

VOTE SHEET

June 19, 2012

Docket No. 100048-WU – Application for increase in water rates in Marion County by Sunshine Utilities of Central Florida, Inc.

Issue 1: Is the quality of service provided by Sunshine Utilities of Central Florida, Inc. satisfactory?

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

APPROVED

Issue 2: Should the audit adjustments to rate base and operating expense to which the Utility and staff agree be made?

Recommendation: Yes. Based on the audit adjustments agreed to by the Utility and staff, the following adjustments should be made to rate base and net operating income as set forth in the analysis portion of staff's memorandum dated June 7, 2012.

APPROVED

COMMISSIONERS ASSIGNED: All Commissioners

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

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

Four horizontal lines under the DISSENTING heading, all of which are blank.

REMARKS/DISSENTING COMMENTS:

Oral modification, assigned Document number 03934-12, attached.

DOCUMENT NUMBER DATE 03982 JUN 19 2012

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Issue 3: What are the used and useful percentages of the Utility's water systems?

Recommendation: The composite used and useful (U&U) percentage for the Unified water treatment plants (WTPs), as well as the Ponderosa Pines, Quail Run, and Sandy Acres WTPs should be considered 100 percent U&U. The composite U&U percentage for all of the Unified water distribution systems excluding the Ponderosa Pines, Quail Run, and Sandy Acres systems should be considered 83 percent U&U. The Ponderosa Pines distribution system should be considered 100 percent U&U, and the Quail Run and Sandy Acres distribution systems should each be considered 93 percent U&U. The resulting rate base adjustments are shown on Schedule No. 2-B of staff's memorandum dated June 7, 2012, and the depreciation expense and property tax adjustments are shown on Schedule No. 3-B.

APPROVED

Issue 4: What is the appropriate working capital allowance?

Recommendation: The appropriate working capital allowance is \$107,683.

APPROVED

Issue 5: What is the appropriate rate base for the test year ended December 31, 2010?

Recommendation: Consistent with other recommended adjustments, the appropriate rate base for the test year ended December 31, 2010, is \$315,168.

APPROVED

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Issue 6: What is the appropriate return on equity?

Recommendation: Based on the Commission leverage formula currently in effect, the appropriate return on equity (ROE) is 9.13 percent. Staff recommends an allowed range of plus or minus 100 basis points be recognized for ratemaking purposes.

APPROVED

Issue 7: What is the appropriate weighted average cost of capital including the proper components, amounts, and cost rates associated with the capital structure?

Recommendation: Based on the resolution of the previous issues, the appropriate weighted average cost of capital, including the proper components, amounts, and cost rates associated with the capital structure, is 8.11 percent.

APPROVED

Issue 8: Should the Utility's pro forma O&M expense adjustment be allowed?

Recommendation: No. Staff believes O&M expense should be reduced by \$9,769. The specific adjustments to each system are set forth in the analysis portion of staff's memorandum dated June 7, 2012.

APPROVED

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Issue 9: What is the appropriate amount of rate case expense?

Recommendation: The appropriate amount of rate case expense is \$49,400. This expense should be recovered over four years for an annual expense of \$12,350. Therefore, annual rate case expense should be reduced by \$150.

APPROVED

Issue 10: Should any adjustments be made to salaries expense?

Recommendation: Yes. Staff believes Salaries and Wages – Officers expense should be increased by \$8,597. Accordingly, a corresponding adjustment should be made to increase benefits and payroll taxes by \$1,132 and \$658, respectively. The specific adjustments to each system are set forth in the analysis portion of staff's memorandum dated June 7, 2012.

APPROVED

Issue 11: What is the appropriate revenue requirement?

Recommendation: The following revenue requirement should be approved:

<u>Systems</u>	<u>Test Year Revenues</u>	<u>\$ Increase</u>	<u>Revenue Requirement</u>	<u>% Increase</u>
Unified Systems	\$851,899	\$68,017	\$919,916	7.98%
Quail Run	14,892	12,351	27,243	82.94%
Sandy Acres	42,165	11,539	53,704	27.37%
Ponderosa Pines	<u>34,877</u>	<u>15,641</u>	<u>50,518</u>	<u>44.85%</u>
Total	<u>\$943,833</u>	<u>\$107,548</u>	<u>\$1,051,381</u>	<u>11.39%</u>

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Issue 12: What are the appropriate billing determinants for the test year?

Recommendation: The appropriate billing determinants for the test year are shown in Sunshine’s revised MFR Schedules E-2 and E-14, and are summarized below:

Sunshine Utilities of Central Florida, Inc. Test Year Ending December 31, 2010 Appropriate Test Year Billing Determinants			
<u>System Name</u>	<u>Bills Rendered</u>	<u>Equivalent Residential Connections</u>	<u>(000) Gallons Sold</u>
Unified Systems	37,675	41,654	227,726
Sandy Acres	2,641	2,641	17,005
Ponderosa Pines (1)	2,125	2,125	13,457
Quail Run (1)	1,082	1,082	8,046

(1) Gallons sold based on 90 percent of gallons treated from MFR volume 1 Schedules F-1 for the respective systems.

Sources: Sunshine Utilities of Central Florida, Inc., Minimum Filing Requirements, Schedules E-2, E-14 and F-1.

APPROVED

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Issue 13: What, if any, limits should be imposed on subsidy values that could result if the current stand-alone rates are converted to a more consolidated rate structure?

Recommendation: Staff recommends that the appropriate subsidy limit, based on 7,000 gallons of usage, should represent no more than 21 percent of the pre-repression bill resulting from consolidation. The pre-repression bill is based on staff's recommended consolidation, rate structures, revenue requirements and repression adjustments.

APPROVED

Issue 14: What are the appropriate rate structures for the Utility's water systems?

Recommendation: The appropriate rate structure for the Utility's Unified Systems and Sandy Acres residential water customers is a three-tiered inclining block rate structure with usage blocks for monthly consumption of: (a) 0-5,000 gallons, (b) 5,001-10,000 gallons, and (c) usage in excess of 10,000 gallons. The usage block rate factors should be 1.0, 1.093 and 2.186, respectively, with both the multi-residential and general service gallonage charge rate based on the average overall water rate per 1,000 gallons. The appropriate rate structure for the Utility's Ponderosa Pines and Quail Run water customers is a BFC/uniform gallonage charge rate structure. The BFC cost recovery allocation for all four systems should be set at 40 percent.

APPROVED

Issue 15: What is the appropriate rate consolidation for the Utility's water systems?

Recommendation: Staff recommends that: 1) the Unified Systems and the Sandy Acres system be combined into a single, consolidated system; and 2) the Ponderosa Pines and Quail Run systems be combined into a single, consolidated system.

APPROVED

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Issue 16: What are the appropriate repression adjustments?

Recommendation: The appropriate repression adjustments for the water systems are shown in the table below.

Staff's Recommended Repression Adjustments Based on Staff's Recommended Water System Consolidation Methodology		
<u>System Name</u>	<u>Unified Systems / Sandy Acres Consolidation</u>	<u>Ponderosa Pines/ Quail Run Consolidation</u>
1,000 Gallons Repressed	(5,377)	(3,295)
Expense Adjustments:		
Purchased Power	(\$1,464)	(\$767)
Chemicals	(\$439)	(\$92)
Regulatory Assessment Fees	(\$86)	(\$39)
Total	(\$1,988)	(\$898)

APPROVED

Issue 17: What are the appropriate water rates for the Utility?

Recommendation: The appropriate monthly water rates are shown on Schedule 4 of staff's memorandum dated June 7, 2012, for the respective systems. Excluding miscellaneous service charges, and including the repression adjustments discussed in Issue 16, the recommended water rates produce revenues of \$925,685 for the Unified Systems/Sandy Acres consolidated system, and \$73,615 for the Ponderosa Pines/Quail Run consolidated system. The Utility should file revised water tariff sheets and a proposed customer notice to reflect the Commission-approved rates for the water systems. 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 18: What are the appropriate miscellaneous service charges?**Recommendation:** The appropriate miscellaneous service charges, fees and deposits are contained in the table below.

Sunshine Utilities of Central Florida, Inc. Test Year Ending December 31, 2010 Recommended Miscellaneous Service Charges		
Type of Charge	Business Hours	After Hours
Initial Connection	\$21	\$42
Normal Reconnection	\$21	\$42
Violation Reconnection	\$21	\$42
Premises Visit	\$21	\$42
Late Fee	\$5	N/A
Meter Test Deposit		
5/8" x 3/4"	\$20	N/A
1"	\$25	N/A
1 1/4"	\$25	N/A
1 1/2"	\$25	N/A
2" and greater	Actual cost	N/A
Customer Deposits		
5/8" x 3/4"	2 x (avg of 2 months' bill)	N/A
1"	2 x (avg of 2 months' bill)	N/A
1 1/4"	2 x (avg of 2 months' bill)	N/A
1 1/2"	2 x (avg of 2 months' bill)	N/A
2" and greater	2 x (avg of 2 months' bill)	N/A
Meter Tampering Charge / Illegal Reconnect	\$50	\$50
Sources: Sunshine Utilities of Central Florida, Inc., Minimum Filing Requirements, Schedules E-5.		

APPROVED

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The Utility should file revised water tariff sheets that include provisions for the recommended charges, fees and deposits contained in the table above. Staff should be given authority to administratively approve these tariff sheets upon verification they are consistent with the Commission's decision. The revised tariff sheets should be implemented on or after the stamped approval date on the revised tariff sheet, if no protest is filed and once the proposed customer notice has been approved by staff as adequate, and the customers have received the approved notice. The notice may be combined with the notice for the approved service rates.

APPROVED

Issue 19: 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 not in effect during the interim period. The revised revenue requirements for the interim collection period should be compared to the amount of interim revenue requirement granted. Based on this calculation, a refund of 5.69 percent is required for the Sandy Acres system.

APPROVED

Issue 20: 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, Florida Statutes?

Recommendation: The rates should be reduced as shown on Schedule No. 4 of staff's memorandum dated June 7, 2012, to remove \$12,096 collectively for the Unified and Sandy Acres systems and \$957 collectively for the Quail Run and Ponderosa Pines systems related annual rate case expense and the associated return included in working capital, 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 25-30.475(1), F.A.C. The rates should not be implemented until staff has approved the proposed customer notice. Sunshine should provide proof of the date notice was given within 10 days of the date of the notice. 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 for the reduction in the rates due to the amortized rate case expense.

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Issue 21: 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 (NARUC) Uniform System of Accounts (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, Sunshine should provide proof, within 90 days of the final order in this docket, that the adjustments for all the applicable NARUC USOA primary accounts have been made.

APPROVED

Issue 22: Should this docket be closed?

Recommendation: This docket should remain open to address the Utility's requested uniform service availability charges which will be addressed in a subsequent recommendation for the July 17, 2012, Commission Conference. ~~No. If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, a consummating order will be issued. 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, and that the interim refund has been completed and verified by staff. Once these actions are complete, this docket should be closed administratively, and the escrow account should be released.~~

APPROVED *as modified.*

Ann Cole

From: Bart Fletcher
Sent: Monday, June 18, 2012 7:52 AM
To: Ann Cole
Cc: Braulio Baez; Chuck Hill; Marshall Willis; Cheryl Bulecza-Banks; Andrew Maurey; Monica Brown; Patti Daniel; Jennie Lingo; James McRoy; Paul Stallcup; Mary Anne Helton; Jennifer Crawford; Ralph Jaeger; Commissioners Advisors
Subject: FW: Request of Oral Modification to Item 18, June 19, 2012, Commission Conference, Docket No. 100048-WU - Sunshine Utilities of Central Florida, Inc.

From: Braulio Baez
Sent: Friday, June 15, 2012 5:01 PM
To: Bart Fletcher
Cc: Marshall Willis; Cheryl Bulecza-Banks; Andrew Maurey; Monica Brown; Patti Daniel; Jennie Lingo; James McRoy; Paul Stallcup; Mary Anne Helton; Jennifer Crawford; Ralph Jaeger
Subject: RE: Request of Oral Modification to Item 18, June 19, 2012, Commission Conference, Docket No. 100048-WU - Sunshine Utilities of Central Florida, Inc.

Thanks, Bart. Proceed.

Sent from my Windows Phone

From: Bart Fletcher
Sent: 6/15/2012 3:47 PM
To: Braulio Baez
Cc: Marshall Willis; Cheryl Bulecza-Banks; Andrew Maurey; Monica Brown; Patti Daniel; Jennie Lingo; James McRoy; Paul Stallcup; Mary Anne Helton; Jennifer Crawford; Ralph Jaeger
Subject: Request of Oral Modification to Item 18, June 19, 2012, Commission Conference, Docket No. 100048-WU - Sunshine Utilities of Central Florida, Inc.

Staff requests approval to make an oral modification to Issue 22 of the recommendation for the above-referenced item. Item 18 relates to a PAA rate increase request by Sunshine Utilities of Central Florida, Inc. (Sunshine or Utility). The statutory time frame to process this case was previously waived by Sunshine through the June 19, 2012, Commission Conference. Subsequent to filing its recommendation, staff realized that an issue to address the Utility's requested uniform service availability charges was inadvertently omitted from the recommendation. The modification is necessary in order to keep this docket open to address the Utility's requested uniform service availability charges. Sunshine has agreed to waive the statutory time frame through the July 17, 2012, Commission Conference, only with respect to the issue pertaining to its requested uniform service availability charges. The following is staff's requested modification to Issue 22, in type and strike format:

Issue 22: Should this docket be closed?

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6/18/2012

FPSC-COMMISSION CLERK

Recommendation: This docket should remain open to address the Utility's requested uniform service availability charges which will be addressed in a subsequent recommendation for the July 17, 2012, Commission Conference. ~~No. If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, a consummating order will be issued. 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, and that the interim refund has been completed and verified by staff. Once these actions are complete, this docket should be closed administratively, and the escrow account should be released.~~ (Jaeger, M. Brown, Fletcher)

Staff Analysis: This docket should remain open to address the Utility's requested uniform service availability charges which will be addressed in a subsequent recommendation for the July 17, 2012, Commission Conference. ~~If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, a consummating order will be issued. 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, and that the interim refund has been completed and verified by staff. Once these actions are complete, this docket should be closed administratively, and the escrow account should be released.~~