

VOTE SHEET

March 2, 2010

Docket No. 090182-SU – Application for increase in wastewater rates in Pasco County by Ni Florida, LLC.

Issue 1: Is the quality of service provided by Ni Florida, LLC satisfactory?

Recommendation: No. The overall quality of service provided by Ni Florida, LLC should be considered marginal based on the operating condition of its wastewater collection facilities and the quality of the Utility’s product.

APPROVED

Issue 2: Should the audit adjustments to rate base, 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.

Audit Finding	Wastewater
No. 4 – Decrease Accumulated Depreciation	\$10,730
No. 5 – Increase Accum. Amort. of CIAC	\$402

APPROVED

COMMISSIONERS ASSIGNED: All Commissioners

COMMISSIONERS’ SIGNATURES

MAJORITY

DISSENTING

David O. Klement
[Signature]
[Signature]
[Signature]
[Signature]

REMARKS/DISSENTING COMMENTS:

01323-10, attached.

Oral modification, Document number

DOCUMENT NUMBER-DATE
 01420 MAR-20
 FPSC-COMMISSION CLERK

(Continued from previous page)

Issue 3: Should any adjustments be made to test year plant-in-service?

Recommendation: Yes. Plant should be increased by \$195,367. Accordingly, corresponding adjustments should be made to increase accumulated depreciation and depreciation expense by \$10,854 and decrease contractual services – other by \$108,381.

APPROVED

Issue 4: What are the used and useful percentages of the Utility's wastewater system?

Recommendation: The Utility's wastewater collection system should be considered 100 percent used and useful.

APPROVED

Issue 5: What is the appropriate working capital allowance?

Recommendation: The appropriate working capital allowance is \$0.

APPROVED

Issue 6: What is the appropriate rate base for the test year period ending December 31, 2008?

Recommendation: Consistent with other recommended adjustments, the appropriate rate base is \$2,546,972.

APPROVED

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Issue 7: What is the appropriate weighted average cost of capital including the proper components, amounts, and cost rates associated with the capital structure?

Recommendation: Based on the resolution of the previous issues, the appropriate return on equity (ROE) is 9.72 percent based on staff's recommended 2009 leverage formula and an equity ratio of 94.76 percent. Staff recommends an allowed range of plus or minus 100 basis points be recognized for ratemaking purposes. The appropriate weighted average cost of capital, including the proper components, amounts, and cost rates associated with the capital structure, is 9.65 percent.

APPROVED

Issue 8: What is the appropriate amount of rate case expense?

Recommendation: The appropriate rate case expense is \$98,184. This expense should be recovered over four years for an annual expense of \$24,546. Thus, rate case expense should be increased by \$2,046.

APPROVED

Issue 9: Should any adjustments be made to bad debt expense?

Recommendation: Yes. Consistent with Commission practice, bad debt expense should be \$18,094 based on a 5-year average. Accordingly, Ni Florida's requested bad debt expense of \$32,791 should be decreased by \$14,697.

Alternative Recommendation: Yes. Bad debt expense should be based on the average of the 2007 and 2009 bad debt expense, which results in a bad debt expense of \$24,549. Accordingly, Ni Florida's requested bad debt expense of \$32,791 should be reduced by \$8,242.

APPROVED *alternative recommendation.*

Issue 10: Should any further adjustments be made to test year net depreciation expense?

Recommendation: Yes. Depreciation expense should be reduced by \$14,508.

APPROVED

(Continued from previous page)

Issue 11: What is the test year operating income before any revenue increase?

Recommendation: Based on the adjustments discussed in previous issues, the Utility experienced an operating loss of \$26,717 \$15,863.

APPROVED *as modified. noting that this is a fall out issue and the numbers are subject to change. Staff was given administrative authority to make proper changes.*

Issue 12: What is the appropriate revenue requirement?

Recommendation: The following revenue requirement should be approved:

	Test Year Revenues	\$ Increase	Revenue Requirement	% Increase
Wastewater	\$1,470,837	\$285,394	\$1,756,231	19.40%
		\$274,028	\$1,744,865	18.63%

APPROVED *as modified. Noting that this is a fallout issue and the numbers are subject to change. Staff was given administrative authority to make proper changes.*

Issue 13: What are the appropriate rates for this utility?

Recommendation: The appropriate monthly rates are shown on Schedule No. 4 of staff's memorandum dated February 18, 2010. Excluding miscellaneous service revenues, the recommended rates are designed to produce revenues of \$1,756,231 \$1,744,865. 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), 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 no less than 10 days after the date of the notice.

APPROVED, *as modified. Noting that this is a fall out issue and the numbers are subject to change. Staff was given administrative authority to make proper changes.*

(Continued from previous page)

Issue 14: Should the Utility be authorized to revise its miscellaneous service charges, and, if so, what are the appropriate charges?

Recommendation: Yes. Ni Florida 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 after the date that the notice was sent. The appropriate charges are reflected below. This notice may be combined with the notice required in Issue 13.

Miscellaneous Service Charges

	<u>Normal Hrs</u>	<u>After Hrs</u>
Initial Connection	\$27	\$40
Normal Reconnection	\$27	\$40
Violation Reconnection	Actual Cost	Actual Cost
Premises Visit	\$18	\$27

APPROVED

Issue 15: 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 staff's calculation, the Utility should be required to refund 5.33 ~~5.63~~ percent of revenues granted under interim rates. The refund 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 should be released upon staff's verification that the required refunds have been made.

APPROVED, *as modified. Noting that this is a fallout issue.*

(Continued from previous page)

Issue 16: 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 February 18, 2010, to remove \$30,663 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.

APPROVED

Issue 17: Should the Utility's request for approval of a \$5 late fee be granted?

Recommendation: Yes. The Utility's requested late fee of \$5 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 no less than 10 days after the date of the notice. This notice may be combined with the notice required in Issue 13.

APPROVED

Issue 18: 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. 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 no less than 10 days after the date of the notice. Staff also recommends that the Utility be required to refund, with interest, any NSF fees collected by Ni Florida from the time it took over the utility from Hudson in May 2008, until the effective date of the Commission-approved revised rates and charges for this docket in accordance with Rule 25-30.360, F.A.C. This notice may be combined with the notice required in Issue 13.

APPROVED, *striking recommendation regarding the refund.*

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Issue 19: Should Ni Florida, LLC, be ordered to show cause, in writing within 21 days, why it should not be fined for its apparent violation of Sections 367.081(1) and 367.091, F.S., and Rule 25-30.135(2), F.A.C., pertaining to the unauthorized collection of late payment fees?

Recommendation: No. A show cause proceeding should not be initiated. Instead, the Utility should be required to refund with interest any late payment fees collected in accordance with Rule 25-30.360, F.A.C.

APPROVED. *striking recommendation regarding the refund with interest.*

Issue 20: Should Ni Florida, LLC, be ordered to show cause, in writing within 21 days, why it should not be fined for its apparent violation of Sections 367.081(1) and 367.091, F.S., and Rule 25-30.135(2), F.A.C., pertaining to the unauthorized collection of an NSF fee?

Recommendation: No. A show cause proceeding should not be initiated. Instead, the Utility should be required to refund, with interest, any NSF fees collected in accordance with Rule 25-30.360, F.A.C.

APPROVED *striking recommendation regarding the refund with interest.*

Issue 21: 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, Ni Florida 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.

APPROVED

Vote Sheet

March 2, 2010

Docket No. 090182-SU – Application for increase in wastewater rates in Pasco County by Ni Florida, LLC.

(Continued from previous page)

Issue 22: Should this docket be closed?

Recommendation: No. If no timely protest is received from a substantially affected person upon expiration of the protest period, the PAA Order will become final upon the issuance of a Consummating Order. However, this docket should remain open to allow staff to verify completion of the refunds discussed in Issue Nos. 15, 19 and 20 and to verify that the revised tariff sheets and customer notice have been filed by the Utility and approved by staff. Once staff has verified that the refunds have been made in accordance with Rule 25-30.360, F.A.C., the docket should be closed administratively.

APPROVED

*not close the docket and deleting reference
to issues 19 and 20.*

Ann Cole

From: Tim Devlin
Sent: Friday, February 26, 2010 1:52 PM
To: Curt Mouring; Ann Cole
Cc: Marshall Willis; Cheryl Bulecza-Banks; Bart Fletcher; Stan Rieger; Patti Daniel; Anna Williams; Jennifer Brubaker; Tonya Linn; Commissioners Advisors; Mary Anne Helton; Chuck Hill
Subject: RE: Request of Oral Modification to Item 15, March 2, 2010 Agenda, Docket 090182-SU - Ni Florida, LLC

Approved.

From: Curt Mouring
Sent: Friday, February 26, 2010 10:53 AM
To: Tim Devlin
Cc: Marshall Willis; Cheryl Bulecza-Banks; Bart Fletcher; Stan Rieger; Patti Daniel; Anna Williams; Jennifer Brubaker; Tonya Linn
Subject: Request of Oral Modification to Item 15, March 2, 2010 Agenda, Docket 090182-SU - Ni Florida, LLC
Importance: High

Staff requests approval to make an oral modification to Item 15 to correct a formula reference error in staff's depreciation expense calculation. This correction effects several fall-out issues (Issues 11, 12, 13, and 15, as well as Schedules No. 3-A and 4). These requested changes have no other effects on staff's recommendation. Staff will provide each Commissioner a hardcopy of the revised Schedules No. 3-A and 4. The specific issue modifications are in type and strike format as follows:

Issue 11: What is the test year operating income before any revenue increase?

Recommendation:

Based on the adjustments discussed in previous issues, the Utility experienced an operating loss of ~~\$26,717~~ ~~\$15,863~~.
(Mouring)

Staff Analysis:

This is primarily a "fall-out" issue subject to resolution of other issues related to revenues and operating expenses and rate base. As shown on Schedule No. 3-A, after applying staff's adjustments, the Utility's net operating loss is ~~\$26,717~~ ~~\$15,863~~. Staff's adjustments to operating income are shown on Schedule No. 3-B.

Issue 12:

What is the appropriate revenue requirement?

Recommendation:

The following revenue requirement should be approved

	Test Year Revenues	\$ Increase	Revenue Requirement	% Increase
Wastewater	\$1,470,837	\$285,394	\$1,756,231	19.40%
		\$274,028	\$1,744,865	18.63%

(Mouring)

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

2/26/2010

Staff Analysis:

The issue is a summary computation that is subject to the resolution of other issues related to rate base and cost of capital, and is primarily a "fall-out" number. The computation of the revenue requirement is shown on Schedule No. 3-A. This results in a revenue requirement of ~~\$1,756,231~~ ~~\$1,744,865~~, which represents an increase of ~~\$285,394~~ ~~\$274,028~~ or ~~19.40~~ ~~18.63~~ percent.

Issue 13:

What are the appropriate rates for this utility?

Recommendation:

The appropriate monthly rates are shown on Schedule No. 4. Excluding miscellaneous service revenues, the recommended rates are designed to produce revenues of ~~\$1,756,231~~ ~~\$1,744,865~~. 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), 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 no less than 10 days after the date of the notice. (Mouring)

Staff Analysis:

Excluding miscellaneous service revenues, the recommended rates shown on Schedule No. 4 are designed to produce revenues of ~~\$1,756,231~~ ~~\$1,744,865~~. Staff's recommended revenue increase should be applied as an across-the-board increase to the Utility's service rates in effect as of December 31, 2008.

Ni Florida's current wastewater rate structure is a base facility charge and gallonage charge with a 10,000 gallon cap on residential customers. The Utility's current rate structure contains a differential in the gallonage charge between residential and general service. This rate differential is designed to recognize that approximately 80 percent of a residential customer's water usage will not return to the wastewater system, whereas approximately 96 percent of multi-family and general service water usage is returned. This wastewater gallonage rate differential is employed by the Commission in setting wastewater rates and is widely recognized as an industry standard. Based on the above, staff believes that the gallonage rate differential should continue to be used in this case, consistent with the differential approved in the last case.

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), 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 no less than 10 days after the date of the notice.

A comparison of the Utility's original and requested rates, the Commission-approved interim rates, and staff's recommended PAA rates are shown on Schedule No. 4.

Issue 15:

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 staff's calculation, the Utility should be required to refund ~~5.33~~ ~~5.63~~ percent of revenues granted under interim rates. The refund 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 should be released upon staff's verification that the required refunds have been made. (Mouring)

Staff Analysis:

By Order No. PSC-09-0751-PCO-SU, issued November 16, 2009, the Commission approved an interim revenue requirement of \$1,815,940. This represented an increase of \$345,103 or 23.46 percent.

According to Section 367.082(4), F.S., any refund should be calculated to reduce the rate of return of the Utility during the pendency of the proceeding to the same level within the range of the newly authorized rate of return. Adjustments made in the rate case test period that do not relate to the period interim rates are in effect should be removed. Rate case expense is an example of an adjustment which is recovered only after final rates are established.

In this proceeding, the test period for establishment of interim and final rates is the 13-month average test year ending December 31, 2008. Ni Florida's approved interim rates did not include any provisions for pro forma or projected operating expenses or plant. The interim increase was designed to allow recovery of actual interest costs and the floor of the last authorized range for equity earnings.

Using the principles discussed above, staff calculated a revised interim revenue requirement of \$1,719,163 ~~\$1,713,792~~ utilizing the same data used to establish final rates. Rate case expense was excluded because this item is prospective in nature and did not occur during the interim collection period. The revenue of \$1,719,163 ~~\$1,713,792~~ is less (a 5.33 ~~5.63~~ percent or \$96,777 ~~\$102,148~~ difference) than the interim order revenue requirement of \$1,815,940. This results in a 5.33 ~~5.63~~ percent refund of interim rates, after miscellaneous revenues have been removed. The Utility should be required to refund 5.33 ~~5.63~~ percent of water revenues collected under interim rates. The refund 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 should be released upon staff's verification that the required refunds have been made.

Curt Mouring

Florida Public Service Commission
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