

VOTE SHEET

April 25, 2013

Docket No. 110200-WU – Application for increase in water rates in Franklin County by Water Management Services, Inc.

**Issue 1:** What is the appropriate working capital allowance?

**Recommendation:** The appropriate working capital allowance is zero, which results in a reduction in the Utility's working capital allowance of \$39,885.

**APPROVED**

RECEIVED-FPSC  
13 APR 25 AM 11:33  
COMMISSION  
CLERK

COMMISSIONERS ASSIGNED: Edgar, Balbis, Brown

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

*Julie B*  
*Edgar*  
*M. Balbis*

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**REMARKS/DISSENTING COMMENTS:**

DOCUMENT NUMBER-DATE

02174 APR 25 2013

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**Issue 2:** 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 \$7,084,897.

**APPROVED**

**Issue 3:** 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, 2010?

**Recommendation:** The appropriate weighted average cost of capital for the test year ended December 31, 2010 is 5.61 percent. Accordingly, a corresponding adjustment should be made to increase O&M expense by \$39,258 to reflect the appropriate amount of life insurance policy expense. Due to the removal this expense from the effective cost rate of long-term debt issuance, the overall long-term debt cost rate is 5.60 percent.

**APPROVED**

**Issue 4:** Should any adjustments be made to contractual services - accounting expense?

**Recommendation:** Yes, contractual services – accounting expense should be reduced by \$5,883.

**APPROVED**

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**Issue 5:** Should any adjustments be made to transportation expense?

**Recommendation:** Yes, transportation expense should be reduced by \$218.

**APPROVED**

**Issue 6:** Should an adjustment be made to rate case expense previously authorized by Order No. PSC-11-0010-SC-WU, currently being amortized in customer rates, and if so, in what amount?

**Recommendation:** No adjustment should be made to rate case expense previously authorized by Order No. PSC-11-0010-SC-WU.

**APPROVED**

*staff was directed to include in the final order that utilities include in quarterly reports documentation that vendors have been paid.*

**Issue 7:** What is the appropriate amount of additional rate case expense associated with the protest of Order No. PSC-12-0435-PAA-WU?

**Recommendation:** The appropriate amount of rate case expense associated with the protest is \$108,271. This expense should be recovered over four years for an annual expense of \$27,068. After adding the rate case expense approved in Order No. PSC-12-0435-PAA-WU, total annual rate case expense would be \$58,197 associated with this rate case.

**APPROVED**

*with direction to staff as noted in issue 6.*

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**Issue 8:** Should any adjustments be made to miscellaneous expense?

**Recommendation:** Yes. Miscellaneous expense should be decreased by \$2,585, and plant increased by \$2,585. Accordingly, a corresponding adjustment should also be made to correct depreciation expense so that it reflects an increase of \$129.

**APPROVED**

**Issue 9:** How should the net 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 \$1,159.

**APPROVED**

(Continued from previous page)

**Issue 10:** Have the Utility’s advances to WMSI’s President and associated companies had any adverse impact on the Utility or its ratepayers, and if so, what action, if any, should the Commission take?

**Recommendation:** Yes, the Utility’s advances to WMSI’s President and associated companies have had an adverse impact on the Utility and its ratepayers. Consequently, the President’s salary should be reduced. Furthermore, absent Commission authority to prohibit advances to the President and associated companies for non-utility purposes, the Commission should require WMSI to file quarterly reports delineating all advances, loans, investments, notes receivable, and accounts receivable between WMSI and the President and associated companies including the date, amount, and reason for the transaction(s).

**APPROVED**

**Issue 10(a):** Should any adjustment be made to the WMSI President's salary?

**Recommendation:** Yes. Based on staff’s recommendation in Issue 10, the allowance for the Utility President’s salary should be reduced by 15 percent, which results in a reduction of \$14,438. Accordingly, corresponding adjustments should be made to reduce the allowance for the pensions and benefits expense and payroll taxes by \$3,504 and \$1,104, respectively, for a total adjustment of \$19,046.

**APPROVED**

*with \$17,626 salary adjustments, as discussed at the Commission conference this date.*

**Issue 11:** What is the appropriate revenue requirement?

**Recommendation:** The following revenue requirement should be approved:

	Test Year Revenues	\$ Increase	Revenue Requirement	% Increase
Water	\$1,305,587	\$598,129	\$1,903,716	45.81%

**APPROVED**

*\* see Issue 18 for instructions on the Issue 11-18 Vote.*

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**Issue 12:** Is a repression adjustment appropriate in this case, and, if so, what is the appropriate adjustment to make for this Utility?

**Recommendation:** Yes. A repression adjustment of 7.7 percent is appropriate in this case, resulting in residential consumption being reduced by 8,951,000 gallons.

**APPROVED**

**Issue 13:** What are the appropriate water rates for the Utility?

**Recommendation:** The appropriate monthly rates are shown on Schedule No. 4 of staff's memorandum dated April 12, 2013. 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 within 10 days of the date of the notice.

**APPROVED**

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**Issue 14:** Should the Utility be authorized to revise certain service availability charges, and, if so, what are the appropriate charges?

**Recommendation:** Yes. WMSI's service availability charges should be revised. 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, F.A.C. The amount of the service ability charges should be trued-up and based on actual pro forma plant placed in service during the true-up process established by the PAA Order. The appropriate revised service availability charges are reflected on page 15 of the Commission Conference agenda.

Plant Capacity Charge:	
Residential	\$3,387
All others, per Gallon/day	\$9.68
Main Extension Charge:	
Residential	\$1,523
All others, per Gallon/day	\$4.35
Meter Installation:	
Residential	\$400

**APPROVED**

**Issue 15:** Withdrawn by the parties at the January 9, 2013, Prehearing Conference.  
Withdrawn.

**WITHDRAWN**

**Issue 16** 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 water revenue requirement for the interim collection period should be compared to the amount of interim water revenue requirement granted. This results in no interim refund. As such, the escrow account should be released.

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**Issue 17:** In determining whether any portion of the implemented PAA rates 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 the incremental rate case expense above that which was embedded in PAA rates during this period. The revised revenue requirement for this collection period should be compared to the amount of PAA revenue requirement implemented. This results in no PAA refund.

**APPROVED**

**Issue 18:** 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:** Rates should be reduced for annual rate case expense, grossed up for regulatory assessment fees (RAFs), which is being amortized over a four-year period. Removal of \$60,940 associated with rate case expense will result in the rate reduction recommended by staff on Schedule No. 4 of staff's memorandum dated April 12, 2013. 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 one month 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. WMSI 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.

**APPROVED**

*Regarding Items 11-18,  
staff given administrative authority  
to make adjustments, based on the previous  
votes.*



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**Issue 19:** Should this docket be closed?

**Recommendation:** This docket should remain open for staff to verify that the revised tariff sheets and customer notice have been filed by the Utility and approved by staff, to process future escrow requests, to confirm that Commission-approved pro forma items have been completed, and to complete a true-up analysis of the pro forma plant costs. Once these actions are complete, this docket should be closed administratively.

**APPROVED**

*to verify and obtain the loan documents  
+ as discussed at the Commission Conference*