

FLORIDA PUBLIC SERVICE COMMISSION

Item 7

VOTE SHEET

FILED JUN 05, 2014
DOCUMENT NO. 02766-14
FPSC - COMMISSION CLERK

June 5, 2014

Docket No. 130243-WS – Application for staff-assisted rate case in Highlands County by Lake Placid Utilities Inc.

Issue 1: Should the quality of service provided by Lake Placid be considered satisfactory?

Recommendation: Yes. Lake Placid is current in meeting water quality standards for all required chemical analyses and the water provided by Lake Placid is meeting applicable primary and secondary standards as prescribed in the Florida Department of Environmental Protection (DEP) rules. In addition, staff recommends the condition of the wastewater and water treatment facilities is satisfactory. It also appears the Utility has attempted to address the customers' concerns. Therefore, the overall quality of service for the Lake Placid system in Highlands County is satisfactory.

APPROVED

COMMISSIONERS ASSIGNED: All Commissioners

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

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REMARKS/DISSENTING COMMENTS:

oral modification, DN 02699-14, is attached.

Commissioner Balbis dissents on the regulatory expense portion of issue #7.

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Issue 2: What are the used and useful percentages for the Utility’s water and wastewater treatment, distribution and collection systems?

Recommendation: Lake Placid’s water treatment plant (WTP), water distribution, and wastewater collection system should be considered 100 percent Used and Useful (U&U). The Utility’s wastewater treatment plant (WWTP) should be considered 28.5 percent U&U. Staff recommends that a 1.85 percent adjustment to purchased power and chemical expenses for the WTP should be made for excessive unaccounted for water (EUW). No adjustment is recommended for excessive infiltration and inflow (I&I).

APPROVED

Issue 3: Should any adjustments be made to the Utility’s Project Phoenix Financial/Customer Care Billing System (Phoenix Project)?

Recommendation: Yes. Plant should be reduced by \$1,325 for water and \$1,478 for wastewater. Corresponding adjustments should be made to reduce accumulated depreciation by \$1,288 for water and \$1,305 for wastewater and to reduce depreciation expense by \$373 for water and \$391 for wastewater. Computer maintenance expense should be reduced by \$216 for water and \$219 for wastewater. In addition, consistent with the Commission’s previous decisions, Lake Placid should be authorized to create a regulatory asset or liability for costs associated with the Phoenix Project, and to accrue interest on the regulatory asset or liability at the 30-day commercial paper rate until the establishment of rates in the Utility’s next rate proceeding. Furthermore, when appropriate, the regulatory asset or liability should be amortized over four years.

APPROVED

Issue 4: What is the appropriate average test year rate base for Lake Placid?

Recommendation: The appropriate average test year rate base for Lake Placid is \$162,872 for water and \$74,297 for wastewater.

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Issue 5: What is the appropriate return on equity and overall rate of return for Lake Placid?

Recommendation: The appropriate return on equity (ROE) is 10.45 percent with a range of 9.45 percent to 11.45 percent. The appropriate overall rate of return is 7.99 percent.

APPROVED

Issue 6: What are the appropriate test year revenues?

Recommendation: The appropriate test year revenues for this Utility are \$57,778 for water and \$70,940 for wastewater.

APPROVED

Issue 7: What is the appropriate amount of operating expense?

Recommendation: The appropriate amount of operating expense for the Utility is \$56,368 for water and \$63,844 for wastewater.

APPROVED

Issue 8: What is the appropriate revenue requirement?

Recommendation: The appropriate revenue requirement is \$69,382 for water and \$69,781 for wastewater, resulting in an annual increase of \$11,604 for water (20.08 percent), and an annual decrease of \$1,159 for wastewater (1.63 percent).

APPROVED

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Issue 9: What are the appropriate rate structures and rates for Lake Placid’s water and wastewater systems?

Recommendation: The recommended rate structures and monthly water and wastewater rates are shown on Schedule Nos. 4-A through 4-D of staff’s memorandum dated May 22, 2014. 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 services rendered on or after the stamped approval date on the 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 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 10: What are the appropriate initial customer deposits for Lake Placid?

Recommendation: The appropriate initial customer deposits should be \$60 and \$50 for the residential 5/8” x 3/4” meter size for water and wastewater, respectively. The initial customer deposits for all other residential meter sizes and all general service meter sizes should be two times the average estimated bill for water and wastewater service. The approved customer deposits 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.

APPROVED

Issue 11: Should Lake Placid’s request to implement a \$5.25 late payment charge be approved?

Recommendation: Yes. Lake Placid’s request to implement a \$5.25 late payment charge should be approved. Lake Placid should be required to file a proposed customer notice to reflect the Commission-approved charge. The approved charge should be effective for services 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 charge 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.

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Issue 12: 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 and wastewater rates should be reduced as shown on Schedule Nos. 4-B and 4-D of staff's memorandum dated May 22, 2014, 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. Lake Placid 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.

APPROVED

Issue 13: Should the recommended rates be approved for the Utility on a temporary basis, subject to refund with interest, in the event of a protest?

Recommendation: Yes. Pursuant to Section 367.0814(7), F.S., the recommended water rates and current wastewater rates should be approved for the Utility on a temporary basis, subject to refund with interest, in the event of a protest filed by a party other than the Utility. Further, pursuant to Section 367.0814(6), F.S., continuation of the current wastewater rates should be approved for the Utility on a temporary basis, subject to refund with interest, in the event of a protest of the wastewater decrease by the Utility. Lake Placid 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. Staff recommends that a cumulative corporate undertaking of \$58,133 is acceptable contingent upon receipt of the written guarantee of UI and written confirmation that the cumulative outstanding guarantees on behalf of UI-owned utilities in other states will not exceed \$1.2 million (inclusive of all Florida utilities). If the recommended water rates or current wastewater rates are approved on a temporary basis, the rates collected by the Utility should be subject to the refund provisions discussed in the analysis portion of staff's memorandum dated May 22, 2014. In addition, after the temporary rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., the Utility should file reports with the Commission's Office of Commission Clerk 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.

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Issue 14: 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, Lake Placid 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.

APPROVED

Issue 15: 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 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

Shawna Senko

From: Kate Hamrick
Sent: Tuesday, June 03, 2014 8:04 AM
To: Commissioners & Staffs; CLK - Agenda Staff; Apryl Lynn; Mary Anne Helton; Lisa Harvey; Andrew Maurey; Matthew Vogel; Lee Eng Tan; Adam Teitzman; Lynn Deamer; Linda Hill-Slaughter; Jeffery Small; Clayton Lewis; Melinda Watts; Shannon Hudson; Lydia Roberts; Curt Mouring; Mark Cicchetti
Cc: Mil Jubinsky; Jacqueline Moore; Terri Fleming
Subject: FW: Request for approval to make an oral modification to Item 7 on June 5, 2014 Commission Conference, Docket No. 130243-WS, Application for staff-assisted rate case in Highlands County by Lake Placid Utilities, Inc.

The oral modification shown below has been approved by the Executive Director.

Kate Hamrick
Executive Assistant – DET
Florida Public Service Commission
850-413-6304

From: Braulio Baez
Sent: Monday, June 02, 2014 5:53 PM
To: Andrew Maurey; Lisa Harvey
Cc: Mil Jubinsky; Kate Hamrick; Mary Anne Helton
Subject: RE: Request for approval to make an oral modification to Item 7 on June 5, 2014 Commission Conference, Docket No. 130243-WS, Application for staff-assisted rate case in Highlands County by Lake Placid Utilities, Inc.

Approved. Thanks

Sent from my T-Mobile 4G LTE Device

----- Original message -----

From: Andrew Maurey <AMaurey@PSC.STATE.FL.US>
Date: 06/02/2014 5:05 PM (GMT-05:00)
To: Braulio Baez <BBaez@PSC.STATE.FL.US>, Lisa Harvey <LSHarvey@PSC.STATE.FL.US>
Cc: Mil Jubinsky <Mjubinsk@PSC.STATE.FL.US>, Kate Hamrick <KHamrick@psc.state.fl.us>, Mary Anne Helton <MHelton@PSC.STATE.FL.US>
Subject: Request for approval to make an oral modification to Item 7 on June 5, 2014 Commission Conference, Docket No. 130243-WS, Application for staff-assisted rate case in Highlands County by Lake Placid Utilities, Inc.

Staff requests approval to make an oral modification to Item 7 scheduled for the June 5, 2014 Commission Conference. Staff's proposed modification relates to Regulatory Commission Expense included in Issue 7 (page 24) of staff's recommendation regarding Lake Placid Utilities, Inc.'s (Utility) application for a staff-assisted rate case.

Subsequent to filing its recommendation, staff determined that modifications are necessary in order to reflect the appropriate rate case expense. Specifically, the Utility's \$2,000 filing fee was inadvertently included twice in total rate case expense; first as a separate item by staff, and by the Utility as part of its legal fees. Consequently, the Utility's legal fees should be reduced by \$2,000 to remove the duplicate filing fees, resulting in a reduction in the legal fee portion of rate case expense from \$12,802 to \$10,802. Total rate case expense should be reduced from \$15,031 to \$13,031.

Changing the recommended amount of rate case expense will affect the fall-out issues regarding rate base, operating expense, revenue requirement, rates, four-year rate reduction, and security for temporary rates. The reduction in rate case expense decreases the recommended water revenue increase from 20.08% to 19.63%, and further increases the recommended wastewater revenue decrease from 1.63% to 2.01%.

Andrew L. Maurey

Director

Division of Accounting and Finance

Florida Public Service Commission

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