

FLORIDA PUBLIC SERVICE COMMISSION

Item 4

VOTE SHEET

FILED OCT 13, 2015
DOCUMENT NO. 06495-15
FPSC - COMMISSION CLERK

October 13, 2015

Docket No. 140217-WU – Application for staff-assisted rate case in Sumter County by Cedar Acres, Inc.

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

Recommendation: No. Due to the improper issuance of boil water notices and the same violations in both the 2012 and 2015 DEP sanitary surveys, staff recommends that the overall quality of service for the Cedar Acres water system in Sumter County is unsatisfactory. In addition, staff recommends a decrease to the President's salary as discussed in Issue 6 of this recommendation.

MODIFIED as discussed at Commission Conference, with these conditions:

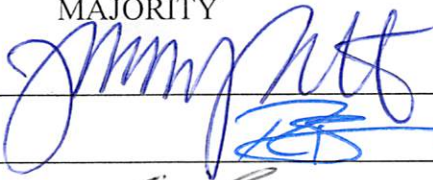
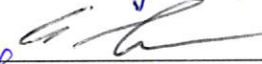
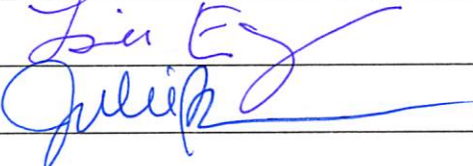
- (1) The utility shall allow the Commission to audit the utility's billing and other management practices immediately and report back to the Commission thereafter;
- (2) Require a compliance report in no less than 6 months showing corrective measures taken of billing issues; billing analysis; compliance with regulations of PSC, Fla. DEP, and Dept. of Health (boil notices issue); and measures taken to address customer concerns and complaints;
- (3) Removal of president's salary and director's fee, and reduction of finance manager's salary by 10%, as a result of unsatisfactory quality of service; and
- (4) Staff will report back to the Commission after 6 and 12 month intervals with data to see if the utility is complying with the Commission's final orders.

COMMISSIONERS ASSIGNED: All Commissioners

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

REMARKS/DISSENTING COMMENTS:

Oral modification, assigned DN 06394-15, is attached.

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Issue 2: What is the used and useful percentage of Cedar Acres' water treatment plant and water distribution system?

Recommendation: Cedar Acres' water treatment plant and water distribution system should be considered 100 percent used and useful (U&U). There is zero excessive unaccounted for water (EUW), therefore, no adjustment to chemicals and purchased power expense is recommended.

APPROVED with staff given authority to make technical adjustments.

Issue 3: What is the appropriate average test year rate base for Cedar Acres?

Recommendation: The appropriate average test year rate base for Cedar Acres is \$64,137.

APPROVED with staff given authority to make technical adjustments.

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

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 8.74 percent.

APPROVED with staff given authority to make technical adjustments.

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

Recommendation: The appropriate test year revenues for Cedar Acres' water system are \$35,451.

APPROVED with staff given authority to make technical adjustments.

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

Recommendation: The appropriate amount of operating expense for Cedar Acres is \$106,003.

MODIFIED with adjustments under issue 1, which account for a reduction in this issue of \$8,350.

Issue 7: Should the Commission utilize the operating ratio methodology as an alternative means to calculate the revenue requirement for Cedar Acres, and, if so, what is the appropriate margin?

Recommendation: Yes, the Commission should utilize the operating ratio methodology for calculating revenue requirement for Cedar Acres. The margin should be 10 percent of O&M expenses.

APPROVED

Issue 8: What is the appropriate revenue requirement?

Recommendation: The appropriate revenue requirement is \$115,423.

APPROVED

Issue 9: What are the appropriate rate structure and rates for Cedar Acres' water system?

Recommendation: The recommended rate structure and monthly water rates are shown on Schedule Nos. 4-A and 4-B of staff's memorandum dated October 1, 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 as modified, to return within 12 months.

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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-B of staff's memorandum dated October 1, 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. Cedar Acres 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 are the appropriate amount, terms, and conditions for the escrow account established for the meter replacement program?

Recommendation: The utility should be required to escrow \$960 every two months. The appropriate terms and conditions of the escrow account are set forth in the analysis portion of staff's memorandum dated October 1, 2015.

MODIFIED as discussed in Commission Conference.

Total annual cost of \$14,110, \$2,352 of which must be escrowed every two months. The program shall be expedited to 4 years.

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Issue 12: Should the recommended rates 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?

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, in the event of a protest filed by a party other than the utility. Cedar Acres 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 below in the analysis portion of staff's memorandum dated October 1, 2015. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(1), F.A.C., the utility should file reports with the Commission Clerk's Office bi-monthly, no later than the 20th of the billing month, indicating the monthly and total amount of money subject to refund at the end of the preceding billing period. The report filed should also indicate the status of the security being used to guarantee repayment of any potential refund.

APPROVED with staff authority to make fallout adjustments.

Issue 13: Should Cedar Acres' request to implement a \$5 late payment charge be approved?

Recommendation: Yes. Cedar Acres' request to implement a \$5 late payment charge should be approved. Cedar Acres 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 10 days after the date of the notice.

APPROVED with staff authority to make fallout adjustments.

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Issue 14: What are the appropriate initial customer deposits for Cedar Acres?

Recommendation: The appropriate initial customer deposit should be \$60 for the residential 5/8" x 3/4" meter size. The initial customer deposit 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 approved 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 initial customer deposits until authorized to change them by the Commission in a subsequent proceeding.

APPROVED with staff authority to make fallout adjustments.

Issue 15: Should Cedar Acres' request for violation reconnection charges be approved?

Recommendation: Yes. Cedar Acres' request for violation reconnection charges of \$80 for normal hours and \$105 for after hours should be approved. Cedar Acres should be required to file a proposed customer notice to reflect the Commission-approved charges. The approved charges 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 charges 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 10 days after the date of the notice.

APPROVED with staff authority to make fallout adjustments.

Issue 16: Should Cedar Acres be authorized to collect Non-Sufficient Funds (NSF) charges?

Recommendation: Yes. Cedar Acres should be authorized to collect NSF charges. Staff recommends that Cedar Acres revise its tariffs to reflect the NSF charges currently set forth in Sections 68.065 and 832.08(5), F.S. The NSF charges should be effective on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475(1), F.A.C. Furthermore, the charges 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 with staff authority to make fallout adjustments.

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Issue 17: 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 National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts (USOA) associated with the Commission-approved adjustments?

Recommendation: Yes. To ensure that the utility adjusts its books in accordance with the Commission's decision, Cedar Acres 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. In an effort to assist the utility in its requirement, Attachment A of staff's memorandum dated October 1, 2015, provides a breakdown by primary account for plant and accumulated depreciation that reflects the year-end balances at September 30, 2014. In the event the utility needs additional time to complete the adjustments, notice should be provided within 7 days prior to deadline. Upon providing good cause, staff should be given administrative authority to grant an extension of up to 60 days.

APPROVED with staff authority to make fallout adjustments.

Issue 18: 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 will 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. Also, the docket should remain open to allow staff to monitor the escrow account and the meter replacement program. Once the above actions are completed this docket will be closed administratively.

APPROVED

Angela Charles

From: Kathy Shoaf
Sent: Friday, October 09, 2015 3:29 PM
To: Braulio Baez; Lisa Harvey; Apryl Lynn; Cindy Muir; Charlie Beck; Mary Anne Helton; CLK - Agenda Staff; Commissioners & Staffs; Cissy Galloway; Bart Fletcher; Cheryl Bulecza-Banks; Andrew Maurey; Leslie Ames; Keino Young
Cc: Kate Hamrick; Terri Fleming
Subject: Request for Oral Modification to Item 4, Docket No. 140217-WU

Please see Approved Request for Oral Modification to Item 4 for October 13th Agenda.
Thank you.

Kathy Shoaf
Executive Assistant to
Braulio Baez, Executive Director
Florida Public Service Commission
Telephone: (850)413-6053
kshoaf@psc.state.fl.us

From: Braulio Baez
Sent: Friday, October 09, 2015 3:23 PM
To: Kathy Shoaf
Subject: FW: DRAFT ORAL MODIFICATION EMAIL FOR YOUR REVIEW

Approved

From: Andrew Maurey
Sent: Friday, October 09, 2015 3:04 PM
To: Kate Hamrick; Kathy Shoaf
Cc: Lisa Harvey; Braulio Baez; Mary Anne Helton
Subject: FW: DRAFT ORAL MODIFICATION EMAIL FOR YOUR REVIEW

Request for Oral Modification to Item 4, Docket No. 140217-WU- Application for staff-assisted rate case by Cedar Acres, Inc. scheduled for the October 13, 2015 agenda.

Subsequent to filing its recommendation, staff determined that revisions were necessary to the standard language regarding the terms and conditions for escrow agreements in Issues 11 and 12. Staff notes that these revisions do not impact the recommended revenue requirement. To account for these revisions, staff requests approval to make oral modifications to the Staff Analysis Section in Issues 11 and 12. The modifications are necessary to alleviate problems with opening escrow accounts and obtaining approval for processing withdrawals through the Office of the Commission Clerk. Given the minor nature of these modifications, staff believes this item should not be deferred as it would delay needed rate relief by this small water utility. The specific modifications are highlighted in type and strike format as follows:

1) **Page 24, Issue 11, Bullets (1) and (8)**

- (1) No monies in the escrow account may be withdrawn by the utility without the prior written authorization ~~express approval~~ of the Commission Clerk, or his or her designee;
The escrow account shall be an interest bearing account;
- (2) If a refund to the customers is required, all interest earned by the escrow account shall be distributed to the customers;
- (3) If a refund to the customers is not required, the interest earned by the escrow account shall revert to Cedar Acres;
- (4) All information on the escrow account shall be available from the holder of the escrow account to a Commission representative at all times;
- (5) The amount of revenue subject to refund shall be deposited in the escrow account within seven days of receipt;
- (6) This escrow account is established by the direction of the Florida Public Service Commission for the purpose(s) set forth in its order requiring such account. Pursuant to Cosentino v. Elson, 263 So. 2d 253 (Fla. 3d DCA 1972), escrow accounts are not subject to garnishments;
- (7) The Commission Clerk, or his or her designee, must be a signatory to the escrow agreement; and
- (8) The account must specify by whom and on whose behalf such monies were paid.

2) Page 27, Issue 12, Bullets (1) and (8)

- (1) No monies in the escrow account may be withdrawn by the utility without the prior written authorization ~~express approval~~ of the Commission Clerk, or his or her designee;
- (2) The escrow account shall be an interest bearing account;
- (3) If a refund to the customers is required, all interest earned by the escrow account shall be distributed to the customers;
- (4) If a refund to the customers is not required, the interest earned by the escrow account shall revert to Cedar Acres;
- (5) All information on the escrow account shall be available from the holder of the escrow account to a Commission representative at all times;
- (6) The amount of revenue subject to refund shall be deposited in the escrow account within seven days of receipt;
- (7) This escrow account is established by the direction of the Florida Public Service Commission for the purpose(s) set forth in its order requiring such account. Pursuant to Cosentino v. Elson, 263 So. 2d 253 (Fla. 3d DCA 1972), escrow accounts are not subject to garnishments;

- (8) The Commission Clerk, or his or her designee, must be a signatory to the escrow agreement; and,
- (9) The account must specify by whom and on whose behalf such monies were paid.

Andrew L. Maurey
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