

FLORIDA PUBLIC SERVICE COMMISSION

Item 12

VOTE SHEET

October 2, 2014

FILED OCT 02, 2014
DOCUMENT NO. 05611-14
FPSC - COMMISSION CLERK

Docket No. 130265-WU – Application for staff-assisted rate case in Charlotte County by Little Gasparilla Water Utility, Inc.

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

Recommendation: No. Staff recommends the Commission find that the current quality of service is marginal. While the Utility is currently meeting all applicable primary standards as prescribed in DEP’s rules, it has one secondary standard, Chloride, that exceeds acceptable levels and the Utility has not corrected the deficiencies identified in the last two DEP Sanitary Survey Reports. However, the Utility is taking a proactive approach to mitigate these issues and the quality of water by proposing an interconnection with Charlotte County. Therefore, staff does not recommend a reduction in the return on equity (ROE) or any other follow-up measures due to the Utility’s proactive action to improve and maintain the quality of service for the existing customers of Little Gasparilla.

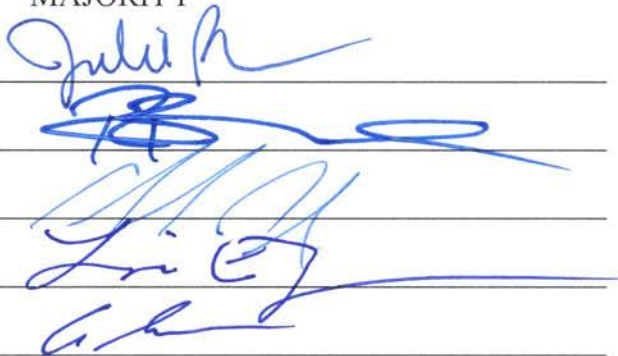
APPROVED

COMMISSIONERS ASSIGNED: All Commissioners

COMMISSIONERS’ SIGNATURES

MAJORITY

DISSENTING



REMARKS/DISSENTING COMMENTS:

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Issue 2: What are the used and useful percentages (U&U) of the subaqueous interconnection pipeline and the water distribution system?

Recommendation: Staff is not recommending U&U percentages for Little Gasparilla’s water treatment plant and storage facilities due to the fact that these assets will be retired as a result of the pending interconnection with Charlotte County. Little Gasparilla’s subaqueous interconnection pipeline should be considered 100 percent U&U and the water distribution system should be considered 57 percent. Staff recommends that a seven percent adjustment to purchased power, chemicals, and purchased water should be made for excessive unaccounted for water (EUW).

APPROVED

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

Recommendation: The appropriate average test year rate base for Little Gasparilla is \$538,123. The Utility should be required to submit a copy of the final invoices and cancelled checks for the pro forma subaqueous pipeline and interconnection project prior to implementing the Phase I rates.

APPROVED

Issue 4: What are the appropriate return on equity and overall rate of return for Little Gasparilla?

Recommendation: The appropriate return on equity (ROE) is 11.16 percent with a range of 10.16 percent to 12.16 percent. The appropriate overall rate of return is 6.28 percent.

APPROVED

Issue 5: What is the appropriate amount of test year revenues?

Recommendation: The appropriate amount of test year revenues for Little Gasparilla’s water system is \$264,149.

APPROVED

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

Recommendation: The appropriate amount of operating expenses for the Utility is \$297,602. The Utility should be required to provide proof that the SEP has been established and that contributions to the fund have begun prior to implementation of the Phase II rates.

APPROVED

Issue 7: What is the appropriate Phase I revenue requirement?

Recommendation: The appropriate Phase I revenue requirement is \$331,416, resulting in an annual increase of \$67,267 (25.47 percent).

APPROVED

Issue 8: What are the appropriate rate structure and rates for Little Gasparilla?

Recommendation: Staff recommends no change to water rate structure. Staff recommends that the water rates for Little Gasparilla be increased by 25.56 percent. The recommended monthly water rates shown on Schedule No. 4 of staff's memorandum dated September 22, 2014 should continue to be billed on a quarterly basis. The Utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The Utility should be allowed to implement the Phase I rates once all pro forma items have been completed and documentation provided showing that the improvements have been made. Once verified, the 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. The rates should not be implemented until notice has been received by the customers. Little Gasparilla should provide proof of the date notice was given within 10 days of the date of the notice. If the Utility encounters any unforeseen events that will impede the completion of the pro forma items, the Utility should immediately notify the Commission in writing.

APPROVED

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Issue 9: What is the appropriate amount by which rates should be reduced four years after the published effective date to reflect the removal of the amortized rate case expense as required by Section 367.0816 F. S.?

Recommendation: The water rates should be reduced as shown on Schedule No. 4 of staff's memorandum dated September 22, 2014, to remove rate case expense grossed up for RAFs 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. 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. If Little Gasparilla 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 10: Should the Commission approve a Phase II increase for pro forma items for Little Gasparilla?

Recommendation: Yes. The Commission should approve a Phase II revenue requirement associated with pro forma items. The Utility's Phase II revenue requirement is \$375,832 which equates to a 13.40 percent increase over the Phase I revenue requirement. Staff recommends that the increase be applied as an across-the-board increase to the Phase I.

Implementation of the Phase II rates are conditioned upon Little Gasparilla completing the pro forma items within 12 months of the issuance of the consummating order. The Utility should be required to submit a copy of the final invoices and cancelled checks for all pro forma plant items. The Utility should be allowed to implement the above rates once all pro forma items have been completed and documentation provided showing that the improvements have been made related to the items discussed in Issue 10, and documentation has been provided related to the SEP Plan discussed in Issue 6. Once verified, the 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. The rates should not be implemented until notice has been received by the customers. Little Gasparilla should provide proof of the date notice was given within 10 days of the date of the notice. If the Utility encounters any unforeseen events that will impede the completion of the pro forma items, the Utility should immediately notify the Commission in writing.

APPROVED as amended, per discussion at Commission Conference this date.

In the event the simplified employee pension plan is not implemented, the Phase II rates should be reduced by that expense.

Phase II rates will not go into effect until Phase II work is completed and staff has determined actual costs + presented results to the Commission.

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Issue 11: What is the appropriate initial customer deposit for Little Gasparilla?

Recommendation: The appropriate initial customer deposit should be \$150 for the residential 5/8" x 3/4" meter size. 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. The Utility should file revised tariff sheets consistent with the Commission's vote. The initial customer deposits should become effective for connections made on or after the stamped approval date of the revised tariff sheets.

APPROVED

Issue 12: Should Little Gasparilla's existing service availability charges be revised, and if so, what are the appropriate charges?

Recommendation: Yes. Staff recommends that Little Gasparilla's existing service availability charges be revised. A meter installation charge of \$577 for a 5/8" x 3/4" meter, a tap-in charge of \$239 per ERC, and a main extension charge of \$1,550 per ERC should be approved. In addition, the Utility should be authorized to collect the system development charges required by Charlotte County for all new connections after the interconnection. The approved service availability 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.

APPROVED

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Issue 13: Should the recommended rates be approved for Little Gasparilla 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 for Phase I 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. Little Gasparilla 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 analysis portion of staff's memorandum dated September 22, 2014. 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 14: Should Little Gasparilla be required to provide proof, within 90 days of an effective order finalizing this docket, that it has adjusted all applicable NARUC USOA primary accounts to reflect the Commission-approved adjustments?

Recommendation: Yes. To ensure that the Utility adjusts its books in accordance with the Commission's decision, Little Gasparilla 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

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(Continued from previous page)

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 outstanding Phase I pro forma items have been completed, the revised tariff sheets and customer notice have been filed by the Utility and approved by staff, and the Utility has provided staff with proof that the adjustments for all the applicable NARUC USOA primary accounts have been made. Also, the docket should remain open to allow staff to verify that the SEP has been established and contributions have begun, Phase II pro forma items have been completed, and the Phase II rates properly implemented. Once these actions are complete, this docket should be closed administratively.

APPROVED as amended at Commission Conference
this date.

The docket will remain open
until the Commission's disposition
of Phase II rates.