

MINUTES OF March 25, 2009
COMMISSION CONFERENCE
COMMENCED: 9:48 am
RECESSED: 10:39 am
RECONVENED: 11:10 am
ADJOURNED: 1:08 pm

COMMISSIONERS PARTICIPATING: Chairman Carter
Commissioner Edgar
Commissioner McMurrian
Commissioner Argenziano
Commissioner Skop

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

1 **Docket No. 080121-WS** – Application for increase in water and wastewater rates in Alachua, Brevard, DeSoto, Highlands, Lake, Lee, Marion, Orange, Palm Beach, Pasco, Polk, Putnam, Seminole, Sumter, Volusia, and Washington Counties by Aqua Utilities Florida, Inc.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Edgar

Staff: ECR: Lingo, Fletcher, Bulecza-Banks, Hudson

GCL: Jaeger, Fleming, Klancke, Sayler

(Post-Hearing Decision - Participation is limited to Commissioners and Staff)

Issue 64: What water systems, if any, should be consolidated into a single rate structure?

Issue 65: What wastewater systems, if any, should be consolidated into a single rate structure?

Recommendation: Staff recommends consolidating the water systems into the following bands (a/k/a rate groups):

ITEM NO.

CASE

1

Docket No. 080121-WS – Application for increase in water and wastewater rates in Alachua, Brevard, DeSoto, 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)

<u>Band 1</u>	<u>Band 3</u>	<u>Band 4 = capped systems</u>	<u>Band 4 (cont.)</u>
Jasmine Lakes Kings Cove Ocala Oaks Picciola Island Silver Lake Estates Tangerine <u>Band 2</u> Carlton Village Fern Terrace Grand Terrace Lake Gibson Estates Piney Woods St. Johns Highlands Sunny Hills Valencia Terrace	48 Estates Gibsonia Estates Interlachen Lake / Park Manor Lake Osborne Orange Hill Quail Ridge Ravenswood Venetian Village	Arredondo Beechers Point East Lake Harris Friendly Center Haines Creek Harmony Homes Hermits Cove Hobby Hills Holiday Haven Imperial Mobile Terrace Jungle Den Kingswood Lake Josephine Lake Suzy Leisure Lakes Morningview Oakwood Palm Port Palm Terrace Palms MHP Pomona Park	River Grove Rosalie Oaks Sebring Lakes Silver Lake Oaks Skycrest Stone Mountain Summit Chase The Woods Tomoka Village Water Welaka / Saratoga Harbor Wootens Zephyr Shores

Staff recommends consolidating the wastewater systems into the following groups:

<u>Band 1</u>	<u>Band 2</u>	<u>Band 3 = capped systems</u>	<u>General Service Band</u>
Kings Cove Leisure Lakes Summit Chase Valencia Terrace	Arredondo Holiday Haven Lake Suzy Palm Port Silver Lake Oaks Sunny Hills Venetian Village Interlachen Lake / Park Manor	Chuluota Jasmine Lakes Morningview Palm Terrace South Seas The Woods Zephyr Shores	Beechers Point Jungle Den Lake Gibson Est Rosalie Oaks Village Water FL Central Comm

ITEM NO.

CASE

1

Docket No. 080121-WS – Application for increase in water and wastewater rates in Alachua, Brevard, DeSoto, 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)

The Chuluota water system has been left as a stand-alone system, reflecting the Commission's decision at the February 24, 2009 Special Agenda to reduce that system's return on equity (ROE).

Regarding rate consolidation, consistent with Commission decisions in prior cases as well as the Commission's decision on Issue 63 from the February 24, 2009 Special Agenda Conference, statewide single tariff rates should be the long term goal for AUF. However, staff recommends that the magnitude of subsidies created for some systems is excessive; therefore, statewide single tariff rates should not be implemented in this proceeding. Instead, staff recommends consolidating the water and wastewater systems using the capband approach, and reallocating \$578,449 of revenue requirement recovery from the wastewater systems to the water systems. The revenue reallocation should be applied only to those water systems that also have wastewater systems. The water systems will receive the reallocated revenues based on a proration of the affected water systems' equivalent residential connections (ERCs).

In addition, staff recommends that the Commission revisit the prior decisions rendered at the Special Agenda Conference on February 24, 2009 with respect to the appropriate subsidy and affordability limits. Based on the Commission's approved revenue requirements for the individual systems and staff's recommended rate consolidation methodology for the water and wastewater systems, staff recommends that a subsidy limit of \$12.50 rather than \$5.89, is appropriate. Staff also recommends that the affordability limits of \$65.25 and \$82.25 for water and wastewater service, respectively, should be applicable to residential service only. The Commission should not consider affordability limits for general service customers.

DECISION: The recommendation was modified. The Chuluota water and wastewater system to be left as a stand-alone system and deny any rate increase. Adopt The Woods rate increase for water and wastewater as recommended in the staff recommendation, with the addition that it would be subject to refund should DEP issue a consent order within 18 months of the final order being issued. Staff was directed to work with the Company regarding the monitoring plan for all systems adopted at the Commission conference agenda.

ITEM NO.

CASE

1

Docket No. 080121-WS – Application for increase in water and wastewater rates in Alachua, Brevard, DeSoto, 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 66: What, if any, are the appropriate repression adjustments to make?

Recommendation: The appropriate repression adjustments, based on a price elasticity factor of -0.3 applied to residential water consumption greater than 5,000 gallons per month, are shown in Table 66-1 in the analysis portion of staff's memorandum dated March 18, 2009.

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

DECISION: The recommendation was approved with the addition of the monitoring plan for all systems described in Staff's handout (with the change of three to six months) and that any fallout issues be addressed by Staff administratively. Commissioner Argenziano dissented.

Issue 67: What are the appropriate monthly rates for the water and wastewater systems for the Utility?

Recommendation: The appropriate monthly rates for the water systems are shown, by system, on Schedule No. 1-A of staff's memorandum dated March 18, 2009. The appropriate monthly rates for the wastewater systems are shown, by system, on Schedule No. 1-B of staff's memorandum dated March 18, 2009. Excluding miscellaneous service revenues, and after the reallocation of \$578,449 from the wastewater systems to the water systems, the recommended water rates are designed to produce total Utility revenues of \$9,309,049, while the recommended wastewater rates are designed to produce corresponding revenues of \$5,585,679.

The Utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date of the revised tariff sheets, pursuant to Rule 25-30.475(1), Florida Administrative Code (F.A.C.). In addition, the

ITEM NO.

CASE

1

Docket No. 080121-WS – Application for increase in water and wastewater rates in Alachua, Brevard, DeSoto, 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)

rates should not be implemented until staff has approved the proposed customer notice. The Utility should provide proof of the date the notice was given no less than 10 days after the date of the notice.

DECISION: The recommendation was approved with the addition of the monitoring plan for all systems described in Staff's handout (with the change of three to six months) and that any fallout issues be addressed by Staff administratively. Commissioner Argenziano dissented.

Issue 70: What is the appropriate amount by which rates should be reduced four years after the established effective date to reflect the removal of the amortized rate case expense as required by Section 367.0816, F.S.?

Recommendation: The water and wastewater rates should be reduced as shown on Schedule Nos. 1-A and 1-B of staff's memorandum dated March 18, 2009 to remove \$288,580 of water and \$104,511 of wastewater rate case expense, grossed up for regulatory assessment fees, 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 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 no less than 10 days after the date of the notice.

DECISION: The recommendation was approved with the addition of the monitoring plan for all systems described in Staff's handout (with the change of three to six months) and that any fallout issues be addressed by Staff administratively. Commissioner Argenziano dissented.

ITEM NO.

CASE

1

Docket No. 080121-WS – Application for increase in water and wastewater rates in Alachua, Brevard, DeSoto, 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 74: Should the Utility be allowed to make future index and pass through filings on a consolidated basis?

Recommendation: If the Commission approves fully consolidated rates, AUF should be allowed to make future index and pass-through filings on a consolidated basis. If the Commission does not approve fully consolidated rates, staff recommends that: 1) AUF should be allowed to file price indexes on a consolidated basis; 2) pass-throughs should be separate for any approved stand alone rate systems; and, 3) for systems a part of an approved rate band, pass-throughs should be shared by all systems within each respective band.

DECISION: The recommendation was approved with the addition of the monitoring plan for all systems described in Staff's handout (with the change of three to six months) and that any fallout issues be addressed by Staff administratively. Commissioner Argenziano dissented.

Issue 75: Should the Utility's request to consolidate its in-state FPSC-regulated accounting, filing, and reporting requirements from individual system bases to one combined set of books be allowed?

Recommendation: If the Commission approves fully consolidated rates, AUF should be allowed to consolidate its in-state FPSC-regulated accounting, filing, and reporting requirements from individual system basis to one combined set of books. If the Commission does not approve fully consolidated rates, the Utility should be allowed to consolidate its in-state FPSC-regulated accounting, filing, and reporting requirements from individual system basis to the number of stand alone rates and rate bands approved by the Commission.

DECISION: The recommendation was approved with the addition of the monitoring plan for all systems described in Staff's handout (with the change of three to six months) and that any fallout issues be addressed by Staff administratively. Commissioner Argenziano dissented.

ITEM NO.

CASE

1

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(Continued from previous page)

Issue 76: 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 denied. The docket is to remain open pending monitoring plan for all systems discussed at the Commission conference agenda and monitoring of DEP action regarding The Woods.

Commissioners participating: Carter, Edgar, McMurrian, Argenziano, Skop

