

FLORIDA PUBLIC SERVICE COMMISSION

VOTE SHEET

MAY 12, 1998

RE: DOCKET NO. 971186-SU - Application for approval of reuse project plan and increase in wastewater rates in Seminole County by Sanlando Utilities Corporation.

Issue 1: Should Sanlando Utilities Corporation's proposed reuse plan be approved?

Recommendation: Sanlando's proposed reuse plan should be approved. However, it should be modified so that the utility recovers the reuse revenue requirement through potential water and wastewater overearnings.

**DEFERRED**

COMMISSIONERS ASSIGNED: Full Commission

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

---



---



---



---



---



---



---



---



---



---

REMARKS/DISSENTING COMMENTS:

*Staff to advise*

DOCUMENT NUMBER-DATE

05352 MAY 13 88

FPSC-RECORDS/REPORTING

VOTE SHEET

MAY 12, 1998

DOCKET NO. 971186-SU - Application for approval of reuse project plan and increase in wastewater rates in Seminole County by Sanlando Utilities Corporation.

(Continued from previous page)

Issue 2: Should the transmission and/or distribution facilities be sized to enable future customers to access reuse?

Primary Recommendation: No. The residential neighborhood is virtually built out at this time and the construction of a distribution system which might enable residential customers to access reuse would be expensive and disruptive to streets and driveways in the area. Although some customers have expressed a desire to have reuse provided in the future, staff recommends that the cost and disadvantages would far outweigh the limited benefits.

Alternate Recommendation: Yes. Transmission lines going through existing neighborhoods should be sized to handle future flows for the golf courses and for residential reuse customers. Sanlando has virtually no investment in plant or lines. Consequently they are vulnerable for overearning. Any future potential overearnings could be used to study the possibility and feasibility of residential reuse. Distribution facilities would be installed as residential customers become a reality.

Issue 3: Do existing percolation ponds have the capacity to handle the wet weather effluent when golf courses cannot take reuse?

Recommendation: Yes. Currently, Sanlando is disposing of all effluent by discharging into Sweetwater Creek. If all three golf courses are forced to take reuse as proposed, and the Lake Brantley Plant Corp. also becomes a reuse customer, then Sanlando's storage ponds, plus the reactivated percolation ponds, plus the 1 Million Gallon Storage Tank, should provide sufficient wet weather storage. Emergency discharge into Sweetwater Creek would still be an option.

VOTE SHEET

MAY 12, 1998

DOCKET NO. 971186-SU - Application for approval of reuse project plan and increase in wastewater rates in Seminole County by Sanlando Utilities Corporation.

(Continued from previous page)

Issue 4: Are the costs associated with the proposed reuse plant prudent, and if so, what is the appropriate amount?

Recommendation: Sanlando estimates that plant improvements associated with reuse will total \$1,133,446. This includes 15% for contingency and plant misc., modifications to existing percolation ponds, permits, fees, engineering design and construction administration. Staff recommends that these costs are prudent and reasonable.

Issue 5: Are the costs associated with the reuse transmission and distribution facilities prudent, and if so, what is the appropriate amount?

Recommendation: Sanlando has requested a total of \$949,401 for reuse transmission and distribution systems to irrigate the three proposed golf courses and the Lake Brantley Plant Corp. Staff engineers have investigated these costs and recommend that they are reasonable and prudent.

Issue 6: Should the utility be allowed to allocate costs approved in the prior rate case to this reuse rate case?

Recommendation: No, the utility should not be allowed to allocate costs approved in the prior rate case to this reuse rate case.

VOTE SHEET

MAY 12, 1998

DOCKET NO. 971186-SU - Application for approval of reuse project plan and increase in wastewater rates in Seminole County by Sanlando Utilities Corporation.

(Continued from previous page)

Issue 7: Should Allowance for Funds Used During Construction (AFUDC) be included in the reuse plant costs?

Recommendation: No, AFUDC should not be included in the reuse plant costs.

Issue 8: What are the appropriate reuse plant-related costs that should be recovered in rates, and how should the reuse utility plant be recorded?

Recommendation: The appropriate reuse plant-related costs that should be recovered by Sanlando in this docket should be \$2,082,847. The reuse utility plant should be recorded in the utility's books in accordance with the 1996 Uniform System of Accounts (USOA) adopted by the National Association of Regulatory Utility Commissioners (NARUC) as detailed in the analysis portion of staff's memorandum.

Issue 9: What is the appropriate amount of reuse plant accumulated depreciation?

Recommendation: The appropriate amount of reuse plant accumulated depreciation should be \$44,349.

VOTE SHEET

MAY 12, 1998

DOCKET NO. 971186-SU - Application for approval of reuse project plan and increase in wastewater rates in Seminole County by Sanlando Utilities Corporation.

(Continued from previous page)

Issue 10: How should any funds received by the utility from the Environmental Protection Agency be recorded on the utility books?

Recommendation: If any funds are awarded to the utility from the Environmental Protection Agency, they should be treated as Contributions-in-Aid-of-Construction (CIAC). The utility should be required to show whether it was awarded any funds when it files its true-up proceeding.

Issue 11: What method should be used to calculate working capital and what is the appropriate amount of working capital?

Recommendation: In accordance with Rule 25-30.433(2), Florida Administrative Code, the balance sheet approach should be used to calculate working capital. The appropriate amount of working capital for purposes of determining possible overearnings on a going forward basis should be \$42,567 for water and \$98,531 for wastewater. No working capital should be allowed for the reuse system at the present time.

Issue 12: What is the appropriate amount of rate base associated with the reuse project?

Recommendation: The appropriate rate base for Sanlando's reuse plant should be \$2,038,498.

VOTE SHEET

MAY 12, 1998

DOCKET NO. 971186-SU - Application for approval of reuse project plan and increase in wastewater rates in Seminole County by Sanlando Utilities Corporation.

(Continued from previous page)

Issue 13: Should Sanlando Utility Corporation's request to meet an interest coverage ratio of 1.25x be allowed, and if so, how?

Recommendation: No.

Issue 14: What is the appropriate cost of capital for the purpose of setting rates for Sanlando Utility Corporation's reuse project?

Primary Recommendation: The appropriate cost of capital for the purpose of setting rates for Sanlando Utility Corporation's reuse project is 9.00%.

Alternative Recommendation: The appropriate cost of capital for the purpose of setting rates for Sanlando Utility Corporation's reuse project is 8.83% with a range of reasonableness of 8.74% to 8.91%.

Issue 15: What is the appropriate rate of return on equity for Sanlando Utility Corporation on a going forward basis?

Recommendation: The appropriate rate of return on equity for Sanlando Utility Corporation on a going forward basis should be 10.46% with a range of reasonableness of 9.46% to 11.46%.

VOTE SHEET

MAY 12, 1998

DOCKET NO. 971186-SU - Application for approval of reuse project plan and increase in wastewater rates in Seminole County by Sanlando Utilities Corporation.

(Continued from previous page)

Issue 16: What is the appropriate overall cost of capital for Sanlando Utility Corporation on a going forward basis?

Recommendation: The appropriate overall cost of capital for Sanlando Utility Corporation on a going forward basis should be 8.83% with a range of reasonableness of 8.74% to 8.91%.

Issue 17: Should separate reuse revenue requirements be established for each phase of the reuse project?

Recommendation: Yes, separate reuse revenue requirements should be established for each phase of the reuse project. Phase I rates should include the utility's return, rate case expense, depreciation expense, and taxes other than income with the exception of regulatory assessment fees associated with Phase II. Phase II rates should add the remaining operation and maintenance expenses and related regulatory assessment fees with the exception of rate case expense which is included in Phase I rates.

Issue 18: What is the appropriate amount of rate case expense associated with the reuse project?

Recommendation: The appropriate amount of reuse rate case expense to be included in Phase I should be \$46,987 amortized over four years for an annual expense of \$11,747.

VOTE SHEET

MAY 12, 1998

DOCKET NO. 971186-SU - Application for approval of reuse project plan and increase in wastewater rates in Seminole County by Sanlando Utilities Corporation.

(Continued from previous page)

Issue 19: What are the appropriate operation and maintenance expenses associated with the reuse plant for Phase I and Phase II?

Recommendation: The appropriate amount of operation and maintenance expenses associated with the reuse plant for Phase I should be \$11,747, and the appropriate amount of operation and maintenance expenses associated with the reuse plant for Phase II should be \$86,623.

Issue 20: What are the appropriate reuse plant depreciation rates and what is the appropriate amount of reuse plant depreciation expense?

Recommendation: The appropriate reuse plant depreciation rates should be as set forth in the analysis portion of staff's memorandum. The appropriate annual reuse plant depreciation expense should be \$88,700.

Issue 21: What are the appropriate amounts to be included in determining reuse taxes other than income?

Recommendation: The appropriate amounts of reuse taxes other than income should be \$25,599.

VOTE SHEET

MAY 12, 1998

DOCKET NO. 971186-SU - Application for approval of reuse project plan and increase in wastewater rates in Seminole County by Sanlando Utilities Corporation.

(Continued from previous page)

Issue 22: What is the appropriate amount of reuse income tax expense?

Recommendation: The appropriate amount of reuse income tax expense should be \$0.

Issue 23: What is the appropriate reuse revenue requirement for Phase I and Phase II?

Recommendation: The appropriate reuse revenue requirement for Phase I should be \$305,429, and the appropriate revenue requirement for Phase II should be \$396,134.

Issue 24: On a going forward basis, will Sanlando Utility Corporation's water and wastewater systems earn in excess of its newly authorized ROE?

Recommendation: Yes, based on staff's analysis, Sanlando Utility Corporation's water and wastewater systems will earn in excess of its newly authorized ROE on a going forward basis as shown below:

	Test Year	Staff	Recommended
	<u>Revenues</u>	<u>Utility</u> <u>Overearnings</u>	<u>Decrease</u>
Water	\$2,021,561	\$219,142	10.84%
Wastewater	\$2,855,217	\$301,883	10.57%

VOTE SHEET

MAY 12, 1998

DOCKET NO. 971186-SU - Application for approval of reuse project plan and increase in wastewater rates in Seminole County by Sanlando Utilities Corporation.

(Continued from previous page)

Issue 25: Does the utility's water system contributions in aid of construction (CIAC) level exceed the guideline level of Rule 25-30.580, Florida Administrative Code, and, if so, should the utility's water system service availability policy be changed?

Recommendation: Yes, the utility's water system CIAC level exceeds the guideline level of Rule 25-30.580, Florida Administrative Code, based on staff's calculations of the appropriate rate base which is shown on Schedule No. 1A. Sanlando should be ordered to discontinue collection of the water system plant capacity charge as of the issuance date of the final order in this rate proceeding. The utility should be ordered to submit revised tariff sheets reflecting the elimination of the water system plant capacity charge. The tariff sheets should be effective for service rendered or connections made on or after the stamped approval date on the tariff sheets provided customers have received notice. The tariff sheets should be approved upon staff's verification that the tariffs are consistent with the Commission's decision.

Issue 26: Should any of the reuse revenue requirement approved in this docket be allocated to the water and/or wastewater customers, and if so, what are the appropriate rates?

Recommendation: The revenue requirement should be allocated to both water and wastewater customers. The Phase I revenue requirement should be recovered through the water overearnings in the amount of \$219,142 and the wastewater overearnings in the amount of \$86,287. The additional Phase II revenue requirement should be recovered through additional wastewater overearnings held subject to refund in the amount of \$90,705. For annual reporting purposes, the allocation of reuse costs to water should be recorded in Account 668 - Water Resource Conservation Expense of the utility's books, and the offsetting entry should be recorded on the wastewater books in Account 544 - Reuse Revenues From Other Systems. The utility should be authorized to continue collecting its currently approved water and wastewater rates pending completion of the true-up proceeding.

VOTE SHEET

MAY 12, 1998

DOCKET NO. 971186-SU - Application for approval of reuse project plan and increase in wastewater rates in Seminole County by Sanlando Utilities Corporation.

(Continued from previous page)

Issue 27: What are the appropriate reuse rates?

Recommendation: The utility should be authorized to provide effluent reuse service at a zero rate specifically to the three golf courses and nursery identified in the utility's application. The utility should file a wastewater tariff sheet reflecting the effluent reuse class of service. The tariff should be effective for services rendered on or after the stamped approval date of the tariff pursuant to Rule 25-30.475, Florida Administrative Code, provided the reuse customers have received notice.

Issue 28: What is the appropriate amount by which annual water and wastewater rates should be reduced after the established effective date to reflect the removal of the amortized rate case expense as required by Section 367.0816, Florida Statutes?

Recommendation: Annual water and wastewater rates should be reduced as shown on Schedules Nos. 4 and 4A of staff's memorandum by a total of \$12,301 4 years from the effective date of the order to reflect the removal of 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 recovery period, pursuant to Section 367.0816, Florida Statutes. The utility should be required to file revised water and wastewater 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.

VOTE SHEET

MAY 12, 1998

DOCKET NO. 971186-SU - Application for approval of reuse project plan and increase in wastewater rates in Seminole County by Sanlando Utilities Corporation.

(Continued from previous page)

Issue 29: If the Commission approves staff's recommendation on the reuse plan in Issue No. 1, should the Commission require the utility to escrow the overearnings allocated to the reuse project?

Recommendation: Yes. The utility should be required to escrow the portion of the overearnings allocated to the reuse project as detailed in the staff analysis, as of the effective date of the Order. Staff recommends that the Commission give staff the administrative authority to grant future requests for release of this portion of the escrow account through the Director of the Division of Records and Reporting upon verification that the utility has obtained signed contracts for the construction of the reuse facilities. The utility should keep an accurate and detailed account of all monies it receives. Pursuant to Rule 25-30.360(6), Florida Administrative Code, the utility should provide a report by the 20th of each month indicating the monthly and total revenue collected subject to refund. If the utility elects to combine all of the escrowed revenues into a single account, the utility's monthly reports should provide a breakdown of the escrowed monies representing the overearnings allocated to reuse, the overearnings in excess of the overearnings allocated to the reuse project, and any additional revenue generated by the utility's implementation of its proposed rates in the event of a protest by another party.

Issue 30: If the proposed agency action order is protested by a party other than the utility and the utility elects to implement its proposed rates on a temporary basis, should the Commission require the utility to escrow its proposed rates?

Recommendation: Yes. The utility should be required to escrow the additional revenue generated by its proposed rates as detailed in the staff analysis. All other provisions of the escrow account should remain as specified in Issue No. 29.

VOTE SHEET

MAY 12, 1998

DOCKET NO. 971186-SU - Application for approval of reuse project plan and increase in wastewater rates in Seminole County by Sanlando Utilities Corporation.

(Continued from previous page)

Issue 31: If the Commission approves staff's recommendation on the reuse plan in Issue No. 1, should the Commission require the utility to escrow the wastewater overearnings in excess of the wastewater overearnings allocated to the reuse project?

Recommendation: Yes. The utility should be required to escrow the wastewater overearnings in excess of the overearnings allocated to the reuse project as detailed in the staff analysis, as of the effective date of the order. All other provisions of the escrow account should remain as specified in Issue No. 29.

Issue 32: Should Sanlando Utility Corporation be required to file a subsequent true-up proceeding after the reuse project is placed in service pursuant to Section 367.0817(6), Florida Statutes?

Recommendation: Yes, Sanlando Utility Corporation should be required to file a subsequent true-up proceeding within 90 days of the date the reuse project is placed in service pursuant to Section 367.0817(6), Florida Statutes. This filing should also include information on water and wastewater earnings.

Issue 33: Should this docket be closed?

Recommendation: No, upon expiration of the protest period, if a timely protest is not received, this docket should remain open to allow staff to monitor escrowed funds and address the true-up of the reuse project costs.