

VOTE SHEET

August 9, 2011

Docket No. 100128-WU – Application for increase in water rates in Gulf County by Lighthouse Utilities Company, Inc.

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

Recommendation: Yes. The quality of service provided by Lighthouse is satisfactory.

APPROVED

Issue 2: Should the audit adjustments to operating expenses to which the Utility agrees be made?

Recommendation: Yes. Based on audit adjustments agreed to by the Utility and staff, operation and maintenance (O&M) expenses should be decreased by \$13,299, and taxes other than income (TOTI) should be increased by \$638.

APPROVED

DOCUMENT NUMBER - DATE
05616 AUG -9 =
FPSC-COMMISSION CLERK

COMMISSIONERS ASSIGNED: All Commissioners

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

Handwritten signatures in blue ink on lines under the MAJORITY heading.

REMARKS/DISSENTING COMMENTS:

Issues 13 to 26 were approved with discretion to staff to make any adjustments necessary in light of Commission's note on Issue 12.

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Issue 3: Should any further adjustments be made to the test year plant?

Recommendation: Based on support documentation provided by the Utility, plant should be reduced by \$292,961. Corresponding adjustments should be made to decrease accumulated depreciation and depreciation expense by \$169,430 and \$10,098, respectively. Lastly, O&M expenses should be increased by \$10,400.

APPROVED

Issue 4: Should adjustments be made to the Utility's pro forma plant additions?

Recommendation: Yes. Plant should be increased by \$37,247. Accordingly, accumulated depreciation and depreciation expense should be increased by \$508. Lastly, TOTI should be increased by \$494.

APPROVED

Issue 5: What are the used and useful percentages of the Utility's water system?

Recommendation: Lighthouse's water treatment plant and storage facilities should be considered 100 percent used and useful (U&U). The water transmission and distribution system should be considered 82 percent U&U. This results in a non-U&U rate base adjustment of \$81,022, as well as corresponding non-U&U depreciation expense and property tax adjustments of \$824 and \$1,264, respectively. In addition, a 11.3 percent excessive unaccounted for water (EUW) adjustment should be made to the appropriate operational expenses, such as purchased power and chemicals to reflect excessive water loss. This results in a reduction to O&M expenses of \$5,465.

APPROVED

Issue 6: What is the appropriate working capital allowance?

Recommendation: The appropriate working capital allowance is \$44,351. As such, working capital should be decreased by \$4,049.

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Issue 7: What is the appropriate rate base for the December 31, 2009 test year?

Recommendation: Consistent with other recommended adjustments, the appropriate simple average rate base for the test year ended December 31, 2009, is \$997,442.

APPROVED

Issue 8: What is the appropriate return on equity?

Recommendation: Based on the Commission leverage formula currently in effect, the appropriate return on equity (ROE) is 11.16 percent with an allowed range of plus or minus 100 basis points.

APPROVED

Issue 9: What is the appropriate weighted average cost of capital including the proper components, amounts, and cost rates associated with the capital structure for the test year ended December 31, 2009?

Recommendation: The appropriate weighted average cost of capital for the test year ended December 31, 2009 is 8.97 percent.

APPROVED

Issue 10: What are the appropriate test year revenues?

Recommendation: The appropriate test year revenues for this utility are \$470,419.

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Issue 11: Should any adjustments be made to Rental of Building and Contractual Services-Other expenses?

Recommendation: Yes. Rental of Building expense should be reduced by \$3,500 and Contractual Services – Other expense should be reduced by \$4,485.

APPROVED

Issue 12: Should an adjustment be made to the Utility's salaries and wages and pensions and benefits expenses?

Recommendation: Yes, adjustments should be made to reduce directors fees by \$24,000 and pensions and benefits expense by \$11,196.

APPROVED *with modification to increase the number of compensated directors to 4.*

Issue 13: What is the appropriate amount of rate case expense?

Recommendation: The appropriate amount of rate case expense is \$64,358. This expense should be recovered over four years for an annual expense of \$16,089. Thus, Lighthouse's requested annual rate case expense should be reduced by \$2,661.

APPROVED

Issue 14: What is the test year water operating income before any revenue increase?

Recommendation: Based on the adjustments discussed in previous issues, the test year operating income is \$37,977.

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Issue 15: What is the appropriate revenue requirement for the December 31, 2009 test year?

Recommendation: The following revenue requirement should be approved.

<u>Test</u>		<u>Revenue</u>	
<u>Year Revenues</u>	<u>\$ Increase</u>	<u>Requirement</u>	<u>% Increase</u>
<u>\$470,423</u>	<u>\$53,934</u>	<u>\$524,357</u>	<u>11.46%</u>

APPROVED

Issue 16: What are the appropriate test year billing determinants?

Recommendation: The appropriate test year billing determinants are 16,280 bills, 17,316.5 ERCs and 70,773 kgals sold.

APPROVED

Issue 17: What is the appropriate water rate structure?

Recommendation: The appropriate rate structure for this Utility is a continuation of the BFC/uniform kgal charge rate structure. The revenue requirement increase should be allocated such that the resulting BFC cost recovery is 50 percent.

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Issue 18: Is a regression adjustment appropriate for this Utility, and, if so, what is the appropriate methodology to calculate a regression adjustment, and what are the appropriate resulting regression adjustments for this Utility?

Recommendation: No, a regression adjustment is not appropriate. However, in order to monitor the effect of the rate change, 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 with 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 19: What are the appropriate monthly rates for the Utility?

Recommendation: The appropriate monthly water rates are shown on Schedule 4-A of staff's memorandum dated July 28, 2011. Excluding miscellaneous service charges, the recommended water rates produce revenues of \$524,032. The Utility should file revised water tariff sheets and a proposed customer notice to reflect the Commission-approved rates for the water system. 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 approved rates should not be implemented until staff has approved the proposed customer notice. The Utility should provide proof of the date notice was given no less than ten days after the date of the notice.

APPROVED

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Issue 20: Should Lighthouse be authorized to revise its miscellaneous service charges?

Recommendation: Yes, Lighthouse should be authorized to revise its miscellaneous service charges. The Utility should file a proposed customer notice to reflect the Commission-approved charges. The approved charges should be effective for service rendered on or after the stamped approval date of the tariff, pursuant to Rule 25-30.475(1), F.A.C., provided the notice has been approved by staff. The Utility should provide proof the customers have received notice within 10 days of the date that the notice was sent. The appropriate charges are reflected below.

Miscellaneous Service Charges

	<u>Normal Hrs</u>	<u>After Hrs</u>
Initial Connection	\$21	\$42
Normal Reconnection	\$21	\$42
Violation Reconnection	Actual Cost	Actual Cost
Premises Visit	\$21	\$42

APPROVED

Issue 21: Should the Utility's request for approval of a \$5.25 late payment fee be granted?

Recommendation: Yes. The Utility's requested late fee of \$5.25 should be approved. The late fee should be effective on or after the stamped approval date on the 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 within 10 days of the date of the notice.

APPROVED

Issue 22: Should the Utility's request for approval of a Non-Sufficient Funds fee be granted?

Recommendation: Yes. The Utility's requested Non-Sufficient Funds (NSF) fee should be approved. The NSF fee should be effective on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475(1), F.A.C.

APPROVED

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Issue 23: Should Lighthouse's service availability charges be revised?

Recommendation: Yes. Lighthouse's current system capacity charge should be discontinued and plant capacity and main installation charges of \$157 and \$843, respectively, should be approved. The Utility shall file revised tariff sheets which are consistent with the Commission's decision. Staff should be given administrative authority to approve the revised tariff sheets upon verification that the tariffs are consistent with the Commission's decision. If revised tariff sheets are filed and approved, the revised service availability charges shall become effective for connections made on or after the stamped approval date of the revised tariff sheets, if no protest is filed.

APPROVED

Issue 24: 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 4 of staff's memorandum dated July 28, 2011, to remove \$20,277 of rate case expense grossed up for regulatory assessment fees (RAFs). 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. The Utility should provide proof of the date notice was given within 10 days of the date of the notice.

APPROVED

Issue 25: 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, Lighthouse should provide proof, within 90 days of the final order in this docket, that the adjustments for all of the applicable National Association of Regulatory Utility Commissioners Uniform System of Accounts primary accounts have been made.

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Issue 26: Should this docket be closed?

Recommendation: No. If no timely protest is filed by a substantially affected person within 21 days of the Proposed Agency Action Order, a Consummating Order should be issued. However, 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.

APPROVED