

MINUTES OF August 9, 2011
COMMISSION CONFERENCE
COMMENCED: 9:32 am
RECESSED: 11:14 am
RECONVENED: 11:23 am
ADJOURNED: 11:39 am

COMMISSIONERS PARTICIPATING: Chairman Graham
Commissioner Edgar
Commissioner Brisé
Commissioner Balbis
Commissioner Brown

Parties were allowed to address the Commission on items designated by double asterisks (**).

1**PAA **Docket No. 110009-EI** – Nuclear cost recovery clause.

Critical Date(s): 09/19/11

Commissioners Assigned: All Commissioners

Prehearing Officer: Brisé

Staff: GCL: Young, Norris, Bennett
 ECR: Breman, Bulecza-Banks, Laux
 RAD: Garl

Issue 1: Should the Commission approve PEF and FPL's request for a variance from the filing deadlines in Rule 25-6.0423(5)(c)4, F.A.C.?

Recommendation: Yes, the Commission should approve the request for a variance from the filing deadlines in Rule 25-6.0423(5)(c)4, F.A.C. However, the Commission should require each company to submit its fuel clause filings no later than 12:00 p.m. on October 27, 2011, rather than the requested date, November 8, 2011.

Issue 2: Should this docket be closed?

Recommendation: No. If no timely protest is received to the proposed agency action on PEF and FPL's request for a variance in Docket No. 110009-EI, the Order granting the rule variance will become final upon the issuance of Consummating Order. Docket No. 110009-EI should remain open pending the Commission's decision on PEF and FPL's petitions in the NCRC.

DECISION: The recommendations were approved.

Commissioners participating: Graham, Edgar, Brisé, Balbis, Brown

ITEM NO.

CASE

2

Docket No. 110056-TP – Complaint against Verizon Florida, LLC and MCI Communications Services, Inc. d/b/a Verizon Business Services for failure to pay intrastate access charges for the origination and termination of intrastate interexchange telecommunications service, by Bright House Networks Information Services (Florida), LLC.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Balbis

Staff: GCL: Brown

RAD: Bloom

(Oral Argument Requested.)

Issue 1: Should the Commission grant Verizon's Request for Oral Argument on its Motion to Dismiss?

Recommendation: Yes. Oral Argument will assist the Commission's consideration of the Motion to Dismiss.

Issue 2: Should the Commission grant MCI Communications Services, Inc. d/b/a/ Verizon Business Services' motion to dismiss the complaint of Bright House Networks Information Services (Florida), LLC for failure to pay intrastate access charges?

Recommendation: No. The Commission should deny Verizon's motion to dismiss. The Bright House complaint states a cause of action upon which the Commission can grant relief.

Issue 3: Should this docket be closed?

Recommendation: No. If the Commission denies Verizon Business's Motion to Dismiss this docket should remain open to address the issues raised by Bright House CLEC's Complaint. If the Commission grants Verizon Business's Motion to Dismiss, this docket should be closed.

DECISION: The recommendations were approved.

Commissioners participating: Graham, Edgar, Brisé, Balbis, Brown

ITEM NO.

CASE

3**PAA

Docket No. 090430-TP – Amended petition for verified emergency injunctive relief and request to restrict or prohibit AT&T from implementing its CLEC OSS-related releases, by Saturn Telecommunication Services, Inc.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Edgar

Staff: APA: Harvey, Hallenstein

GCL: Robinson, Teitzman

Issue 1: Should AT&T be required to maintain and continue to update the Required/Conditional/Optional (R/C/O) Tables?

Recommendation: Yes. Staff recommends for a one year period from the date of the Commission's Order that AT&T be required to update the Required/Conditional/Optional (R/C/O) instructional tables to correspond with AT&T's updates to the information fields in the *Local Service Order Requirements*. The updates should be made available to STS and CLECs in a Microsoft Word file and be formatted in the same manner as the R/C/O tables contained within AT&T's *Local Ordering Handbook*.

Issue 2: Should this docket be closed?

Recommendation: Yes. If the Commission approves staff recommendation on Issue 1, then STS has indicated that there will be no remaining issues and staff recommends that the docket be closed. The resulting decision to approve Issue 1 and close the docket will be issued as a Proposed Agency Action. The decision will become final upon issuance of a Consummating Order, if no one person whose substantial interests are affected timely files a protest within 21 days of the issuance of the Order.

DECISION: This item was deferred to the October 18, 2011, Commission Conference.

Commissioners participating: Graham, Edgar, Brisé, Balbis, Brown

ITEM NO.

CASE

4

Docket No. 100048-WU – Application for increase in water rates in Marion County by Sunshine Utilities of Central Florida, Inc.

Critical Date(s): 60-Day Suspension Date Waived by Company to 08/09/11

Commissioners Assigned: All Commissioners

Prehearing Officer: Balbis

Staff: ECR: Deason, M. Brown, Fletcher, Daniel, Walden, Maurey, Springer

GCL: Jaeger

(Decision on Interim Rates - Participation is at the Discretion of the Commission.)

Issue 1: Should the Utility’s proposed final water and wastewater rates be suspended?

Recommendation: Yes. The Utility’s proposed final water and wastewater rates should be suspended.

Issue 2: Should any interim revenue increase be approved?

Recommendation: Yes, the Utility should be authorized to collect annual water revenues as indicated below:

	<u>Adjusted Test Year Revenues</u>	<u>\$ Increase</u>	<u>Revenue Requirement</u>	<u>% Increase</u>
Unified Systems	\$851,807	\$47,397	\$899,204	5.56%
Quail Run	\$14,892	\$11,689	\$26,581	78.49%
Sandy Acres	\$42,119	\$14,199	\$56,318	33.71%
Ponderosa Pines	<u>\$34,877</u>	<u>\$10,116</u>	<u>\$44,993</u>	<u>29.00%</u>
Total	<u>\$943,695</u>	<u>\$83,401</u>	<u>\$1,027,096</u>	<u>8.12%</u>

Issue 3: What are the appropriate interim water rates?

Recommendation: The water service rates for Sunshine in effect as of December 31, 2010, should be increased by 5.85 percent for the unified systems, 86.23 percent for the Quail Run system, 37.59 percent for the Sandy Acres system, and 30.76 percent for the Ponderosa Pines system, to generate the recommended revenue increases 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, and the required security has been filed. The Utility should provide proof of the date notice was given within 10 days of the date of notice.

ITEM NO.

CASE

4**PAA

Docket No. 100048-WU – Application for increase in water rates in Marion County by Sunshine Utilities of Central Florida, Inc.

(Continued from previous page)

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

Recommendation: The Utility should be required to open an escrow account or file a surety bond or letter of credit to guarantee any potential refund of revenues collected under interim conditions. If the security provided is an escrow account, the Utility should deposit 8.12 percent of water revenues into the escrow account each month. Otherwise, the surety bond or letter of credit should be in the amount of \$48,674. 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 the docket be closed?

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

DECISION: The recommendations were approved.

Commissioners participating: Graham, Edgar, Brisé, Balbis, Brown

ITEM NO.

CASE

5**PAA

Docket No. 100126-WU – Application for increase in water rates in Marion County by C.F.A.T. H2O, Inc.

Critical Date(s): 5-Month Effective Date Waived Through 08/09/11

Commissioners Assigned: All Commissioners

Prehearing Officer: Brisé

Staff: ECR: Fletcher, Daniel, Maurey, Simpson, Stallcup, Thompson

GCL: Young

(Proposed Agency Action Except For Issue Nos. 18 and 19.)

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

Recommendation: Yes. The quality of service provided by the Utility is satisfactory.

DECISION: The recommendation was approved.

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 July 28, 2011.

DECISION: The recommendation was approved.

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

Recommendation: The Utility's water treatment plant is 65 percent used and useful (U&U), the ground storage tank is 86 percent U&U, and the water distribution system is 100 percent U&U. Accordingly, rate base, depreciation expense, and property taxes should be reduced by \$73,770, \$5,055, and \$169, respectively.

DECISION: The recommendation was approved.

Issue 4: What is the appropriate working capital allowance?

Recommendation: The appropriate working capital allowance is \$5,054 ~~\$5,247~~.

DECISION: The recommendation was approved with noted modification.

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 \$288,414 ~~\$288,607~~.

DECISION: The recommendation was approved with noted modification.

ITEM NO.

CASE

5**PAA

Docket No. 100126-WU – Application for increase in water rates in Marion County by C.F.A.T. H2O, Inc.

(Continued from previous page)

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.

DECISION: The recommendation was approved.

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 5.91 percent.

DECISION: The recommendation was approved.

Issue 8: Should any adjustments be made to the Utility's requested pro forma expenses?

Recommendation: Yes. Due the current economic climate, a 3-percent increase in salaries is more reasonable than the company's proposed 21 percent increase. Accordingly, salaries should be reduced by \$1,511. Further, based on a 3-year average balance, a representative amount of bad debt expense for ratemaking purposes is \$1,546 ~~\$3,093~~, which represents a decrease ~~an increase~~ of \$118 ~~\$1,429~~.

DECISION: The recommendation was approved with noted modifications.

Issue 9: Should any adjustments be made to the Utility's contractual billing expense?

Recommendation: Yes. To reflect the appropriate contractual billing expense, O&M expenses should be reduced by \$2,163.

DECISION: The recommendation was approved.

Issue 10: What is the appropriate amount of rate case expense?

Recommendation: The appropriate amount of rate case expense is \$20,243. This expense should be recovered over four years for an annual expense of \$5,061. Thus, C.F.A.T.'s requested annual rate case expense should be reduced by \$189.

DECISION: The recommendation was approved.

ITEM NO.

CASE

5**PAA

Docket No. 100126-WU – Application for increase in water rates in Marion County by C.F.A.T. H2O, Inc.

(Continued from previous page)

Issue 11: 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 \$13,507 ~~\$15,053~~ before any revenue increase.

DECISION: The recommendation was approved with noted modification.

Issue 12: What is the appropriate revenue requirement?

Recommendation: The following revenue requirement should be approved:

	Test Year Revenues	\$ Increase	Revenue Requirement	% Increase
Wastewater	<u>\$43,579</u>	<u>\$31,980</u>	<u>\$75,559</u>	<u>73.38%</u>
		<u>\$33,611</u>	<u>\$77,190</u>	<u>77.13%</u>

DECISION: The recommendation was approved with noted modifications.

Issue 13: What is the appropriate water rate structure?

Recommendation: The appropriate rate structure for the water system’s residential class is a two-tier inclining-block rate structure. Staff’s preliminary rate design called for a continuation of the monthly base facility charge (BFC)/uniform gallonage charge rate structure. However, as discussed in Issue 14, by restricting any cost recovery due to repression being applied to non-discretionary usage, an additional tier is necessary for non-discretionary usage below 3 kgal per month. This results in a two-tier rate structure for monthly consumption with usage blocks of: a) 0-3 kgal and b) all usage in excess of 3 kgal in the second usage block, and usage block rate factors of 0.54 and 1.0, respectively. The appropriate rate structure for the water system’s nonresidential classes is a continuation of its BFC/uniform gallonage charge rate structure. The BFC cost recovery percentage for the water system should be set at 45 percent.

DECISION: The recommendation was denied. The Commissioners approved Alternative 1 as the appropriate rate structure for the water system.

ITEM NO.

CASE

5**PAA

Docket No. 100126-WU – Application for increase in water rates in Marion County by C.F.A.T. H2O, Inc.

(Continued from previous page)

Issue 14: What is the appropriate repression adjustment?

Recommendation: A repression adjustment is appropriate for this Utility. Test year residential kgals sold should be reduced by 1,718 ~~1,793~~ kgal to 6,739 ~~6,664~~ kgals, purchased power expense should be reduced by \$481 ~~\$501~~, chemical expense should be reduced by \$222 ~~\$232~~, and regulatory assessment fees (RAFs) should be reduced by \$33 ~~\$34~~. The final post-repression revenue requirement should be \$74,823 ~~\$76,422~~.

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.

DECISION: The recommendation was approved with noted modifications.

Issue 15: What are the appropriate rates for this Utility?

Recommendation: The appropriate monthly water rates are shown on Schedule No. 4 of staff's memorandum dated July 28, 2011. Excluding miscellaneous service charges, the recommended water rates produce revenues of \$74,823 ~~\$76,422~~. The Utility should file revised water tariff sheets and a proposed customer notice to reflect the Commission-approved rates for the water system. 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 ten days of the date of the notice.

DECISION: The recommendation was approved with noted modification.

ITEM NO.

CASE

5**PAA

Docket No. 100126-WU – Application for increase in water rates in Marion County by C.F.A.T. H2O, Inc.

(Continued from previous page)

Issue 16: Should the Utility be authorized to revise its miscellaneous service charges, and, if so, what are the appropriate charges?

Recommendation: Yes. C.F.A.T 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.

	<u>Miscellaneous Service Charges</u>	
	<u>Bus. Hrs</u>	<u>After Hrs</u>
Initial Connection	\$11	\$16
Normal Reconnection	\$16	\$24
Violation Reconnection	\$21	\$31
Premises Visit	\$16	N/A

DECISION: The recommendation was approved.

Issue 17: 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, the Utility should be required to refund 19.13 ~~17.25~~ percent of water revenues 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.

DECISION: The recommendation was approved with noted modification.

ITEM NO.

CASE

5**PAA

Docket No. 100126-WU – Application for increase in water rates in Marion County by C.F.A.T. H2O, Inc.

(Continued from previous page)

Issue 18: 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 July 28, 2011, to remove \$5,338 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.

DECISION: The recommendation was approved.

Issue 19: 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, C.F.A.T. 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.

DECISION: The recommendation was approved.

Issue 20: 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.

DECISION: The recommendation was approved.

Commissioners participating: Graham, Edgar, Brisé, Balbis, Brown

ITEM NO.

CASE

6**PAA

Docket No. 100128-WU – Application for increase in water rates in Gulf County by Lighthouse Utilities Company, Inc.

Critical Date(s): 5-Month Effective Date Waived Through 08/09/11

Commissioners Assigned: All Commissioners

Prehearing Officer: Edgar

Staff: ECR: Fletcher, Brown, Buys, Daniel, Lingo, Maurey, Rieger, Stallcup,
Thompson

GCL: Young

(Proposed Agency Action Except For Issue Nos. 23 and 24.)

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

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

DECISION: The recommendation was approved.

Issue 2: Should the audit adjustments to operating expenses to which the Utility agrees be made?

Recommendation: Yes. Based on audit adjustments agreed to by the Utility and staff, operation and maintenance (O&M) expenses should be decreased by \$13,299, and taxes other than income (TOTI) should be increased by \$638.

DECISION: The recommendation was approved.

Issue 3: Should any further adjustments be made to the test year plant?

Recommendation: Based on support documentation provided by the Utility, plant should be reduced by \$292,961. Corresponding adjustments should be made to decrease accumulated depreciation and depreciation expense by \$169,430 and \$10,098, respectively. Lastly, O&M expenses should be increased by \$10,400.

DECISION: The recommendation was approved.

Issue 4: Should adjustments be made to the Utility's pro forma plant additions?

Recommendation: Yes. Plant should be increased by \$37,247. Accordingly, accumulated depreciation and depreciation expense should be increased by \$508. Lastly, TOTI should be increased by \$494.

DECISION: The recommendation was approved.

ITEM NO.

CASE

6

Docket No. 100128-WU – Application for increase in water rates in Gulf County by Lighthouse Utilities Company, Inc.

(Continued from previous page)

Issue 5: What are the used and useful percentages of the Utility's water system?

Recommendation: Lighthouse's water treatment plant and storage facilities should be considered 100 percent used and useful (U&U). The water transmission and distribution system should be considered 82 percent U&U. This results in a non-U&U rate base adjustment of \$81,022, as well as corresponding non-U&U depreciation expense and property tax adjustments of \$824 and \$1,264, respectively. In addition, a 11.3 percent excessive unaccounted for water (EUW) adjustment should be made to the appropriate operational expenses, such as purchased power and chemicals to reflect excessive water loss. This results in a reduction to O&M expenses of \$5,465.

DECISION: The recommendation was approved.

Issue 6: What is the appropriate working capital allowance?

Recommendation: The appropriate working capital allowance is \$44,351. As such, working capital should be decreased by \$4,049.

DECISION: The recommendation was approved.

Issue 7: What is the appropriate rate base for the December 31, 2009 test year?

Recommendation: Consistent with other recommended adjustments, the appropriate simple average rate base for the test year ended December 31, 2009, is \$997,442.

DECISION: The recommendation was approved.

Issue 8: What is the appropriate return on equity?

Recommendation: Based on the Commission leverage formula currently in effect, the appropriate return on equity (ROE) is 11.16 percent with an allowed range of plus or minus 100 basis points.

DECISION: The recommendation was approved.

Issue 9: 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 8.97 percent.

DECISION: The recommendation was approved.

ITEM NO.

CASE

6

Docket No. 100128-WU – Application for increase in water rates in Gulf County by Lighthouse Utilities Company, Inc.

(Continued from previous page)

Issue 10: What are the appropriate test year revenues?

Recommendation: The appropriate test year revenues for this utility are \$470,419.

DECISION: The recommendation was approved.

Issue 11: Should any adjustments be made to Rental of Building and Contractual Services-Other expenses?

Recommendation: Yes. Rental of Building expense should be reduced by \$3,500 and Contractual Services – Other expense should be reduced by \$4,485.

DECISION: The recommendation was approved.

Issue 12: Should an adjustment be made to the Utility's salaries and wages and pensions and benefits expenses?

Recommendation: Yes, adjustments should be made to reduce directors fees by \$24,000 and pensions and benefits expense by \$11,196.

DECISION: The recommendation was approved with a modification increasing the number of compensated directors to four.

Issue 13: What is the appropriate amount of rate case expense?

Recommendation: The appropriate amount of rate case expense is \$64,358. This expense should be recovered over four years for an annual expense of \$16,089. Thus, Lighthouse's requested annual rate case expense should be reduced by \$2,661.

DECISION: The recommendation was approved. Staff was given authority to make necessary adjustments as a result of the decision made on Issue 12.

Issue 14: What is the test year water operating income before any revenue increase?

Recommendation: Based on the adjustments discussed in previous issues, the test year operating income is \$37,977.

DECISION: The recommendation was approved. Staff was given authority to make necessary adjustments as a result of the decision made on Issue 12.

ITEM NO.

CASE

6

Docket No. 100128-WU – Application for increase in water rates in Gulf County by Lighthouse Utilities Company, Inc.

(Continued from previous page)

Issue 15: What is the appropriate revenue requirement for the December 31, 2009 test year?

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>
<u>\$470,423</u>	<u>\$53,934</u>	<u>\$524,357</u>	<u>11.46%</u>

DECISION: The recommendation was approved. Staff was given authority to make necessary adjustments as a result of the decision made on Issue 12.

Issue 16: What are the appropriate test year billing determinants?

Recommendation: The appropriate test year billing determinants are 16,280 bills, 17,316.5 ERCs and 70,773 kgals sold.

DECISION: The recommendation was approved. Staff was given authority to make necessary adjustments as a result of the decision made on Issue 12.

Issue 17: What is the appropriate water rate structure?

Recommendation: The appropriate rate structure for this Utility is a continuation of the BFC/uniform kgal charge rate structure. The revenue requirement increase should be allocated such that the resulting BFC cost recovery is 50 percent.

DECISION: The recommendation was approved. Staff was given authority to make necessary adjustments as a result of the decision made on Issue 12.

ITEM NO.

CASE

6

Docket No. 100128-WU – Application for increase in water rates in Gulf County by Lighthouse Utilities Company, Inc.

(Continued from previous page)

Issue 18: Is a regression adjustment appropriate for this Utility, and, if so, what is the appropriate methodology to calculate a regression adjustment, and what are the appropriate resulting regression adjustments for this Utility?

Recommendation: No, a regression adjustment is not appropriate. However, in order to monitor the effect of the rate change, 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 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.

DECISION: The recommendation was approved. Staff was given authority to make necessary adjustments as a result of the decision made on Issue 12.

Issue 19: What are the appropriate monthly rates for the Utility?

Recommendation: The appropriate monthly water rates are shown on Schedule 4-A of staff's memorandum dated July 28, 2011. Excluding miscellaneous service charges, the recommended water rates produce revenues of \$524,032. The Utility should file revised water tariff sheets and a proposed customer notice to reflect the Commission-approved rates for the water system. 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 ten days after the date of the notice.

DECISION: The recommendation was approved. Staff was given authority to make necessary adjustments as a result of the decision made on Issue 12.

ITEM NO.

CASE

6

Docket No. 100128-WU – Application for increase in water rates in Gulf County by Lighthouse Utilities Company, Inc.

(Continued from previous page)

Issue 20: Should Lighthouse be authorized to revise its miscellaneous service charges?

Recommendation: Yes, Lighthouse 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 of the date that the notice was sent. The appropriate charges are reflected below.

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

DECISION: The recommendation was approved. Staff was given authority to make necessary adjustments as a result of the decision made on Issue 12.

Issue 21: Should the Utility's request for approval of a \$5.25 late payment fee be granted?

Recommendation: Yes. The Utility's requested late fee of \$5.25 should be approved. The late 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 within 10 days of the date of the notice.

DECISION: The recommendation was approved. Staff was given authority to make necessary adjustments as a result of the decision made on Issue 12.

Issue 22: 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.

DECISION: The recommendation was approved. Staff was given authority to make necessary adjustments as a result of the decision made on Issue 12.

ITEM NO.

CASE

6

Docket No. 100128-WU – Application for increase in water rates in Gulf County by Lighthouse Utilities Company, Inc.

(Continued from previous page)

Issue 23: Should Lighthouse’s service availability charges be revised?

Recommendation: Yes. Lighthouse’s current system capacity charge should be discontinued and plant capacity and main installation charges of \$157 and \$843, respectively, should be approved. The Utility shall file revised tariff sheets which are consistent with the Commission’s decision. Staff should be given administrative authority to approve the revised tariff sheets upon verification that the tariffs are consistent with the Commission’s decision. If revised tariff sheets are filed and approved, the revised service availability charges shall become effective for connections made on or after the stamped approval date of the revised tariff sheets, if no protest is filed.

DECISION: The recommendation was approved. Staff was given authority to make necessary adjustments as a result of the decision made on Issue 12.

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 as required by Section 367.0816, F.S.?

Recommendation: The water rates should be reduced as shown on Schedule 4 of staff’s memorandum dated July 28, 2011, to remove \$20,277 of 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 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 within 10 days of the date of the notice.

DECISION: The recommendation was approved. Staff was given authority to make necessary adjustments as a result of the decision made on Issue 12.

ITEM NO.

CASE

6

Docket No. 100128-WU – Application for increase in water rates in Gulf County by Lighthouse Utilities Company, Inc.

(Continued from previous page)

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, Lighthouse should provide proof, within 90 days of the final order in this docket, that the adjustments for all of the applicable National Association of Regulatory Utility Commissioners Uniform System of Accounts primary accounts have been made.

DECISION: The recommendation was approved. Staff was given authority to make necessary adjustments as a result of the decision made on Issue 12.

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. 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.

DECISION: The recommendation was approved. Staff was given authority to make necessary adjustments as a result of the decision made on Issue 12.

Commissioners participating: Graham, Edgar, Brisé, Balbis, Brown

ITEM NO.

CASE

7

Docket No. 100304-EU – Petition to resolve territorial dispute with Gulf Power Company in Okaloosa County by Choctawhatchee Electric Cooperative, Inc.

Critical Date(s): Pursuant to Section 120.569, Florida Statutes, a final order must be rendered within 90 days of conclusion of the hearing, i.e., by August 15, 2011.

Commissioners Assigned: Graham, Edgar, Brisé
Prehearing Officer: Brisé

Staff: GCL: Jaeger
ECR: Rieger, Williams

(Participation Limited to Staff and Assigned Panel - Final Agency Action.)

Issue 1: What are the boundaries of the area that is the subject of this territorial dispute known as Freedom Walk Development?

Recommendation: The boundaries of the disputed area should be the metes and bounds description of the Freedom Walk CDD as depicted within the bold black lines on Exhibit A to CHELCO's Petition.

Issue 2A: Does the Commission have jurisdiction to enforce or apply provisions of Chapter 425, Florida Statutes, in the context of the instant territorial dispute?

Recommendation: The Commission has only those powers granted by the Legislature. The Commission's powers, authority, and jurisdiction over territorial disputes are set forth in Sections 366.04(2)(e) and 366.04(5), F.S. While there is nothing in these sections or Chapter 425, F.S., that gives the Commission the authority or jurisdiction to enforce Chapter 425, F.S., in prior territorial disputes, the Commission has repeatedly considered the provisions of Chapter 425, F.S., and has stated that its provisions should be strongly considered. Therefore, staff does not believe that the Commission has the jurisdiction to enforce or apply the provisions of Chapter 425, F.S., but should consider those provisions in carrying out its duties under Sections 366.04(2)(e) and (5), F.S. If the Commission agrees that it should consider the provisions of Chapter 425, F.S., it should address Issues 2B and 2C.

Issue 2B: If the Commission determines that it has jurisdiction to enforce or apply provisions of Chapter 425, Florida Statutes, is the Freedom Walk development a "rural area" as defined in Section 425.03(1), Florida Statutes?

Recommendation: In Issue 2A above, staff recommends that the Commission does not have the jurisdiction to enforce or apply the provisions of Chapter 425, F.S. However, if the Commission determines that it has jurisdiction to enforce or apply provisions of Chapter 425, F.S., or determines that it should consider Chapter 425, F.S., staff recommends that the evidence shows that the Freedom Walk development is entirely within the city limits of Crestview, a city with a population greater than 2,500, and the disputed area would not meet the definition of "rural area" as found in Section 425.03(1), F.S.

ITEM NO.

CASE

7**PAA

Docket No. 100304-EU – Petition to resolve territorial dispute with Gulf Power Company in Okaloosa County by Choctawhatchee Electric Cooperative, Inc.

(Continued from previous page)

Issue 2C: If the Commission determines that it has jurisdiction to enforce or apply provisions of Chapter 425, Florida Statutes, and if the Freedom Walk Development is not found to be “rural” in nature, is CHELCO prohibited from serving the Freedom Walk Development by virtue of Section 425.02 or 425.04, Florida Statutes?

Recommendation: In Issue 2A, staff recommends that the Commission does not have the jurisdiction to enforce or apply the provisions of Chapter 425, F.S. However, if the Commission determines that it has jurisdiction to enforce or apply provisions of Chapter 425, F.S., or if it agrees that it should consider that chapter, staff believes that neither Section 425.02 nor Section 425.04, F.S., preclude CHELCO from serving a non-rural area. Further, in resolving any territorial dispute, the Commission should consider the provisions of Sections 366.04(2)(e) and (5), F.S.

Issue 3: What is the nature of the Freedom Walk Development with respect to its population, the type of utilities seeking to serve it, degree of urbanization, proximity to other urban areas, and the present and reasonably foreseeable future requirements of the area for other utility services?

Recommendation: The area in dispute currently has urban characteristics and urbanization would increase if built out.

Issue 4: What is the existing and planned load to be served in the Freedom Walk Development?

Recommendation: There is no existing load for the Freedom Walk development. The planned load for the Freedom Walk development is approximately 4,700 kW.

Issue 5A: What are the necessary facilities and associated costs for CHELCO to extend adequate and reliable service to the Freedom Walk Development?

Recommendation: CHELCO’s existing facilities together with its planned upgrades, which are independent of projected demand from Freedom Walk, are sufficient to provide adequate and reliable service to the Freedom Walk development, and there are no associated additional costs attributable to CHELCO.

Issue 5B: What are the necessary facilities and associated costs for Gulf to extend adequate and reliable service to the Freedom Walk Development?

Recommendation: In order to extend adequate and reliable service to the Freedom Walk Development, Gulf would need to extend its existing three-phase line 2,130 feet along Old Bethel Road at a cost of \$89,738.

Issue 5C: What are the necessary facilities and associated costs for CHELCO to provide adequate and reliable service within the Freedom Walk Development?

Recommendation: The Commission approved the parties’ stipulation that the total cost estimate for CHELCO to provide adequate and reliable underground service within the development is \$1,052,598.

ITEM NO.

CASE

7**PAA

Docket No. 100304-EU – Petition to resolve territorial dispute with Gulf Power Company in Okaloosa County by Choctawhatchee Electric Cooperative, Inc.

(Continued from previous page)

Issue 5D: What are the necessary facilities and associated costs for Gulf to provide adequate and reliable service within the Freedom Walk Development?

Recommendation: The Commission approved the parties' stipulation that the total cost estimate for Gulf to provide adequate and reliable underground service within the development is \$1,152,515.

Issue 6: Will the provision of service to the Freedom Walk Development by CHELCO or Gulf result in uneconomic duplication of any existing facilities?

Recommendation: The provision of service to the Freedom Walk development by either CHELCO or Gulf will not result in uneconomic duplication of any existing facilities.

Issue 7: Is each utility capable of providing adequate and reliable electric service to the Freedom Walk development?

Recommendation: Yes. Each utility is capable of providing adequate and reliable electric service to the Freedom Walk development.

Issue 8: What utility does the customer prefer to serve the Freedom Walk Development?

Recommendation: The developer of Freedom Walk, as the only reasonable proxy for future residents of the development, has indicated a preference that Gulf serve the development.

Issue 9: Which utility should be awarded the right to serve the Freedom Walk development?

Recommendation: Gulf should be awarded the right to serve the Freedom Walk development.

Issue 10: Should this docket be closed?

Recommendation: Yes, if there is no timely appeal or petition for reconsideration, this docket should be closed within 35 days from the issuance of the final agency action on the issues in this recommendation.

DECISION: The recommendations were approved.

Commissioners participating: Graham, Edgar, Brisé

ITEM NO.

CASE

8**PAA

Docket No. 100426-WS – Application for increase in water and wastewater rates in Lake County by Lake Utility Services, Inc.

Critical Date(s): 5-Month Effective Date Waived Through 08/09/11

Commissioners Assigned: All Commissioners

Prehearing Officer: Balbis

Staff: ECR: Buys, Cicchetti, Daniel, Fletcher, Lingo, Maurey, Stallcup, Thompson, Williams

GCL: Young

(Proposed Agency Action - Except for Issue Nos. 29 and 30.)

Issue 1: Is the quality of service provided by Lake Utility Services, Inc. satisfactory?

Recommendation: Yes. The overall quality of service provided by the Utility 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 the audit adjustments agreed to by the Utility, the following adjustments should be made to rate base and net operating income as set forth in the analysis portion of staff's memorandum dated July 28, 2011.

Issue 3: Should any adjustment be made to the Utility's Project Phoenix Financial/Customer Care Billing System (Phoenix Project)?

Recommendation: Yes. Plant should be reduced by \$192,226 for water and \$63,427 for wastewater. In addition, accumulated depreciation should be reduced by \$47,090 for water and \$15,537 for wastewater. Accordingly, depreciation expense should be decreased by \$38,052 for water and \$12,556 for wastewater.

Issue 4: Should any adjustments be made to the Utility's requested pro forma plant additions?

Recommendation: Yes. Plant and accumulated depreciation for water should both be reduced by \$39,011 to reflect the appropriate retirement amount. Corresponding adjustments for water should be made to decrease depreciation expense and property taxes by \$907 and \$589, respectively. To reflect the actual supported cost, plant and accumulated depreciation for wastewater should be increased by \$4,698 and \$261, respectively. Corresponding adjustments for wastewater should be made to increase depreciation expense and property taxes by \$261 and \$4, respectively.

Issue 5: What are the used and useful percentages of the Utility's water system?

Recommendation: The water treatment plants for all three water systems are 100 percent used and useful (U&U). The storage facilities for the LUSI North and Lake Groves system are 100 percent U&U. The distribution systems in all three service areas are 100 percent U&U. Staff also recommends that O&M expenses related to chemicals and purchased power be reduced by a total of \$30,604 to account for 5.41 percent excessive unaccounted for water (EUW).

ITEM NO.

CASE

8**PAA

Docket No. 100426-WS – Application for increase in water and wastewater rates in Lake County by Lake Utility Services, Inc.

(Continued from previous page)

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

Recommendation: The wastewater treatment plant is 53 percent U&U. The portions of the plant designated as providing reuse are 100 percent U&U. The collection system is 100 percent U&U. Accordingly, rate base, depreciation expense, and property taxes should be reduced by \$685,825, \$47,256, and \$6,616, respectively.

Issue 7: Should any adjustment be made to deferred rate case expense?

Recommendation: Yes. Consistent with the annual amortization amount approved in the Utility's last rate case and Commission practice, deferred rate case expense (DRCE) included in the working capital allowance should be decreased by \$263,719, or \$198,290 for water and \$65,429 for wastewater.

Issue 8: What is the appropriate working capital allowance?

Recommendation: The appropriate amount of working capital is \$573,484 for water and \$205,058 for wastewater. Accordingly, the working capital allowance for water should be reduced by \$47,972 in addition to the adjustments recommended in Issue 7.

Issue 9: What is the appropriate rate base for the historical test year ended June 30, 2010?

Recommendation: The appropriate rate base for the historical test year ended June 30, 2010, is \$17,882,426 for water and \$5,433,507 for wastewater.

Issue 10: What is the appropriate return on equity?

Recommendation: Based on the Commission leverage formula currently in effect, the appropriate return on equity (ROE) is 10.80 percent. Staff recommends an allowed range of plus or minus 100 basis points be recognized for ratemaking purposes.

Issue 11: What is the appropriate cost rate for short-term debt?

Recommendation: The appropriate cost rate for short-term debt is 3.17 percent.

Issue 12: What is the appropriate weighted average cost of capital including the proper components, amounts, and cost rates associated with the capital structure for the historical test year ended June 30, 2010?

Recommendation: The appropriate weighted average cost of capital for the historical test year ended June 30, 2010, is 8.13 percent.

Issue 13: Should any further adjustments be made to test year revenues?

Recommendation: Yes. To reflect income from plant leased to others, revenues should be increased by \$12,261 and \$4,045 for water and wastewater, respectively. In addition, to reflect additional revenues from improved meter reading of customer usage, water revenue should be further increased by \$60,074.

ITEM NO.

CASE

8**PAA

Docket No. 100426-WS – Application for increase in water and wastewater rates in Lake County by Lake Utility Services, Inc.

(Continued from previous page)

Issue 14: Should any adjustment be made to the Utility's pro forma O&M expense related to the amortization of LUSI's cost to obtain a consumptive use permit?

Recommendation: Yes. The amortization of the cost to obtain the CUP should be increased from 30 months to 60 months and water pro forma O&M expense should be reduced by \$47,972.

Issue 15: Should any adjustments be made to the Utility's salaries and wages expense and employee pensions and benefits expense?

Recommendation: Yes. Salaries and wages expense should be reduced by \$62,658 for water and \$20,674 for wastewater. In addition, employee pensions and benefits expense should be reduced by \$68,429 for water and \$22,577 for wastewater. Corresponding adjustments should be made to reduce payroll taxes by \$6,084 for water and \$2,007 for wastewater.

Issue 16: Should any further allocation expense adjustments be made?

Recommendation: Yes. To reflect the appropriate amount of allocated directors and officers (D&O) liability insurance expense, O&M expenses should be reduced by \$1,828 for water and \$603 for wastewater.

Issue 17: Should any adjustments be made to the Utility's bad debt expense?

Recommendation: Yes. LUSI's bad debt expense should be based on a 3-year average. Accordingly, water and wastewater bad debt expense should be reduced by \$36,454 and \$12,058, respectively.

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

Recommendation: The appropriate amount of rate case expense is \$288,327. This expense should be recovered over four years for an annual expense of \$72,082, or \$54,199 for water and \$17,883 for wastewater. Therefore, annual rate case expense should be reduced by \$30,147 for water and \$9,947 for wastewater.

Issue 19: How should the net gain on sale of land be treated?

Recommendation: The net gain on sale of land realized by LUSI should be amortized over five years and deducted from the Utility's expenses. The annual amortization should be \$13,417 for water and \$14,238 for wastewater.

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 \$871,412 for water and \$456,309 for wastewater.

ITEM NO.

CASE

8**PAA

Docket No. 100426-WS – Application for increase in water and wastewater rates in Lake County by Lake Utility Services, Inc.

(Continued from previous page)

Issue 21: What is the appropriate revenue requirement for the historical test year ended June 30, 2010?

Recommendation: The following revenue requirement should be approved.

	<u>Test</u> <u>Year Revenues</u>	<u>(\$ Decrease)</u> <u>\$ Increase</u>	<u>Revenue</u> <u>Requirement</u>	<u>(% Decrease)</u> <u>% Increase</u>
Water	\$4,308,670	\$977,509	\$5,286,178	22.69%
Wastewater	\$2,101,009	(\$24,551)	\$2,076,458	(1.17%)

ITEM NO.

CASE

8**PAA

Docket No. 100426-WS – Application for increase in water and wastewater rates in Lake County by Lake Utility Services, Inc.

(Continued from previous page)

Issue 22: What are the appropriate numbers of bills, ERCs and consumption for the Utility’s water, wastewater and reuse systems for the historical test year ending June 30, 2010?

Recommendation: The appropriate numbers of bills, ERCs and consumption for the Utility’s water, wastewater and reuse systems for the historical test year ending June 30, 2010 are shown in Table 22-1 below.

Table 22-1

LAKE UTILITY SERVICES, INC. STAFF’S RECOMMENDED TEST YEAR BILLING DETERMINANTS FOR THE HISTORICAL TEST YEAR ENDING JUNE 30, 2010					
<u>Water System</u>		<u>Wastewater System</u>		<u>Reuse System</u>	
Bills	102,813	Bills	33,456	Bills	0
ERCs	111,368	ERCs	37,843.5	ERCs	0
Consumption (kgals)	1,471,056	Consumption (kgals)	254,416	Consump	0

Issue 23: What are the appropriate rate structures for the Utility’s water, wastewater and reuse systems?

Recommendation: The appropriate water system rate structure for the Utility’s residential water system is a continuation a three-tiered inclining block rate structure, with usage blocks for monthly usage of: a) 0-5 kgals; b) 5.001-10 kgals; and c) for usage in excess of 10 kgals. The appropriate water system rate structure for the Utility’s remaining customer classes is a continuation of the BFC/uniform gallonage charge rate structure. The pre-repression BFC cost recovery percentage should be set at 20 percent.

As discussed in Issue 21, staff recommends a 1.17 percent revenue requirement reduction to the Utility’s wastewater system. Staff recommends that this revenue requirement decrease be applied across the board to the Utility’s wastewater rates, thereby keeping the wastewater system’s current BFC/gallonage charge rate structure intact. The residential customers’ billing for monthly consumption should continue to be capped at 10 kgal. The general service gallonage charge should be 1.2 times greater than the corresponding residential gallonage charge. The appropriate rate structure for the Utility’s reuse system is a continuation of the BFC/uniform gallonage charge rate structure.

ITEM NO.

CASE

8**PAA

Docket No. 100426-WS – Application for increase in water and wastewater rates in Lake County by Lake Utility Services, Inc.

(Continued from previous page)

Issue 24: Are repression adjustments appropriate for the Utility’s water and wastewater systems, and, if so, what are the appropriate adjustments for the respective systems?

Recommendation: A repression adjustment is appropriate for the water system only. Residential water consumption should be reduced by 8.7 percent, resulting in a consumption reduction of approximately 122,361 kgals. Total water consumption for ratesetting is 1,348,695 kgals, which represents an 8.3 percent reduction in overall consumption. The resulting water system reductions to revenue requirements are \$32,874 in purchased power expense, \$11,635 in chemicals expense, and \$2,097 in regulatory assessment fees (RAFs). The post-repression revenue requirement for the water system is \$5,148,630. As discussed in Issue 21, staff recommends a revenue requirement reduction to the wastewater system. Therefore, no repression adjustment is recommended for that system.

In order to monitor the effect of the rate change, the Utility should be ordered to file reports for its respective water and wastewater systems, 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 25: What are the appropriate rates for the Utility’s water, wastewater and reuse systems?

Recommendation: The appropriate monthly water rates are shown on Schedule 4-A of staff’s memorandum dated July 28, 2011, and the appropriate monthly wastewater and reuse rates are shown on Schedule 4-B of staff’s memorandum dated July 28, 2011. Excluding miscellaneous service charges, and after the effects of repression, the recommended water rates produce revenues of \$5,148,630. After staff’s recommended revenue requirement decrease and excluding miscellaneous service charges, the recommended wastewater rates produce revenues of \$2,064,513. The Utility should file revised water and wastewater tariff sheets and a proposed customer notice to reflect the Commission-approved rates for the respective 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 ten days after the date of the notice.

ITEM NO.

CASE

8**PAA

Docket No. 100426-WS – Application for increase in water and wastewater rates in Lake County by Lake Utility Services, Inc.

(Continued from previous page)

Issue 26: Should the Utility be authorized to revise its water service availability charges, and if so, what are the appropriate charges?

Recommendation: Yes. LUSI's water service availability charges should be revised. The recommended charges are reasonable and consistent with the guidelines set forth in Rule 25-30.580, F.A.C., and should be approved. 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, F.A.C. The appropriate revised water service availability charges are reflected below.

Main Extension Charge	\$1,426
Plant Capacity Charge	\$1,157
Meter Installation Charges:	
5/8" x 3/4"	\$150
1"	\$250

Issue 27: Should the Utility's wastewater service availability charges be revised, and if so, what are the appropriate charges?

Recommendation: Yes. LUSI's wastewater service availability charges should be revised. The recommended charges are reasonable and consistent with the guidelines set forth in Rule 25-30.580, F.A.C., and should be approved. 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, F.A.C. The appropriate revised wastewater service availability charges are reflected below.

Main Extension Charge	\$1,243
Plant Capacity Charge	\$558

Issue 28: In determining whether any portion of the interim water revenue 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 water revenue requirement for the interim collection period should be compared to the amount of interim water revenue requirement granted. This results in a refund of 6.10 percent. 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 corporate undertaking should be released upon staff's verification that the required refunds have been made.

ITEM NO.

CASE

8**PAA

Docket No. 100426-WS – Application for increase in water and wastewater rates in Lake County by Lake Utility Services, Inc.

(Continued from previous page)

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, Florida Statutes?

Recommendation: The rates should be reduced as shown on Schedules Nos. 4-A and 4-B of staff's memorandum dated July 28, 2011, to remove \$131,221 for water and \$43,296 for wastewater related the annual rate case expense, grossed up for 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 30: Should the Utility be required to provide proof, within 90 days of an effective order finalizing this docket, that it has adjusted its books for all the applicable National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts (USOA) 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, LUSI should provide proof, within 90 days of the final order in this docket, that the adjustments for all the applicable NARUC USOA primary accounts have been made.

Issue 31: Should this docket be closed?

Recommendation: No. If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, a consummating order will be issued. The docket should remain open for staff's verification that the revised tariff sheets and customer notice have been filed by the Utility and approved by staff, and that the interim refund has been completed and verified by staff. Once these actions are complete, this docket should be closed administratively.

DECISION: This item was deferred to the October 4, 2011, Commission Conference.

Commissioners participating: Graham, Edgar, Brisé, Balbis, Brown

