

FLORIDA PUBLIC SERVICE COMMISSION

VOTE SHEET

October 26, 2010

Docket No. 090414-WU – Application for staff-assisted rate case in Polk County by Pinecrest Ranches, Inc.

**Issue 1:** Is the quality of service provided by Pinecrest Ranches satisfactory?

**Recommendation:** Yes, the quality of service provided by Pinecrest Ranches is satisfactory.

**APPROVED**

**Issue 2:** What are the used and useful percentages of the water treatment plant and the distribution system?

**Recommendation:** The water treatment plant (WTP) and the distribution system should be considered 100 percent used and useful (U&U).

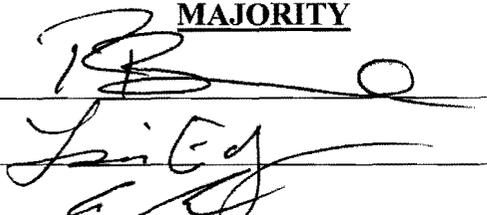
**APPROVED**

COMMISSIONERS ASSIGNED: Edgar, Graham, Brisé

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

  
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REMARKS/DISSENTING COMMENTS:

DOCUMENT NUMBER-DATE

08938 OCT 27 0

FPSC-COMMISSION CLERK

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**Issue 3:** What is the appropriate average test year rate base for the Utility?

**Recommendation:** The appropriate average test year rate base for the Utility is \$66,022.

**APPROVED**

**Issue 4:** What is the appropriate return on equity and overall rate of return for this Utility?

**Recommendation:** The appropriate return on equity (ROE) is 10.85 percent with an allowed range of plus or minus 100 basis points. The appropriate overall rate of return is 7.49 percent.

**APPROVED**

**Issue 5:** What is the appropriate amount of test year revenue?

**Recommendation:** The appropriate test year revenue for this Utility is \$51,730.

**APPROVED**

**Issue 6:** What is the appropriate amount of operating expenses?

**Recommendation:** The appropriate amount of operating expenses for the Utility is \$49,596.

**APPROVED**

**Issue 7:** What is the appropriate revenue requirement?

**Recommendation:** The appropriate revenue requirement is \$54,541.

**APPROVED**

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**Issue 8:** Should the Utility's current water system rate structure be changed, and, if so, what is the appropriate adjustment?

**Recommendation:** No. The Utility's current residential and non-residential water system rate structure, which consists of a monthly base facility charge (BFC)/uniform gallonage charge rate structure, should remain unchanged. The water system's BFC cost recovery should be set at 45 percent.

**APPROVED**

**Issue 9:** Is a repression adjustment appropriate in this case, and if so, what are the appropriate adjustments to make for this Utility, what are the appropriate corresponding expense adjustments to make, and what are the final revenue requirements

**Recommendation:** No, a repression adjustment is not appropriate in this case. However, in order to monitor the effect of the change to revenue, the Utility should be ordered to file reports detailing the number of bills rendered, the consumption billed and the revenues billed on a monthly basis. In addition, the reports should be prepared, by customer class and meter size. The reports should be filed with staff, on a semi-annual 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.

**APPROVED**

**Issue 10:** What are the appropriate rates for this Utility?

**Recommendation:** The appropriate monthly water rates are shown on Schedule No. 4 in staff's memorandum dated October 14, 2010. The recommended rates should be designed to produce revenues of \$54,541 for water, excluding miscellaneous service revenues. 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 on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved 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 notice was given no less than 10 days after the date of the notice.

**APPROVED**

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**Issue 11:** Should the Commission approve pro forma items for the Utility, and if so, what is the appropriate return on equity, overall rate of return, revenue requirement and date for implementing the new rates?

**Recommendation:** Yes. The Commission should approve a Phase II revenue requirement associated with pro forma items. Pinecrest’s appropriate return on equity, with the pro forma items, should be 10.85 percent with a range of 9.85 to 11.85 percent. The appropriate overall rate of return is 7.49 percent. The Utility’s Phase II revenue requirement is \$58,668 which equates to an increase of 7.57 percent over Phase I revenue requirement. Pinecrest should complete the pro forma items within 12 months of the issuance of the consummating order.

The Utility should be allowed to implement the resulting rates once the pro forma items have been completed and documentation provided showing that all improvements have been made to the system.

The Utility should be required to submit a copy of the final invoice and cancelled checks for the refurbishment of the hydropneumatic tank and the meter replacement program. In addition, the Utility should be required to submit documentation from a professional engineer indicating that the refurbishment was done in compliance with American Water Works Association (AWWA) standards.

Once verified, the 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), F.A.C. The rates should not be implemented until notice has been received by the customers. Pinecrest should provide proof of the date notice was given within 10 days after the date of the notice. If the Utility encounters any unforeseen events that will impede the completion of the pro forma items, the Utility should immediately notify the Commission.

**APPROVED**

**Issue 12:** 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 rate should be reduced, as shown on Schedule No. 4 in staff’s memorandum dated October 14, 2010, to remove rate case expense grossed-up for the regulatory assessment fee and amortized over a four-year period. The rate decrease should become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.0816, F.S. Pinecrest should be required to file revised tariffs and a proposed customer notice setting forth the lower rate and the reason for the reduction no later than one month prior to the actual date of the required rate reduction. 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 the reduction in the rate due to the amortized rate case expense.

**APPROVED**

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**Issue 13:** Should the recommended rates be approved for the Utility on a temporary basis, subject to refund, in the event of a protest filed by a party other than Pinecrest?

**Recommendation:** Yes. Pursuant to Section 367.0814(7), F.S., the recommended rates should be approved for the Utility on a temporary basis, subject to refund, in the event of a protest filed by a party other than the Utility. Prior to implementation of any temporary rates, Pinecrest should provide appropriate security. If the recommended rates are approved on a temporary basis, the revenues collected by the Utility should be subject to the refund provisions discussed in the analysis portion of staff's memorandum dated October 14, 2010. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., Pinecrest should file reports with the Commission's Division of Economic Regulation no later than the 20th of each month indicating the monthly and total amount of money subject to refund at the end of the preceding month. The report filed should also indicate the status of the security being used to guarantee repayment of any potential refund.

**APPROVED**

**Issue 14:** Should the Utility be required to provide proof, within 90 days of an order finalizing this docket, that it has adjusted its books for all the applicable National Association of Regulatory Utility Commissioners Uniform System of Accounts (NARUC USOA) primary accounts associated with the Commission-approved adjustments?

**Recommendation:** Yes. To ensure that the Utility adjusts its books in accordance with the Commission's decision, Pinecrest should provide proof, within 90 days of the final order issued in this docket, that the adjustments for all the applicable NARUC USOA primary accounts have been made.

**APPROVED**

**Issue 15:** Should this docket be closed?

**Recommendation:** No. If no person whose substantial interests are affected by the proposed agency action files a protest within twenty-one days of the issuance of the order, a consummating order should be issued. The docket should remain open for staff's verification that the revised tariff sheets and customer notice have been filed by the Utility and approved by staff. Also, the docket should remain open to allow staff to verify that the pro forma items have been completed and the Phase II rates properly implemented. Once these actions are complete, this docket should be closed administratively.

**APPROVED**