

VOTE SHEET

August 2, 2012

Docket No. 110141-WS – Application for staff-assisted rate case in Polk County by Grenelefe Resort Utility, Inc.

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

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

APPROVED

Issue 2: What are the used and useful percentages for Grenelefe?

Recommendation: The water treatment plant, wastewater treatment plant, and distribution and collections systems should be considered 100 percent used and useful. A 10 percent adjustment should be made to chemicals and purchased power to reflect excessive unaccounted for water.

APPROVED

COMMISSIONERS

All Commissioners

ASSIGNED:

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

Handwritten signatures of four commissioners on a set of four horizontal lines.

Four horizontal lines for dissenting signatures, currently blank.

REMARKS/DISSENTING COMMENTS:

DOCUMENT NUMBER-DATE

05247 AUG-2 12

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

Recommendation: The appropriate average test year rate base for Grenelefe is \$215,553 for water and \$90,680 for wastewater.

APPROVED

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

Recommendation: The appropriate return on equity (ROE) is 8.74 percent with a range of 7.74 percent to 9.74 percent. The appropriate overall rate of return is 8.74 percent.

APPROVED

Issue 5: What is the appropriate amount of test year revenue in this case?

Recommendation: The appropriate test year revenue for Grenelefe is \$305,485, of which \$164,803 is related to potable water service and \$140,682 is related to non-potable water service. The appropriate test year revenue for wastewater is \$169,690.

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Issue 6: What is the appropriate amount of operating expense?

Recommendation: The appropriate amount of operating expense for Grenelefe is \$209,764 for water and \$228,125 for wastewater.

APPROVED

Issue 7: What is the appropriate revenue requirement for non-potable water service?

Recommendation: The appropriate revenue requirement for non-potable water service is \$121,896.

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Issue 8: What is the appropriate revenue requirement?

Recommendation: The appropriate revenue requirement is \$228,604 for potable water. This revenue requirement for potable water includes all adjustments contained in Issue 6. A separate revenue requirement for non-potable water is contained in Issue 7. The appropriate revenue requirement for wastewater is \$236,050.

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Issue 9: What are the appropriate rate structures for the Utility's water and wastewater systems?

Recommendation: The appropriate rate structure for the Utility's residential water class, which includes potable irrigation service for the residential customers, is a four tier inclining block rate structure. Staff's preliminary rate design called for a three-tier rate structure with usage blocks of: a) 0-10 kgal in the first usage block; b) 10-15 kgal in the second usage block; and c) all usage in all excess of 15 kgal in the third block. However, as discussed in Issue 10, by restricting any cost recovery due to repression being applied to non-discretionary usage, an additional tier is necessary for non-discretionary usage below 5 kgal per month. This results in a four-tier rate structure for monthly consumption with usage blocks of: a) 0-5 kgal; b) 5-10 kgal; c) 10-15 kgal; and d) all usage in excess of 15 kgal in the fourth usage block with usage block rate factors of .82, 1.0, 1.5, and 2.0 respectively. The appropriate rate structure for the water system's non-residential class, which includes potable irrigation for the non-residential customers, is a BFC/uniform gallonage charge rate structure. The BFC cost recovery percentage for the water system should be set at 55 percent. Furthermore, the appropriate rate structure for the wastewater residential class and non-residential class is a continuation of the traditional BFC/gallonage charge rate structure. The BFC cost recovery percentage for the wastewater system should be set at 65 percent. The residential wastewater gallonage cap should be set at 8 kgal. Also, the Utility's non-potable rate structure should remain unchanged.

APPROVED

Issue 10: Is a repression adjustment appropriate in this case, and, if so, what are the appropriate adjustments?

Recommendation: Yes, a repression adjustment is appropriate for this Utility. Test year residential kgal sold for water should be reduced by 10.4 percent, resulting in a consumption reduction of 3,992 kgal. Purchased power expense should be reduced by \$1,217, chemical expense should be reduced by \$425, and regulatory assessment fees (RAFs) should be reduced by \$77. The final post-repression revenue requirement for the water system should be \$208,098. For the wastewater system, test year kgal sold should be reduced by 15.99 percent, resulting in a consumption reduction of 3,575 kgal. Sludge removal expense should be reduced by \$6,155, purchased power should be reduced by \$3,471, chemical expense should be reduced by \$1,208, and RAFs should be reduced by \$488. The final post-repression revenue requirement for the wastewater system should be \$224,729.

In order to monitor the effect of the changes to rate structure and rate changes, 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, usage block, 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.

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Issue 11: What are the appropriate rates for Grenelefe?

Recommendation: The appropriate monthly water and wastewater rates are shown on Schedule Nos. 4-A and 4-B, respectively, of staff's memorandum dated July 20, 2012. The recommended rates should be designed to produce revenue of \$208,098 for water and \$224,729 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 within 10 days of the date of the notice.

APPROVED

Issue 12: What is the appropriate amount by which rates should be reduced four years after published 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 July 20, 2012, 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. Grenelefe 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.

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Issue 13: Should the Commission approve the Utility's requested increase in miscellaneous service charges, after hour charges, late fee, and NSF check fees?

Recommendation: Yes. The Commission should approve Utility's requested after hour charges, increase in miscellaneous service charges, late fee, and NSF check fees. Within five working days of the issuance of the order, staff recommends that the Utility be required to provide a proposed customer notice of the approved charges for staff's review and approval. Once staff has approved the proposed customer notice, the Utility may choose to either mail the notice separately to customers or insert it with the next billing cycle. The tariff sheet containing the approved miscellaneous service charges and the after hour charges should become effective for services rendered on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475, F.A.C. In addition, the fees 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 ten days of the date of the notice. This notice may be combined with the notice required in other issues.

APPROVED

Issue 14: What are the appropriate customer deposits for Grenelefe?

Recommendation: The appropriate customer deposits to be charged should be effective for services rendered or connections made on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475, F.A.C. The Utility should be required to charge the approved charges until authorized to change them by the Commission in a subsequent proceeding.

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Issue 15: 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 the Utility?

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. Grenelefe 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 temporary rates should not be implemented until staff has approved the proposed notice, and the notice has been received by the customers. Prior to implementation of any temporary rates, the Utility 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 staff analysis portion of staff's recommendation dated July 20, 2012. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., the Utility should file reports with the Commission Clerk's Office 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 16: 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 applicable National Association of Regulatory 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, Grenelefe should provide proof, within 90 days of the final order in this docket, that the adjustments for all applicable NARUC USOA primary accounts have been made.

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Issue 17: Should this docket be closed?

Recommendation: 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. Once these actions are complete, this docket should be closed administratively.

APPROVED