

MINUTES OF February 14, 2012

COMMISSION CONFERENCE

COMMENCED: 9:36 am

ADJOURNED: 11:12 am

RECONVENED: 1:01 pm

RECESSED: 2:37 pm

RECONVENED: 2:47 pm

RECESSED: 3:40 pm

RECONVENED: 4:05 pm

RECESSED: 4:50 pm

RECONVENED: 5:00 pm

ADJOURNED: 5:26 pm

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

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

1

Approval of Minutes

November 22, 2011, Regular Commission Conference

DECISION: The minutes were approved.

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

ITEM NO.

CASE

2**

Consent Agenda

PAA

A) Application for Certificate of Authority to Provide Telecommunications Service.

DOCKET NO. COMPANY NAME

120016-TX 382 Networks, Inc.

Recommendation: The Commission should approve the action requested in the docket referenced above and close this docket.

DECISION: The recommendation was approved.

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

ITEM NO.

CASE

3

Docket No. 110013-TP – Request for submission of proposals for relay service, beginning in June 2012, for the deaf, hard of hearing, deaf/blind, or speech impaired, and other implementation matters in compliance with the Florida Telecommunications Access System Act of 1991.

Critical Date(s): Current Contract with Sprint expires May 31, 2012.

Commissioners Assigned: All Commissioners

Prehearing Officer: Brisé

Staff: RAD: Bloom

GCL: Miller

(Participation is Limited to Commissioners and Staff)

Issue 1: Should the Commission select AT&T as the relay service provider and direct the Commission's Executive Director or designee to: (1) issue the letter of intent, identified as Attachment A of staff's recommendation filed on February 2, 2012; (2) provide notice on the Department of Management Services' Vendor Bidding System of the Commission's decision to award a three-year contract to AT&T to be the provider of the statewide telecommunications relay service in Florida; and (3) finalize and sign a contract with AT&T to provide the Florida Relay Service?

Recommendation: Yes, based on the RFP evaluation process, the Commission should select AT&T as the relay service provider and direct the Commission's Executive Director or designee to: (1) issue the letter of intent, identified as Attachment A of staff's recommendation filed on February 2, 2012; (2) provide notice on the Department of Management Services' Vendor Bidding System of the Commission's decision to award a three-year contract to AT&T to be the provider of the statewide telecommunications relay service in Florida; and (3) finalize and sign a contract with AT&T to provide the Florida Relay Service.

Issue 2: Should this docket be closed?

Recommendation: No. This docket should remain open for the life of the contract.

DECISION: The recommendations were approved.

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

ITEM NO.

CASE

4

Docket No. 110306-TP – Request for emergency relief and complaint of FLATEL, Inc. against BellSouth Telecommunications, Inc. d/b/a AT&T Florida to resolve interconnection agreement dispute. (Deferred from the January 24, 2012 Commission Conference, revised recommendation filed.)

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Balbis

Staff: GCL: Robinson

RAD: Hawkins, Lowery

(Oral Argument not Requested; Participation at the Commission's Discretion.)

Issue 1: Should the Commission grant AT&T Florida's Motion to Dismiss?

Recommendation: Yes. Staff recommends that the Commission grant AT&T Florida's dismissal motion, as the Commission lacks authority to grant an injunction, and further, FLATEL's petition is moot.

Issue 2: Should the docket be closed?

Recommendation: Yes. If the Commission agrees with staff on issue 1, FLATEL's petition should be dismissed without prejudice and the docket should be closed.

DECISION: The recommendations were approved.

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

ITEM NO.

CASE

5**

Docket No. 110308-GU – Request by Peoples Gas System to modify Tariff Sheet 5.701 to add sections entitled "Limits of Company's Responsibilities" and "Continuity of Service."

Critical Date(s): 03/18/12 (60-Day Suspension Date)
09/18/12 (8-Month Effective Date)

Commissioners Assigned: All Commissioners
Prehearing Officer: Administrative

Staff: ECR: Kummer
GCL: Brown

Issue 1: Should the Commission approve the proposed new provisions contained on Tariff Sheet No. 5.701?

Recommendation: Yes. The new provisions are reasonable and consistent with language contained in the tariffs of other regulated utilities.

DECISION: The recommendation was denied. The Commissioners voted to suspend the tariff. The company was instructed to work with staff per the discussions at the Commission Conference and to bring this matter back before the Commissioners prior to March 31, 2012.

Issue 2: Should this docket be closed?

Recommendation: Yes. If Issue 1 is approved, the tariffs should become effective as of the Commission vote, February 14, 2012. If a protest is filed within 21 days of the issuance of the order, the tariffs should remain in effect pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order.

DECISION: Based on the decision on Issue 1, the recommendation on Issue 2 is moot.

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

ITEM NO.

CASE

6**

Docket No. 120001-EI – Fuel and purchased power cost recovery clause with generating performance incentive factor.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Balbis

Staff: ECR: Barrett, Draper, Franklin, Lester, Watts
GCL: Barrera

Issue 1: Should the Commission approve Gulf’s petition for a mid-course revision to its 2012 fuel cost recovery factors?

Recommendation: Yes. Staff recommends the Commission approve Gulf’s Petition for Mid-Course Correction to its 2012 fuel factors. The revised fuel factors should become effective with the March 2012 billing cycle, which begins on March 1, 2012. The recommended fuel factors are presented in Attachment A of staff’s recommendation filed on February 2, 2012.

Issue 2: Should this docket be closed?

Recommendation: No. The Fuel and Purchased Power Cost Recovery Clause is an on-going docket and should remain open.

DECISION: The recommendations were approved.

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

ITEM NO.

CASE

7**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. d/b/a Earthlink Business. (Deferred from the August 9, 2011, new recommendation filed.)

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Edgar

Staff: APA: Harvey, Hallenstein

GCL: Robinson

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

Recommendation: Yes. Staff recommends that AT&T should update the “required” information fields contained within the Required/Conditional/Optional (R/C/O) instructional tables to reflect any changes AT&T has made to the LEX ordering interface between November 2009 and March 2012. This update should be performed one time and should be made available to STS within 60 days of the issuance of the Consummating Order (when PAA becomes final). The update should be in a Microsoft Word file and formatted in the same manner as the R/C/O tables contained within AT&T’s retired Local Ordering Handbook. Additionally, AT&T should work with STS over the next six months to reduce the number of order rejections STS experiences.

DECISION: The recommendation was denied.

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: The recommendation was modified. Although the recommendation for Issue 1 was denied, the Commissioners voted to close the docket.

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

ITEM NO.

CASE

8

Docket No. 100330-WS – Application for increase in water/wastewater rates in Alachua, Brevard, DeSoto, Hardee, Highlands, Lake, Lee, Marion, Orange, Palm Beach, Pasco, Polk, Putnam, Seminole, Sumter, Volusia, and Washington Counties by Aqua Utilities Florida, Inc.

Critical Date(s): Pursuant to Section 120.569(2)(1), F.S., the Final Order in this case must be rendered by March 16, 2012.

Commissioners Assigned: All Commissioners

Prehearing Officer: Brisé

Staff: ECR: Fletcher, M. Brown, Bulecza-Banks, Cicchetti, Daniel, Golden, Jones-Alexis, Kummer, Lingo, Maurey, McRoy, Rieger, Smith, Springer, Thompson, Walden

GCL: Jaeger, Bennett, Harris

This item is scheduled to begin at 1:00 p.m.

(Participation is Limited to Commissioners and Staff.)

Issue 1: What is AUF's quality of service?

Recommendation: Staff recommends that the quality of AUF's product and the operating condition of the Utility's plant and facilities are satisfactory, as well as its attempt to address customer satisfaction. Therefore, staff recommends that AUF's overall quality of service be deemed satisfactory. In accordance with Rule 25-30.433(8), F.A.C., O&M expense should be reduced by \$60,180, and working capital should be increased by \$60,180.

DECISION: The recommendation was denied. The Commissioners made a finding that AUF's quality of service is marginal.

ITEM NO.

CASE

8

Docket No. 100330-WS – Application for increase in water/wastewater rates in Alachua, Brevard, DeSoto, Hardee, Highlands, Lake, Lee, Marion, Orange, Palm Beach, Pasco, Polk, Putnam, Seminole, Sumter, Volusia, and Washington Counties by Aqua Utilities Florida, Inc.

(Continued from previous page)

Issue 2: What, if any, additional actions should be taken by the Commission based on AUF's quality of service?

Recommendation: If the Commission approves the staff recommendation in Issue 1, AUF should be required to provide quarterly reports regarding PBWNs and improvements to aesthetic quality for a period of one year following the issuance of the Commission's Final Order. Staff will review each report for consistency with the Commission's order and will report to the Commission if staff has any concerns.

DECISION: The recommendation was modified. Based on the decision in Issue 1, of marginal quality of service, the Commission approved 1) a 50 basis point reduction in the ROE, 2) staff develop a monitoring plan at a nominal cost, which will include the following: call center monitoring report, quality performance report, Florida score card report, a bottom line summary report, regulatory correspondence (warning letters, notice of violation or consent orders), as well as correspondence from all customers, to AUF in response to precautionary boil water notices.

ITEM NO.

CASE

8

Docket No. 100330-WS – Application for increase in water/wastewater rates in Alachua, Brevard, DeSoto, Hardee, Highlands, Lake, Lee, Marion, Orange, Palm Beach, Pasco, Polk, Putnam, Seminole, Sumter, Volusia, and Washington Counties by Aqua Utilities Florida, Inc.

(Continued from previous page)

Issue 3: What is the appropriate amount of pro forma plant, and related depreciation and property taxes, for the following specific protested pro forma plant projects; Breeze Hill Wastewater I&I Project, Lake Josephine and Sebring Lakes AdEdge Water Treatment Project; Leisure Lakes AdEdge Water Treatment Project; Peace River Water Treatment Project; Tomoka View Twin Rivers Water Treatment Plant Tank Lining Project; Sunny Hills Water System Water Tank Replacement Project?

Recommendation: Based on the support documentation provided by AUF, the Utility has supported \$792,347 related to the six protested pro forma projects. As such, AUF's pro forma plant additions should be increased by \$24,182 for water and decreased by \$21,835 for wastewater. In accordance with the depreciation rates prescribed in Rule 25-30.140, F.A.C., corresponding adjustments should be made to increase accumulated depreciation and depreciation expense by \$1,132 for water and decrease accumulated depreciation and depreciation expense by \$485 for wastewater. In addition, corresponding adjustments should be made to decrease property taxes by \$8,549 for water and \$2,136 for wastewater. The specific rate band and system adjustments are as follows:

Rate Band/System	Plant	Accumulated Depreciation	Depreciation Expense	Property Taxes
Water Band 2	\$21,004	(\$93)	\$93	\$671
Water Band 4	(23,922)	190	(190)	(9,658)
Breeze Hill-Wastewater	(21,835)	485	(485)	(2,136)
Peace River- Water	27,099	(1,230)	1,230	437
Total Adjustments	\$2,347	(\$647)	\$647	(\$10,686)

DECISION: The recommendation was approved. When pro forma projects come online, AUF shall notify appropriate staff.

ITEM NO.

CASE

8

Docket No. 100330-WS – Application for increase in water/wastewater rates in Alachua, Brevard, DeSoto, Hardee, Highlands, Lake, Lee, Marion, Orange, Palm Beach, Pasco, Polk, Putnam, Seminole, Sumter, Volusia, and Washington Counties by Aqua Utilities Florida, Inc.

(Continued from previous page)

Issue 4: What are the appropriate used and useful percentages and the associated composite used and useful percentages for the following specific protested water treatment and related facilities of Arredondo Estates, Arredondo Farms, Breeze Hill, Carlton Village, East Lake Harris/Friendly Center, Fern Terrace, Hobby Hills, Interlachen/Park Manor, Lake Josephine/Sebring Lakes, Picciola Island, Rosalie Oaks, Silver Lake Estates/Western Shores, Tomoka View, Twin Rivers, Venetian Village, Welaka, and Zephyr Shores?

Recommendation: Staff recommends that all of the AUF WTPs that were not previously stipulated should be considered 100 percent U&U, with the exception of 6 systems (Table 4-1 of staff's memorandum dated February 2, 2012). The resulting composite U&U percentages, based on the number of customers in each rate band, are shown on Attachment 1 of staff's memorandum dated February 2, 2012. Further, the rate base adjustments are shown on Schedule 3-C of staff's memorandum dated February 2, 2012, and the depreciation expense and property tax adjustments are shown on Schedule 4-C of the memorandum.

DECISION: The recommendation was approved.

ITEM NO.

CASE

8

Docket No. 100330-WS – Application for increase in water/wastewater rates in Alachua, Brevard, DeSoto, Hardee, Highlands, Lake, Lee, Marion, Orange, Palm Beach, Pasco, Polk, Putnam, Seminole, Sumter, Volusia, and Washington Counties by Aqua Utilities Florida, Inc.

(Continued from previous page)

Issue 5: What are the appropriate used and useful percentages and the associated composite used and useful percentages for the following specific protested water distribution systems of Arredondo Estates, Beecher's Point, Breeze Hill, Gibsonia Estates, Interlachen/Park Manor, Kingswood, Oakwood, Orange Hill/Sugar Creek, Palm Port, Palms Mobile Home Park, Peace River, Piney Woods, Ravenswood, River Grove, Rosalie Oaks, Silver Lake Estates/Western Shores, Silver Lake Oaks, Skycrest, Stone Mountain, Sunny Hills, The Woods, Twin Rivers, Venetian Village, Village Water, Welaka, and Wootens?

Recommendation: Staff recommends that all of the AUF water distribution systems that were not previously stipulated should be considered to be 100 percent U&U, with the exception of 9 systems (Table 5-1 of staff's memorandum dated February 2, 2012). Attachment 2 of staff's memorandum dated February 2, 2012, contains staff's recommended U&U percentages and the resulting composite U&U percentages based on the number of customers in each rate band. Further, the rate base adjustments are shown on Schedule 3-C of staff's memorandum dated February 2, 2012, and the depreciation expense and property tax adjustments are shown on Schedule 4-C of the memorandum.

DECISION: The recommendation was approved, with an oral modification to Table 5-1.

ITEM NO.

CASE

8

Docket No. 100330-WS – Application for increase in water/wastewater rates in Alachua, Brevard, DeSoto, Hardee, Highlands, Lake, Lee, Marion, Orange, Palm Beach, Pasco, Polk, Putnam, Seminole, Sumter, Volusia, and Washington Counties by Aqua Utilities Florida, Inc.

(Continued from previous page)

Issue 6: What are the appropriate used and useful percentages and the associated composite used and useful percentages for the following specific protested wastewater treatment and related facilities of Arredondo Farms, Breeze Hill, Fairways, Florida Central Commerce Park, Holiday Haven, Jungle Den, Kings Cove, Leisure Lakes, Morningview, Palm Port, Peace River, Rosalie Oaks, Silver Lake Oaks, South Seas, Summit Chase, Sunny Hills, The Woods, Valencia Terrace, Venetian Village, and Village Water?

Recommendation: Staff recommends that all of the AUF WWTPs that were not previously stipulated should be considered 100 percent U&U, with the exception of 7 systems (Table 6-1 of staff's memorandum dated February 2, 2012). The resulting composite U&U percentages, based on the number of customers in each rate band, are shown on Attachment 3 of staff's memorandum dated February 2, 2012. Further, the rate base adjustments are shown on Schedule 3-C of staff's memorandum dated February 2, 2012, and the depreciation expense and property tax adjustments are shown on Schedule 4-C of the memorandum.

DECISION: The recommendation was approved.

ITEM NO.

CASE

8

Docket No. 100330-WS – Application for increase in water/wastewater rates in Alachua, Brevard, DeSoto, Hardee, Highlands, Lake, Lee, Marion, Orange, Palm Beach, Pasco, Polk, Putnam, Seminole, Sumter, Volusia, and Washington Counties by Aqua Utilities Florida, Inc.

(Continued from previous page)

Issue 7: What are the appropriate used and useful percentages and the associated composite used and useful percentages for the following specific protested wastewater collection systems of Beecher's Point, Breeze Hill, Fairways, Holiday Haven, Jungle Den, Peace River, Rosalie Oaks, Silver Lake Oaks, Sunny Hills, The Woods, and Village Water?

Recommendation: Staff recommends that all of the AUF collection systems that were not previously stipulated should be considered to be 100 percent U&U, with the exception of 5 systems (Table 7-1 of staff's memorandum dated February 2, 2012). Attachment 4 of staff's memorandum dated February 2, 2012, contains staff's recommended U&U percentages and the resulting composite U&U percentages based on the number of customers in each rate band. Further, the rate base adjustments are shown on Schedule 3-C of staff's memorandum dated February 2, 2012, and the depreciation expense and property tax adjustments are shown on Schedule 4-C of the memorandum.

DECISION: The recommendation was approved.

Issue 8: Should any adjustments be made to Deferred Rate Case Expense? (Fallout Issue)

Recommendation: Yes. Consistent with the annual amortization amount approved in the Utility's 2008 rate case and Commission practice, Deferred Rate Case Expense should be increased by \$540,012.

DECISION: The recommendation was approved and staff was given administrative authority to make necessary adjustments on all fallout issues.

ITEM NO.

CASE

8

Docket No. 100330-WS – Application for increase in water/wastewater rates in Alachua, Brevard, DeSoto, Hardee, Highlands, Lake, Lee, Marion, Orange, Palm Beach, Pasco, Polk, Putnam, Seminole, Sumter, Volusia, and Washington Counties by Aqua Utilities Florida, Inc.

(Continued from previous page)

Issue 9: What is the appropriate Working Capital Allowance?

Recommendation: The appropriate jurisdictional Working Capital Allowance is \$2,944,738. As such, Working Capital should be decreased by \$520,490. The specific rate band and system adjustments are set forth in the analysis portion of staff's memorandum dated February 2, 2012.

DECISION: The recommendation was approved.

Issue 10: What is the appropriate rate base for the April 30, 2010, test year?

Recommendation: Consistent with the stipulated adjustments and staff recommended adjustments, the appropriate 13-month average rate base is \$21,011,049 for water and \$13,963,604 for wastewater.

DECISION: The recommendation was approved.

Issue 11: What is the appropriate amount of accumulated deferred taxes to include in the capital structure?

Recommendation: The appropriate amount of accumulated deferred income taxes to include in the capital structure is \$2,133,903.

DECISION: The recommendation was approved.

Issue 12: What is the appropriate Commission-approved leverage formula to use in the case?

Type B Stipulation: AUF and Staff agree that the appropriate leverage formula to use is the leverage formula in effect at the time the Commission makes its final decision.

DECISION: No vote.

ITEM NO.

CASE

8

Docket No. 100330-WS – Application for increase in water/wastewater rates in Alachua, Brevard, DeSoto, Hardee, Highlands, Lake, Lee, Marion, Orange, Palm Beach, Pasco, Polk, Putnam, Seminole, Sumter, Volusia, and Washington Counties by Aqua Utilities Florida, Inc.

(Continued from previous page)

Issue 13: What is the appropriate weighted average cost of capital including the proper components, amounts and cost rates associated with the capital structure?

Recommendation: The appropriate weighted average cost of capital for AUF is 7.47 percent.

DECISION: The recommendation was approved, recognizing the leverage issues and the administrative authority given to staff in Issue 8 to make necessary fallout adjustments.

Issue 14: What are the appropriate billing determinants for the test year?

Recommendation: The appropriate billing determinants for the test year are shown in AUF's MFR Schedules E-2 and E-14 of staff's memorandum dated February 2, 2012.

DECISION: The recommendation was approved.

ITEM NO.

CASE

8

Docket No. 100330-WS – Application for increase in water/wastewater rates in Alachua, Brevard, DeSoto, Hardee, Highlands, Lake, Lee, Marion, Orange, Palm Beach, Pasco, Polk, Putnam, Seminole, Sumter, Volusia, and Washington Counties by Aqua Utilities Florida, Inc.

(Continued from previous page)

Issue 15: What is the appropriate amount of test year revenues?

Recommendation: The appropriate annualized water and wastewater revenues are \$8,357,510 and \$4,908,138, respectively. As a result, water revenue should be reduced by \$110,012, and wastewater revenue should be reduced by \$58,306. A breakdown of these recommended adjustments are shown in the analysis portion of staff's memorandum dated February 2, 2012.

DECISION: The recommendation was approved.

Issue 16: Should adjustments be made to the allocation methodology used to allocate costs and charges to AUF by Aqua America, Inc. and its affiliates?

Recommendation: Yes, O&M expense should be reduced by \$29,772 consistent with the adjustments contained in staff's analysis. The adjustments to each rate band and stand-alone system are set forth in the analysis portion of staff's memorandum dated February 2, 2012.

DECISION: The recommendation was approved.

Issue 17: Should any adjustments be made to affiliate revenue, costs, and charges allocated to AUF's systems?

Recommendation: Yes. O&M expense should be reduced by \$281,954. The adjustments to each rate band and stand-alone system are set forth in the analysis portion of staff's memorandum dated February 2, 2012.

DECISION: The recommendation was modified to remove the 1.18% increase for non-Florida employees and staff was given administrative authority to make proper adjustments.

ITEM NO.

CASE

8

Docket No. 100330-WS – Application for increase in water/wastewater rates in Alachua, Brevard, DeSoto, Hardee, Highlands, Lake, Lee, Marion, Orange, Palm Beach, Pasco, Polk, Putnam, Seminole, Sumter, Volusia, and Washington Counties by Aqua Utilities Florida, Inc.

(Continued from previous page)

Issue 18: What is the appropriate amount of Corporate Information Technology (“IT”) charges allocated to AUF by its parent, Aqua America, Inc.?

Recommendation: The appropriate amount of Corporate IT charges allocated to AUF by AAI is \$1,984,987. Accordingly, plant, accumulated depreciation, and depreciation expense should be reduced by \$68,670, \$141,488, and \$141,488, respectively. The adjustments to each rate band and stand-alone system are set forth in the analysis portion of staff’s memorandum dated February 2, 2012.

DECISION: The recommendation was approved.

Issue 19: Should any adjustments be made to Incentive Compensation?

Recommendation: Yes. For the reasons set forth in the analysis portion of staff’s memorandum dated February 2, 2012, O&M expense should be reduced by \$45,478 to reflect removal of incentive compensation.

DECISION: The recommendation was approved, as discussed at the Commission Conference.

Issue 20: Should any adjustments be made to Salaries and Wages - Employees expense?

Recommendation: Yes. Staff believes Salaries and Wages - Employees expense should be reduced by \$143,289. Accordingly, a corresponding adjustment should be made to reduce Payroll Taxes by \$10,962. The specific adjustments to each rate band and system are set forth in the analysis portion of staff’s memorandum dated February 2, 2012.

DECISION: The recommendation was modified to subtract the 1.18% cost of living increase from the overall calculations.

Issue 21: Should any adjustments be made to Bad Debt expense?

Recommendation: Yes. Based on the record in this case and consistent with Commission practice, Bad Debt expense should be based on a 3-year average. As a result, the Utility’s Bad Debt expense should be reduced by \$179,375. The adjustments to each rate band and stand-alone system are set forth in the analysis portion of staff’s memorandum dated February 2, 2012.

DECISION: The recommendation was approved.

ITEM NO.

CASE

8

Docket No. 100330-WS – Application for increase in water/wastewater rates in Alachua, Brevard, DeSoto, Hardee, Highlands, Lake, Lee, Marion, Orange, Palm Beach, Pasco, Polk, Putnam, Seminole, Sumter, Volusia, and Washington Counties by Aqua Utilities Florida, Inc.

(Continued from previous page)

Issue 22: What is the appropriate amount of rate case expense?

Recommendation: The appropriate amount of rate case expense is \$1,442,277. This expense should be recovered over four years for an annual expense of \$360,569. Thus, AUF's requested rate case expense of \$1,584,791 should be decreased \$142,514. The specific adjustments to each rate band and stand-alone system are set forth in the analysis portion of staff's memorandum dated February 2, 2012.

DECISION: The recommendation was modified to hold the line from the previous rate case where there were services rendered supported by the evidence.

Issue 23: What is the test year pre-repression water and wastewater operating income or loss before any revenue increase?

Recommendation: The recommended test year pre-repression water operating income is \$160,463, and the recommended test year pre-repression wastewater operating income is \$751,013.

DECISION: The recommendation was approved.

Issue 24: DELETED

DECISION: No vote.

Issue 25: What is the appropriate pre-repression revenue requirement for the April 30, 2010, test year?

Recommendation: The appropriate pre-repression revenue requirement for the April 30, 2010, test year is \$10,223,141 for water and \$5,844,126 for wastewater.

DECISION: The recommendation was approved.

ITEM NO.

CASE

8

Docket No. 100330-WS – Application for increase in water/wastewater rates in Alachua, Brevard, DeSoto, Hardee, Highlands, Lake, Lee, Marion, Orange, Palm Beach, Pasco, Polk, Putnam, Seminole, Sumter, Volusia, and Washington Counties by Aqua Utilities Florida, Inc.

(Continued from previous page)

Issue 26: What are the appropriate rate cap thresholds to be used to cap residential customer bills for the water and wastewater systems?

Recommendation: Based upon the stipulated subsidy limit of \$12.50, in conjunction with staff's recommended billing determinants and revenue requirements for the existing rate bands and stand-alone water and wastewater systems, the appropriate rate cap thresholds to be used to cap residential customer bills are \$69.88 for the water system and \$88.79 for the wastewater system.

DECISION: The recommendation was approved. Administrative authority was given to staff in Issue 8 to make necessary fallout adjustments.

Issue 27: What are the appropriate rate structures for the Utility's water and wastewater systems?

Recommendation: The appropriate rate structure for the Utility's residential water customers is a three-tiered inclining block rate structure with usage blocks for monthly consumption of: (a) 0-6 kgals, (b) 6.001-12 kgals, and (c) usage in excess of 12 kgals. The usage block rate factors for recommended rate band 1 should be 1.0, 1.777 and 2.665, respectively; and for recommended rate bands 2 and 3 should be 1.0, 1.5 and 2.0, respectively. The appropriate rate structure for the Utility's general service water customers is a continuation of the BFC/uniform gallonage charge rate structure, with the general service gallonage charge rate based on the average overall water rate per kgal. The BFC cost recovery allocation for the water systems should be set at 40 percent.

The appropriate rate structure for the Utility's wastewater systems is a continuation of the current BFC/gallonage charge rate structure. Residential billed monthly consumption should be capped at 6 kgals, and the general service kgal charge should be 1.2 times the corresponding residential kgal charge. The BFC cost recovery allocation for the wastewater systems should be set at 50 percent.

DECISION: The recommendation was approved. Administrative authority was given to staff in Issue 8 to make necessary fallout adjustments.

ITEM NO.

CASE

8

Docket No. 100330-WS – Application for increase in water/wastewater rates in Alachua, Brevard, DeSoto, Hardee, Highlands, Lake, Lee, Marion, Orange, Palm Beach, Pasco, Polk, Putnam, Seminole, Sumter, Volusia, and Washington Counties by Aqua Utilities Florida, Inc.

(Continued from previous page)

Issue 28: What is the appropriate level of rate consolidation for the water systems in this case?

Recommendation: Staff recommends that the appropriate level of rate consolidation for the water systems is to: (1) combine the current water rate band 1 with the Fairways water system, into a single, new rate band 1; (2) combine current rate bands 2 and 3 into a single, new rate band 2; and (3) combine current rate band 4 with the Breeze Hill and Peace River water systems into a single, new rate band 3. Staff further recommends that new rate band 3 be capped at the recommended water rate cap threshold amount of \$69.88 as discussed in Issue 26.

DECISION: The recommendation was approved. Administrative authority was given to staff in Issue 8 to make necessary fallout adjustments.

ITEM NO.

CASE

8

Docket No. 100330-WS – Application for increase in water/wastewater rates in Alachua, Brevard, DeSoto, Hardee, Highlands, Lake, Lee, Marion, Orange, Palm Beach, Pasco, Polk, Putnam, Seminole, Sumter, Volusia, and Washington Counties by Aqua Utilities Florida, Inc.

(Continued from previous page)

Issue 29: What is the appropriate level of rate consolidation for the wastewater systems in this case?

Recommendation: Staff recommends that the appropriate level of rate consolidation for the residential wastewater systems is: (1) leave current band 1 intact, and (2) combine current rate bands 2 and 3, plus the stand-alone systems of Breeze Hill, Fairways and Peace River, into a new capped band 2. Staff further recommends that the new rate band 2 be capped at the recommended wastewater rate cap threshold amount of \$88.79 as discussed in Issue 26. Staff recommends that the general service-only wastewater providers should be in new band 3. The Commission does not consider rate cap thresholds for general service-only wastewater providers.

DECISION: The recommendation was approved. Administrative authority was given to staff in Issue 8 to make necessary fallout adjustments.

ITEM NO.

CASE

8

Docket No. 100330-WS – Application for increase in water/wastewater rates in Alachua, Brevard, DeSoto, Hardee, Highlands, Lake, Lee, Marion, Orange, Palm Beach, Pasco, Polk, Putnam, Seminole, Sumter, Volusia, and Washington Counties by Aqua Utilities Florida, Inc.

(Continued from previous page)

Issue 30: What are the appropriate resulting repression adjustments for this Utility? (Fallout issue)

Recommendation: The appropriate repression adjustments for the water systems are shown in the table below. No repression adjustment is recommended for the wastewater systems.

Staff's Recommended Repression Adjustments			
Based on Staff's Recommended Water System Capband Methodology and Rate Cap Threshold			
	Rate Band 1	Rate Band 2	Rate Band 3 (Capped)
WATER			
Kgals Repressed	(40,931)	0	(4,185)
Expense Adjustments:			
Purchased Power	(\$19,707)	\$0	(\$1,887)
Chemicals	(\$4,847)	\$0	(\$635)
Purchased Water	(\$2,019)	\$0	(\$10,472)
Regulatory Assessment Fees	(\$1,196)	\$0	(\$585)
Total	(\$27,769)	\$0	(\$13,579)

DECISION: The recommendation was approved. Administrative authority was given to staff in Issue 8 to make necessary fallout adjustments.

ITEM NO.

CASE

8

Docket No. 100330-WS – Application for increase in water/wastewater rates in Alachua, Brevard, DeSoto, Hardee, Highlands, Lake, Lee, Marion, Orange, Palm Beach, Pasco, Polk, Putnam, Seminole, Sumter, Volusia, and Washington Counties by Aqua Utilities Florida, Inc.

(Continued from previous page)

Issue 31: What are the appropriate monthly rates for the water and wastewater systems for the Utility? (Fallout issue)

Recommendation: The appropriate monthly water rates are shown on Schedule ~~4-A~~ 5-A of staff's memorandum dated February 2, 2012, and the appropriate monthly wastewater rates are shown on Schedule ~~4-B~~ 5-B of the memorandum. Excluding miscellaneous service charges, and including the repression adjustments shown in Issue 30, the recommended water rates produce revenues of \$10,181,793, and the recommended wastewater rates produce revenues of \$5,844,126. The Utility should file revised water and wastewater tariff sheets and a proposed customer notice to reflect the Commission-approved rates for the water and wastewater systems. The approved rates should be effective for service rendered on or after the stamped approval date of the revised tariff sheets, pursuant to Rule ~~25-30.475(1)~~ 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 as modified. Administrative authority was given to staff in Issue 8 to make necessary fallout adjustments.

Issue 31A: Are the resulting rates affordable within the meaning of fair, just and reasonable, pursuant to Sections 367.081 and 367.121, Florida Statutes?

Recommendation: There is no "affordability" test for setting a utility's revenue requirement under Chapter 367, F.S. Therefore, based on the stipulated subsidy limit of \$12.50, staff's recommended rate cap thresholds, rate structures, rate consolidation and repression adjustments in prior issues, the resulting rates are as affordable as possible. Further, staff believes this issue is a rate structure issue, and it is not appropriate to use this issue to justify any decrease in the revenue requirement.

DECISION: The recommendation was approved.

ITEM NO.

CASE

8

Docket No. 100330-WS – Application for increase in water/wastewater rates in Alachua, Brevard, DeSoto, Hardee, Highlands, Lake, Lee, Marion, Orange, Palm Beach, Pasco, Polk, Putnam, Seminole, Sumter, Volusia, and Washington Counties by Aqua Utilities Florida, Inc.

(Continued from previous page)

Issue 32: What are the appropriate allowance for funds prudently invested charges for the Utility’s Breeze Hill wastewater treatment plant?

Recommendation: Consistent with the recommended non-used and useful plant, depreciation expense and property taxes, as well as the return on equity and overall cost of capital, the appropriate AFPI charges for Breeze Hills’ wastewater treatment plant are set forth in Table 32-1 of the analysis portion of staff’s memorandum dated February 2, 2012.

DECISION: The recommendation was approved. Administrative authority was given to staff in Issue 8 to make necessary fallout adjustments.

Issue 33: What are the appropriate customer deposits for the Utility?

Recommendation: The appropriate customer deposits should be the actual average two months bills of the Commission-approved rate structure and rates in this case. The Utility should submit revised tariff sheets to include a provision for customer deposits. Staff should be given authority to administratively approve these tariff sheets upon verification they are consistent with the Commission’s decision. The revised tariff sheets should be implemented on or after the stamped approval date on the revised tariff sheet, if no protest is filed and once the proposed customer notice has been approved by staff as adequate, and the customers have received the approved notice. The notice may be combined with the notice for the approved service rates.

DECISION: The recommendation was approved. Administrative authority was given to staff in Issue 8 to make necessary fallout adjustments.

ITEM NO.

CASE

8

Docket No. 100330-WS – Application for increase in water/wastewater rates in Alachua, Brevard, DeSoto, Hardee, Highlands, Lake, Lee, Marion, Orange, Palm Beach, Pasco, Polk, Putnam, Seminole, Sumter, Volusia, and Washington Counties by Aqua Utilities Florida, Inc.

(Continued from previous page)

Issue 34: What is the appropriate four-year rate case expense reduction for Docket No. 080121-WS?

Recommendation: The appropriate reductions for rate case expense approved in Docket No. 080121-WS are shown in the tables in the analysis portion of staff's memorandum dated February 2, 2012. 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 proposed customer notices for each system 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 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 notices were given within ten days of the date the notices were sent. If the Utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data should be filed for the price index and/or pass-through increase or decrease, and for the reduction in the rates due to the amortized rate case expense.

DECISION: The recommendation was approved. Administrative authority was given to staff in Issue 8 to make necessary fallout adjustments.

Issue 35: 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 not in effect during the interim period. The revised revenue requirements for the interim collection period should be compared to the amount of interim revenue requirement granted. Based on this calculation, the required interim refunds are set forth in the analysis portion of staff's memorandum dated February 2, 2012.

DECISION: The recommendation was approved. Administrative authority was given to staff in Issue 8 to make necessary fallout adjustments.

ITEM NO.

CASE

8

Docket No. 100330-WS – Application for increase in water/wastewater rates in Alachua, Brevard, DeSoto, Hardee, Highlands, Lake, Lee, Marion, Orange, Palm Beach, Pasco, Polk, Putnam, Seminole, Sumter, Volusia, and Washington Counties by Aqua Utilities Florida, Inc.

(Continued from previous page)

Issue 36: In determining whether any portion of the implemented PAA rates 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 the incremental rate case expense above that which was embedded in PAA rates during this period. The revised revenue requirement for this collection period should be compared to the amount of PAA revenue requirement implemented. Based on this calculation, the required PAA rate refunds are as set forth in the analysis portion of staff's memorandum dated February 2, 2012.

DECISION: The recommendation was approved. Administrative authority was given to staff in Issue 8 to make necessary fallout adjustments.

Issue 37: 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 for the instant case as required by Section 367.0816, F.S.?

Recommendation: The rates should be reduced as shown on Schedules 5-A and 5-B of staff's memorandum dated February 2, 2012, to remove the revenue impact of rate case expense for water and wastewater, respectively. This amount was calculated by taking the annual amount of rate case expense and the return on the provision included in working capital allowance by system, as well as the gross-up for regulatory assessment fees, which is \$301,653 for water and \$132,352 for wastewater.

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 proposed customer notices 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 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 notices were given within ten days of the date the notices were sent. If the Utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data should be filed for the price index and/or pass-through increase or decrease, and for the reduction in the rates due to the amortized rate case expense.

DECISION: The recommendation was approved. Administrative authority was given to staff in Issue 8 to make necessary fallout adjustments.

ITEM NO.

CASE

8

Docket No. 100330-WS – Application for increase in water/wastewater rates in Alachua, Brevard, DeSoto, Hardee, Highlands, Lake, Lee, Marion, Orange, Palm Beach, Pasco, Polk, Putnam, Seminole, Sumter, Volusia, and Washington Counties by Aqua Utilities Florida, Inc.

(Continued from previous page)

Issue 38: In accordance with Order No. PSC-10-0707-FOF-WS, what is the amount and who would have to pay the regulatory asset (or deferred interim revenues), if it is ultimately determined by the Commission that the Utility was entitled to those revenues when it first applied for interim rates?

Recommendation: Consistent with the recommended interim refunds discussed in Issue 35, the recommended rate bands and stand-alone systems addressed in previous issues, and an estimated cessation date for the interim collection period of three weeks after the final order is issued in this case, the total regulatory assets for water and wastewater are \$680,222 and \$370,331, respectively. Accordingly, the total annual amortization amount is \$228,294 and \$124,289 for water and wastewater, respectively. Staff recommends that each rate band or stand-alone system that generated the regulatory assets receive the reduction in annual amortization of their respective regulatory assets. Upon the expiration of the two-year amortization period, the respective band or systems' rates should be reduced across-the-board to remove the respective grossed up annual amortization of the regulatory assets. 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. AUF should provide proof of the date notice was given within 10 days of the date the notice was sent. If the Utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data should be filed for the price index and/or pass-through increase or decrease, and for the reduction in the rates due to the amortized regulatory asset.

DECISION: The recommendation was approved. Administrative authority was given to staff in Issue 8 to make necessary fallout adjustments.

Issue 39: Should this docket be closed?

Recommendation: If the Commission's final order is not appealed, this docket should be closed upon staff's approval of the tariffs, verification of the required refunds, and the expiration of the time for filing an appeal.

DECISION: The recommendation was approved.

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

ITEM NO.

CASE

8

Docket No. 100330-WS – Application for increase in water/wastewater rates in Alachua, Brevard, DeSoto, Hardee, Highlands, Lake, Lee, Marion, Orange, Palm Beach, Pasco, Polk, Putnam, Seminole, Sumter, Volusia, and Washington Counties by Aqua Utilities Florida, Inc.

(Continued from previous page)