

# FLORIDA PUBLIC SERVICE COMMISSION

## COMMISSION CONFERENCE AGENDA

**CONFERENCE DATE AND TIME:** Tuesday, August 23, 2011, 9:30 a.m.

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

**DATE ISSUED:** August 12, 2011

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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).

In accordance with the American with Disabilities Act, persons needing a special accommodation to participate at this proceeding should contact the Office of Commission Clerk no later than five days prior to the conference at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, via 1-800-955-8770 (Voice) or 1-800-955-8771 (TDD), Florida Relay Service. Assistive Listening Devices are available at 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*.

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**ITEM NO.**

**CASE**

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1\*\*PAA

**Docket No. 110228-EI** – Petition for exemption under Rule 25-22.082(18), F.A.C., from issuing request for proposals (RFPs) for modernization of the Port Everglades Plant, by Florida Power & Light Company.

**Critical Date(s):** None

**Commissioners Assigned:** All Commissioners

**Prehearing Officer:** Administrative

**Staff:** GCL: Murphy

RAD: Ballinger

**Issue 1:** Should the Commission grant FPL's petition for exemption from the RFP requirement of Rule 25-22.082, F.A.C., for the modernization of its Port Everglades plant?

**Recommendation:** Yes. Granting the exemption will not relieve the Company of any requirements during a future need determination process, including a demonstration that the project is the most cost-effective source of power or whether conservation or renewable generation can mitigate the need for the modernization of the Port Everglades facility.

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

**Recommendation:** 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, this docket should be closed upon the issuance of a consummating order.

**ITEM NO.**

**CASE**

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2\*\*PAA

**Docket No. 110215-GU** – Joint request for authorization to maintain accounting records outside of the State of Florida, in accordance with Rules 25-6.015(1) and 25-7.015(1), F.A.C., by Florida Public Utilities Company.

**Critical Date(s):** None

**Commissioners Assigned:** All Commissioners

**Prehearing Officer:** Administrative

**Staff:** APA: Prestwood

ECR: Maurey

GCL: Barrera

**Issue 1:** Pursuant to Rules 25-6.015(1) and 25-7.015(1), F.A.C., should the Commission authorize the Company to keep its accounting records out-of-state?

**Recommendation:** Yes, the Commission should approve the Company's request to keep its accounting records out-of-state.

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

**Recommendation:** Yes, 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, this docket should be closed upon the issuance of a consummating order.

**ITEM NO.**

**CASE**

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3\*\*PAA

**Docket No. 100077-EI** – Investigation of the appropriateness of the affiliate product offerings to Florida Power & Light customers.

**Critical Date(s):** None

**Commissioners Assigned:** All Commissioners

**Prehearing Officer:** Brisé

**Staff:** ECR: Slemkewicz, Kummer

APA: Prestwood

GCL: Bennett

**Issue 1:** What action, if any, should the Commission take regarding FPL's policy and practices with respect to transferring customer calls to FPLES?

**Recommendation:** The Commission should direct FPL to revise the script used by its customer service representatives to make clear, prior to transfer, that the regulated portion of the request is complete and that the customer is being transferred to a non-regulated entity. The revised script should be submitted to staff for review within 30 days of the date of the final order in this docket.

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

**Recommendation:** Once FPL has submitted the revised script as described in Issue 1, and staff has notified FPL that it complies with the Commission's direction, the docket should be closed. If Staff and FPL cannot agree on new language, the docket will remain open and the matter brought back to the Commission for a decision.

**ITEM NO.**

**CASE**

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4\*\*PAA

**Docket No. 100458-EI** – Petition for approval of 2010 nuclear decommissioning study, by Florida Power & Light Company.

**Critical Date(s):** None

**Commissioners Assigned:** All Commissioners

**Prehearing Officer:** Edgar

**Staff:** ECR: Higgins, Bulecza-Banks, Buys, Cicchetti, Franklin, L'Amoreaux, P. Lee, Lester, Maurey, Salnova, Springer  
GCL: Klancke

**Issue 1:** Should the currently approved annual nuclear decommissioning accruals for Florida Power & Light Company (FPL) be revised?

**Recommendation:** No. While a review of FPL's site-specific decommissioning cost study indicates that decommissioning base cost estimates have increased since the 1998 and 2005 cost studies, assumptions relating to escalation rates and inflation forecasts as discussed in Issue 4 show that FPL's current approved zero annual decommissioning accrual does not need to be revised at this time. Increases in base cost estimates recognize factors including additional information, improvements in technology, and regulatory changes that have transpired in the last 12 years. Additionally, staff recommends that the assumptions included in FPL's 2010 decommissioning study are reasonable.

**Issue 2:** Should a contingency allowance be applied to the estimated cost of decommissioning, and if so, what should the percentage be?

**Recommendation:** Yes, staff recommends that a contingency allowance should be applied to the costs of decommissioning nuclear units. The weighted average contingency factors listed below for each of FPL's nuclear units are reasonable and should be approved:

TP3	17.39%
TP4	17.36%
SL1	17.07%
SL2	17.92%

**Issue 3:** Should the total estimated cost of nuclear decommissioning include a provision for on-site storage of spent fuel beyond the termination of the operating licenses of each nuclear unit?

**Recommendation:** Yes, staff recommends that it is prudent for the total estimated costs of nuclear decommissioning to include the costs for interim storage of spent fuel incurred after the retirement of each nuclear unit. However, these amounts should continue to be reviewed in subsequent decommissioning studies to determine the prudence of their inclusion.

**ITEM NO.**

**CASE**

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4\*\*PAA

**Docket No. 100458-EI** – Petition for approval of 2010 nuclear decommissioning study, by Florida Power & Light Company.

(Continued from previous page)

**Issue 4:** What is the appropriate annual accrual in equal dollar amounts necessary to recover future decommissioning costs over the remaining life of each nuclear power plant for FPL?

**Recommendation:** Staff recommends a continuation of the suspension of the accrual for nuclear decommissioning as approved by the Commission in the 2005 FPL Settlement. Accordingly, the appropriate jurisdictional annual accrual amounts necessary to recover future decommissioning costs over the remaining life of each nuclear power plant are currently zero. Additionally, staff recommends that the assumptions included in FPL's 2010 decommissioning study to determine the annual accrual are reasonable.

**Issue 5:** Should the amortization expense associated with the unrecovered value of Materials and Supplies inventories that will exist at the nuclear site following shut down (EOL M&S inventories) be revised?

**Recommendation:** Yes. Staff recommends that the jurisdictional annual amortization expense associated with EOL M&S inventories for FPL should be \$1.4 million, effective with the date of new customer rates in FPL's next rate case proceeding. This represents an increase of \$0.3 million over the 2006 amortization amount. The amortization of EOL M&S inventories should be included in subsequent decommissioning studies so the related annual accruals can be revised, if warranted.

**Issue 6:** Should the amortization expense associated with the cost of the last core of nuclear fuel be revised?

**Recommendation:** Staff recommends that the jurisdictional amortization expense associated with the cost of the last core of nuclear fuel at the FPL nuclear units should be \$11.6 million jurisdictional (\$11.8 million system). This represents an annual increase of \$6.9 million (\$7.0 system). Staff recommends that the amortization expense should be revised at the time of FPL's next base rate proceeding. FPL should address the costs associated with the Last Core in subsequent decommissioning studies so the related annual accruals can be revised, if warranted.

**Issue 7:** What should be the effective date for adjusting the annual decommissioning accrual amounts, amortization of nuclear EOL M&S inventories, and amortization of the costs associated with the Last Core?

**Recommendation:** If the staff recommendations in Issues 1 and 4 are approved, there is no change to the currently approved zero decommissioning accrual. Therefore, the effective date for adjusting the annual decommissioning accrual amounts is moot. Staff recommends that the revised annual amortization amounts relating to EOL M&S inventories (Issue 5) and the Last Core (Issue 6) should be effective at the time new base rates are approved.

**ITEM NO.**

**CASE**

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4\*\*PAA

**Docket No. 100458-EI** – Petition for approval of 2010 nuclear decommissioning study, by Florida Power & Light Company.

(Continued from previous page)

**Issue 8:** When should FPL file its next nuclear decommissioning study?

**Recommendation:** The next decommissioning cost study for FPL should be filed no later than December 13, 2015, in accordance with Rule 25-6.04365, F.A.C., and should include an update of the amortization of EOL M&S inventories and the Last Core.

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

**Recommendation:** Yes. 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, this docket should be closed upon the issuance of a Consummating Order.



**ITEM NO.**

**CASE**

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5                      **Docket No. 110138-EI** – Petition for increase in rates by Gulf Power Company.

**Critical Date(s):** 09/06/11 (60-Day Suspension Date)

**Commissioners Assigned:** All Commissioners

**Prehearing Officer:** Edgar

**Staff:** ECR: Mouring, Cicchetti, Draper, Maurey, Salnova, Springer

GCL: Klancke, Barrera, Young

**(Participation is at the Discretion of the Commission.)**

**Issue 1:** Should the \$93,504,000 permanent base rate increase and the associated tariff revisions requested by GPC be suspended pending a final decision in this docket?

**Recommendation:** Yes. The \$93,504,000 permanent base rate increase and the associated tariff revisions requested by GPC should be suspended pending a final decision in this docket.

**Issue 2:** Is GPC's proposed March 2011 interim test year rate base of \$1,544,185,000 appropriate?

**Recommendation:** Yes. The appropriate March 2011 interim test year rate base for GPC is \$1,544,185,000.

**Issue 3:** Are GPC's proposed return on equity of 10.75 percent and its overall cost of capital of 6.45 percent reasonable for the purpose of determining interim rates?

**Recommendation:** Yes. GPC's proposed return on equity of 10.75 percent and overall cost of capital of 6.45 percent are reasonable for purposes of determining interim rates.

**Issue 4:** Is GPC's proposed March 2011 interim test year net operating income of \$76,009,000 appropriate?

**Recommendation:** Yes. The appropriate March 2011 interim test year net operating income for GPC is \$76,009,000.

**Issue 5:** Is GPC's proposed interim net operating income multiplier of 1.634048 appropriate?

**Recommendation:** Yes. GPC's proposed interim net operating income multiplier of 1.634048 is appropriate.

**Issue 6:** Should GPC's requested interim revenue increase of \$38,549,000 and percentage increase factor of 8.882 be granted?

**Recommendation:** Yes. GPC's requested interim revenue increase of \$38,549,000 and percentage increase factor of 8.882 should be granted.

**ITEM NO.**

**CASE**

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5                      **Docket No. 110138-EI** – Petition for increase in rates by Gulf Power Company.

(Continued from previous page)

**Issue 7:** How should the interim revenue increase for GPC be distributed among the rate classes?

**Recommendation:** The percentage increase factor approved in Issue 6 should be applied uniformly to all existing base rates and charges to derive the interim base rates and charges, as required by Rule 25-6.0435, Florida Administrative Code (F.A.C.). The interim rates should be made effective for all meter readings made on or after thirty days from the date of the vote approving any interim increase. GPC should file tariff sheets for administrative approval that reflect the Commission-approved interim base rates and charges. If the Commission approves a different percentage increase factor, GPC shall refile Schedule G-22, for staff review, to show the calculation of all base rates and charges based on the Commission-approved percentage increase factor. The Company should also give notice to customers of the interim increase commencing with the first bill for service that reflects the increase.

**Issue 8:** What is the appropriate security to guarantee the amount collected subject to refund?

**Recommendation:** The appropriate security to guarantee the funds collected subject to refund is a corporate undertaking.

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

**Recommendation:** No. This docket should remain open pending the Commission's final resolution of the Company's requested rate increase.

**ITEM NO.**

**CASE**

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6\*\*PAA

**Docket No. 100114-WS** – Application for approval of transfer of Horizon Homes of Central Florida, Inc. and Five Land Group, LLC's water and wastewater systems to Aqua Utilities Florida, Inc., and for amendment of Certificate Nos. 507-W and 441-S, in Sumter County.

**Critical Date(s):** None

**Commissioners Assigned:** All Commissioners

**Prehearing Officer:** Brisé

**Staff:** ECR: Brady, Marsh, Walden

GCL: Klancke

**(Proposed Agency Action for Issues 2, 3, 5, and 6.)**

**Issue 1:** Should the transfer of Horizon Homes of Central Florida, Inc. and Five Land Group, LLC's Jumper Creek water and wastewater systems to Aqua Utilities Florida, Inc. and amendment of Certificate Nos. 507-W and 441-S in Sumter County be approved?

**Recommendation:** Yes, the transfer is in the public interest and should be approved effective December 31, 2007. The territory being transferred is described in Attachment A of staff's memorandum dated August 11, 2011. The resultant order should serve as AUF's water and wastewater certificates and should be retained by AUF. AUF should continue to be responsible for submitting all future annual reports and remitting regulatory assessment fees for the Jumper Creek systems. Within 30 days of the date of the order approving the transfer, AUF should be required to file a recorded copy of the warranty deed for the land on which the water and wastewater treatment facilities are located.

**Issue 2:** What is the net book value for the Jumper Creek water and wastewater systems as of December 31, 2007?

**Recommendation:** The net book value for transfer purposes as of December 31, 2007, is \$327,494 for Jumper Creek's water system and \$176,581 for the wastewater system, as shown on Schedule No. 1 of staff's memorandum dated August 11, 2011. AUF should be required to record the balances as of December 31, 2007, as shown on No. 1 for Jumper Creek's water and wastewater plant and accumulated depreciation accounts, pursuant to the National Association of Regulatory Utility Commissioners' Uniform System of Accounts. Within 30 days of the date of the final order, AUF should be required to provide a statement that its books have been updated to reflect the Commission-approved net book values and balances and that these numbers will also be reflected in the Utility's 2011 annual report.

**ITEM NO.**

**CASE**

6\*\*PAA

**Docket No. 100114-WS** – Application for approval of transfer of Horizon Homes of Central Florida, Inc. and Five Land Group, LLC's water and wastewater systems to Aqua Utilities Florida, Inc., and for amendment of Certificate Nos. 507-W and 441-S, in Sumter County.

(Continued from previous page)

**Issue 3:** Should an acquisition adjustment be recognized for rate-making purposes?

**Recommendation:** Yes. Pursuant to revised Rule 25-30.0371, F.A.C., a negative acquisition adjustment of \$197,095 for the Jumper Creek water system and \$106,165 for the wastewater system should be recognized for rate-making purposes. Beginning with the date of the issuance of the order approving the transfer, 50 percent of the negative acquisition adjustment, which is \$98,548 for the water system and \$53,082 for the wastewater system, should be amortized over a seven-year period and the remaining 50 percent should be amortized over the remaining life of the assets.

**Issue 4:** Should the Utility's existing rates and charges be approved?

**Recommendation:** Yes. The existing water and wastewater rates shown on Schedule No. 2 of staff's memorandum dated August 11, 2011, should be approved for the Jumper Creek water and wastewater systems. AUF should be required to charge the approved rates and charges until authorized to change them by this Commission in a subsequent proceeding. The rates should be effective for services rendered on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475(1), F.A.C.

**Issue 5:** Should AUF's request for meter installation charges be approved?

**Recommendation:** Yes. AUF's request for meter installation charges shown on Schedule No. 2 of staff's memorandum dated August 11, 2011, should be approved. AUF should be required to charge the approved charges until authorized to change them by this Commission in a subsequent proceeding. The charges should be effective for connections made on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C.

**Issue 6:** Should AUF's request for initial customer deposits, miscellaneous service charges, and late payment charge be approved?

**Recommendation:** Yes. AUF's request for initial customer deposits, miscellaneous service charges, and late payment charge shown on Schedule No. 2 of staff's memorandum dated August 11, 2011, are consistent with Commission rules and should be approved. AUF should be required to charge the approved charges until authorized to change them by this Commission in a subsequent proceeding. The Utility should be required to file a proposed customer notice to reflect the Commission-approved charges for the water and wastewater systems. The approved charges should be effective for services rendered on or after the stamped approval date of the tariff sheets, 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 within ten days after the date of the notice.

**ITEM NO.**

**CASE**

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6\*\*PAA

**Docket No. 100114-WS** – Application for approval of transfer of Horizon Homes of Central Florida, Inc. and Five Land Group, LLC's water and wastewater systems to Aqua Utilities Florida, Inc., and for amendment of Certificate Nos. 507-W and 441-S, in Sumter County.

(Continued from previous page)

**Issue 7:** Should this docket be closed?

**Recommendation:** Yes. If no protest to the proposed agency action issues is filed by a substantially affected person within 21 days of the date of the order, a consummating order should be issued and the docket closed administratively upon receipt of a recorded warranty deed and a statement that AUF's books have been updated to reflect the Commission-approved net book values and account balances for the Jumper Creek systems and that these numbers will also be reflected in the Utility's 2011 annual report.

**ITEM NO.**

**CASE**

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7\*\*PAA

**Docket No. 100127-WS** – Application for increase in water and wastewater rates in Marion County by Tradewinds Utilities, Inc.

**Critical Date(s):** 08/31/11 (5-Month Effective Date (PAA Rate Case))

**Commissioners Assigned:** All Commissioners

**Prehearing Officer:** Graham

**Staff:** ECR: Davis, Daniel, Fletcher, Lingo, Maurey, Rieger, Stallcup, Thompson  
GCL: Jaeger

**(Proposed Agency Action except for Issue Nos. 20 and 21.)**

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

**Recommendation:** Yes. The quality of service provided by Tradewinds is satisfactory.

**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, the adjustments to rate base and net operating income should be made as set forth in the analysis portion of staff's memorandum dated August 11, 2011.

**Issue 3:** What are the used and useful percentages of the Utility's water treatment plant, the ground storage tank, wastewater treatment plant, the water distribution system, and wastewater collection system?

**Recommendation:** The Utility's water treatment plant, storage tank, wastewater treatment plant, water distribution system, and wastewater collection system are 100 percent used and useful (U&U).

**Issue 4:** What is the appropriate working capital allowance?

**Recommendation:** The appropriate working capital allowance is \$15,082 for the water operations and \$22,281 for the wastewater operations.

**Issue 5:** What is the appropriate rate base for the test year ended December 31, 2009?

**Recommendation:** Consistent with other recommended adjustments, the appropriate rate base is \$559,307 for water and \$170,766 for wastewater.

**Issue 6:** What is the appropriate return on equity?

**Recommendation:** The appropriate return on common equity is 11.16 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 7:** 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, 2009?

**Recommendation:** The appropriate weighted average cost of capital for the test year ended December 31, 2009, is 6.09 percent.

**ITEM NO.**

**CASE**

7\*\*PAA

**Docket No. 100127-WS** – Application for increase in water and wastewater rates in Marion County by Tradewinds Utilities, Inc.

(Continued from previous page)

**Issue 8:** What are the appropriate annualized revenue adjustments?

**Recommendation:** Using the test year billing determinants, the appropriate annualized revenue adjustments are \$4,120 for water and \$9,121 for wastewater. Accordingly, revenues should be decreased by \$4,120 for water and \$9,121 for wastewater.

**Issue 9:** Should any adjustments be made to the Utility's requested pro forma expenses?

**Recommendation:** Yes. Due to the current economic climate, a 3-percent increase in salaries is more reasonable than the proposed increases of 8.6 percent for water and 4.3 percent for wastewater. Accordingly, the salaries should be reduced by \$2,302 for water and \$1,078 for wastewater. Further, based on a 3-year average balance, a representative amount of bad debt expense for ratemaking purposes is \$1,344 for water and \$783 for wastewater. This represents a decrease of \$2,184 for water and a decrease of \$3,255 for wastewater.

**Issue 10:** What is the appropriate treatment of the wastewater lawsuit settlement that occurred during the test year?

**Recommendation:** As reflected in the Utility's filing, the \$62,500 amount awarded to the petitioner has been appropriately removed from the test year expenses. The remaining costs associated with this litigation should be amortized over 5 years. Further, to recognize the expanded coverage in the Utility's general liability policy, the incremental increase in insurance premiums should be allowed. Accordingly, wastewater O&M expenses should be reduced by \$5,230.

**Issue 11:** What is the appropriate amount of rate case expense?

**Recommendation:** The appropriate amount of rate case expense is \$20,752. This expense should be recovered over four years for an annual expense of \$2,594 for water and \$2,594 for wastewater. Thus, Tradewinds' requested annual rate case expense should be reduced by \$31 for both operations.

**Issue 12:** What is the test year operating loss before any revenue increase?

**Recommendation:** Based on the adjustments discussed in other issues, the test year operating loss is \$31,527 for water and a positive net income of \$6,563 for wastewater before any revenue increases.

**Issue 13:** What are the appropriate revenue requirements?

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

	<u>Adjusted Test Year Revenues</u>	<u>\$ Increase/ Decrease</u>	<u>Revenue Requirement</u>	<u>% Change</u>
Water	\$119,414	\$68,666	\$188,080	57.50
Wastewater	\$195,267	\$4,013	\$199,280	2.06

**ITEM NO.**

**CASE**

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7\*\*PAA

**Docket No. 100127-WS** – Application for increase in water and wastewater rates in Marion County by Tradewinds Utilities, Inc.

(Continued from previous page)

**Issue 14:** What is the appropriate water rate structure?

**Recommendation:** The appropriate water rate structure for the residential class is a three-tier inclining block rate structure. Staff's preliminary rate design called for a two-tier rate structure with usage blocks of 0-10 kgals in the first usage block and all usage in excess of 10 kgals in the second usage block. As discussed in Issue 16, staff did not apply a repression adjustment to non-discretionary usage. As a result, an additional tier is necessary for non-discretionary usage at or below 5 kgals per month. This results in a three-tier rate structure for monthly consumption with usage blocks of: a) 0-5 kgals; b) 5.001-10 kgals; and c) all usage in excess of 10 kgals and usage block rate factors of 0.67, 1.0, and 1.25, respectively. The appropriate rate structure for the water system's non-residential class is a continuation of its BFC/uniform gallonage charge rate structure. The BFC cost recovery percentage for the water system should be set at 36.75 percent.

**Issue 15:** What is the appropriate wastewater rate structure?

**Recommendation:** The appropriate rate structure for the wastewater system is a continuation of the BFC/gallonage charge rate structure. The residential BFC should be equal to the rate charged for a 5/8" x 3/4" meter. The BFC cost recovery percentage for the wastewater system should be set at 50 percent. Residential billed consumption should be capped at 10 kgals per month, and the general service wastewater gallonage charge should be set at 1.2 times the corresponding residential gallonage charge.



**ITEM NO.**

**CASE**

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7\*\*PAA

**Docket No. 100127-WS** – Application for increase in water and wastewater rates in Marion County by Tradewinds Utilities, Inc.

(Continued from previous page)

**Issue 16:** What are the appropriate repression adjustments?

**Recommendation:** The appropriate repression adjustments result in a reduction of test year residential water kgals sold by 15.6 percent, yielding consumption reduction of 4,440 kgals. Purchased power expense should be reduced by \$1,326, chemicals expense should be reduced by \$153, and regulatory assessment fees (RAFs) should be reduced by \$70. The final post-repression revenue requirement for the water system should be \$182,175. For the wastewater system, test year kgals sold should be reduced by 9.2 percent, resulting in a consumption reduction of 1,592 kgals. Sludge removal expense should be reduced by \$748, purchased power expense should be reduced by \$2,164, chemicals expense should be reduced by \$552, and RAFs should be reduced by \$156. The final post-repression revenue requirement for the wastewater system should be \$195,661.

In order to monitor the effect of the changes to 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 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 17:** What are the appropriate rates for this Utility?

**Recommendation:** The appropriate monthly water and wastewater rates are shown on Schedule Nos. 4-A and 4-B of staff's memorandum dated August 11, 2011, respectively. Excluding miscellaneous service charges, the recommended rates should be designed to produce revenues of \$182,175 for the water system and \$195,661 for the wastewater system. 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.

**ITEM NO.**

**CASE**

7\*\*PAA

**Docket No. 100127-WS** – Application for increase in water and wastewater rates in Marion County by Tradewinds Utilities, Inc.

(Continued from previous page)

**Issue 18:** Should the Utility be authorized to revise its miscellaneous service charges, and , if so, what are the appropriate charges?

**Recommendation:** Yes. Tradewinds 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 revised 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 ten 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 other issues.

Miscellaneous Service Charges

	<u>Water</u>		<u>Wastewater</u>	
	<u>Bus. Hrs</u>	<u>After Hrs.</u>	<u>Bus. Hrs</u>	<u>After Hrs</u>
Initial Connection	\$21	\$32	\$21	\$32
Normal Reconnection	\$21	\$32	\$21	\$32
Violation Reconnection	\$21	\$32	Actual Cost	
Premises Visit	\$14	N/A	\$14	N/A

**Issue 19:** 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 amounts 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. These revised revenue requirements for the interim collection period should be compared to the amount of interim revenue requirement granted. Based on these calculations, the Utility should be required to refund 7.01 percent of water revenues collected under interim rates and 14.39 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 escrow account should be released upon staff's verification that the required refunds have been made.

**ITEM NO.**

**CASE**

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7\*\*PAA

**Docket No. 100127-WS** – Application for increase in water and wastewater rates in Marion County by Tradewinds Utilities, Inc.

(Continued from previous page)

**Issue 20:** 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 Schedules No. 4A and 4B of staff's memorandum dated August 11, 2011, to remove rate case expense of \$2,737 for water and \$2,737 for wastewater, grossed up for 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 tariff sheets 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. 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. Tradewinds should provide proof of the date notice was given within 10 days of the date of the notice.

**Issue 21:** 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, Tradewinds 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 22:** 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. However, the docket should remain open for staff's verification that the appropriate refunds have been made and the revised tariff sheets and customer notices have been filed by the Utility and approved by staff. Upon these actions being completed, the escrow account should be released, and the docket closed administratively.

**ITEM NO.**

**CASE**

8

**Docket No. 110153-SU** – Application for increase in wastewater rates in Lee County by Utilities, Inc. of Eagle Ridge.

**Critical Date(s):** 08/23/11 (60-Day Suspension Date)

**Commissioners Assigned:** All Commissioners

**Prehearing Officer:** Brown

**Staff:** ECR: T. Brown, Daniel, Fletcher, Maurey, Salnova, Walden  
GCL: Barrera, Crawford

**(Participation is at the Discretion of the Commission.)**

**Issue 1:** Should the Utility's final wastewater rates be suspended?

**Recommendation:** Yes. Eagle Ridge's proposed final wastewater rates should be suspended.

**Issue 2:** Should any interim revenue increase be approved?

**Recommendation:** Yes, Eagle Ridge should be authorized to collect annual wastewater revenues as indicated below:

	<u>Adjusted Test Year Revenues</u>	<u>\$ Increase</u>	<u>Revenue Requirement</u>	<u>% Increase</u>
Wastewater	\$989,749	\$132,768	\$1,122,517	13.41%

**Issue 3:** What are the appropriate interim wastewater rates?

**Recommendation:** The wastewater service rates for Eagle Ridge in effect as of December 31, 2010, should be increased by 13.41 percent, to generate the recommended revenue increase for the interim period. The approved rates should be effective for service rendered as of the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1)(a), F.A.C. The rates should not be implemented until staff verifies that the tariff sheets are consistent with the Commission's decision, the proposed customer notice is adequate, the required security has been filed, and the customers have received the notice. The Utility should provide proof of the date notice was given within 10 days after the date of notice.

**ITEM NO.**

**CASE**

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8

**Docket No. 110153-SU** – Application for increase in wastewater rates in Lee County by Utilities, Inc. of Eagle Ridge.

(Continued from previous page)

**Issue 4:** What is the appropriate security to guarantee the interim increase?

**Recommendation:** A corporate undertaking is acceptable contingent upon receipt of the written guarantee of the parent company, Utilities, Inc. (UI), and written confirmation of UI's continued attestation that it does not have any outstanding guarantees on behalf of UI-owned utilities in other states. UI should be required to file a corporate undertaking on behalf of its subsidiaries to guarantee any potential refunds of revenues collected under interim conditions. UI's total guarantee should be a cumulative amount of \$855,562, which includes an amount of \$77,484 subject to refund in this docket. Pursuant to Rule 25-30.360(6), F.A.C., the Utility should provide a report by the 20th of each month indicating the monthly and total revenue collected subject to refund. Should a refund be required, the refund should be with interest and in accordance with Rule 25-30.360, F.A.C.

**Issue 5:** Should this docket be closed?

**Recommendation:** No. The docket should remain open pending the Commission's PAA decision on the Utility's requested rate increase.