

FLORIDA PUBLIC SERVICE COMMISSION

Item 3

VOTE SHEET

September 8, 2022

FILED 9/8/2022  
DOCUMENT NO. 06114-2022  
FPSC - COMMISSION CLERK

Docket No. 20220066-WS – Application for increase in water rates in Washington County, by Sunny Hills Utility Company.

**Issue 1:** Is the quality of service provided by Sunny Hills satisfactory?

**Recommendation:** Yes. Sunny Hills is meeting all Department of Environmental Protection (DEP) primary and secondary standards with the exception of the secondary standard for iron at a backup well, Well No. 1. The Utility is taking measures to address the iron levels at Well No. 1 and has been responsive to customer complaints. Therefore, the quality of service provided by Sunny Hills should be considered satisfactory.

**DENIED** - The Commission finds that the quality of service is marginal. The Utility shall submit a report to Commission staff in 6 months on the status of repairs to address the quality of service issues identified by DEP and discussed in staff's recommendation.

**Issue 2:** Are the infrastructure and operating conditions of Sunny Hills' water system in compliance with DEP regulations?

**Recommendation:** Yes. The Utility's water system is currently in compliance with DEP regulations.

**APPROVED**

COMMISSIONERS ASSIGNED: All Commissioners

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

*[Handwritten signatures in majority column]*

*[Handwritten signature in dissenting column]*

REMARKS/DISSENTING COMMENTS:

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**Issue 3:** Should the audit adjustments to rate base be made?

**Recommendation:** Yes. Plant in service should be decreased by \$5,627 and accumulated depreciation should be increased by \$8,916.

**APPROVED**

**Issue 4:** What are the used and useful (U&U) percentages of Sunny Hills' water treatment plant (WTP), storage, and water distribution system?

**Recommendation:** Staff recommends that Sunny Hills' water treatment system is 91 percent U&U, the water storage 100 percent U&U, and the water distribution system 10 percent U&U. Additionally, staff recommends that the Utility has 4.2 percent excessive unaccounted for water (EUW).

**APPROVED**

**Issue 5:** Should adjustments be made to the Utility's non-U&U balance?

**Recommendation:** Yes. The Utility's non-U&U balance should be decreased by \$27,613.

**APPROVED**

**Issue 6:** Should further adjustments be made to the Utility's rate base?

**Recommendation:** Yes. The Utility's test year rate base should further be reduced by \$97,414.

**APPROVED**

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**Issue 7:** Should any adjustments be made to the Utility's pro forma adjustments?

**Recommendation:** Yes. Pro forma accumulated depreciation should be reduced by \$6,245 and depreciation expense should be increased by \$5,767. Additionally, property taxes should be decreased by \$1,172. There is no adjustment to the Utility's pro forma plant.

**APPROVED**

**Issue 8:** What is the appropriate rate base for the test year ended December 31, 2021?

**Recommendation:** Consistent with staff's recommended adjustments, the appropriate rate base for the test year ended December 31, 2021, is \$665,162.

**APPROVED**

**Issue 9:** What is the appropriate return on equity (ROE)?

**Recommendation:** Based on the Commission's leverage formula currently in effect, the appropriate ROE for the Utility is 7.84 percent.

**APPROVED**

**Issue 10:** What is the appropriate weighted average cost of capital based on the proper components, amounts, and cost rates associated with the capital structure for the test year ended December 31, 2021?

**Recommendation:** The appropriate weighted average cost of capital for the test year ended December 31, 2021, is 7.68 percent.

**APPROVED**

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**Issue 11:** What are the appropriate amount of test year revenues for Sunny Hills' water system?

**Recommendation:** The appropriate test year revenues for Sunny Hills' water system are \$361,770

**APPROVED**

**Issue 12:** Should further adjustments be made to the Utility's O&M expense?

**Recommendation:** Yes. O&M expense should be decreased by \$4,677.

**APPROVED**

**Issue 13:** Should further adjustments be made to the Utility's operating expense?

**Recommendation:** Yes. The Utility's operating expenses should be further decreased by \$1,111.

**APPROVED**

**Issue 14:** What is the appropriate operating expense for the test year ended December 31, 2021?

**Recommendation:** Consistent with staff's recommended adjustments, the appropriate operating expense for the test year ended December 31, 2021, is \$363,822.

**APPROVED**

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**Issue 15:** What is the appropriate revenue requirement for the test year ended December 31, 2021?

**Recommendation:** Staff recommends a revenue requirement of \$417,416 be approved.

Table 15-1

Staff's Recommended Revenue Requirement

Test Year Revenue	\$ Increase	Revenue Requirement	% Increase
\$361,770	\$55,646	\$417,416	15.38%

Source: Staff's calculations

**APPROVED**

**Issue 16:** What are the appropriate rate structures and rates for Sunny Hills' water system?

**Recommendation:** The recommended rate structure and monthly water rates are shown on Schedule No. 4 of staff's recommendation dated August 26, 2022. 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 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**

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**Issue 17:** Should Sunny Hills' miscellaneous service charges be revised to conform to amended Rule 25-30.460, F.A.C.?

**Recommendation:** Yes. Staff recommends the miscellaneous service charges be revised to conform to the recent amendment to Rule 25-30.460, F.A.C. The tariff should be revised to reflect the removal of initial connection and normal reconnection charges. Sunny Hills should be required to file a proposed customer notice to reflect the Commission-approved charges. The approved charges should be effective 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 and the notice has been received by customers. The Utility should provide proof of the date notice was given no less than 10 days after the date of the notice.

**APPROVED**

**Issue 18:** What is the appropriate amount by which rates should be reduced to reflect the removal of amortized rate case expense?

**Recommendation:** The water rates should be reduced, as shown on Schedule No. 4 of staff's recommendation dated August 26, 2022, to remove the annual amortization of rate case expense grossed-up for RAFs. The decrease in rates should become effective immediately following the expiration of the rate case expense recovery period. Sunny Hills 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 19:** Should any portion of the interim water revenue increase granted be refunded?

**Recommendation:** No. The Commission approved an interim revenue increase of \$21,472 to allow the Utility to earn an operating revenue of \$385,727. This amount is less than the recommended revenue requirement of \$417,416.

**APPROVED**

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**Issue 20:** Should the Utility be required to notify, within 90 days of an effective order finalizing this docket, that it has adjusted its books for all the applicable National Association of Regulatory Commissioners Uniform System of Accounts (NARUC USOA) associated with the Commission approved adjustments?

**Recommendation:** Yes. The Utility should be required to notify the Commission, in writing, that it has adjusted its books in accordance with the Commission’s decision. Sunny Hills should submit a letter within 90 days of the final order in this docket, confirming that the adjustments to all the applicable NARUC USOA accounts have been made to the Utility’s books and records. In the event the Utility needs additional time to complete the adjustments, notice should be provided within seven days prior to the deadline. Upon providing good cause, staff should be given administrative authority to grant an extension of up to 60 days.

**APPROVED**

**Issue 21:** 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 Proposed Agency Action 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, and the Utility has provided staff with proof that the adjustments for all applicable NARUC USOA accounts have been made. Once these actions are complete, this docket should be closed administratively.

**APPROVED** *is* **MODIFIED**

*Docket shall remain open pending staff's review of the utility's 6 month report on the status of repairs.*