

FLORIDA PUBLIC SERVICE COMMISSION

VOTE SHEET

November 14, 2013

FILED NOV 14, 2013  
DOCUMENT NO. 06952-13  
FPSC - COMMISSION CLERK

**Docket No. 130025-WU** – Application for increase in water rates in Highlands County by Placid Lakes Utilities, Inc.

**Issue 1:** Is the quality of service provided by Placid Lakes satisfactory?

**Recommendation:** Yes. Placid Lakes is in compliance with Department of Environmental Protection (DEP) rules and regulations and the water treatment plant (WTP) is operating normally. The Utility appears to be responding adequately to the water quality concerns of its customers. Therefore, staff recommends that the overall quality of service provided by Placid Lakes be considered satisfactory.

**APPROVED**

**Issue 2:** Should the audit adjustments to rate base agreed to by the Utility 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 as set forth in Table 2-1 of staff's memorandum dated November 1, 2013.


**APPROVED**

**COMMISSIONERS ASSIGNED:** All Commissioners

**COMMISSIONERS' SIGNATURES**

**MAJORITY**

**DISSENTING**



**REMARKS/DISSENTING COMMENTS:**

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**Issue 3:** Should adjustments be made to the Utility's pro forma plant additions?

**Recommendation:** Yes. The appropriate pro forma plant additions are \$46,835. This results in a decrease of \$148,493 from the Utility's requested amount. Corresponding adjustments should also be made to decrease accumulated depreciation by \$5,568 and decrease depreciation expense by \$10,170. Additionally, pro forma property taxes should be increased by \$620.

**APPROVED**

*staff was given administrative authority to follow up on the new truck affidavit, as discussed at the Commission Conference this date.*

**Issue 4:** What are the used and useful percentages of the water treatment plant, storage facilities, and distribution system?

**Recommendation:** Staff recommends that the WTP and storage facilities be considered 100 percent used and useful (U&U), and the water distribution system be considered 79.09 percent U&U, consistent with the previous rate case. Accordingly, water rate base should be increased by \$8,574. Corresponding adjustments should be made to increase net depreciation expense by \$425 and property tax expense by \$193.

**APPROVED**

**Issue 5:** What is the appropriate working capital allowance?

**Recommendation:** The appropriate working capital allowance is \$65,694. This results in a reduction of \$1,928 to the Utility's requested working capital allowance.

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**Issue 6:** What is the appropriate rate base for the test year ended December 31, 2012?

**Recommendation:** Consistent with other recommended adjustments, the appropriate rate base for the test year ended December 31, 2012, is \$483,908. This results in a reduction of \$181,053 to the Utility's requested rate base.

**APPROVED**

**Issue 7:** What is the appropriate return on equity?

**Recommendation:** Based on the Commission leverage formula currently in effect, the appropriate return on equity (ROE) is 10.19 percent. Staff recommends an allowed range of plus or minus 100 basis points be recognized for ratemaking purposes.

**APPROVED**

**Issue 8:** 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, 2012?

**Recommendation:** The appropriate weighted average cost of capital for the test year ended December 31, 2012 is 6.19 percent.

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**Issue 9:** What is the appropriate amount of test year revenues?

**Recommendation:** The appropriate test year revenues for Placid Lakes is \$658,924.

**APPROVED**

**Issue 10:** Should the audit adjustments to operating expenses agreed to by the Utility be made?

**Recommendation:** Yes. Based on the audit adjustments agreed to by the Utility and staff, the following adjustments should be made to operating expenses as set forth in Table 10-1 of staff's memorandum dated November 1, 2013.

**APPROVED**

**Issue 11:** Should further adjustments be made to the Utility's O&M expense?

**Recommendation:** Yes. O&M expenses should be decreased by \$3,389 to reflect reductions in two O&M expense accounts, Transportation expense and Contractual Services-Engineering expense.

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**Issue 12:** What is the appropriate amount of rate case expense for the current case?

**Recommendation:** The appropriate amount of rate case expense is \$42,222. This expense should be recovered over four years for an annual expense of \$10,556. Therefore, annual rate case expense should be reduced by \$9,465 from the amount requested in the Utility's initial filing.

**APPROVED** *with amendment to add \$6,600 increase for ms. Brewer's time.*

**Issue 13:** Should the Commission approve any pro forma expense items for the Utility?

**Primary Recommendation:** Yes. Pro forma expenses of \$18,896 should be approved. Accordingly, O&M expense should be decreased by \$4,439. Further, Placid Lakes should be required to file an affidavit with the Commission, no later than March 31, 2014, attesting that it has implemented its 401k program. Should Placid Lakes be unable or unwilling to implement the 401k program by March 31, 2014, staff will file a recommendation addressing the appropriate action to be taken.

**Alternative Recommendation:** Yes. Pro forma expenses of \$11,553 should be approved. Accordingly, O&M expense should be decreased by \$11,782.

*The Primary Recommendation was*

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**Issue 14:** What is the appropriate revenue requirement?

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

	Test Year		Revenue	
	<u>Revenue</u>	<u>\$ Increase</u>	<u>Requirement</u>	<u>% Increase</u>
Water	\$658,924	\$42,166	\$701,090	6.40%

**APPROVED**

\* with regard to issues 14-19, staff was given administrative authority to make fallout adjustments.

**Issue 15:** What are the appropriate rate structure and rates for the Utility's water system?

**Recommendation:** The appropriate rate structure for the water system's residential customers is a continuation of the base facility charge (BFC) and three tier inclining block rate structure. The usage blocks should be: a) 0-10,000 gallons; b) 10,001-20,000 gallons; and c) usage in excess of 20,000 gallons, and usage block rate factors of 1.0, 1.5, and 2.0. The appropriate rate structure for the water system's general service customers is a continuation of the BFC and uniform gallonage charge. Staff recommends an across-the-board increase of 6.47 percent to existing rates.

The appropriate monthly water rates are shown on Schedule No. 4. 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.

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**Issue 16:** Should Placid Lakes' requested miscellaneous service charges, late fee, and non-sufficient funds (NSF) fees be approved?

**Recommendation:** Yes. Staff recommends that Placid Lakes' requested miscellaneous service charges, late fee, and NSF fees should be approved. The miscellaneous service charges should be \$25.00 for the normal hours initial connection, normal reconnection, violation reconnection, and premise visit and \$42.50 for after hours initial connection, normal reconnection, violation reconnection, and premise visit. A late fee of \$5.00 should be approved. The appropriate NSF fees should be in accordance with Sections 832.08(5) and 68.065(2), F.S.

The Utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved charges and fees. The approved charges and fees 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 17:** 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?

**Recommendation:** The water rates should be reduced, as shown on Schedule No. 4, 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. Placid Lakes 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 18:** 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 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, Placid Lakes should provide proof, within 90 days of the final order in this docket, that the adjustments for all the applicable NARUCUSOA primary accounts have been made.

**APPROVED \***

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

**Recommendation:** No. If no person whose substantial interests are affected by the PAA files a protest within 21 days of the issuance of the order, a consummating order should 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 \***