on Issue 4. Chairman Graham dissented on Issue 29.

DOCUMENT NUMBER: 09938 DEC 14 2010 FPSC-COMM-SUPPLY

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Issue 3: Should any adjustments be made to rate base regarding affiliate assets?

Recommendation: No. The Utility removed the plant and accumulated depreciation associated with Trailer No. 2. However, depreciation expense should be reduced by \$2,670.

APPROVED

Issue 4: Should any adjustments be made to rate base for vehicles?

Recommendation: Yes. Plant should be decreased by \$30,413 for a 2007 Chevy Tahoe. Accumulated depreciation should be reduced by \$4,224. Further, depreciation expense should be reduced by \$5,069. Also, the Utility's adjustments for 50 percent U&U should not be applied to the vice president's vehicle. The net adjustment to U&U is an increase of \$13,094. Depreciation expense should be increased by \$2,535 to remove the U&U adjustment for the vice president's vehicle. Finally, the Utility should be ordered to maintain travel logs for all vehicles to enable staff to evaluate the appropriate level of utility-related usage in future rate case proceedings.

APPROVED; *Commissioner Skop dissented.*

Issue 5: Should any adjustments be made to offset plant improvements related to mains in the State Park as a result of WMSI's transfer of rental rights to the elevated tower?

Stipulation: As a result of WMSI's transfer of rental rights to the elevated tower, plant and accumulated depreciation should be reduced by \$100,000 and \$6,978, respectively. Additionally, test year depreciation expense should be reduced by \$2,326.

**STIPULATION
APPROVED**

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Issue 6: Should any adjustments be made to test year plant-in-service balances?

Recommendation: Yes. Plant should be increased by \$11,371 to reflect capitalized plant and decreased by \$8,001 for retirement cost of replaced plant items for a net increase of \$3,370. Accordingly, accumulated depreciation should be decreased by \$7,909, and depreciation expense should increase by \$560.

APPROVED

Issue 7: Should any adjustments be made to test year land?

Stipulation: Land should be decreased by \$3,400 to reflect the removal of appraisal and surveying costs associated with land that was sold.

**STIPULATION
APPROVED**

Issue 8: What improvements, if any, has WMSI made to its water distribution system regarding fire flow that were addressed by the Commission in Orders Nos. PSC-04-0791-AS-WU, issued August 12, 2004, and PSC-05-1156-PAA-WU, issued November 21, 2005, in Docket No. 000694-WU? Do these improvements satisfy the requirements of the orders?

Recommendation: The Utility has made the improvements to its water distribution system regarding fire flow and has satisfied the requirements of Commission Order Nos. PSC-04-0791-AS-WU and PSC-05-1156-PAA-WU.

APPROVED

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Issue 9: Should the Utility's pro forma plant additions be approved for recovery? If so, in what manner should they be approved for recovery?

Recommendation: The pro forma plant additions should not be approved for recovery in this proceeding. However, all evidence supports that the proposed projects are prudent, reasonable, and should improve the quality of service and the system's reliability. ~~Staff therefore recommends that the Commission find in this proceeding that the pro forma projects are prudent.~~ However, the Utility should file for another proceeding once it has obtained adequate cost justification for the pro forma plant additions. At this time, all adjustments related to the pro forma plant additions should be removed as outlined in the analysis portion of staff's memorandum dated December 3, 2010.

APPROVED as modified (above): Language in the Order to reflect such modification.

Issue 10: Should any adjustments be made to test year accumulated depreciation?

Recommendation: Yes. However, all such adjustments have been made in preceding issues.

APPROVED, as impacted by the vote on Issue 4.

Issue 11: Should any adjustments be made to test year Advances for Construction?

Recommendation: No further adjustment beyond adjustment specified in Stipulation No. 5 identified on page 5 of staff's memorandum dated December 3, 2010, is necessary. The partial stipulation states that Advances for Construction should be decreased by \$9,257 to reflect Commission approved adjustment from the Utility's last rate case.

APPROVED

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Issue 12: What is the appropriate working capital allowance?

Recommendation: With the partial stipulation, and other appropriate adjustments, the appropriate working capital allowance is \$39,912.

APPROVED

Issue 13: What is the appropriate rate base for the December 31, 2009, test year?

Recommendation: Consistent with other recommended adjustments, the appropriate 13-month average rate base is \$3,724,384.

APPROVED, *as adjusted by the vote on Issue 4.*

Issue 14: What is the appropriate amount of customer deposits to include in the capital structure?

Stipulation: The appropriate amount of customer deposits to include in the capital structure is \$100,499.

**STIPULATION
APPROVED**

Issue 15: What is the appropriate amount and cost rate for long-term debt for the test year?

Recommendation: The appropriate amount and cost rate for long-term debt for the test year is \$3,623,885 at 3.79 percent.

APPROVED

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Issue 16: What is the appropriate return on equity (ROE) for the test year?

Recommendation: The appropriate return on equity for the test year is 10.85 percent.

APPROVED

Issue 17: What is the appropriate weighted average cost of capital including the proper components, amounts and cost rates associated with the capital structure for the December 31, 2009, test year?

Recommendation: The appropriate weighted average cost of capital for WMSI is 3.85 percent.

APPROVED, *as impacted by the Vote on Issue 4.*

Issue 18: Should any adjustments be made to the requested level of salaries and wages expense?

Recommendation: Yes. The level of salaries and wages expense should be reduced by \$50,424. The corresponding adjustment for payroll taxes is a decrease of \$3,857.

APPROVED

Issue 19: Should any adjustments be made to employee pension and benefits?

Recommendation: Yes. Employee pension and benefits should be reduced by \$83,665 to reflect the removal of \$80,000 for the executive deferred compensation plan and \$3,665 to allocate 12.5 percent of the expense to affiliate operations.

APPROVED

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Issue 20: Should any adjustments be made to Materials and Supplies expense?

Recommendation: Yes. Materials and Supplies should be decreased by \$8 to remove an out of period expense.

APPROVED

Issue 21: Should any adjustments be made to the requested level of Engineering Services expense?

Recommendation: Yes. The requested level of Engineering Services expense should be decreased by \$42,128.

APPROVED

Issue 22: Should any adjustments be made to the requested level of Accounting Services expense?

Recommendation: Yes. The requested level of accounting services expense should be reduced by \$14,333.

APPROVED; *Commissioner Edger dissented.*

Issue 23: Should any adjustments be made to the requested level of DEP refinancing costs?

Recommendation: Yes. The Utility's test year expenses should be reduced by \$2,500 to remove cost related to the DEP refinancing.

APPROVED

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Issue 24: Should any adjustments be made to the requested level of Contract Labor Costs?

Stipulation: \$1,250 of additional contractual service costs should be removed for a total of \$7,250 for Hank Garrett charges during 2009 (on general ledger as management fees).

**STIPULATION
APPROVED**

Issue 25: Should additional adjustments be made to remove out of period costs for annual report preparation fees?

Stipulation: Yes. An adjustment should be made to reduce the out of period costs by \$2,100 to reflect the actual cost incurred in 2009 for preparation of the 2008 Annual Report.

**STIPULATION
APPROVED**

Issue 26: Should any adjustments be made to rental of building/real property?

Recommendation: Yes. Rental of building/real property should be reduced by \$2,250 to reflect the allocation of rent expense to affiliated entities.

APPROVED

Issue 27: Should any adjustment be made to transportation expense?

Recommendation: Yes. Transportation expense should be reduced by \$3,618.

APPROVED, *as impacted by the Note on Issue 4.*

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Issue 28: Should the requested key man life insurance expense be approved?

Recommendation: No. The key man life insurance expense should not be approved and the Utility's insurance-other account should be reduced by \$12,015.

APPROVED

Issue 29: What is the appropriate amount of rate case expense?

Recommendation: The Utility's test year rate case expense should be reduced by \$24,184 to remove the fully amortized expense from the Utility's prior limited proceeding. The appropriate amount of rate case expense is \$206,632. The four-year amortization results in test year rate case expense of \$51,658, which decreases the Utility's annual amortization amount by \$5,495.

MODIFIED

*Chairman yeah am dissented,
There be an adjustment to remove Attorney Clark's
cost in the amount of ten hours. Staff given
administrative authority to adjust the numbers
in keeping with the decision made today.*

Issue 30: Should any adjustments be made to employee training costs?

Recommendation: Yes. Employee training costs should be decreased by \$1,752.

APPROVED

Issue 31: Should any further adjustments be made to miscellaneous expenses?

Recommendation: Yes. Miscellaneous expense should be further reduced by \$54,594.

APPROVED

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Issue 32: Should any further adjustments be made to the Utility's pro forma expenses?

Recommendation: No further adjustments should be made to the Utility's pro forma expenses. However, the Utility should submit a quarterly general ledger and canceled checks verifying that the Utility is consistently paying for the pro forma expenses allowed in this rate proceeding for a period of two years.

APPROVED

Issue 33: Should any adjustments be made to depreciation expense?

Recommendation: Yes. However, all such adjustments have been made in preceding issues.

APPROVED, *as impacted by the Vote on Issues 4 and 29.*

Issue 34: Should the company's request to recover the costs associated with the withdrawn wastewater certificate application be approved?

Recommendation: No. The Utility's requested amortization of \$10,570 for cost associated with its application for a wastewater certificate should be removed.

APPROVED

Issue 35: How should the gain on sale of land and other assets be treated?

Recommendation: The gain on sale of land and other assets of the Utility should be amortized over five years. The annual amortization is \$48,408.

APPROVED

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Issue 36: What is the test year pre-repression water operating income or loss before any revenue increase?

Recommendation: The test year pre-repression water operating income is \$136,572 for water.

APPROVED, *as impacted by the Vote on Issue 4.*

Issue 37: What is the appropriate pre-repression revenue requirement for the December 31, 2009 test year?

Recommendation: The following revenue requirement should be approved.

	<u>Test</u> <u>Year Revenues</u>	<u>\$ Increase</u>	<u>Revenue</u> <u>Requirement</u>	<u>% Increase</u>
Water	\$1,302,363	\$7,124	\$1,309,487	0.55%

APPROVED, *as impacted by the Vote on Issue 29.*

Issue 38: What are the appropriate test year billing determinants before repression?

Recommendation: The appropriate test year billing determinants before repression are those listed in the MFR Schedule E-2, page 1 of 2, column 5, and in MFR Schedule E-14.

APPROVED

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Issue 39: What are the appropriate rate structures for this utility?

Recommendation: The appropriate rate structure for the residential class is a continuation of the Utility's existing three-tiered inclining block rate structure. The appropriate rate structure for all non-residential classes is a continuation of the BFC/uniform gallonage charge rate structure. Because staff's recommended change in revenue requirements is approximately one half of one percent, staff recommends that the Utility's BFC and gallonage charges remain unchanged.

APPROVED

Issue 40: Is a repression adjustment appropriate in this case, and, if so, what is the appropriate adjustment to make for this Utility?

Recommendation: No, a repression adjustment is not appropriate in this case.

APPROVED

Issue 41: What are the appropriate rates for this Utility?

Recommendation: The appropriate monthly rates are shown on Schedule No. 4 of staff's memorandum dated December 3, 2010. Excluding miscellaneous service revenues, the recommended water rates are designed to produce total Utility revenues of \$1,298,436. 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, *as impacted by the Vote on Issue 29.*

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Issue 42: Should the Utility be authorized to revise its miscellaneous service charges, and, if so, what are the appropriate charges?

Recommendation: Yes. Staff recommends that the Utility’s proposed charges as reflected in Exhibit 3 (MFR p. 70) are reasonable and should be approved.

APPROVED

Issue 43: Are the procedures and charges imposed by WMSI when an existing customer disconnects and/or a new customer reconnects in an existing service location appropriate? If not, how should the tariff provisions governing these activities be modified?

Recommendation: No. The procedures imposed by WMSI when an existing customer disconnects and/or a new customer reconnects in an existing service location are not appropriate. The Utility does not have the authority to inspect the interior of a customer’s property nor refuse service if it can not make an interior inspection. The “Addendum to Water Application” is appropriate as it will assist the Utility in obtaining the necessary information for determining property use and should be incorporated into its tariff. The temporary charge of \$100 is reasonable and should be incorporated in the Utility’s tariff along with the definition and policies governing the temporary service charge.

APPROVED

Issue 44: 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. The Utility should be required to refund 100 percent of the interim increase that was collected by the Utility. The refund should be made with interest in accordance with Rule 25-30.360(4), F.A.C. The Utility should be required to submit proper refund reports, pursuant to Rule 25-30.360(7), F.A.C. The Utility should treat any unclaimed refunds as CIAC, pursuant to Rule 25-30.360(8), F.A.C. Further, the escrow should be released upon staff’s verification that the required refunds have been made.

APPROVED

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Issue 45: 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 of staff's memorandum dated December 3, 2010, to remove \$54,092 of water rate case expense, grossed up for regulatory assessment fees (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 25-40.475(1), F.A.C. The rates should not be implemented until staff has approved the proposed customer notice. WMSI should provide proof of the date notice was given no less than 10 days after the date of the notice.

APPROVED, *as impacted by the Vote on Issue 29 and noting a potential fallout issue from Issue 44.*

Issue 46: What are the appropriate service availability charges for WMSI?

Recommendation: The appropriate service availability charges for WMSI are the charges contained in its current tariff.

APPROVED

Issue 47: Should the Utility be required to provide proof that it has adjusted its books for all Commission approved adjustments?

Stipulation: To ensure that the Utility adjusts its books in accordance with the Commission's decision, WMSI 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.

**STIPULATION
APPROVED**

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Issue 48: Has the Utility failed to return customer deposits in compliance with the refund procedures stated in Rule 25-30.311(5), Florida Administrative Code, and, if so, what amount of customer deposits shall the Utility be required to refund?

Recommendation: No. The Utility has not failed to return customer deposits in compliance with the refund procedures stated in Rule 25-30.311(5), F.A.C.

APPROVED

Issue 49: Did the Utility fail to maintain field employee travel records pursuant to Order No. PSC-94-1383-FOF-WU? If so, should the Utility be ordered to show cause why it failed to maintain field employee travel records, pursuant to Order No. PSC-94-1383-FOF-WU, issued November 14, 1994?

Recommendation: Yes, the Utility failed to maintain field employee travel records in compliance with the requirements of Order No. PSC-94-1383-FOF-WU, and should be ordered to show cause why it should not be fined \$1,000, pursuant to Section 367.161, F.S., for this failure to comply with the Order.

APPROVED

Issue 50A: Is the Utility's level of investment in associated companies appropriate? If not, what action should the Commission take?

Recommendation: Based on the evidence in the record, it cannot be determined if the level of investment in associated companies is appropriate. However, this amount is not included in rate base and thus is not considered in the determination of the customer rates recommended in this proceeding. ~~Before the next filing by this Utility,~~ Staff will initiate a cash flow audit to explore this issue in greater detail.

APPROVED, *as modified.*

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Issue 50B Are there any non-Utility expenses that the Utility is requesting be recovered through customer rates? If so, what adjustments should be made?

Recommendation: Yes, however, all non-Utility adjustments have been made in previous issues.

APPROVED

Issue 51: Should this docket be closed?

Recommendation: If the Commission's final order is not appealed, this docket should be closed upon staff's approval of the tariffs, verification of the required refunds, and the expiration of the time for filing an appeal.

APPROVED (*as impacted by the Vote on Issue 29*)

Ann Cole

From: Tim Devlin
Sent: Friday, December 10, 2010 1:14 PM
To: Ann Cole
Cc: Commissioners Advisors; Mary Anne Helton; Chuck Hill; Marshall Willis; Shannon Hudson
Subject: FW: Request for Oral Modification for Item No. 18, December 14, 2010, Agenda Conference, Docket No. 100104-WU - Water Management Services, Inc.

Approved.

From: Shannon Hudson
Sent: Friday, December 10, 2010 12:20 PM
To: Tim Devlin
Cc: Chuck Hill; Marshall Willis; Cheryl Bulecza-Banks; Andrew Maurey; Bart Fletcher; Jennifer Crawford; Ralph Jaeger; Erik Saylor; Tom Walden; Patti Daniel; Jay Williams; Paul Stallcup; Jennie Lingo
Subject: Request for Oral Modification for Item No. 18, December 14, 2010, Agenda Conference, Docket No. 100104-WU - Water Management Services, Inc.

Item 18 relates to a post-hearing file and suspend rate case for Water Management Services, Inc.. Staff requests approval to make an oral modification to the water rate schedule (Schedule No. 4) on Page 116. The 10" Compound BFC charge of \$3,049.77 is a scrivener's error and should be reflected as \$3,163.57. This requested modification has no other effects on Staff's recommendation. The specific modification is in type and strike format as follows:

Water Management Services, Inc.		Schedule No. 4			
Water Monthly Service Rates		Docket No. 100104-WU			
Test Year Ended 12/31/09					
	Rates Prior to Filing	Commission Approved Interim	Utility Requested Final	Staff Recomm. Final	4-year Rate Reduction
Residential, GS and Multi-Family					
Base Facility Charge by Meter Size:					
5/8" x 3/4"	\$27.50	\$30.20	\$58.42	\$27.50	\$1.14
3/4"	\$41.26	\$45.31	\$87.64	\$41.26	\$1.71
1"	\$68.78	\$75.52	\$146.10	\$68.78	\$2.86
1-1/2"	\$137.54	\$151.04	\$292.16	\$137.54	\$5.71
2"	\$220.08	\$241.67	\$467.50	\$220.08	\$9.14
3" Compound	\$412.64	\$453.12	\$876.53	\$412.64	\$17.14
3" Turbine	\$481.42	\$528.64	\$1,022.64	\$481.42	\$20.00
4" Compound	\$687.74	\$755.20	\$1,460.90	\$687.74	\$28.56
4" Turbine	\$825.28	\$906.24	\$1,753.07	\$825.28	\$34.28
6" Compound	\$1,375.46	\$1,510.40	\$2,921.76	\$1,375.46	\$57.13
6" Turbine	\$1,719.33	\$1,898.01	\$3,652.21	\$1,719.33	\$71.41
8" Compound	\$2,200.75	\$2,440.47	\$4,674.85	\$2,200.75	\$91.41
8" Turbine	\$2,475.83	\$2,718.72	\$5,259.17	\$2,475.83	\$102.83
10" Compound	\$3,163.57	\$3,473.93	\$6,720.08	\$3,049.77	\$131.39

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FPSC-COMMISSION CLERK

10" Turbine	\$3,988.85	\$4,380.17	\$8,473.14	\$3,988.85	\$185.67
12" Compound	\$5,914.50	\$6,494.73	\$12,583.62	\$5,914.50	\$245.65
<u>Residential</u>					
Gallage Charge					
0 - 8,000 Gallons	\$3.27	\$3.60	\$2.99	\$3.27	\$0.14
8,001 - 15,000 Gallons	\$4.08	\$4.48	\$2.99	\$4.08	\$0.17
over 15,000 Gallons	\$4.91	\$5.39	\$4.48	\$4.91	\$0.20
<u>General Service and Multi-Family</u>					
Gallage Charge, per 1,000 Gallons	\$4.65	\$5.11	3.30	\$4.65	\$0.19
<u>Typical Residential Bills 5/8 x 3/4" Meter</u>					
3,000 Gallons	\$37.31	\$40.99	\$87.39	\$37.31	
5,000 Gallons	\$43.85	\$48.18	\$73.37	\$43.85	
10,000 Gallons	\$81.82	\$87.93	\$88.32	\$81.82	