

VOTE SHEET

July 21, 2015

Docket No. 140186-WU – Application for staff-assisted rate case in Brevard County by Brevard Waterworks, Inc.

Issue 1: Is the overall quality of service provided by Brevard Waterworks satisfactory?

Recommendation: No. Staff recommends that the water provided by Brevard Waterworks is satisfactory as it is meeting applicable water quality standards, including primary and secondary standards, as prescribed in the Florida Department of Environmental Protection (DEP) rules. It also appears that the utility has attempted to address customers' concerns. However, staff recommends the operating condition of the water facilities is marginal because of the excessive unaccounted for water addressed in Issue 6. Therefore, staff recommends that the overall quality of service for Brevard Waterworks is marginal.

APPROVED

COMMISSIONERS ASSIGNED: All Commissioners

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

[Handwritten signatures in blue ink]

REMARKS/DISSENTING COMMENTS:

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Issue 2: What is the used and useful percentage (U&U) of Brevard Waterworks' water distribution system?

Recommendation: Consistent with Order No. PSC-12-0102-FOF-WS¹, Brevard Waterworks' water distribution system should be considered 100 percent U&U.

APPROVED

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

Recommendation: The appropriate average test year rate base for Brevard Waterworks is \$81,694.

APPROVED

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

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 8.19 percent.

APPROVED

Issue 5: What are the appropriate test year revenues for the utility's water system?

Recommendation: The appropriate test year revenues for Brevard Waterworks' water system are \$127,847.

APPROVED

¹Id.

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

Recommendation: The appropriate amount of operating expense for the utility is \$156,936.

APPROVED

Issue 7: What is the appropriate revenue requirement?

Recommendation: The appropriate revenue requirement is \$163,627, resulting in an annual increase of \$35,780 (27.99 percent).

APPROVED

Issue 8: What is the appropriate rate structure and rates for Brevard Waterworks' water system?

Recommendation: The recommended rate structure and monthly water rates are shown on Schedule Nos. 4-A and 4B of staff's memorandum dated July 9, 2015. 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

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Issue 9: 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 pro forma and other items not in effect during the interim period. This revised revenue requirement for the interim collection period should be compared to the amount of interim revenue requirement granted. Based on this calculation, no refunds are required. Further, upon issuance of the Consummating Order in this docket, the escrow account should be released with all funds including interest returned to the utility.

APPROVED

Issue 10: What is the appropriate amount by which rates should be reduced in 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 July 9, 2015, 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. Brevard Waterworks 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 11: What is the appropriate customer deposit for Brevard Waterworks' water system?

Recommendation: The appropriate initial customer deposit should be \$105 for the residential 5/8 inch x 3/4 inch meter size for water. 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 approved initial customer deposits should be effective for 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 collect the approved deposits until authorized to change them by the Commission in a subsequent proceeding.

APPROVED

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Issue 12: Should the recommended rates 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?

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 with interest, in the event of a protest filed by a party other than the utility. Brevard Waterworks 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 July 9, 2015. 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'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.

APPROVED

Issue 13: 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, Brevard Waterworks should provide proof, within 90 days of the final order in this docket, that the adjustments to all the applicable NARUC USOA accounts have been made to the utility's books and records. The utility's support documentation should include a list, by issue, of all Commission ordered adjustments and a reference to where the corresponding bookkeeping entries can be found in the general ledger that is provided.

APPROVED

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Issue 14: 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 as modified at Commission Conference this date. Docket shall remain open, with items 1-13 termed Phase I proposal and left open for a Phase II review and consideration. Phase II will have a recommendation from staff for a more long-term solution and options. Utility and OPC will return to Commission within 90 days of the PAA Order.