

VOTE SHEET

SEPTEMBER 9, 1997

RE: DOCKET NO. ~~902475-SU~~ - Application for limited proceeding increase in wastewater rates by Forest Hills Utilities, Inc. in Pasco County.

Issue 1: Was the wastewater interconnection by Forest Hills Utilities with Pasco County required and, if so, should the prudent cost be recovered through rates?

Recommendation: Although interconnection of the Forest Hills Utilities wastewater system with Pasco County was not specifically required by DEP, this interconnection represented the most economical solution for the stipulated agreement with DEP (CASE NO.: CA90 3575), and therefore the prudent cost should be recovered through rates.

DEFERRED

Issue 2: What is the appropriate amount of additional plant-in-service required for the interconnection with Pasco County?

Recommendation: The appropriate amount for additional plant needed for the utility to interconnect with Pasco County is \$202,952, as shown on Schedule No. 2B of staff's 8/28/97 memorandum.

COMMISSIONERS ASSIGNED: Full Commission

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

REMARKS/DISSENTING COMMENTS:

Deferred to October 7, 1997 agenda

DOCUMENT NUMBER-DATE

89122 SEP 10 5

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Issue 3: What is the appropriate treatment of the land associated with the wastewater treatment plant?

Recommendation: As requested by the utility, the land amount of \$500 should be retired. In addition, the utility should report to the Commission any future sale, foreclosure, or any transaction involving transfer of ownership of the abandoned land and any proposed rate reduction resulting therefrom, regardless of the amount. This report should be filed with the Commission within 60 days of any future sale, foreclosure, or any transaction involving transfer of ownership of the land.

Issue 4: What is the appropriate treatment of the CIAC associated with the wastewater treatment plant?

Recommendation: The appropriate treatment of the CIAC is to retire the amount associated with the wastewater treatment plant. Staff is recommending that \$121,673 of CIAC and \$50,707 of Accumulated Amortization of CIAC be retired.

Issue 5: What is the appropriate amount for the loss on the wastewater treatment plant?

Recommendation: The appropriate amount for the loss on the wastewater treatment plant is \$55,790.

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Issue 6: What is the appropriate amortization period and annual amortization amount for the abandonment of the wastewater treatment plant?

Recommendation: The appropriate amortization period for the abandonment of the wastewater treatment plant should be 11 years. Further, the annual amortization amount should be \$5,072.

Issue 7: What adjustments should be made to Forest Hills' expenses?

Recommendation: The utility's wastewater expenses should be reduced by \$102,206 for reductions associated with salaries and wages, land rental, sludge removal expense, purchased power, chemicals, materials and supplies, and contract services. In addition, the utility's expenses should be increased by \$240,054 for purchased sewage treatment from Pasco County. Therefore, the net effect is an increase in expenses of \$137,848, as discussed in staff's analysis and shown on Schedule No. 2A of staff's memorandum

Issue 8: Should the Commission update Forest Hills' authorized return on equity (ROE) and, if so, what is the appropriate return on equity?

Recommendation: Yes, the utility's authorized ROE should be lowered to establish a more appropriate return for this limited proceeding and on a going-forward basis. The utility's ROE should be decreased to 9.25% with a range of 8.25% to 10.25%.

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Issue 9: Should an adjustment be made to the cost of debt and what is the appropriate overall cost of capital?

Recommendation: Yes. An adjustment should be made to reduce the cost of debt to 8%. Thus, consistent with Issue 8, the appropriate overall cost of capital should be 8.78%, with a range of 7.95% to 9.61%.

Issue 10: What is the appropriate wastewater increase in Forest Hills' revenue requirement associated with the wastewater interconnection to Pasco County?

Recommendation: The following wastewater revenue requirement increase should be approved:

	<u>TOTAL</u>	<u>\$INCREASE</u>	<u>%INCREASE</u>
Wastewater:	\$394,967	\$176,045	80.41%

Issue 11: What are the appropriate wastewater rates?

Recommendation: Staff's recommended rates should be designed to allow the utility the opportunity to generate annual operating revenues of \$394,967 for wastewater. The utility should file revised tariff sheets consistent with the decision herein. Further, a proposed customer notice to reflect the appropriate rates should be filed pursuant to Rule 25-22.0407(10), Florida Administrative Code. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), Florida Administrative Code, provided the customers have received notice. The rates should not be implemented until proper notice has been received by the customers. The utility should provide proof of the date notice was given within 10 days after the date of the notice.

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Issue 12: Should a refund of the difference between revenues generated through the emergency wastewater rates implemented on February 26, 1997, and the revenues generated through wastewater rates approved herein be required and, if so, how should it be calculated?

Recommendation: Yes. The utility should be required to refund the difference between revenues generated through the emergency wastewater rates implemented on February 26, 1997 and the revenues generated through wastewater rates approved herein. The refund should be calculated by comparing the additional revenues granted through emergency rates to the additional revenues recommended for final rates. Based on this calculation, the utility should be required to refund 22.28% of wastewater revenue collected through emergency rates. The refund should be made within 90 days with interest in accordance with Rule 25-30.360 (4), Florida Administrative Code. The utility should be required to file refund reports pursuant to Rule 25-30.360(7), Florida Administrative Code. The utility should treat any unclaimed refunds as CIAC pursuant to Rule 25-30.360(8), Florida Administrative Code.

Issue 13: Should the Commission order Forest Hills Utilities, Inc. to show cause, in writing within twenty days, why it should not be fined for violation of Section 367.091(3), Florida Statutes, and Rule 25-30.311(5), Florida Administrative Code?

Recommendation: No, show cause proceedings should not be initiated. However, the utility should be required to submit a final refund report within 30 days of issuance of the order detailing the information set forth in the analysis. Upon staff's review of the report, if staff determines that the appropriate amount of refund has not been made, a show cause proceeding should be initiated.

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Issue 14: Should the utility's wastewater tariff for service availability be canceled?

Recommendation: Yes. The utility's Original Sheet No. 22 wastewater tariff for service availability charges should be canceled.

Issue 15: Should an Allowance for Funds Used During Construction (AFUDC) rate be approved and, if so, what is the appropriate annual rate, monthly discounted rate and the effective date for Forest Hills Utilities, Inc.?

Recommendation: Yes, since the utility does not currently have an authorized AFUDC rate, the Commission, on its own motion, should establish such a rate. The utility should be authorized to implement an AFUDC rate of 8.78%, on an annual basis, with a monthly discounted rate of 0.890567%. The charge should be effective for projects as of July 1, 1996.

Issue 16: Should this docket be closed?

Recommendation: This docket should be closed if no person whose interests are substantially affected by the proposed action files a protest within the 21-day protest period, and upon staff's receiving the refund reports for the customer deposits, staff's verification that the utility has completed the required refunds and the utility's filing of and staff's approval of revised tariff sheets. Once all outstanding requirements have been completed, this docket should be closed administratively.