

# FLORIDA PUBLIC SERVICE COMMISSION

## COMMISSION CONFERENCE AGENDA

**CONFERENCE DATE AND TIME:** Tuesday, June 1, 2010, 9:30 a.m.

**LOCATION:** Betty Easley Conference Center, Joseph P. Cresse Hearing Room 148

**DATE ISSUED:** May 20, 2010

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### NOTICE

Persons affected by Commission action on certain items on this agenda may be allowed to address the Commission, either informally or by oral argument, when those items are taken up for discussion at this conference. These items are designated by double asterisks (\*\*) next to the agenda item number.

To participate informally, affected persons need only appear at the agenda conference and request the opportunity to address the Commission on an item listed on agenda. Informal participation is not permitted: (1) on dispositive motions and motions for reconsideration; (2) when a recommended order is taken up by the Commission; (3) in a rulemaking proceeding after the record has been closed; or (4) when the Commission considers a post-hearing recommendation on the merits of a case after the close of the record. The Commission allows informal participation at its discretion in certain types of cases (such as declaratory statements and interim rate orders) in which an order is issued based on a given set of facts without hearing.

See Rule 25-22.0021, F.A.C., concerning Agenda Conference participation and Rule 25-22.0022, F.A.C., concerning oral argument.

Agendas, staff recommendations, vote sheets, transcripts, and conference minutes are available from the PSC Web site, <http://www.floridapsc.com>, by selecting *Agenda & Hearings* and *Agenda Conferences of the FPSC*. By selecting the docket number, you can advance to the *Docket Details* page and the Document Index Listing for the particular docket. If you have any questions, contact the Office of Commission Clerk at (850) 413-6770 or e-mail the clerk at [Clerk@psc.state.fl.us](mailto:Clerk@psc.state.fl.us).

Any person requiring some accommodation at this conference because of a physical impairment should call the Office of Commission Clerk at least 48 hours before the conference. Any person who is hearing or speech impaired should contact the Commission by using the Florida Relay Service, which can be reached at 1-800-955-8771 (TDD). Assistive Listening Devices are available in the Office of Commission Clerk, Betty Easley Conference Center, Room 110.

The Commission Conference has a live video broadcast the day of the conference, which is available from the PSC's Web site. Upon completion of the conference, the video will be available from the Web site by selecting *Agenda and Hearings and Audio and Video Event Coverage*.

Table of Contents  
 Commission Conference Agenda  
 June 1, 2010

1	<b>Approval of Minutes</b> April 20, 2010 Regular Commission Conference May 4, 2010 Regular Commission Conference .....	2
2**	<b>Consent Agenda</b> .....	2
3**	<b>Docket No. 090109-EI</b> – Petition for approval of solar energy power purchase agreement between Tampa Electric Company and Energy 5.0, LLC.....	3
4	<b>Docket No. 090505-EI</b> – Review of replacement fuel costs associated with the February 26, 2008 outage on Florida Power & Light's electrical system. ....	4
5**	<b>Docket No. 090079-EI</b> – Petition for increase in rates by Progress Energy Florida, Inc. <b>Docket No. 090144-EI</b> – Petition for limited proceeding to include Bartow repowering project in base rates, by Progress Energy Florida, Inc. <b>Docket No. 090145-EI</b> – Petition for expedited approval of the deferral of pension expenses, authorization to charge storm hardening expenses to the storm damage reserve, and variance from or waiver of Rule 25-6.0143(1)(c), (d), and (f), F.A.C., by Progress Energy Florida, Inc. <b>Docket No. 100136-EI</b> – Petition for approval of an accounting order to record a depreciation expense credit, by Progress Energy Florida, Inc.....	5
6**	<b>Docket No. 100178-GU</b> – Petition for approval of tariff modifications required to comply with FERC Order 720 data-posting requirements, by Peoples Gas System. ....	6
7**PAA	<b>Docket No. 090349-WS</b> – Application for limited proceeding rate increase in Polk County by Cypress Lakes Utilities, Inc. ....	7
8**PAA	<b>Docket No. 090392-WS</b> – Application for increase in water and wastewater rates in Lake County by Utilities Inc. of Pennbrooke. ....	9
9**PAA	<b>Docket No. 090381-SU</b> – Application for increase in wastewater rates in Seminole County by Utilities Inc. of Longwood. ....	18
10**PAA	<b>Docket No. 090402-WS</b> – Application for increase in water and wastewater rates in Seminole County by Sanlando Utilities Corporation. ....	24
11**	<b>Docket No. 090468-WS</b> – Application for grandfather certificate to operate water and wastewater utility in St. Johns County by Orangedale Utilities, Inc. ....	32
12**PAA	<b>Docket No. 090477-WU</b> – Application for staff-assisted rate case in Polk County by Alturas Utilities, L.L.C. ....	33

Table of Contents  
Commission Conference Agenda  
June 1, 2010

13**	<b>Docket No. 100006-WS</b> – Water and wastewater industry annual reestablishment of authorized range of return on common equity for water and wastewater utilities pursuant to Section 367.081(4)(f), F.S.....	36
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<u>ITEM NO.</u>	<u>CASE</u>
1	<b>Approval of Minutes</b> April 20, 2010 Regular Commission Conference May 4, 2010 Regular Commission Conference

2\*\*                    **Consent Agenda**

PAA                    A) Request for cancellation of a shared tenant services certificate.

<u>DOCKET NO.</u>	<u>COMPANY NAME</u>	<u>EFFECTIVE DATE</u>
100181-TS	Coleman Technologies, Inc.	4/14/2010

PAA                    B) Application for certificate to provide competitive local exchange telecommunications service.

<u>DOCKET NO.</u>	<u>COMPANY NAME</u>
100187-TX	Convergia, Inc.

**Recommendation:** The Commission should approve the action requested in the dockets referenced above and close these dockets.

**ITEM NO.**

**CASE**

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3\*\*

**Docket No. 090109-EI** – Petition for approval of solar energy power purchase agreement between Tampa Electric Company and Energy 5.0, LLC.

**Critical Date(s):** None

**Commissioners Assigned:** All Commissioners

**Prehearing Officer:** Skop

**Staff:** RAD: Graves, Ellis, Gilbert, Matthews

ECR: Matlock, Springer

GCL: Brubaker, Saylor, Williams

**Issue 1:** Should the Commission acknowledge Tampa Electric Company's voluntary dismissal of its Petition for Approval of solar energy power purchase agreement between TECO and Energy 5.0, filed on March 9, 2009?

**Recommendation:** Yes, the Commission should acknowledge TECO's voluntary withdrawal of its petition for approval of solar energy power purchase agreement with Energy 5.0 as a matter of right.

**Issue 2:** Should this docket be closed?

**Recommendation:** Yes. If the Commission approves staff's recommendation in Issue 1, the docket should be closed.

**ITEM NO.**

**CASE**

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4

**Docket No. 090505-EI** – Review of replacement fuel costs associated with the February 26, 2008 outage on Florida Power & Light's electrical system.

**Critical Date(s):** None

**Commissioners Assigned:** All Commissioners

**Prehearing Officer:** Skop

**Staff:** RAD: Graves, Matthews

ECR: Lee, A. Roberts

GCL: Bennett, Young

**(Participation is Limited to Commissioners and Staff.)**

**Issue 1:** How should the replacement power costs attributable to the February 26, 2008 outage be measured, and what is the amount of such costs?

**Recommendation:** The calculation of the replacement power costs should be the incremental cost of the system replacement fuel and purchased power cost associated with the generation lost less any mitigating measures, plus interest. The amount to be refunded should be \$13,854,054.

**Issue 2:** What is the appropriate method to credit customers for the replacement power costs determined pursuant to Issue 1?

**Recommendation:** The appropriate method of issuing the credit is through the 2010 net true-up in Docket 100001-EI, which would lower FPL's 2011 fuel factors.

**Issue 3:** Should this docket be closed?

**Recommendation:** The docket should be closed after the time for filing an appeal has run.

**ITEM NO.**

**CASE**

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5\*\*

**Docket No. 090079-EI** – Petition for increase in rates by Progress Energy Florida, Inc.  
**Docket No. 090144-EI** – Petition for limited proceeding to include Bartow repowering project in base rates, by Progress Energy Florida, Inc.  
**Docket No. 090145-EI** – Petition for expedited approval of the deferral of pension expenses, authorization to charge storm hardening expenses to the storm damage reserve, and variance from or waiver of Rule 25-6.0143(1)(c), (d), and (f), F.A.C., by Progress Energy Florida, Inc.  
**Docket No. 100136-EI** – Petition for approval of an accounting order to record a depreciation expense credit, by Progress Energy Florida, Inc.

**Critical Date(s):** None

**Commissioners Assigned:** All Commissioners

**Prehearing Officer:** Skop

**Staff:** ECR: Slemkewicz, P. Lee, Maurey

GCL: Klancke, Fleming

**Issue 1:** Should the Commission approve the proposed Stipulation and Settlement Agreement?

**Recommendation:** Yes, the Commission should approve the proposed Stipulation and Settlement Agreement.

**Issue 2:** Should Docket Nos. 090079-EI, 090144-EI, 090145-EI, and 100136-EI be closed?

**Recommendation:** Yes, Docket Nos. 090079-EI, 090144-EI, 090145-EI, and 100136-EI should be closed.

**ITEM NO.**

**CASE**

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6\*\*

**Docket No. 100178-GU** – Petition for approval of tariff modifications required to comply with FERC Order 720 data-posting requirements, by Peoples Gas System.

**Critical Date(s):** 06/12/10 (60-Day Suspension Date)

**Commissioners Assigned:** All Commissioners

**Prehearing Officer:** Administrative

**Staff:** ECR: Draper, Kummer

GCL: Saylor

**Issue 1:** Should the Commission approve PGS' proposed tariff modifications?

**Recommendation:** Yes. PGS' proposed tariff revisions are designed to comply with FERC's new posting requirements.

**Issue 2:** Should this docket be closed?

**Recommendation:** Yes. If Issue 1 is approved, this tariff should become effective on June 1, 2010. If a protest is filed by a substantially affected person within 21 days of the issuance of the order, this tariff should remain in effect pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order.



**ITEM NO.**

**CASE**

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7\*\*PAA

**Docket No. 090349-WS** – Application for limited proceeding rate increase in Polk County by Cypress Lakes Utilities, Inc.

**Critical Date(s):** None

**Commissioners Assigned:** All Commissioners

**Prehearing Officer:** Skop

**Staff:** ECR: Mouring, Maurey, Salnova, Fletcher, Rieger, Lingo, Thompson

GCL: Holley, Brubaker

**(Proposed Agency Action Except Issues 7 and 8.)**

**Issue 1:** Is the quality of service provided by Cypress Lakes Utilities, Inc. satisfactory?

**Recommendation:** Yes. The quality of service provided by Cypress Lakes Utilities, Inc., should be considered satisfactory.

**Issue 2:** Should any adjustments be made to the Utility's Project Phoenix Financial/Customer Care Billing System (Phoenix Project)?

**Recommendation:** Yes. Plant should be increased by \$455 for water and \$418 for wastewater. In addition, accumulated depreciation should be reduced by \$3,977 for water and \$3,654 for wastewater and depreciation expense should be reduced by \$2,173 for water and \$1,996 for wastewater, respectively.

**Issue 3:** What is the appropriate amount of rate case expense?

**Recommendation:** The appropriate rate case expense is \$64,641. This expense should be recovered over four years for an annual expense of \$16,160. Thus, rate case expense should be reduced by \$3,077 for water and \$2,827 for wastewater, respectively.

**Issue 4:** What is the appropriate increase in revenues for this Utility?

**Recommendation:** The appropriate revenue increase is \$63,415 for water and \$234,316 for wastewater.

**Issue 5:** What are the appropriate rate structures for the Utility's water and wastewater systems?

**Recommendation:** The appropriate rate structure for the water system's residential class is a continuation of its three-tier inclining-block rate structure approved in Cypress Lakes' 2006 rate proceeding. The current usage blocks and usage block rate factors should also remain unchanged. The appropriate rate structure for the water system's non-residential classes is a continuation of its base facility charge (BFC)/uniform gallonage charge rate structure. The appropriate rate structure for the wastewater system is a continuation of the BFC/gallonage charge rate structure. The residential wastewater gallonage cap should remain at 6,000 gallons (6 kgal).

**ITEM NO.**

**CASE**

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7\*\*PAA

**Docket No. 090349-WS** – Application for limited proceeding rate increase in Polk County by Cypress Lakes Utilities, Inc.

(Continued from previous page)

**Issue 6:** What are the appropriate monthly rates for the water and wastewater systems for the Utility?

**Recommendation:** Excluding miscellaneous service charges, the recommended water rate structure is designed to produce revenues of \$63,415. Excluding miscellaneous service, the recommended wastewater rate structure is designed to produce revenues of \$234,316. The approved water and wastewater rates should be effective for service rendered on or after the stamped approval date of the revised tariff sheets, pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved water and wastewater rates 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.

**Issue 7:** 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?

**Recommendation:** The rates should be reduced, as shown on Schedule Nos. 1-A and 1-B of staff's memorandum dated May 19, 2010, to remove \$8,899 from water rates and \$8,175 from wastewater rates for rate case expense, grossed up for Regulatory Assessment Fees (RAFs). 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.

**Issue 8:** 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 substantially affected person?

**Recommendation:** Yes. The recommended rates should be approved for the Utility, subject to refund, in the event of a protest filed by a substantially affected person. Prior to implementation of any temporary rates, the Utility should provide appropriate security. UI's total guarantee should be in the amount of \$800,801. 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 Division of Economic Regulation 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. Should a refund be required, the refund should be with interest and undertaken in accordance with Rule 25-30.360, F.A.C.

**Issue 9:** Should this docket be closed?

**Recommendation:** If a protest is not received from a substantially affected person within 21 days of issuance of the Proposed Agency Action Order, a Consummating Order will be issued. If a Consummating Order is issued, the docket should be closed upon its issuance and upon staff's approval of the revised tariff sheets.

**ITEM NO.**

**CASE**

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8\*\*PAA

**Docket No. 090392-WS** – Application for increase in water and wastewater rates in Lake County by Utilities Inc. of Pennbrooke.

**Critical Date(s):** 5-Month Effective Date Waived Through 6/1/10

**Commissioners Assigned:** All Commissioners

**Prehearing Officer:** Edgar

**Staff:** ECR: Deason, Daniel, Fletcher, Maurey, Lingo, Stallcup, Rieger, Thompson  
GCL: Sayler, Brubaker

**(Proposed Agency Action Except Issue Nos. 28 and 29.)**

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

**Recommendation:** The overall quality of service provided by Pennbrooke is satisfactory.

**ITEM NO.**

**CASE**

8\*\*PAA

**Docket No. 090392-WS** – Application for increase in water and wastewater rates in Lake County by Utilities Inc. of Pennbrooke.

(Continued from previous page)

**Issue 2:** Should the audit adjustments to rate base to which the Utility agrees be made?  
**Recommendation:** Yes. Based on audit adjustments agreed to by the Utility and staff, staff recommends the following adjustments to rate base, O&M expenses, and taxes other than income (TOTI) for water and wastewater.

Audit Finding	Plant	Accum. Depr.	Depr. Expense	O&M Expenses	TOTI
No. 1 - Plant Sample	(\$1,105)	\$153	(\$97)	\$948	
No. 2 - Plant Retirements	(\$807)	\$807	(\$37)		
No. 6 - Sampling Errors	(\$223)	\$14	(\$28)		
No. 9 - Employee Not Replaced				(\$398)	(\$28)
No. 11 - O&M Sample	\$37	\$114	\$4	(\$1,010)	
Total Water Adjustments:	<u>(\$2,098)</u>	<u>\$1,088</u>	<u>(\$158)</u>	<u>(\$460)</u>	<u>(\$28)</u>

Audit Finding	Plant	Accum. Depr.	Depr. Expense	O&M Expenses	TOTI
No. 1 - Plant Sample	(\$2,372)	\$195	(\$121)	\$938	
No. 2 - Plant Retirements	(\$2,100)	\$2,100	(\$101)		
No. 6 - Sampling Errors	(\$190)	\$12	(\$23)		
No. 9 - Employee Not Replaced				(\$338)	(\$23)
No. 11 - O&M Sample	\$175	\$535	\$10	(\$1,920)	
Total Wastewater Adjustments:	<u>(\$4,487)</u>	<u>\$2,842</u>	<u>(\$235)</u>	<u>(\$1,320)</u>	<u>(\$23)</u>

**Issue 3:** Should any additional adjustments be made to the Utility's test year Plant in Service balance and test year expenses?

**Recommendation:** Yes. Plant should be reduced by \$88,292 for water and \$75,211 for wastewater. In addition, accumulated depreciation should be reduced by \$25,608 for water and \$21,815 for wastewater.

**Issue 4:** 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 \$8,406 for water and \$6,605 for wastewater. In addition, accumulated depreciation and depreciation expense both should be reduced \$2,611 for water and \$2,224 for wastewater, respectively.

**ITEM NO.**

**CASE**

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8\*\*PAA

**Docket No. 090392-WS** – Application for increase in water and wastewater rates in Lake County by Utilities Inc. of Pennbrooke.

(Continued from previous page)

**Issue 5:** Should adjustments be made to the Utility's pro forma plant additions and associated expenses?

**Recommendation:** Yes. The Utility's pro forma plant additions should be increased \$4,538 for wastewater. Pro forma adjustments for water should be denied. Accordingly, accumulated depreciation and depreciation expense should be decreased by \$15,488 for water, and accumulated depreciation and depreciation expense both should be increased by \$138 for wastewater.

**Issue 6:** What are the used and useful percentages for the Utility's water and wastewater systems?

**Recommendation:** The Utility's water and wastewater systems are 100 percent used and useful.

**Issue 7:** What is the appropriate working capital allowance?

**Recommendation:** The appropriate amount of working capital is \$31,537 for water and \$34,566 for wastewater.

**Issue 8:** What is the appropriate rate base for the December 31, 2008, test year?

**Recommendation:** Consistent with other recommended adjustments, the appropriate simple average rate base for the test year ended December 31, 2008, is \$810,184 for water and \$1,132,356 for wastewater.

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

**Recommendation:** The appropriate return on equity is 11.13 percent based on the Commission's leverage formula currently in effect. Staff recommends an allowed range of plus or minus 100 basis points be recognized for ratemaking purposes.

**Issue 10:** What is the appropriate weighted average cost of capital including the proper components, amounts, and cost rates associated with the capital structure for the test year ended December 31, 2008?

**Recommendation:** The appropriate weighted average cost of capital for the test year ended December 31, 2008, is 8.08 percent.

**Issue 11:** What are the appropriate annualized revenue adjustments?

**Recommendation:** The appropriate water and wastewater annualized revenue adjustments are \$40,970 and \$66,557, respectively. The Utility's annualized revenue adjustments of \$7,164 and \$6,080 for water and wastewater, respectively, should be increased by \$33,806 for water and \$60,477 for wastewater.

**ITEM NO.**

**CASE**

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8\*\*PAA

**Docket No. 090392-WS** – Application for increase in water and wastewater rates in Lake County by Utilities Inc. of Pennbrooke.

(Continued from previous page)

**Issue 12:** Should any audit adjustments contested by the Utility be made to test year O&M expenses?

**Recommendation:** Yes. O&M expenses should be decreased by \$3,668 for water and \$3,104 for wastewater. Accordingly, corresponding adjustments should be made to increase plant by \$69 for water and \$58 for wastewater. Finally, accumulated depreciation and depreciation expense both should be increased by \$3 for water and \$3 for wastewater.

**Issue 13:** Should an adjustment be made to the Utility's salaries and wages, pensions and benefits, and payroll taxes?

**Recommendation:** Yes. Pennbrooke's salaries and wages expense should be decreased by \$48,628 for water and \$34,442 for wastewater. Accordingly, pensions and benefits expense should be reduced by \$10,264 for water and \$7,270 for wastewater. Finally, payroll taxes should be reduced by \$3,720 for water and \$2,635 for wastewater.

**Issue 14:** Should any adjustment be made to allocated relocation expense?

**Recommendation:** Yes. Consistent with Commission practice, relocation expense should be based on a 4-year average. Accordingly, Pennbrooke's relocation expense of \$1,535 should be reduced by \$470 for water and \$400 for wastewater.

**Issue 15:** Should any adjustments be made to transportation expenses?

**Recommendation:** Yes. Transportation expense should be decreased by \$954 for water and \$812 for wastewater.

**Issue 16:** Should any adjustments be made to irrigation billing expense?

**Recommendation:** Yes. The costs of mailing 1,358 duplicate irrigation bills in the amount of \$6,642 for water should be removed from water O&M expense.

**Issue 17:** Should any adjustment be made to unamortized rate case expense from the Utility's prior case?

**Recommendation:** Yes. Consistent with Order No. PSC-07-0088-PAA-WS, test year rate case expense for the Utility's prior case should reduce expenses by \$9,641 for water and \$8,057 for wastewater.

**Issue 18:** What is the appropriate amount of current rate case expense?

**Recommendation:** The appropriate amount of rate case expense is \$130,990. This expense should be recovered over four years for an annual expense of \$32,747. Thus, annual rate case expense should be reduced by \$7,664 for water and \$6,528 for wastewater, respectively.

**Issue 19:** Should any adjustment be made to bad debt expense?

**Recommendation:** Yes. Pennbrooke should be entitled to bad debt expense of \$365. As a result, Pennbrooke's bad debt expense of \$476 should be reduced by \$111 or \$60 for water and \$51 for wastewater.

**ITEM NO.**

**CASE**

8\*\*PAA

**Docket No. 090392-WS** – Application for increase in water and wastewater rates in Lake County by Utilities Inc. of Pennbrooke.

(Continued from previous page)

**Issue 20:** What is the test year water and wastewater operating income before any revenue increase?

**Recommendation:** Based on the adjustments discussed in previous issues, the test year operating income is \$26,894 for water and \$49,024 for wastewater.

**Issue 21:** What is the appropriate revenue requirement for the December 31, 2008 test year?

**Recommendation:** The following revenue requirement should be approved.

	Test Year Revenues	\$ Increase	Revenue Requirement	% Increase
Water	\$389,228	\$64,736	\$453,964	16.63%
Wastewater	\$440,068	\$71,279	\$511,347	16.20%

**Issue 22:** What are the appropriate rate structures for the Utility’s water and wastewater systems?

**Recommendation:** The appropriate rate structure for the water system’s residential class is a three-tier inclining-block rate structure. The usage blocks should be set for monthly consumption at: (a) 0-6 kgals; (b) 6.001-12 kgals; and (c) usage in excess of 12 kgals. The usage block rate factors should be set at 1.00, 1.25, and 1.50 respectively. As discussed in the following issue, by restricting any cost recovery due to repression to discretionary usage, an additional fourth tier will be created for non-discretionary usage at or below 3 kgals per month. The appropriate rate structure for the water system’s general service customers is a continuation of the traditional base facility charge (BFC)/uniform gallonage charge rate structure. The BFC cost recovery percentage for the water system should be set at 20 percent. The appropriate rate structure for the wastewater system is a continuation of the BFC/gallonage charge rate structure. The residential wastewater monthly gallonage cap should continue at 6 kgals. The general service gallonage charge should remain 1.2 times greater than the corresponding residential charge. The post-repression BFC cost recovery percentage should be set at 40 percent. The appropriate rate structure for the reuse system is a pure consumption-only based charge per ggal.

**ITEM NO.**

**CASE**

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8\*\*PAA

**Docket No. 090392-WS** – Application for increase in water and wastewater rates in Lake County by Utilities Inc. of Pennbrooke.

(Continued from previous page)

**Issue 23:** Is a repression adjustment to the Utility’s water system appropriate in this case, and, if so, what is the appropriate adjustment to make for this Utility?

**Recommendation:** Yes, a repression adjustment is appropriate. Residential water consumption should be reduced by 4.0 percent, resulting in a consumption reduction of approximately 5,587 kgals. Total post-repression residential water consumption for ratesetting is 133,581 kgals. The resulting water system reductions to revenue requirements are \$1,299 in purchased power expense, \$678 in chemicals expense and \$93 in RAFs. The post-repression revenue requirement for the water system is \$451,111.

In order to monitor the effects of both the changes in revenues and rate structure, the Utility should be ordered to prepare monthly reports detailing the number of bills rendered, the consumption billed and the revenues billed for each system. In addition, the reports should be prepared by customer class and meter size. The reports should be filed with staff, on a semi-annual basis, for a period of two years beginning the first billing period after the approved rates go into effect. To the extent the Utility makes adjustments to consumption in any month during the reporting period, the Utility should be ordered to file a revised monthly report for that month within 30 days of any revision.

**Issue 24:** What are the appropriate monthly rates for the water, wastewater and reuse systems for the Utility?

**Recommendation:** The appropriate monthly water rates are shown on Schedule No. 4-A, and the appropriate monthly wastewater rates are shown on Schedule No. 4-B of staff’s memorandum dated May 19, 2010. Excluding miscellaneous service charges, the recommended rates for the water system are designed to produce annual revenues of \$451,111. The recommended reuse rate of \$0.85 per kgal is designed to produce annual revenues of \$22,648, which should be used as an offset to wastewater revenues from rates. Therefore, excluding miscellaneous service charges, the recommended rates for the wastewater system are designed to produce annual revenues of \$488,033. The Utility should file revised water, wastewater and reuse tariff sheets and a proposed customer notice to reflect the Commission-approved rates for the respective systems. The approved water, wastewater and reuse rates should be effective for service rendered on or after the stamped approval date of the revised tariff sheets, pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved water, wastewater and reuse rates 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.



**ITEM NO.**

**CASE**

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8\*\*PAA

**Docket No. 090392-WS** – Application for increase in water and wastewater rates in Lake County by Utilities Inc. of Pennbrooke.

(Continued from previous page)

**Issue 25** Should the Utility be authorized to revise its miscellaneous service charges, and, if so, what are the appropriate charges?

**Recommendation:** Yes. Pennbrooke should be authorized to revise its miscellaneous service charges. The Utility should file a proposed customer notice to reflect the Commission-approved charges. The approved charges should be effective for service rendered on or after the stamped approval date of the tariff, pursuant to Rule 25-30.475(1), F.A.C., provided the notice has been approved by staff. The Utility should provide proof the customers have received notice within 10 days after the date that the notice was sent. The appropriate charges are reflected below. This notice may be combined with the notice required in Issue 24.

Miscellaneous Service Charges

	<u>After Hrs</u>
Water Initial Connection	\$42
Wastewater Initial Connection	\$42

**Issue 26:** Should the Utility's request for approval of a Non-Sufficient Funds fee be granted?

**Recommendation:** Yes. The Utility's requested Non-Sufficient Funds (NSF) fee should be approved. The NSF fee should be effective on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475(1), F.A.C. In addition, the rates should not be implemented until staff has approved the proposed customer notice. The Utility should provide proof of the date the notice was given no less than 10 days after the date of the notice. This notice may be combined with the notice required in Issue 24.

**ITEM NO.**

**CASE**

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8\*\*PAA

**Docket No. 090392-WS** – Application for increase in water and wastewater rates in Lake County by Utilities Inc. of Pennbrooke.

(Continued from previous page)

**Issue 27:** In determining whether any portion of the water and wastewater 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 rate case expense 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, the Utility should be required to refund 20.96 percent of water revenues and 16.77 percent of wastewater revenues collected under interim rates. The refunds should be made with interest in accordance with Rule 25-30.360(4), F.A.C. The Utility should be required to submit proper refund reports, pursuant to Rule 25-30.360(7), F.A.C. The Utility should treat any unclaimed refunds as CIAC, pursuant to Rule 25-30.360(8), F.A.C. Further, the surety bond should be released upon staff's verification that the required refunds have been made.

**Issue 28:** 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-A and 4-B of staff's memorandum dated May 19, 2010, to remove \$18,704 of water and \$15,933 of wastewater rate case expense, grossed up for regulatory assessment fees. 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 30 days prior to the actual date of the required rate reduction. The approved rates should be effective for service rendered on or after the stamped approval date of the revised tariff sheets, pursuant to Rule 25-40.475(1), F.A.C. The rates should not be implemented until staff has approved the proposed customer notice. Pennbrooke should provide proof of the date notice was given no less than 10 days after the date of the notice.

**Issue 29:** Should the Utility be required to provide proof, within 90 days of the final order issued in this docket, that it has adjusted its books for all the applicable National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts (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, Pennbrooke should provide proof, within 90 days of the final order issued in this docket, that the adjustments for all the applicable NARUC USOA primary accounts have been made.

**ITEM NO.**

**CASE**

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8\*\*PAA

**Docket No. 090392-WS** – Application for increase in water and wastewater rates in Lake County by Utilities Inc. of Pennbrooke.

(Continued from previous page)

**Issue 30:** Should this docket be closed?

**Recommendation:** No. If no person whose substantial interests are affected by the proposed agency action files a protest within twenty-one 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, and that the interim refund has been completed and verified by staff. Once these actions are complete, this docket should be closed administratively.

**ITEM NO.**

**CASE**

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9\*\*PAA

**Docket No. 090381-SU** – Application for increase in wastewater rates in Seminole County by Utilities Inc. of Longwood.

**Critical Date(s):** 5-Month Effective Date Waived Through 6/1/10

**Commissioners Assigned:** All Commissioners

**Prehearing Officer:** Edgar

**Staff:** ECR: Fletcher, Daniel, Maurey, Walden

GCL: Klancke

**(Proposed Agency Action Except for Issue Nos. 24 and 25)**

**Issue 1:** Is the quality of service provided by Utilities, Inc. of Longwood satisfactory?

**Recommendation:** Yes. The overall quality of service is satisfactory.

**ITEM NO.**

**CASE**

9\*\*PAA

**Docket No. 090381-SU** – Application for increase in wastewater rates in Seminole County by Utilities Inc. of Longwood.

(Continued from previous page)

**Issue 2:** Should the audit adjustments to rate base and net operating income, to which the Utility agrees, be made?

**Recommendation:** Yes. Based on audit adjustments agreed to by the Utility and staff, the following adjustments to rate base and net operating income should be made.

<b>Audit Adjustments to Which Longwood Agrees</b>							
<u>Audit Finding</u>	<u>Plant</u>	<u>Accum. Depr.</u>	<u>Accum. Amort. of CIAC</u>	<u>Operating Revenues</u>	<u>O&amp;M Expense</u>	<u>Depr. Expense</u>	<u>Taxes Other Than Income (TOTI)</u>
Finding No. 1 - Acquisition Adj. Correcting Entries		(\$46,464)				\$3,319	
Finding No. 3 - Plant Sample	(\$49,698)	16,007				(2,236)	
Finding No. 4 - Plant Retirements	(25,505)	31,238				(8,382)	
Finding No. 5 - Allowance for Funds Used During Construction	(7,282)	3,805				(371)	
Finding No. 8 - Accum. Amort. of CIAC			\$466,018				
Finding No. 9 - Revenue Adjustment				(\$16,459)			
Finding No. 11 - Employee Not Replaced					(\$474)		(\$33)
Finding No. 14 - Def. Main. Exp					(2,128)		
Finding No. 16 - O&M Sample					(3,789)		
<b>Total Adjustments</b>	<b>(\$82,485)</b>	<b>\$4,586</b>	<b>\$466,018</b>	<b>(\$16,459)</b>	<b>(\$6,391)</b>	<b>(\$7,670)</b>	<b>(\$33)</b>

**ITEM NO.**

**CASE**

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9\*\*PAA

**Docket No. 090381-SU** – Application for increase in wastewater rates in Seminole County by Utilities Inc. of Longwood.

(Continued from previous page)

**Issue 3:** Should any audit adjustment contested by the Utility be made to test year plant?

**Recommendation:** Yes. Plant should be reduced by \$105,408. Moreover, a corresponding adjustment should be made to decrease accumulated depreciation by \$30,572.

**Issue 4:** 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 \$9,570. In addition, the balances of accumulated depreciation and depreciation expense both should be reduced by \$4,278.

**Issue 5:** Should adjustments be made to the Utility's pro forma plant additions?

**Recommendation:** Yes. Plant should be decreased by \$352,342. Accordingly, corresponding adjustments should be made to decrease accumulated depreciation and depreciation expense both by \$7,822. Finally, a corresponding adjustment should be made to decrease property taxes by \$1,560.

**Issue 6:** What are the used and useful percentages of the Utility's wastewater system?

**Recommendation:** The wastewater plant and collection system are 100 percent used and useful.

**Issue 7:** What is the appropriate working capital allowance?

**Recommendation:** The appropriate working capital allowance is \$68,048.

**Issue 8:** What is the appropriate rate base for the test year ending December 31, 2008?

**Recommendation:** Consistent with other recommended adjustments, the appropriate rate base is \$1,964,085.

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

**Recommendation:** The appropriate return on common equity is 11.13 percent based on the Commission leverage formula currently in effect. Staff recommends an allowed range of plus or minus 100 basis points be recognized for ratemaking purposes.

**Issue 10:** What is the appropriate weighted average cost of capital including the proper components, amounts, and cost rates associated with the capital structure for the test year ended December 31, 2008?

**Recommendation:** The appropriate weighted average cost of capital for the test year ended December 31, 2008, is 7.04 percent.

**Issue 11:** What is the appropriate annualized revenue adjustment?

**Recommendation:** The appropriate annualized revenue adjustment is \$126,765. The Utility's annualized revenue adjustment of \$9,695 should be increased by \$117,070.

**Issue 12:** Should any audit adjustments contested by the Utility be made to test year O&M expenses?

**Recommendation:** Yes. O&M expenses should be decreased by \$7,591. Accordingly, a corresponding adjustment should be made to increase plant by \$82. Finally, accumulated depreciation and depreciation expense both should be increased by \$4.

**ITEM NO.**

**CASE**

9\*\*PAA

**Docket No. 090381-SU** – Application for increase in wastewater rates in Seminole County by Utilities Inc. of Longwood.

(Continued from previous page)

**Issue 13:** Should any adjustment be made to the Utility's requested salaries, and wages expense and pensions and benefits expense?

**Recommendation:** Yes. Longwood’s salaries and wages expense should be decreased by \$14,706. Accordingly, pensions and benefits expense should be reduced by \$3,628, and payroll taxes should be reduced by \$1,125.

**Issue 14:** Should any adjustment be made to allocated relocation expenses?

**Recommendation:** Yes. Consistent with Commission practice, relocation expense should be based on a 4-year average. Accordingly, Longwood’s allocated relocation expense of \$971 should be reduced by \$550.

**Issue 15:** Should any adjustment be made to transportation expenses?

**Recommendation:** Yes. Transportation expense should be decreased by \$1,215.

**Issue 16:** What is the appropriate amount of rate case expense?

**Recommendation:** The appropriate rate case expense is \$116,025. This expense should be recovered over four years for an annual expense of \$29,006. Thus, rate case expense should be decreased by \$15,123.

**Issue 17:** Should any adjustment be made to bad debt expense?

**Recommendation:** Yes. Consistent with Commission practice, bad debt expense should be based on a 3-year average. The Utility’s bad debt expense should be \$5,657. Accordingly, Longwood’s bad debt expense of \$6,235 should be reduced by \$578

**Issue 18:** What is the test year operating income before any revenue increase?

**Recommendation:** Based on the adjustments discussed in other issues, the test year operating income is \$113,775 before any revenue increase.

**Issue 19:** What is the appropriate revenue requirement?

**Recommendation:** The following revenue requirement should be approved:

	<u>Test</u> <u>Year Revenues</u>	<u>\$ Increase</u>	<u>Revenue</u> <u>Requirement</u>	<u>% Increase</u>
Wastewater	<u>\$845,405</u>	<u>\$41,091</u>	<u>\$886,496</u>	<u>4.86%</u>

**ITEM NO.**

**CASE**

9\*\*PAA

**Docket No. 090381-SU** – Application for increase in wastewater rates in Seminole County by Utilities Inc. of Longwood.

(Continued from previous page)

**Issue 20:** What are the appropriate rates for this Utility?

**Recommendation:** The appropriate monthly rates are shown on Schedule No. 4 of staff's memorandum dated May 19, 2010. Staff's recommended rates are designed to produce revenues of \$860,600 excluding miscellaneous service charge revenues. 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 of the revised tariff sheets, pursuant to Rule 25-30.475(1), F.A.C. The rates 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.

**Issue 21:** Should the Utility be authorized to revise its miscellaneous service charges, and, if so, what are the appropriate charges?

**Recommendation:** Yes. Longwood should be authorized to revise its miscellaneous service charges. The Utility should file a proposed customer notice to reflect the Commission-approved charges. The approved charges should be effective for service rendered on or after the stamped approval date of the tariff, pursuant to Rule 25-30.475(1), F.A.C., provided the notice has been approved by staff. The Utility should provide proof the customers have received notice within 10 days after the date that the notice was sent. The appropriate charges are reflected below. This notice may be combined with the notice required in Issue 20.

Miscellaneous Service Charges

	<u>Normal Hrs</u>	<u>After Hrs</u>
Initial Connection	\$21	\$42
Normal Reconnection	\$21	\$42
Violation Reconnection	Actual Cost	Actual Cost
Premises Visit	\$21	\$42

**Issue 22:** Should the Utility's request for approval of Non-Sufficient Funds (NSF) fees be granted?

**Recommendation:** Yes. The Utility's requested Non-Sufficient Funds (NSF) fee should be approved. The NSF fee should be effective on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475(1), F.A.C. In addition, the rates should not be implemented until staff has approved the proposed customer notice. The Utility should provide proof of the date the notice was given no less than 10 days after the date of the notice. This notice may be combined with the notice required in Issue 20.



**ITEM NO.**

**CASE**

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9\*\*PAA

**Docket No. 090381-SU** – Application for increase in wastewater rates in Seminole County by Utilities Inc. of Longwood.

(Continued from previous page)

**Issue 23:** 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 rate case expense 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 wastewater refunds are required. Further, upon issuance of the Consummating Order in this docket, the surety bond should be released.

**Issue 24:** 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?

**Recommendation:** The rates should be reduced as shown on Schedule No. 4 of staff's memorandum dated May 19, 2010, to remove \$30,639 for rate case expense, grossed up for Regulatory Assessment Fees (RAFs), which is being 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.

**Issue 25:** Should the Utility be required to provide proof that it has adjusted its books for all Commission approved adjustments?

**Recommendation:** Yes. To ensure that the Utility adjusts its books in accordance with the Commission's decision, Longwood should provide proof, within 90 days of the final order in this docket, that the adjustments for all the applicable National Association of Regulatory Utility Commissioners Uniform System of Accounts primary accounts have been made.

**Issue 26:** Should this docket be closed?

**Recommendation:** No. If no timely protest is filed by a substantially affected person within 21 days of the Proposed Agency Action Order, a Consummating Order should be issued and the surety bond released. However, 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.

**ITEM NO.**

**CASE**

10\*\*PAA

**Docket No. 090402-WS** – Application for increase in water and wastewater rates in Seminole County by Sanlando Utilities Corporation.

**Critical Date(s):** 5-Month Effect Date Waived Through 6/1/10

**Commissioners Assigned:** All Commissioners

**Prehearing Officer:** Edgar

**Staff:** ECR: Fletcher, Lingo, Linn, Maurey, Rieger, Stallcup, Thompson  
GCL: Bennett

**(Proposed Agency Action Except for Issue Nos. 29 and 31.)**

**Issue 1:** Is the quality of service provided by Sanlando Utilities Corporation satisfactory?

**Recommendation:** The quality of service provided by Sanlando Utilities Corporation is satisfactory.

**Issue 2:** Should audit adjustments to which the Utility agrees, be made?

**Recommendation:** Yes. Based on audit adjustments agreed to by the Utility and staff, staff recommends the following adjustments to rate base, O&M expenses, and taxes other than income (TOTI) for water and wastewater, respectively.

Audit Finding	UPIS	Accum. Depr.	Depr. Exp.	O&M Exp.	TOTI	Working Capital	Accum. Amort. Of CIAC
No. 6 - Plant Sample	(\$3,039)	\$60	(\$222)				
No. 7 - Acc. Amort. of CIAC							\$235,903
No. 9 - Unamort. Rate Case Exp.						(\$39,598)	
No. 9 - Customer Deposits						\$48,840	
No. 12 - Employee Not Replaced				(\$3,201)	(\$223)		
No. 18 - Property Taxes					\$17,347		
No. 20 - Reg. Assessment Fees					(\$9,510)		
<b>Total Water Adjustments:</b>	<b>(\$3,039)</b>	<b>\$60</b>	<b>(\$222)</b>	<b>(\$3,201)</b>	<b>\$7,614</b>	<b>\$9,242</b>	<b>\$235,903</b>

**ITEM NO.**

**CASE**

10\*\*PAA

**Docket No. 090402-WS** – Application for increase in water and wastewater rates in Seminole County by Sanlando Utilities Corporation.

(Continued from previous page)

Audit Finding	UPIS	Accum. Depr.	Depr. Expense	O&M Expenses	TOTI	Working Capital	Accum. Amort. Of CIAC
No. 1 - Comm. Ordered Adjs.	(\$23,620)	\$30,844	(\$1,313)				
No. 6 - Plant Sample	(\$2,360)	\$46	(\$172)				
No. 7 - Acc. Amort. of CIAC							\$233,333
No. 9 - Unamort. Rate Case Exp.						(\$30,751)	
No. 9 - Customer Deposits						\$37,929	
No. 12 - Employee Not Replaced				(\$2,486)	(\$174)		
No. 18 - Property Taxes					\$13,630		
No. 20 - Reg. Assessment Fees					(\$10,741)		
<b>Total Wastewater Adjustments:</b>	<b>(\$25,980)</b>	<b>\$30,890</b>	<b>(\$1,485)</b>	<b>(\$2,486)</b>	<b>\$2,715</b>	<b>\$7,178</b>	<b>\$233,333</b>

**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 \$65,210 for water and \$51,237 for wastewater. In addition, accumulated depreciation and depreciation expense both should be reduced \$20,251 for water and \$17,251 for wastewater, respectively.

**Issue 4:** Should any further adjustments be made to the test year plant in service?

**Recommendation:** Yes. Plant should be reduced by \$798,818 for water and \$644,145 for wastewater. Accordingly, accumulated depreciation should be reduced by \$231,121 for water and \$181,971 for wastewater. In addition, depreciation expense should be reduced by \$791 for water and \$1,550 for wastewater. Finally, a corresponding adjustment should be made to increase wastewater O&M expenses in the amount of \$12,480.

**Issue 5:** Should adjustments be made to the Utility’s pro forma plant additions?

**Recommendation:** Yes. Plant should be increased by \$40,618 for water and decreased by \$687,500 for wastewater. Accordingly, accumulated depreciation and depreciation expense should be increased by \$783 for water and decreased by \$34,536 for wastewater. Finally, taxes other than income should be increased by \$1,390 for water and decreased by \$10,070 for wastewater.

**Issue 6:** What are the used and useful percentages of the Utility's water and wastewater systems?

**Recommendation:** The Utility's water and wastewater systems are 100 percent used and useful.

**Issue 7:** Should an adjustment be made to the Utility’s accumulated amortization of CIAC for their service lines?

**Recommendation:** Yes. Staff recommends that accumulated amortization of CIAC service lines should be increased by \$8,519 for water.

**ITEM NO.**

**CASE**

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10\*\*PAA

**Docket No. 090402-WS** – Application for increase in water and wastewater rates in Seminole County by Sanlando Utilities Corporation.

(Continued from previous page)

**Issue 8:** What is the appropriate working capital allowance?

**Recommendation:** The appropriate working capital allowance is \$303,106 for water and \$375,125 for wastewater. As such, working capital should be increased by \$3,285 for water and \$2,497 for wastewater.

**Issue 9:** What is the appropriate rate base for the December 31, 2008 test year?

**Recommendation:** Consistent with other recommended adjustments, the appropriate 13-month average rate base for the test year ended December 31, 2008 is \$6,036,005 for water and \$11,168,365 for wastewater.

**Issue 10:** What is the appropriate return on equity?

**Recommendation:** The appropriate return on equity is 11.17 percent based on the Commission leverage formula currently in effect. Staff recommends an allowed range of plus or minus 100 basis points be recognized for ratemaking purposes.

**Issue 11:** What is the appropriate weighted average cost of capital including the proper components, amounts, and cost rates associated with the capital structure for the test year ended December 31, 2008?

**Recommendation:** The appropriate weighted average cost of capital for the test year ended December 31, 2008 is 8.10 percent.

**Issue 12:** What are the appropriate annualized revenue adjustments?

**Recommendation:** The appropriate water and wastewater annualized revenue adjustments are \$164,420 and \$159,873, respectively. The Utility's annualized revenue adjustments of \$111,977 and \$123,625 for water and wastewater, respectively, should be increased by \$52,443 for water and \$36,248 for wastewater.

**Issue 13:** Should any adjustments contested by the Utility be made to test year O&M expenses?

**Recommendation:** Yes. O&M expenses should be decreased by \$36,834 for water and \$60,991 for wastewater. Accordingly, corresponding adjustments should be made to increase plant by \$4,483 for water and \$10,522 for wastewater. Finally, accumulated depreciation should be increased by \$58 for water and \$274 for wastewater, and depreciation expense should be increased by \$353 for water and \$560 for wastewater.

**Issue 14:** Should an adjustment be made to the Utility's salaries and wages, pensions and benefits, and payroll taxes?

**Recommendation:** Yes. Sanlando's balances of salaries and wages and pensions and benefits should be decreased by \$254,307 for water and increased by \$199,166 for wastewater. Accordingly, payroll taxes should be reduced by \$15,237 for water and increased by \$11,933 for wastewater.

**ITEM NO.**

**CASE**

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10\*\*PAA

**Docket No. 090402-WS** – Application for increase in water and wastewater rates in Seminole County by Sanlando Utilities Corporation.

(Continued from previous page)

**Issue 15:** Should an adjustment be made to Sanlando's O&M expenses for the costs associated with mailing two sets of bills to the same customers who have reuse?

**Recommendation:** Yes. The costs of mailing 145 duplicate bills in the amount of \$709 should be removed from wastewater O&M expense.

**Issue 16:** Should any adjustment be made to chemical expense?

**Recommendation:** Yes. Proposed chemical expenses of \$88,161 for water and \$138,709 for wastewater should be reduced by \$9,009 and \$1,435, respectively.

**Issue 17:** Should there be an adjustment made to relocation expenses?

**Recommendation:** Yes. Consistent with Commission practice, relocation expense should be based on a 4-year average. Accordingly, Sanlando's allocated relocation expense of \$11,858 should be reduced by \$3,783 for water and \$3,389 for wastewater.

**Issue 18:** Should any adjustments be made to transportation expense?

**Recommendation:** Yes. Transportation expense should be decreased by \$7,180 for water and \$5,642 for wastewater.

**Issue 19:** Should any adjustment be made to unamortized rate case expense from the Utility's prior case?

**Recommendation:** Yes. Staff recommends reducing expenses by \$11,468 for water and \$9,168 for wastewater.

**Issue 20:** What is the appropriate amount of rate case expense?

**Recommendation:** The appropriate amount of rate case expense is \$193,088. This expense should be recovered over four years for an annual expense of \$48,272. Thus, rate case expense should be decreased by \$6,107 and \$4,798 for water and wastewater, respectively.

**Issue 21:** Should any adjustments be made to bad debt expense?

**Recommendation:** Yes. Bad debt expense should be \$11,357. Accordingly, Sanlando's bad debt expense of \$17,360 should be reduced by \$2,821 for water and \$3,181 for wastewater.

**Issue 22:** Should an adjustment be made to taxes other than income taxes (TOTI)?

**Recommendation:** Yes. TOTI should be reduced by \$3,702 for water and \$2,875 for wastewater.

**Issue 23:** What is the test year water and wastewater operating income before any revenue increase?

**Recommendation:** Based on the adjustments discussed in previous issues, the test year operating income is \$570,249 for water and \$482,085 for wastewater.

**ITEM NO.**

**CASE**

10\*\*PAA

**Docket No. 090402-WS** – Application for increase in water and wastewater rates in Seminole County by Sanlando Utilities Corporation.

(Continued from previous page)

**Issue 24:** What is the appropriate revenue requirement for the December 31, 2008 test year?

**Recommendation:** The following revenue requirement should be approved.

	Test Year Revenues	(\$ Decrease) \$ Increase	Revenue Requirement	(% Decrease) % Increase
Water	\$3,226,166	(\$136,317)	\$3,089,848	(4.23%)
Wastewater	\$3,599,134	\$546,558	\$4,145,692	15.19%

**Issue 25:** What are the appropriate rate structures for the utility's water and wastewater systems?

**Recommendation:** The appropriate rate structure for the water system's residential class is a change to a three-tier inclining-block rate structure. The appropriate usage blocks are 0-10 kgal/month in the first usage block, 10.001 kgal/month to 15 kgal/month in the second usage block, and in excess of 15 kgal/month in the third usage block. The appropriate rate factors are 1.0, 1.25, and 1.75 respectively. As discussed in the following issue, by restricting any cost recovery due to repression to discretionary usage, an additional fourth tier will be created for non-discretionary usage below 6 kgals per month. The appropriate rate structure for the water system's nonresidential classes is a continuation of its base facility charge (BFC)/uniform gallonage charge rate structure. The BFC cost recovery percentage for the water system should be set at 25.65 percent. The entire water system revenue increase should be applied to the gallonage charge. In addition, \$546,558 of the wastewater system revenue requirement associated with the reuse facilities should be reallocated to the water system's gallonage charge. The appropriate rate structure for the wastewater system is a continuation of the BFC/gallonage charge rate structure. The residential wastewater monthly gallonage cap should continue at 10 kgal. The wastewater rates prior to filing should remain unchanged.

**ITEM NO.**

**CASE**

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10\*\*PAA

**Docket No. 090402-WS** – Application for increase in water and wastewater rates in Seminole County by Sanlando Utilities Corporation.

(Continued from previous page)

**Issue 26:** Are repression adjustments appropriate in this case, and, if so, what are the appropriate adjustments to make for this utility, what are the corresponding expense adjustments to make and what are the final revenue requirements for respective water and wastewater systems?

**Recommendation:** Yes, a repression adjustment to the water system is appropriate for this utility. For the water system, test year residential kgal sold should be reduced by 110,231 kgal to 2,004,186 kgal, purchased power expense should be reduced by \$18,123, chemicals expenses should be reduced by \$3,407 and RAFs should be reduced by \$1,014. The final post-repression revenue requirement for the water system should be \$3,586,885. Staff recommends no repression adjustment to the wastewater system.

In order to monitor the effect of the rate structure and rate changes, the utility should be ordered to file reports detailing the number of bills rendered, the consumption billed and the revenues billed on a monthly basis. In addition, the reports should be prepared by customer class, usage block, and meter size. The reports should be filed with staff, on a semi-annual basis, for a period of two years beginning with the first billing period after the approved rates go into effect. To the extent the utility makes adjustments to consumption in any month during the reporting period, the utility should be ordered to file a revised monthly report for that month within 30 days of any revision.

**Issue 27:** What are the appropriate monthly rates for the water and wastewater systems for the utility?

**Recommendation:** The appropriate monthly water rates are shown on Schedule No. 4-A of staff's memorandum dated May 19, 2010. The appropriate wastewater monthly rates are shown on Schedule No. 4-B of staff's memorandum dated May 19, 2010. Excluding miscellaneous service charges, the recommended water rates produce revenues of \$3,586,885. Excluding miscellaneous service charges, the recommended wastewater rates produce revenues of \$3,599,134. The Utility should file revised water and wastewater tariff sheets and a proposed customer notice to reflect the Commission-approved rates for the water and wastewater systems. The approved rates should be effective for service rendered on or after the stamped approval date of the revised 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. The utility should provide proof of the date notice was given no less than 10 days after the date of the notice.

**ITEM NO.**

**CASE**

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10\*\*PAA

**Docket No. 090402-WS** – Application for increase in water and wastewater rates in Seminole County by Sanlando Utilities Corporation.

(Continued from previous page)

**Issue 28:** 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 rate case expense and other items not in effect during the interim period. Because of the reallocation of wastewater revenues, staff recommends using Sanlando's total net percentage of the interim refund. This would result in a water refund of 2.38 percent. Further, the surety bond should be released upon staff's verification that the required refunds have been made.

**Issue 29:** 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-A and 4-B of staff's memorandum dated May 19, 2010, to remove \$32,893 of water rate case expense and \$25,844 of wastewater rate case expense (grossed up for regulatory assessment fees). 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 30 days prior to the actual date of the required rate reduction. The approved rates should be effective for service rendered on or after the stamped approval date of the revised tariff sheets, pursuant to Rule 25-40.475(1), F.A.C. The rates 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.

**Issue 30:** Should the Utility's request for approval of a Non-Sufficient Funds fee be granted?

**Recommendation:** Yes. The Utility's requested Non-Sufficient Funds (NSF) fee should be approved. The NSF fee should be effective on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475(1), F.A.C. In addition, the rates should not be implemented until staff has approved the proposed customer notice. The Utility should provide proof of the date the notice was given no less than 10 days after the date of the notice.



**ITEM NO.**

**CASE**

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10\*\*PAA

**Docket No. 090402-WS** – Application for increase in water and wastewater rates in Seminole County by Sanlando Utilities Corporation.

(Continued from previous page)

**Issue 31:** Should the Utility be required to provide proof that it has adjusted its books for all Commission-approved adjustments?

**Recommendation:** Yes. To ensure that the Utility adjusts its books in accordance with the Commission’s decision, Sanlando should provide proof, within 90 days of the final order in this docket, that the adjustments for all the applicable National Association of Regulatory Utility Commissioners Uniform System of Accounts primary accounts have been made.

**Issue 32:** Should this docket be closed?

**Recommendation:** No. If no timely protest is filed by a substantially affected person within 21 days of the Proposed Agency Action Order, a Consummating Order should be issued and the corporate undertaking released. However, 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.

**ITEM NO.**

**CASE**

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11\*\*

**Docket No. 090468-WS** – Application for grandfather certificate to operate water and wastewater utility in St. Johns County by Orangedale Utilities, Inc.

**Critical Date(s):** None

**Commissioners Assigned:** All Commissioners

**Prehearing Officer:** Skop

**Staff:** ECR: Clapp, Kaproth, J. Williams

GCL: A. Williams

**Issue 1:** Should the application for grandfather water and wastewater certificates in St. Johns County by Orangedale Utilities, Inc. be acknowledged?

**Recommendation:** Yes. Orangedale’s application for grandfather certificates should be acknowledged, and the utility should be issued Certificate Nos. 651-W and 557-S, effective January 16, 2009, to serve the territory described in Attachment A of staff’s memorandum dated May 19, 2010. The resultant order should serve as Orangedale’s water and wastewater certificates and should be retained by the utility. The utility should be ordered to provide documentation by August 31, 2010, demonstrating that its books and records have been set up using the National Association of Regulatory Commissioners’ Uniform System of Accounts.

**Issue 2:** What rates and charges should be approved for Orangedale Utilities, Inc.?

**Recommendation:** The utility’s rates and charges that were in effect when St. Johns County transferred jurisdiction to the Commission, as shown on Attachment B of staff’s memorandum dated May 19, 2010, should be approved effective January 16, 2009, pursuant to grandfather rights in Section 367.171, F.S. Orangedale should be required to charge the approved rates and charges until they are authorized to be changed by this Commission in a subsequent proceeding.

**Issue 3:** Should this docket be closed?

**Recommendation:** Yes. If the Commission approves staff’s recommendation in Issue 1, this docket should be closed because no further action is necessary.

**ITEM NO.**

**CASE**

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12\*\*PAA

**Docket No. 090477-WU** – Application for staff-assisted rate case in Polk County by Alturas Utilities, L.L.C.

**Critical Date(s):** 03/15/11 (15-Month Effective Date (SARC))

**Commissioners Assigned:** All Commissioners

**Prehearing Officer:** Argenziano

**Staff:** ECR: Deason, Bruce, Daniel, Fletcher, Hudson, Maurey, Simpson

GCL: Jaeger

**(Proposed Agency Action Except for Issue Nos. 12, 13, and 14.)**

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

**Recommendation:** The overall quality of service provided by the Utility should be considered satisfactory.

**Issue 2:** What are the used and useful percentages of the water treatment plant and distribution system?

**Recommendation:** Alturas' water treatment plant and distribution system should be considered 100 percent used and useful.

**Issue 3:** Should the Commission approve pro forma plant for the Utility?

**Recommendation:** Yes. The Utility Plant in Service (UPIS) should be increased by \$18,075. Accordingly, the respective amounts of accumulated depreciation and depreciation expense should be increased by \$844. Additionally, the Utility should be required to complete all the pro forma upgrades within twelve months of the issuance date of the Consummating Order. Should the Utility find that it is unable to complete these additions within the specified 12-month period, Alturas should promptly notify staff of any delays and the cause of any delay. If the Utility fails to complete the above plant additions within the specified 12-month period or fails to promptly report any unforeseen delays for these additions, staff will file a subsequent recommendation to lower the Utility's rates.

**Issue 4:** What is the appropriate average test year rate base for the Utility?

**Recommendation:** The appropriate average test year water rate base for the Utility is \$45,477.

**Issue 5:** What is the appropriate rate of return on equity (ROE) and overall rate of return for this Utility?

**Recommendation:** The appropriate ROE is 9.67 percent with a range of 8.67 percent to 10.67 percent. The appropriate overall rate of return is 9.64 percent.

**Issue 6:** What is the appropriate amount of test year revenues in this case?

**Recommendation:** The appropriate amount of test year revenues in this case is \$20,656.

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

**Recommendation:** The appropriate amount of operating expense for the Utility is \$27,749.

**ITEM NO.**

**CASE**

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12\*\*PAA

**Docket No. 090477-WU** – Application for staff-assisted rate case in Polk County by Alturas Utilities, L.L.C.

(Continued from previous page)

**Issue 8:** What is the appropriate revenue requirement?

**Recommendation:** The appropriate revenue requirement is \$32,130.

**Issue 9:** Should the Utility's current water system rate structure be changed, and, if so, what is the appropriate adjustment?

**Recommendation:** No. The Utility's current residential and non-residential water systems' rate structure, which consists of a monthly base facility charge (BFC)/uniform gallonage charge rate structure, should remain unchanged. The BFC allocation should be set at 30 percent.

**Issue 10:** Is a repression adjustment appropriate in this case, and if so, what are the appropriate adjustments to make for this Utility, what are the appropriate corresponding expense adjustments to make, and what is the final revenue requirement?

**Recommendation:** No, a repression adjustment is not appropriate at this time.

**Issue 11:** What are the appropriate rates for this Utility?

**Recommendation:** The appropriate monthly water rates are shown on Schedules No. 4 of staff's memorandum dated May 19, 2010. The recommended rates should be designed to produce revenue of \$32,130 for water, excluding miscellaneous service revenues. 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 no less than 10 days after the date of the notice.

**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 rates should be reduced as shown on Schedule No. 4 of staff's memorandum dated May 19, 2010, 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 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.

**ITEM NO.**

**CASE**

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12\*\*PAA

**Docket No. 090477-WU** – Application for staff-assisted rate case in Polk County by Alturas Utilities, L.L.C.

(Continued from previous page)

**Issue 13:** 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. 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 May 19, 2010. 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 Division of Economic Regulation 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.

**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 the applicable National Association of Regulatory Utility 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, Alturas should provide proof, within 90 days of the final order issued in this docket, that the adjustments for all the applicable NARUC USOA primary accounts have been made.

**Issue 15:** Should this docket be closed?

**Recommendation:** No. The docket should remain open for twelve months after the Consummating Order for staff's verification that the revised tariff sheets and customer notice have been filed by the Utility and approved by staff, the Utility has sent the notices to its customers, staff has received proof that the customers have received notice within 10 days after the date of the notice, the Utility has provided staff with proof that the adjustments for all the applicable NARUC USOA primary accounts have been made, and that the pro forma items have been completed. Once staff has verified all of the above actions are complete, this docket should be closed administratively.

**ITEM NO.**

**CASE**

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13\*\*

**Docket No. 100006-WS** – Water and wastewater industry annual reestablishment of authorized range of return on common equity for water and wastewater utilities pursuant to Section 367.081(4)(f), F.S.

**Critical Date(s):** None

**Commissioners Assigned:** All Commissioners

**Prehearing Officer:** Skop

**Staff:** ECR: Buys, Maurey, Salnova, Springer

GCL: Saylor, Brubaker

**Issue 1:** What is the appropriate range of returns on common equity for water and wastewater (WAW) utilities, pursuant to Section 367.081(4)(f), Florida Statutes?

**Recommendation:** Staff recommends that the current leverage formula methodology be applied using updated financial data. Staff recommends the following leverage formula:

$$\text{Return on Common Equity} = 7.46\% + 1.356/\text{Equity Ratio}$$

Where the Equity Ratio = Common Equity / (Common Equity + Preferred Equity + Long-Term and Short-Term Debt)

Range: 8.82% @ 100% equity to 10.85% @ 40% equity

**Issue 2:** Should this docket be closed?

**Recommendation:** No. Upon expiration of the protest period, if a timely protest is not received from a substantially affected person, the decision should become final and effective upon the issuance of a Consummating Order. However, this docket should remain open to allow staff to monitor changes in capital market conditions and to readdress the reasonableness of the leverage formula as conditions warrant.