

VOTE SHEET

May 24, 2011

Docket No. 100330-WS – Application for increase in water/wastewater rates in Alachua, Brevard, DeSoto, Hardee, Highlands, Lake, Lee, Marion, Orange, Palm Beach, Pasco, Polk, Putnam, Seminole, Sumter, Volusia, and Washington Counties by Aqua Utilities Florida, Inc.

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.

Proposed Agency Action for all Issues Except 44, 46, and 48.)

Issue 1: Is the quality of service provided by the Utility satisfactory, and, if not, what action should be taken by the Commission?

Recommendation: Yes. Based on the results of the Phase II Monitoring Plan in Docket No. 080121-WS and staff's evaluation in the instant rate case proceeding, the overall quality of service provided by AUF for all systems, including Chuluota, is satisfactory.

**DENIED**

The quality of service provided by the utility is marginal. Staff was directed to meet with the utility, OPC and the Antirevenue and develop a Phase III monitoring plan (following the matrix of the phase II monitoring plan) and submit this new plan; Close the earlier docket concerning the Phase II monitoring plan.

COMMISSIONERS ASSIGNED: All Commissioners

COMMISSIONERS' SIGNATURES

MAJORITY

Julie Brown  
[Signature]  
[Signature]  
[Signature]

DISSENTING

Julie Brown on Item 25

REMARKS/DISSENTING COMMENTS:

Oral modification e-mail and Errata Sheet attached to this Vote Sheet (see Document Number 03561-11). Commissioner Brown dissented on Issue 25.

DOCUMENT NUMBER-DATE  
03665 MAY 25 =

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**Issue 2:** Should the audit adjustments to rate base and operating expenses to which the Utility agrees, be made?

**Recommendation:** Yes. Based on audit adjustments agreed to by the Utility, staff recommends that land and working capital be increased by \$160,093 and \$79,006, respectively, and operation & maintenance (O&M) expenses be decreased by \$255,390.

**APPROVED**

**Issue 3:** Should adjustments be made to the Utility's pro forma plant additions?

**Recommendation:** Yes. The Utility's pro-forma plant additions should be decreased by \$410,693 for water and by \$658,663 for wastewater. Accordingly, accumulated depreciation should be decreased ~~increased~~ by \$56,399 ~~\$52,928~~ for water and decreased \$82,647 ~~\$190,360~~ for wastewater, and depreciation expense should be decreased by \$31,597 ~~\$29,982~~ for water and \$38,599 ~~\$56,929~~ for wastewater. Moreover, the Utility's property taxes should be decreased by \$11,343 ~~\$33,837~~ for water and \$13,581 ~~\$40,974~~ for wastewater. The specific rate band and system adjustments are set forth in the analysis portion of staff's memorandum dated May 12, 2011.

**APPROVED**, *as modified.*

**Issue 4:** Do any water systems have excessive unaccounted for water, and, if so, what adjustments are necessary?

**Recommendation:** Yes. The percentages for excessive unaccounted for water (EUW) and the adjustments staff recommends be made to Purchased Power, Chemicals, and Purchased Water expenses for each water rate band and stand-alone system are shown in Table 4-1 of staff's memorandum dated May 12, 2011.

**APPROVED**

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**Issue 5:** What are the appropriate used and useful percentages for the water treatment and related facilities of each water system?

**Recommendation:** All of the AUF water treatment plants should be considered 100 percent used and useful (U&U), with the exception of Carlton Village (95 percent), Gibsonia Estates (61 percent), Hermits Cove/St. Johns Highland (31 percent), Lake Josephine/Sebring Lakes (86 percent), Picciola Island (75 percent), Silver Lake Estates/Western Shores (94 percent), Sunny Hills (91 percent), Venetian Village (74 percent), and Welaka (80 percent). Attachment 4A of staff's memorandum dated May 12, 2011 contains the composite U&U percentages for the four rate bands, as well as the individual U&U percentages for Breeze Hill, Fairways, and Peace River. Further, the rate base adjustments are shown on Schedule 3-C, and the depreciation expense and property tax adjustments are shown on Schedule 4-C of staff's memorandum dated May 12, 2011.

**APPROVED**

**Issue 6:** What are the appropriate used and useful percentages for the storage tanks?

**Recommendation:** All of the AUF storage tanks should be considered 100 percent U&U.

**APPROVED**

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**Issue 7:** What are the appropriate used and useful percentages for the water distribution systems?

**Recommendation:** All of the AUF water distribution systems are 100 percent U&U, with the exception of 48 Estates (85 percent), Arredondo Farms (88 percent), Carlton Village (47 percent), Hermits Cove/St. Johns Highlands (80 percent), Holiday Haven (76 percent), Interlachen/Park Manor (83 percent), Lake Josephine/Sebring Lakes (55 percent), Leisure Lakes (84 percent), Palms Mobile Home Park (88 percent), Picciola Island (80 percent), Pomona Park (51 percent), Silver Lake Oaks (87 percent), Stone Mountain (54 percent), Sunny Hills (13 percent), Tangerine (60 percent), The Woods (76 percent), Venetian Village (85 percent), Welaka (52 percent), and Wootens (66 percent). Attachment 5 of staff's memorandum dated May 12, 2011 contains the composite U&U percentages for the water rate bands, as well as the individual U&U percentages for Breeze Hill, Fairways, and Peace River. Further, the rate base adjustments are shown on Schedule 3-C, and the depreciation expense and property tax adjustments are shown on Schedule 4-C of staff's memorandum dated May 12, 2011.

**APPROVED**

**Issue 8:** Do any wastewater systems have excessive infiltration and inflow and, if so, what adjustments are necessary?

**Recommendation:** Yes. The appropriate percentages for excessive Infiltration and Inflow (I&I) and the adjustments that should be made to Purchased Power, Chemicals, and Purchased Wastewater expenses are shown in Table 8-1 of staff's memorandum dated May 12, 2011, for each wastewater rate band and stand-alone system.

**APPROVED**

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**Issue 9:** What are the appropriate used and useful percentages for the wastewater treatment and related facilities of each wastewater system?

**Recommendation:** All of the AUF wastewater treatment plants should be considered 100 percent U&U, with the exception of Breeze Hill (56 percent), Holiday Haven (75 percent), Leisure Lakes (39 percent), Palm Port (58 percent), Silver Lake Oaks (42 percent), Sunny Hills (49 percent), and Village Water (79 percent). Attachment 7A of staff's memorandum dated May 12, 2011, contains the composite U&U percentages for the wastewater rate bands, as well as the individual U&U percentages for Breeze Hill, Fairways, and Peace River. Further, the rate base adjustments are shown on Schedule 3-C, and the depreciation expense and property tax adjustments are shown on Schedule 4-C of staff's memorandum dated May 12, 2011.

**APPROVED**

*with noted oral modification to the staff analysis.*

**Issue 10:** What are the appropriate used and useful percentages for the wastewater collection systems?

**Recommendation:** All of the AUF wastewater collection systems are 100 percent U&U, with the exception of Holiday Haven (75 percent), Leisure Lakes (85 percent), Palm Port (91 percent), Silver Lake Oaks (87 percent), Sunny Hills (55 percent), The Woods (71 percent), and Village Water (58 percent). Attachment 8 of staff's memorandum dated May 12, 2011 contains the composite U&U percentages for the wastewater rate bands, as well as the individual U&U percentages for Breeze Hill, Fairways, and Peace River. Further, the rate base adjustments are shown on Schedule 3-C, and the depreciation expense and property tax adjustments are shown on Schedule 4-C of staff's memorandum dated May 12, 2011.

**APPROVED**

**Issue 11:** Should any further adjustment be made to Other Deferred Debits?

**Recommendation:** Yes. Other Deferred Debits should be increased further by \$14,042 for the jurisdictional systems to reflect the appropriate 13-month average balance.

**APPROVED**

*with noted oral modification to the Table.*

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**Issue 12:** Should any adjustments be made to Accrued Taxes?

**Recommendation:** Yes. Consistent with the Commission's decision in the Utility's last rate case, Accrued Taxes should be reduced by \$1,917,134 on a total company basis to normalize the test year Accrued Tax balance for purposes of setting rates. The reduction of \$1,917,134 represents the total for AUF. The Commission only has jurisdiction over 60.17 percent of the total AUF systems. This would be a reduction of \$1,153,548 for the jurisdictional systems.

**APPROVED**

**Issue 13:** Should any adjustments be made to Deferred Rate Case expense?

**Recommendation:** Yes. Consistent with the annual amortization amount approved in the Utility's last rate case and Commission practice, Deferred Rate Case expense should be increased by \$107,880.

**APPROVED**

*with noted oral modification to staff analysis.*

**Issue 14:** What is the appropriate Working Capital allowance?

**Recommendation:** The appropriate jurisdictional Working Capital allowance is \$2,512,609. As such, Working Capital should be decreased by \$952,621. The specific rate band and system adjustments are set forth in the analysis portion of staff's memorandum dated May 12, 2011.

**APPROVED**

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**Issue 15:** What is the appropriate rate base for the April 30, 2010, test year?

**Recommendation:** Consistent with other recommended adjustments, the appropriate 13-month average rate base is \$20,242,872 ~~\$20,250,529~~ for water and \$13,781,735 ~~\$12,947,459~~ for wastewater.

**APPROVED**, *as modified.*

**Issue 16:** What is the appropriate capital structure to use for rate setting purposes?

**Recommendation:** The appropriate capital structure to use for rate setting purposes is based on the capital structure of AUF.

**APPROVED**

**Issue 17:** What is the appropriate amount of accumulated deferred taxes to include in the capital structure?

**Recommendation:** The appropriate amount of accumulated deferred income taxes to include in the capital structure is \$2,192,385 ~~\$2,201,371~~. This represents an increase of \$735,913 ~~\$744,899~~ over the amount reflected in the Utility's filing.

**APPROVED**, *as modified.*

**Issue 18:** What are the appropriate cost rates for short and long-term debt for the test year?

**Recommendation:** There is no short-term debt in AUF's capital structure. The appropriate cost rate for long-term debt for the test year is 5.10 percent.

**APPROVED**

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**Issue 19:** What is the appropriate return on equity (ROE) for the test year?

**Recommendation:** The appropriate return on common equity is 9.67 percent based on the Commission leverage formula currently in effect. Staff recommends an allowed range of plus or minus 100 basis points be recognized for ratemaking purposes.

**MODIFIED**

*to reduce by 25 basis points to reflect the decision on Issue 1; staff to administratively adjust as needed and with noted oral modification to staff Analysis.*

**Issue 20:** What is the appropriate weighted average cost of capital including the proper components, amounts and cost rates associated with the capital structure?

**Recommendation:** The appropriate weighted average cost of capital for AUF is 7.39 ~~7.37~~ percent.

**APPROVED**, *as modified*

**Issue 21:** Should any adjustments be made to disallow fines and penalties assessed to the Utility?

**Recommendation:** Yes. O&M expenses should be reduced by \$12,767 to remove expenses related to fines and penalties. The specific adjustments to each rate band and system are set forth in the analysis portion of staff's memorandum dated May 12, 2011.

**APPROVED**

**Issue 22:** Should any adjustments be made related to charges from affiliates?

**Recommendation:** Yes. Plant, Accumulated Depreciation, O&M expenses, and Depreciation expense should be reduced by \$148,278, \$61,819, \$65,187, and \$163,319, respectively. The specific adjustments to each rate band and system are set forth in the analysis portion of staff's memorandum dated May 12, 2011.

**APPROVED** *with noted oral modification to staff Analysis.*



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**Issue 23:** Should any adjustments be made to Sludge Hauling, Contractual Services – Accounting, and Contractual Services - Legal expenses?

**Recommendation:** Yes. O&M expenses should be reduced by \$29,949 to reflect the appropriate Sludge Hauling, Contractual Services – Accounting, and Contractual Services – Legal expenses. The specific adjustments to each rate band and system are set forth in the analysis portion of staff's memorandum dated May 12, 2011.

**APPROVED**

~~**Issue 24:** Should any adjustments be made to lobbying expenses?~~

~~**Recommendation:** Yes. O&M expenses should be reduced by \$34,375 to remove charges related to lobbying efforts. The specific adjustments to each rate band and system are set forth in staff's analysis below.~~

**Issue deleted**

*as reflected in the Oral modification e-mail and attached errata sheet, attached to this vote sheet (see Document Number 03561-11).*

**Issue 25:** Should any adjustments be made for Director and Officers Liability insurance?

**Recommendation:** Yes. Consistent with Commission practice, O&M expenses should be reduced by \$5,289 for its jurisdictional systems to reflect a sharing of the cost of Director and Officers Liability (DOL) insurance between ratepayers and the Utility.

**APPROVED ;**

*Commissioner Brown dissented.*

*Julie R*

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**Issue 26:** Should any adjustments be made to Salaries and Wages - Employees expense?

**Recommendation:** Yes. Salaries and Wages - Employees expense should be reduced by \$51,579. Accordingly, a corresponding adjustment should be made to reduce Payroll Taxes by \$3,946. The specific adjustments to each rate band and system are set forth in the analysis portion of staff's memorandum dated May 12, 2011.

**MODIFIED**

*no change to salaries and wages as a result of this rate case; staff to administratively calculate.*

**Issue 27:** Should any adjustments be made to Bad Debt expense?

**Recommendation:** Yes. Bad Debt expense should be \$386,221. Accordingly, AUF's Bad Debt expense of \$389,420 should be reduced by \$3,199.

**APPROVED**

**Issue 28:** What is the appropriate amount of rate case expense?

**Recommendation:** The appropriate amount of rate case expense is \$778,269. This expense should be recovered over four years for an annual expense of \$194,567. Thus, AUF's requested rate case expense of \$670,268 should be increased by \$27,000. The specific adjustments to each rate band and system are set forth in the analysis portion of staff's memorandum dated May 12, 2011.

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**Issue 29:** Should an adjustment be made to the Utility's normalization adjustments?

**Recommendation:** Yes. O&M expenses should be decreased by \$33,748 for water and increased by \$1,768 for wastewater. The specific adjustments for each rate band and stand-alone system are set forth in the analysis portion of staff's memorandum dated May 12, 2011.

**APPROVED**

*with noted oral modification to staff analysis*

**Issue 30:** Should an adjustment be made to the Utility's pro forma expense adjustments?

**Recommendation:** Yes. O&M expenses should be increased by \$83,790 for water and decreased by \$431 for wastewater. In addition, staff recommends requiring AUF to file a report with the Commission detailing the outcome of the dispute with the City of Lake Worth Utilities, within 30 days of the resolution of the dispute.

**APPROVED**

*with noted oral modification to staff analysis*

**Issue 31:** Should an adjustment be made to O&M expense to remove the additional cost of mailing multiple bills to the same customers who have more than one class of service?

**Recommendation:** Yes. The costs of mailing 2,892 duplicate bills in the amount of \$14,142 should be removed from O&M expense for the Fairways water system.

**APPROVED**

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**Issue 32:** What is the test year pre-repression water and wastewater operating income or loss before any revenue increase?

**Recommendation:** The test year pre-repression water and wastewater operating incomes are \$306,074, ~~\$341,466~~ and ~~\$451,682~~, ~~\$486,722~~, respectively.

**APPROVED**, *as modified.*

**Issue 33:** What is the appropriate pre-repression revenue requirement for the April 30, 2010, test year?

**Recommendation:** The appropriate pre-repression revenue requirement for the April 30, 2010, test year is \$10,315,406, ~~\$10,253,458~~ for water and \$6,002,288, ~~\$5,835,689~~ for wastewater.

**APPROVED**, *as modified.*

**Issue 34:** What, if any, limit should be imposed on the subsidies that could result if the Utility's rate bands and stand-alone systems are partially or fully consolidated?

**Recommendation:** Staff recommends that the appropriate subsidy limit for the water systems and the wastewater systems should be \$12.50. This recommended subsidy limit is applicable only to the residential class, and is based upon usage levels of 7 kgals per month for the water systems and 6 kgals per month for the wastewater systems.

**APPROVED**

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**Issue 35:** If the Commission implements a capband rate consolidation method in Issues 37 or 38, what are the appropriate rate cap thresholds to be used to cap residential customer bills for the water and wastewater systems?

**Recommendation:** Staff recommends that the appropriate rate cap thresholds are ~~\$66.50~~ ~~\$66.25~~ for the water systems and ~~\$93.00~~ ~~\$90.00~~ for the wastewater systems. These rate cap thresholds are based upon residential customer bills with usage levels of 7 kgal per month for the water systems and 6 kgal per month for the wastewater systems.

**APPROVED**, *as modified.*

**Issue 36:** What are the appropriate rate structures for the Utility's water and wastewater systems?

**Recommendation:** Staff recommends that the appropriate rate structure for the Utility's residential water customers is a three-tiered inclining block rate structure with usage blocks for monthly consumption of 0 to 6 kgal, 6.001 to 12 kgal, and all kgal in excess of 12 kgal. For those water systems for which no repression adjustment is made, the recommended usage block rate factors are 1.0, 1.5, and 2.0, respectively. For those water systems for which a repression adjustment is made, the appropriate rate factors are 1.000, 1.883, and 2.824, ~~1.866~~, and ~~2.798~~, respectively. The appropriate rate structure for the general service water customers is a continuation of the BFC/uniform gallonage charge rate structure, with the general service gallonage charge rate based on the overall average rate per kgal. The BFC allocation for the water systems should be set at 40 percent. However, if the Commission decides not to consolidate the Breeze Hill water system with another water system, staff recommends that the appropriate BFC allocation for the Breeze Hill system is 50 percent.

The appropriate rate structure for the Utility's wastewater systems is a continuation of the current BFC/gallonage charge rate structure. Residential billed consumption should be capped at 6 kgal, and the general service kgal charge should be 1.2 times the corresponding residential kgal charge. The BFC cost recovery allocation for the wastewater system should be set at 50 percent.

**APPROVED**, *as modified.*

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**Issue 37:** What is the appropriate level of rate consolidation for the water systems in this case?

**Recommendation:** Staff recommends that the appropriate level of rate consolidation for the water systems is to combine the current water Rate Band 1 and the Fairways water system into a single rate band (new Rate Band 1), and the current water Rate Bands 2, 3, and 4, and the Breeze Hill and Peace River water systems into a second single rate band (new Rate Band 2). The appropriate rate consolidation methodology is the capband rate consolidation methodology wherein the new Rate Band 1 is uncapped and the new Rate Band 2 is capped.

**APPROVED**

*with noted oral modifications to staff analysis.*

**Issue 38:** What is the appropriate level of rate consolidation for the wastewater systems in this case?

**Recommendation:** Staff recommends that the appropriate level of rate consolidation for the wastewater systems is to keep current wastewater Rate Band 1 unchanged (new Rate Band 1), and combine current wastewater Rate Bands 2 and 3, plus the Breeze Hill, Fairway, and Peace River wastewater systems into a second single rate band (new Rate Band 2). Current Rate Band 4, consisting of two systems that serve general service customers only, should continue to have its own rate band (new Rate Band 3). The appropriate rate consolidation methodology is the capband rate consolidation methodology wherein the new Rate Band 1 is uncapped, the new Rate Band 2 is capped, and the new Rate Band 3 is treated as a separate stand-alone system.

**APPROVED**

*with noted oral modifications to staff analysis.*

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**Issue 39:** Is a regression adjustment appropriate for this Utility, and, if so, what is the appropriate methodology to calculate a regression adjustment, and what are the appropriate resulting regression adjustments for this Utility?

**Recommendation:** Yes, a regression adjustment is appropriate for the uncapped water Rate Band 1. The appropriate methodology to calculate a regression adjustment is to apply a price elasticity factor of -0.4 to the uncapped system's residential discretionary water consumption (e.g., consumption greater than 6 kgals per month). The appropriate regression adjustments are shown below in Table 39-1.

Table 39-1			
Recommended Regression Adjustments Uncapped Water Systems (Rate Band 1)			
		Uncapped	Uncapped
<u>Water</u>			
	Number of Kgals Repressed	47,913	49,156
	Pre-repression Revenue Requirement	<del>\$3,593,796</del>	\$3,631,639
	Purchased Power Adjustment	<del>(\$2,125)</del>	(\$2,173)
	Chemicals Adjustment	<del>(\$5,652)</del>	(\$5,778)
	Purchased Water Adjustment	<del>(\$22,617)</del>	(\$23,123)
	Regulatory Assessment Fees Adjustment	<del>(\$1,368)</del>	(\$1,398)
	Post-repression Revenue Requirement (1)	<del>\$3,561,531</del>	\$3,599,166
(1)	May not sum to total due to rounding of individual expense adjustments.		

In order to monitor the effect of the rate structure and rate changes, 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 rate band, customer class, usage block, and meter size. The reports should be filed with staff, on a semi-annual basis, for a period of two years beginning with 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,** *as modified*

May 24, 2011

Docket No. 100330-WS – Application for increase in water/wastewater rates in Alachua, Brevard, DeSoto, Hardee, Highlands, Lake, Lee, Marion, Orange, Palm Beach, Pasco, Polk, Putnam, Seminole, Sumter, Volusia, and Washington Counties by Aqua Utilities Florida, Inc.

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 40:** What are the appropriate monthly rates for the water and wastewater systems for the Utility?

**Recommendation:** The appropriate monthly water rates are shown on Schedule 4-A and the appropriate monthly wastewater rates are shown on Schedule 4-B of staff’s memorandum dated May 12, 2011. Excluding miscellaneous service charges, the recommended water rates produce revenues of ~~\$10,010,973~~ ~~\$9,981,498~~, and the recommended wastewater rates produce revenues of ~~\$6,001,265~~ ~~\$5,835,689~~. The Utility should file revised water and wastewater tariff sheets and a proposed customer notice to reflect the Commission-approved rates for the water and wastewater systems. 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 approved 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 ten days after the date of the notice.

**APPROVED**, *as modified. In this fallout issue, staff given administrative authority to make necessary adjustments*

**Issue 41:** Should the Utility be authorized to revise its miscellaneous service charges, and, if so, what are the appropriate charges?

**Recommendation:** Yes, AUF should be authorized to revise the Miscellaneous Service Charges for its Breeze Hill and Fairway systems. 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. Within 10 days of the date the order is final, AUF should be required to provide notice of the tariff changes to all customers. The Utility should provide proof the customers have received notice within 10 days after the date the notice was sent. The appropriate charges are reflected below.

Water and Wastewater Miscellaneous Service Charges				
	Water		Wastewater	
	Normal Hrs	After Hrs	Normal Hrs	After Hrs
Initial Connection	\$22	\$33	\$22	\$33
Normal Reconnection	\$22	\$33	\$22	\$33
Violation Reconnection	\$35	\$55	Actual Cost	Actual Cost
Premises Visit	\$22	\$33	\$22	\$33
Late Payment Fees	\$5	N/A	\$5	N/A

**APPROVED**



Vote Sheet

May 24, 2011

Docket No. 100330-WS – Application for increase in water/wastewater rates in Alachua, Brevard, DeSoto, Hardee, Highlands, Lake, Lee, Marion, Orange, Palm Beach, Pasco, Polk, Putnam, Seminole, Sumter, Volusia, and Washington Counties by Aqua Utilities Florida, Inc.

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 42:** What are the appropriate service availability charges and allowance for funds prudently invested charges for the Utility?

**Recommendation:** The Utility’s previously-approved uniform meter installation, service installation, main extension, and plant capacity charges are appropriate for AUF’s Breeze Hill, Fairways, and Peace River stand-alone systems. AUF’s proposed uniform engineering fees are cost-based and appropriate. However, the Utility’s proposed uniform field inspection fees should be denied for lack of support documentation in accordance with Section 367.091(6), F.S. In addition, consistent with the recommended non-used and useful plant, depreciation expense and property taxes, as well as the return on equity and overall cost of capital, the appropriate AFPI charges for Breeze Hills’ wastewater treatment plant are set forth in Table 42-6 of the analysis portion of staff’s memorandum dated May 12, 2011.

**APPROVED**

**Issue 43:** What are the appropriate customer deposits for the Utility?

**Recommendation:** The appropriate customer deposits should be the actual average two months bills of the Commission-approved rate structure and rates in this case. The Utility should submit revised tariff sheets to include a provision for customer deposits. Staff should be given authority to administratively approve these tariff sheets upon verification they are consistent with the Commission’s decision. The revised tariff sheets should be implemented on or after the stamped approval date on the revised tariff sheet, pursuant to Rule 25-30.475(2), F.A.C., if no protest is filed and once the proposed customer notice has been approved by staff as adequate, and the customers have received the approved notice. The notice may be combined with the notice for the approved service rates.

**APPROVED**

Vote Sheet  
May 24, 2011

Docket No. 100330-WS – Application for increase in water/wastewater rates in Alachua, Brevard, DeSoto, Hardee, Highlands, Lake, Lee, Marion, Orange, Palm Beach, Pasco, Polk, Putnam, Seminole, Sumter, Volusia, and Washington Counties by Aqua Utilities Florida, Inc.

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 44:** What is the appropriate four-year rate case expense reduction for Docket No. 080121-WS?

**Recommendation:** The appropriate reductions for rate case expense approved in Docket No. 080121-WS are shown in the tables in the analysis portion of staff's memorandum dated May 12, 2011. 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 proposed customer notices for each system 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. The 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 notices were given within ten days of the date the notices were sent. 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 for the reduction in the rates due to the amortized rate case expense.

**APPROVED**

*with noted oral modification to staff analysis.*

**Issue 45:** 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 not in effect during the interim period. The revised revenue requirements for the interim collection period should be compared to the amount of interim revenue requirement granted. Based on this calculation, the required interim refunds are set forth in the analysis portion of staff's memorandum dated May 12, 2011.

**APPROVED**

*with noted oral modification to Table 45-1 of the staff analysis.*

Vote Sheet

May 24, 2011

Docket No. 100330-WS – Application for increase in water/wastewater rates in Alachua, Brevard, DeSoto, Hardee, Highlands, Lake, Lee, Marion, Orange, Palm Beach, Pasco, Polk, Putnam, Seminole, Sumter, Volusia, and Washington Counties by Aqua Utilities Florida, Inc.

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 46:** 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 for the instant case as required by Section 367.0816, F.S.?

**Recommendation:** The rates should be reduced as shown on Schedules 5-A and 5-B of staff's memorandum dated May 12, 2011, to remove the revenue impact of rate case expense for water and wastewater, respectively. This amount was calculated by taking the annual amount of rate case expense and the return on the provision included in working capital allowance by system, as well as the gross-up for regulatory assessment fees, which is \$167,285 for water and \$66,497 for wastewater.

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 proposed customer notices 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. The 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 notices were given within ten days of the date the notices were sent. 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 for the reduction in the rates due to the amortized rate case expense.

**APPROVED**

Vote Sheet

May 24, 2011

Docket No. 100330-WS – Application for increase in water/wastewater rates in Alachua, Brevard, DeSoto, Hardee, Highlands, Lake, Lee, Marion, Orange, Palm Beach, Pasco, Polk, Putnam, Seminole, Sumter, Volusia, and Washington Counties by Aqua Utilities Florida, Inc.

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 47:** In accordance with Order No. PSC-10-0707-FOF-WS, what is the amount and who would have to pay the regulatory asset (or deferred interim revenues), if it is ultimately determined by the Commission that the Utility was entitled to those revenues when it first applied for interim rates?

**Recommendation:** Consistent with the recommended interim refunds discussed in Issue 45, the recommended rate bands and stand alone systems addressed in previous issues, and an estimated cessation date for the interim collection period of three weeks after the final order in this case, the total regulatory assets for water and wastewater are \$400,679 and \$218,140, respectively. Accordingly, the total annual amortization amount is \$200,339 and \$109,070 for water and wastewater, respectively. Staff recommends that each rate band or stand-alone system that generated the regulatory assets receive the reduction in annual amortization of their respective regulatory assets. Upon the expiration of the two-year amortization period, the respective band or systems' rates should be reduced across-the-board to remove the respective grossed up annual amortization of the regulatory assets. 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 30 days prior to the actual date of the required rate reduction. 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 within 10 days of the date the notice were sent. 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 for the reduction in the rates due to the amortized regulatory asset.

**APPROVED**

**Issue 48:** 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, AUF 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

May 24, 2011

Docket No. 100330-WS – Application for increase in water/wastewater rates in Alachua, Brevard, DeSoto, Hardee, Highlands, Lake, Lee, Marion, Orange, Palm Beach, Pasco, Polk, Putnam, Seminole, Sumter, Volusia, and Washington Counties by Aqua Utilities Florida, Inc.

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 49:** Should these dockets be closed?

**Recommendation:** No. If no person whose substantial interests are affected by the proposed agency action (PAA) files a protest within 21 days of the issuance of the PAA Order, a consummating order will be issued. Docket No. 100330-WS 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, that the interim refund has been completed and verified by staff, and that the Utility has provided proof that it has adjusted its books for all the applicable NARUC USOA primary accounts associated with the Commission-approved adjustments. Once these actions are complete, these dockets should be closed administratively. If there is a protest of the PAA Order, Docket No. 080121-WS should be closed and any issues concerning quality of service should be addressed in Docket No. 100330-WS.

**APPROVED**

**Ann Cole**

**From:** Chuck Hill  
**Sent:** Monday, May 23, 2011 9:33 AM  
**To:** Marshall Willis; Commissioners Advisors; Ann Cole; Mary Anne Helton; Selena Chambers; Sharon Allbritton  
**Cc:** Andrew Maurey; Bart Fletcher; Cheryl Bulecza-Banks; Curt Mouring; Connie Kummer; Paul Stallcup; Patti Daniel; Ralph Jaeger; Lisa Bennett; Jennifer Crawford; Caroline Klancke  
**Subject:** FW: Oral modification to Item 17, Docket 100330-WS & 080121-WS, Aqua Utilities Florida, Inc.  
**Attachments:** Aqua Schedule Changes.doc; Aqua Errata Sheet for Docket No 100330.doc

Approved.

**From:** Marshall Willis  
**Sent:** Monday, May 23, 2011 9:28 AM  
**To:** Chuck Hill  
**Cc:** Andrew Maurey; Bart Fletcher; Cheryl Bulecza-Banks; Curt Mouring; Connie Kummer; Paul Stallcup; Patti Daniel; Ralph Jaeger; Lisa Bennett; Jennifer Crawford; Caroline Klancke; Mary Anne Helton  
**Subject:** Oral modification to Item 17, Docket 100330-WS & 080121-WS, Aqua Utilities Florida, Inc.

Staff requests permission to make an oral modification to Item 17, Docket 100330-WS & 080121-WS, Aqua Utilities Florida, Inc. This docket has a five-month deadline which expires on May 24, 2011. Therefore, the item can not be deferred.

After staff issued its recommendation, Aqua Utilities and OPC requested staff's Excel files in order to audit for errors. The company and OPC both submitted a list of what they believed may be possible errors. After review, staff agrees with only a portion of the suggested errors as follows:

1. Erroneous cell entries for pro forma depreciation expense,
2. Erroneous cell entries for non-used and useful adjustments in three bands,
3. Error in the reconciliation of the capital structure to rate base, and
4. Error which removed lobbying expenses twice.

These errors have the effect of raising the revenue requirement by \$61,948 for water and \$166,599 for wastewater. Because these errors have a rippling effect in the recommendation, staff needs to make the following oral modifications:

**Issue 3:** Should adjustments be made to the Utility's pro forma plant Additions?

**Recommendation:** Yes. The Utility's pro-forma plant additions should be decreased by \$410,693 for water and by \$658,663 for wastewater. Accordingly, accumulated depreciation should be ~~decreased~~ ~~increased~~ by ~~\$56,399~~ ~~\$52,928~~ for water and decreased ~~\$82,647~~ ~~\$190,360~~ for wastewater, and depreciation expense should be decreased by ~~\$31,597~~ ~~\$29,982~~ for water and ~~\$38,599~~ ~~\$56,929~~ for wastewater. Moreover, the Utility's property taxes should be decreased by ~~\$11,343~~ ~~\$33,837~~ for water and ~~\$13,581~~ ~~\$40,974~~ for wastewater. The specific rate band and system adjustments are set forth in staff's analysis below. (Deason)

**Issue 15:** What is the appropriate rate base for the April 30, 2010, test year

DOCUMENT NUMBER-DATE

03561 MAY 23 =

CLK AGENDA  
STAFF COPIED

FPS-COMMISSION CLERK

5/23/2011

**Recommendation:** Consistent with other recommended adjustments, the appropriate 13-month average rate base is \$20,242,872 ~~\$20,250,529~~ for water and \$13,781,735 ~~\$12,947,459~~ for wastewater. (Deason)

**Issue 17:** What is the appropriate amount of accumulated deferred income taxes to include in the capital structure?

**Recommendation:** The appropriate amount of accumulated deferred income taxes to include in the capital structure is \$2,192,385 ~~\$2,201,371~~. This represents an increase of \$735,913 ~~\$744,899~~ over the amount reflected in the Utility's filing. (Salnova, Springer)

**Issue 20:** What is the appropriate weighted average cost of capital including the proper components, amounts and cost rates associated with the capital structure?

**Recommendation:** The appropriate weighted average cost of capital for AUF is 7.39 ~~7.37~~ percent. (Cicchetti, Salnova)

**Issue 32:** What is the test year pre-repression water and wastewater operating income or loss before any revenue increase?

**Recommendation:** The test year pre-repression water and wastewater operating incomes are \$306,074 ~~\$341,466~~ and \$451,682 ~~\$486,722~~, respectively. (Mouring)

**Issue 33:** What is the appropriate pre-repression revenue requirement for the April 30, 2010, test year?

**Recommendation:** The appropriate pre-repression revenue requirement for the April 30, 2010, test year is \$10,315,406 ~~\$10,253,458~~ for water and \$6,002,288 ~~\$5,835,689~~ for wastewater. (Mouring)

**Issue 35:** If the Commission implements a capband rate consolidation method in Issues 37 or 38, what are the appropriate rate cap thresholds to be used to cap residential customer bills for the water and wastewater systems?

**Recommendation:** Staff recommends that the appropriate rate cap thresholds are \$66.50 ~~\$66.25~~ for the water systems and \$93.00 ~~\$90.00~~ for the wastewater systems. These rate cap thresholds are based upon residential customer bills with usage levels of 7 kgal per month for the water systems and 6 kgal per month for the wastewater systems. (Stallcup, Lingo)

**Issue 36:** What are the appropriate rate structures for the Utility's water and wastewater systems?

**Recommendation:** Staff recommends that the appropriate rate structure for the Utility's residential water customers is a three-tiered inclining block rate structure with usage blocks for monthly

consumption of 0 to 6 kgals, 6.001 to 12 kgals, and all kgals in excess of 12 kgals. For those water systems for which no repression adjustment is made, the recommended usage block rate factors are 1.0, 1.5, and 2.0, respectively. For those water systems for which a repression adjustment is made, the appropriate rate factors are 1.000, 1.883, and 2.824 ~~1.866~~, and ~~2.798~~, respectively. The appropriate rate structure for the general service water customers is a continuation of the BFC/uniform gallonage charge rate structure, with the general service gallonage charge rate based on the overall average rate per gal. The BFC allocation for the water systems should be set at 40 percent. However, if the Commission decides not to consolidate the Breeze Hill water system with another water system, staff recommends that the appropriate BFC allocation for the Breeze Hill system is 50 percent.

**Issue 40:** What are the appropriate monthly rates for the water and wastewater systems for the Utility?

**Recommendation:** The appropriate monthly water rates are shown on Schedule 4-A, and the appropriate monthly wastewater rates are shown on Schedule 4-B. Excluding miscellaneous service charges, the recommended water rates produce revenues of \$10,010,973 ~~\$9,981,498~~, and the recommended wastewater rates produce revenues of \$6,001,265 ~~\$5,835,689~~. The Utility should file revised water and wastewater tariff sheets and a proposed customer notice to reflect the Commission-approved rates for the water and wastewater systems. 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 approved 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 ten days after the date of the notice. (Stallcup, Lingo, Thompson, Fletcher)

Staff has also attached two files containing errata sheets for the recommendation. One for the recommendation and the other for the attached schedules. The errata sheets are lengthy because of the large number of tables and schedules contained in staff's recommendation.



Certain errors related to Pro Forma Depreciation, Pro Forma Property Taxes, Non-Used and Useful Adjustments, Cost of Capital, and Lobbying Expense were identified. The corrections for these items and the associated fall-out adjustments result in a net increase in the staff-recommended revenue requirement of \$228,547 for water and wastewater combined. The recommended revenue requirement is now \$2,883,728, or approximately 70 percent of the AUF-requested increase in revenues.

All changes are in type and strike format with the exception of tables and schedules. Changes to table and schedules are highlighted where a number was changed.

**Page 6 – Abbreviations**

YES                    YES **Companies** Communities, Inc. d/b/a Arredondo Farms

**Issue 3 – page 37**

Recommendation: Yes. The Utility’s pro-forma plant additions should be decreased by \$410,693 for water and by \$658,663 for wastewater. Accordingly, accumulated depreciation should be **decreased** ~~increased~~ by **\$56,399** ~~\$52,928~~ for water and decreased **\$82,647** ~~\$190,360~~ for wastewater, and depreciation expense should be decreased by **\$31,597** ~~\$29,982~~ for water and **\$38,599** ~~\$56,929~~ for wastewater. Moreover, the Utility’s property taxes should be decreased by **\$11,343** ~~\$33,837~~ for water and **\$13,581** ~~\$40,974~~ for wastewater. The specific rate band and system adjustments are set forth in staff’s analysis below.

Trucks

The Utility included \$200,278 in pro forma plant for 3 trucks. Staff has reviewed the documentation provided by AUF and notes that the documentation provided supports a lower amount than the amount AUF included in its MFRs. Based on staff’s analysis, **\$23,611** ~~\$176,667~~ should be removed for undocumented pro forma trucks. All adjustments for the pro forma trucks are reflected on the below table for each rate band and stand-alone system.

**Issue 3 – page 42**

Accumulated Depreciation and Depreciation Expense

Based on staff’s recommended adjustments above, staff has recalculated accumulated depreciation and depreciation expense associated with the pro forma additions. Accumulated depreciation should be **decreased** ~~increased~~ by **\$56,399** ~~\$52,928~~ for water and decreased by **\$82,647** ~~\$190,360~~ for wastewater, and depreciation expense should be decreased by **\$31,597** ~~\$29,982~~ for water and **\$38,599** ~~\$56,929~~ for wastewater. All adjustments for accumulated depreciation and depreciation expense are reflected on Tables 3-6 and 3-7, respectively, for each rate band and stand-alone system.

Rate Band/System	MFR Amount	Staff Amount	Staff Adjustment
Water Band 1	\$31,871	\$7,697	(\$24,174)
Wastewater Band 1	7,977	(4,959)	(12,936)
Water Band 2	(32,272)	10,476	42,748
Wastewater Band 2	(35,695)	89,466	125,161
Water Band 3	(1,987)	2,960	4,947
Wastewater Band 3	5,841	(2,256)	(8,097)
Water Band 4	(18,361)	20,569	38,930
Wastewater Band 4	14,198	(2,092)	(16,290)
Breeze Hill-Water	411	(310)	(721)
Breeze Hill-Wastewater	2,624	(457)	(3,081)
Fairways- Water	1,539	(591)	(2,130)
Fairways- Wastewater	784	(784)	(1,568)
Peace River- Water	2,591	(610)	(3,201)
Peace River- Wastewater	300	(242)	(542)
Total Adjustments	(\$20,179)	(\$118,868)	\$139,047

Rate Band/System	MFR Amount	Staff Amount	Staff Adjustment
Water Band 1	\$34,070	\$20,314	(\$13,756)
Wastewater Band 1	7,977	6,903	(1,074)
Water Band 2	15,105	11,249	(3,856)
Wastewater Band 2	74,199	54,590	(19,609)
Water Band 3	5,852	4,879	(973)
Wastewater Band 3	5,841	2,256	(3,585)
Water Band 4	51,995	42,013	(9,982)
Wastewater Band 4	14,198	2,092	(12,106)
Breeze Hill-Water	411	310	(101)
Breeze Hill-Wastewater	2,624	457	(2,167)
Fairways- Water	1,539	591	(948)
Fairways- Wastewater	784	784	0
Peace River- Water	2,591	610	(1,981)
Peace River- Wastewater	300	242	(58)
Total Adjustments	\$217,486	\$147,290	(\$70,196)

**Issue 3 - pages 43-44**

Pro Forma Property Taxes

AUF's filing reflected property taxes relating to pro forma plant additions of \$26,846 \$49,340 for water and \$30,585 \$57,978 for wastewater. Based on the recommend adjustments discussed above, staff has recalculated the property taxes relating to pro forma plant additions based on each system's millage rate reflected in its 2010 property tax documents. Based on staff's recalculation of property taxes, staff recommends the Utility's property taxes be decreased by \$11,343 \$33,837 for water and \$13,581 \$40,974 for wastewater. Based on those adjustments, the total property taxes relating to pro forma plant additions should be \$15,503 for water and \$17,004 for wastewater. All adjustments to property taxes are reflected on Table 3-8 of each rate band and stand-alone system.

Rate Band/System	MFR Amount	Staff Amount	Staff Adjustment
Water Band 1	\$7,150	\$2,875	(\$4,275)
Wastewater Band 1	1,359	1,186	(174)
Water Band 2	4,879	1,980	(2,899)
Wastewater Band 2	20,984	14,814	(6,171)
Water Band 3	572	311	(261)
Wastewater Band 3	2,385	364	(2,021)
Water Band 4	13,408	10,193	(3,215)
Wastewater Band 4	4,141	535	(3,606)
Breeze Hill-Water	0	0	0
Breeze Hill-Wastewater	1,715	105	(1,610)
Fairways- Water	0	0	0
Fairways- Wastewater	0	0	0
Peace River- Water	837	144	(693)
Peace River- Wastewater	0	0	0
Total Adjustments	\$57,431	\$32,507	(\$24,924)

**Issue 3 – page 44**

Conclusion

In summary, based on staff's recommended adjustments, the Utility's pro forma plant additions should be decreased by \$410,693 for water and decreased by \$658,663 for wastewater. Accordingly, accumulated depreciation should be decreased increased by \$56,399 \$52,928 for water and decreased by \$82,647 \$190,360 for wastewater and depreciation expense should be decreased by \$31,597 \$29,982 for water and \$38,599 \$56,929 for wastewater. The Utility's property taxes should be decreased by \$11,343 \$33,837 for water and \$13,581 \$40,974 for wastewater. The specific rate band and system adjustments are set forth in the table below.

**Issue 3 – page 45**

Table 3-9					
Summary of Staff Pro Forma Plant Adjustments					
<u>Rate Band/System</u>	<u>Plant</u>	<u>Retirements</u>	<u>Accumulated Depreciation</u>	<u>Depreciation Expense</u>	<u>Property Taxes</u>
Water Band 1	(\$212,265)	(\$27,607)	(\$24,174)	(\$13,756)	(\$4,275)
Wastewater Band 1	(7,280)	(1,944)	(12,936)	(1,074)	(174)
Water Band 2	(81,681)	(21,725)	42,748	(3,856)	(2,899)
Wastewater Band 2	(215,484)	(144,056)	125,161	(19,609)	(6,171)
Water Band 3	9,749	(7,839)	4,947	(973)	(261)
Wastewater Band 3	(124,748)	0	(8,097)	(3,585)	(2,021)
Water Band 4	(78,007)	(62,985)	38,930	(9,982)	(3,215)
Wastewater Band 4	(216,878)	0	(16,290)	(12,106)	(3,606)
Breeze Hill-Water	(612)	0	(721)	(101)	0
Breeze Hill-Wastewater	(93,928)	0	(3,081)	(2,167)	(1,610)
Fairways- Water	(5,684)	0	(2,130)	(948)	0
Fairways- Wastewater	2	0	(1,568)	0	0
Peace River- Water	(42,194)	0	(3,201)	(1,981)	(693)
Peace River- Wastewater	(347)	0	(542)	(58)	0
Total Adjustments	(\$1,069,356)	(\$266,157)	\$139,047	(\$70,196)	(\$24,924)

**Issue 9 – page 58**

**Last sentence of the first paragraph**

~~Table 9-1 shows AUF’s requested and staff’s recommended U&U percentage for the wastewater treatment plants.~~

**Issue 11 – page 61**

Table 11-1, total of “Staff Adjustment” column ~~\$14,042~~ \$93,048.

**Issue 13 – page 64**

Staff Analysis: In AUF’s filing, the Utility included ~~\$467,872~~ \$467,658 in its working capital allowance for Deferred Rate Case expense.

**Issue 15 – page 67 (fallout calculation)**

Recommendation: Consistent with other recommended adjustments, the appropriate 13-month average rate base is ~~\$20,242,872~~ \$20,250,529 for water and ~~\$13,781,735~~ \$12,947,459 for wastewater.

Staff Analysis: Based upon the Utility’s adjusted 13-month average test year balances and staff’s recommended adjustments, the appropriate 13-month average rate base is ~~\$20,242,872~~ \$20,250,529 for water and ~~\$13,781,735~~ \$12,947,459 for wastewater. Schedules 3-A and 3-B

reflect staff's recommended rate base calculation, as well as Table 15-1 below. Staff's proposed adjustments to rate base are shown on Schedules 3-C.

<u>Rate Band/System</u>	<u>MFR Amount</u>	<u>Staff Amount</u> <u>Staff</u> <u>Adjustment</u>	<u>Staff Adjustment</u> <u>Staff Amount</u>
Band 1-Water	\$6,337,692	(\$532,018)	\$5,805,674
Band 1 -Wastewater	750,530	(79,857)	670,673
Band 2 -Water	4,052,060	(208,804)	3,843,256
Band 2 -Wastewater	8,806,749	(297,113)	8,509,636
Band 3 -Water	1,374,775	(67,213)	1,307,562
Band 3 -Wastewater	2,774,829	(139,398)	2,635,431
Band 4 -Water	9,219,003	(501,291)	8,717,712
Band 4 -Wastewater	1,617,892	(276,006)	1,341,886
Breeze -Water	110,223	(9,759)	100,464
Breeze -Wastewater	165,315	(106,173)	59,142
Fairways -Water	334,888	(23,299)	311,589
Fairways -Wastewater	372,067	(23,024)	349,043
Peace -Water	208,331	(51,717)	156,614
Peace -Wastewater	223,423	(7,498)	215,925
Total:	<u>\$36,347,777</u>	<u>(\$2,323,170)</u>	<u>\$34,024,607</u>

**Issue 17 – page 69**

Recommendation: The appropriate amount of accumulated deferred income taxes to include in the capital structure is \$2,192,385 ~~\$2,201,371~~. This represents an increase of \$735,913 ~~\$744,899~~ over the amount reflected in the Utility's filing.

**Issue 17 – page 70**

**Final two sentences.**

Based on the aforementioned, staff recommends a consolidated adjustment of ~~\$744,899~~ \$735,913. Therefore, the appropriate balance of ADITs to include in AUF's capital structure is ~~\$2,201,371~~ \$2,192,385.

**Issue 19 – page 72**

Staff Analysis: Section 367.081(4)(f), F.S., authorizes the Commission to establish, not less than once each year, a leverage formula to calculate a reasonable range of returns on equity (ROE) for water and wastewater utilities. The leverage formula methodology currently in use was established in Order No. PSC-01-2514-FOF-WS. The ROE included in the Utility's filing is 9.67 percent. This return is based on the application of the Commission's leverage formula approved in Order No. PSC-10-0401-PAA-WS and an equity ratio of 61.31 ~~61.22~~ percent.

Based on the current leverage formula approved in Order No. PSC-10-0401-PAA-WS and an equity ratio of ~~61.31~~ 61.22 percent, the appropriate ROE is 9.67 percent. Staff recommends an allowed range of plus or minus 100 basis points be recognized for ratemaking purposes.

**Issue 20 – page 73 (fallout calculation)**

Recommendation: The appropriate weighted average cost of capital for AUF is ~~7.39~~ 7.37 percent.

Staff Analysis: The Utility proposed a weighted average cost of capital for the test year ended April 30, 2010, of 7.58 percent. Based upon the decisions in preceding issues and the proper components, amounts and cost rates associated with the capital structure, staff recommends a weighted average cost of capital of ~~7.39~~ 7.37 percent.

As discussed in Issue 17, staff recommends adjustments to the balance of zero cost accumulated deferred taxes resulting in deferred taxes of ~~\$2,192,385~~ \$2,201,371. As reflected in the Utility’s filing, the appropriate balance of customer deposits is \$50,700 at a cost rate of 6.00 percent. As discussed in Issue 18, staff’s recommended weighted average cost of long-term debt is 5.10 percent. As discussed in Issue 19, staff recommends 9.67 percent as the appropriate mid-point return on common equity. Finally, as discussed in Issue 16, staff recommends the appropriate capital structure to use for ratemaking purposes is the 13-month average capital structure of AUF. The net effect of these adjustments is a decrease to the overall cost of capital from the 7.58 percent return requested by the Utility to the return of ~~7.39~~ 7.37 percent recommended herein.

Based on the proper components, amounts, and cost rates associated with the capital structure for the test year ended April 30, 2010, staff recommends the appropriate weighted average cost of capital for AUF for purposes of setting rates in this proceeding is ~~7.39~~ 7.37 percent, as shown on Schedule 1.

**Issue 22 – page 76**

**Add footnote to end of sentence immediately before the heading Staff Audit.**

(Emphasis added). In overturning a prior Commission decision, Florida’s Supreme Court enunciated the standard for which the Commission should review affiliate transactions stating, “(w)e believe the standard must be whether the transactions exceed the going market rate or are otherwise inherently unfair.”

Footnote: GTE v. Deason, 642 So. 2d 545, 548 (Fla. 1994)

**Issue 22 – page 87**

Conclusion

Based on staff's recommendations above, Plant, Accumulated Depreciation, O&M expenses, and Depreciation expense should be reduced by \$148,278, \$61,819, \$65,187, and \$163,319, respectively. The recommended allocated overhead from affiliated companies represents approximately 20 percent of staff's total recommended O&M expenses and 12 percent of staff's total recommended revenue requirement of **\$16,317,694** ~~\$15,987,163~~. The specific rate band and system adjustments are set forth in the table below.

(Note – there are no changes to table 22-2.)

**Issue 24 – page 90**

Delete entire issue

**Issue 29 – page 101**

**Last sentence in the paragraph under the heading Sludge Removal**

As such, staff recommends reducing the Utility's requested **increase** decrease in Sludge Hauling expense for the Breeze Hill wastewater system by \$1,688.

**Issue 30 – page 107**

Table 30-1, total of "Staff Adjustment" column **\$83,359** (~~\$83,359~~).

**Issue 32 – page 109 (fallout calculation)**

Recommendation: The test year pre-repression water and wastewater operating incomes are **\$306,074** ~~\$341,466~~ and **\$451,682** ~~\$486,722~~, respectively.

Staff Analysis: Based on the adjustments discussed in previous issues, staff recommends that the test year operating incomes before any provision for increased revenues is **\$306,074** ~~\$341,466~~ for water and **\$451,682** ~~\$486,722~~ for wastewater. The test year operating income ...

**Issue 33 – page 110 (fallout calculation)**

Recommendation: The appropriate pre-repression revenue requirement for the April 30, 2010, test year is **\$10,315,406** ~~\$10,253,458~~ for water and **\$6,002,288** ~~\$5,835,689~~ for wastewater. (Mouring)

Staff Analysis: Consistent with staff's recommendation of rate base, cost of capital, and net operating income adjustments, staff recommends the total pre-repression revenue requirement is **\$10,315,406** ~~\$10,253,458~~ for water and **\$6,002,288** ~~\$5,835,689~~ for wastewater. The pre-repression revenue requirement for each of the Utility's water and wastewater bands and stand-alone systems are reflected in Schedule Nos. 2, 4-A, and 4-B.

**Rates and Charges Background Discussion – Page 112**

Stand-alone and Fully Consolidated Rates (Revised)				
	Stand-alone System A	Stand-alone System B	Stand-alone System C	Consolidated System A+B+C
Revenue Requirement	\$2,000,000	\$1,500,000	\$1,500,000	\$5,000,000
ERCs	120,000	60,000	20,000	200,000
Kgals	360,000	180,000	60,000	500,000
BFC @ 40% allocation	\$6.67	\$10.00	\$30.00	\$10.00
\$/Kgal	\$3.33	\$5.00	\$15.00	\$6.00
Customer bill @ 7 kgals	\$30.00	\$45.00	\$135.00	\$52.00
Consolidated Bill	\$52.00	\$52.00	\$52.00	
- Stand-alone Bill	- \$30.00	- \$45.00	- \$135.00	
Subsidy Paid/(Received)	\$22.00	\$7.00	(\$85.00)	

As shown in this table, Systems A and B have low to moderate customer bills for 7,000 gallons of consumption per month. However, System C, the very high cost system, has a customer bill of \$135 per month. If the three systems were fully consolidated, the customer bill for all customers would be \$52 \$45 per month. The bottom row in this table shows the subsidies that would result if the three systems were consolidated. While fully consolidating the systems would address the problem of very high rates for System C, it does so by creating a \$22 \$15 per month subsidy that must be paid by the customers of System A. If a \$22 \$15 monthly subsidy is deemed too high, then the capband methodology could provide a reasonable alternative.

**Issue 35 – pages 116-117**

Recommendation: Staff recommends that the appropriate rate cap thresholds are \$66.50 ~~\$66.25~~ for the water systems and \$93.00 ~~\$90.00~~ for the wastewater systems. These rate cap thresholds are based upon residential customer bills with usage levels of 7 kgals per month for the water systems and 6 kgals per month for the wastewater systems. (Stallcup, Lingo)

Staff Analysis: In the Utility's last rate case, the Commission approved rate cap thresholds of \$65.25 for the water systems at 7 kgals of usage per month and \$82.25 ~~\$90.00~~ for the wastewater systems at 6 kgals of usage per month. These values were recommended by staff because with a subsidy limit of \$12.50, these rate cap thresholds allowed the Commission to approve rates that were fully compensatory as required by 367.081(2)(a)1., F.S.<sup>1</sup> Staff's recommended rate cap thresholds in the instant case were established in the same manner. The rate cap thresholds of \$66.50 ~~\$66.25~~ for water and \$93.00 ~~\$90.00~~ for wastewater are the lowest values for these parameters that do not violate the subsidy limit of \$12.50 discussed in Issue 34 while yielding rates that are fully compensatory.

<sup>1</sup> See Order No. PSC-09-0385-FOF-WS.



Staff's recommended rate consolidation methods are described in Issues 37 and 38. This rate consolidation method utilizes the capband rate consolidation methodology with a subsidy limit of \$12.50 and rate cap thresholds of ~~\$66.50~~ \$66.25 for water and ~~\$93.00~~ \$90.00 for wastewater. This allows for the creation of a single capped rate band and a single uncapped rate band for water. For wastewater, it similarly allows for the creation of a single capped rate band and a single uncapped rate band (excluding a separate uncapped wastewater band that includes two systems with only general service customers). For the water rate bands, there are approximately twice as many residential customers in the capped rate band as there are in the uncapped rate band. ~~This means that for every dollar decrease in the rate cap threshold for water, there must be a two dollar increase in the subsidy limit in order to keep the resulting rates fully compensatory.~~ For the wastewater rate bands, there are approximately five times as many residential customers in the capped rate band as there are in the uncapped rate band. ~~This means that for every dollar decrease in the rate cap threshold for wastewater, there must be a five dollar increase in the wastewater subsidy limit.~~

As a point of comparison, staff calculated the rate cap thresholds that would be required to keep rates compensatory if the Commission approved a maximum subsidy limit of \$10.00 instead of staff's recommended subsidy limit of \$12.50. Under this scenario, the necessary rate cap threshold for water increases to \$68.00 from ~~\$66.50~~ \$66.25, and to ~~\$96.00~~ \$90.75 from ~~\$93.00~~ \$90.00 for wastewater. While staff believes its recommended values for the maximum subsidy limit and rate cap thresholds are appropriate in this case, staff believes this illustration of the trade offs between the maximum subsidy limit and the rate cap thresholds shows the degree of interdependence that exists between these two parameters.

Based on the foregoing, staff recommends that the appropriate rate cap thresholds are ~~\$66.50~~ \$66.25 for the water systems and ~~\$93.00~~ \$90.00 for the wastewater systems. These rate cap thresholds are based upon residential customer bills with usage levels of 7 kgals per month for the water systems and 6 kgals per month for the wastewater systems.

#### **Issue 36 – page 118**

Recommendation: Staff recommends that the appropriate rate structure for the Utility's residential water customers is a three-tiered inclining block rate structure with usage blocks for monthly consumption of 0 to 6 kgals, 6.001 to 12 kgals, and all kgals in excess of 12 kgals. For those water systems for which no repression adjustment is made, the recommended usage block rate factors are 1.0, 1.5, and 2.0, respectively. For those water systems for which a repression adjustment is made, the appropriate rate factors are 1.000, ~~1.883, and 2.824~~ 1.866, and 2.798...

**Issue 36 – page 119**

**Last sentence of the first full paragraph from the top of the page**

However, as will be shown in Issue 39, the appropriate post-repression rate factors for those systems with a repression adjustment are 1.000, 1.883, and 2.824 ~~1.866, and 2.798~~.

**Issue 36 – page 120**

Based on the foregoing, staff recommends that the appropriate rate structure for the Utility’s residential water customers is a three-tiered inclining block rate structure with usage blocks for monthly consumption of 0 to 6 kgals, 6.001 to 12 kgals, and all kgals in excess of 12 kgals. For those water systems for which no repression adjustment is made, the recommended usage block rate factors are 1.0, 1.5, and 2.0, respectively. For those water systems for which a repression is made, the appropriate rate factors are 1.000, 1.883, and 2.824 ~~1.866, and 2.798~~...

**Issue 37 – page 121**

	Current Band 1	Current Band 2	Current Band 3	Current Band 4	Breeze Hill	Fairway	Peace River
Stand-alone Bill	\$36.56	\$59.17	\$55.75	\$92.18	\$95.31	\$40.15	\$81.46
Consolidated Bill	\$58.48	\$58.48	\$58.48	\$58.48	\$58.48	\$58.48	\$58.48
Subsidy	\$21.92	(\$0.69)	\$2.73	(\$33.70)	(\$36.55)	\$18.33	(\$22.98)
Current Bill	\$29.15	\$44.93	\$54.25	\$70.22	\$34.41	\$19.98	\$53.48

Note: The customer bills and resulting subsidies are calculated at a usage level of 7 kgals. The stand-alone bill for the Breeze Hill system is calculated using the stand-alone rate structure described in Issue 42.

Staff notes that for the customers of current Rate Band 4, the Breeze Hill, and the Peace River systems, the stand-alone bills are significantly greater than staff’s recommended rate cap threshold of \$66.50 ~~\$66.25~~. Therefore, ...

**Issue 37 – page 122**

	Current Band 1	Fairway	Current Band 2	Current Band 3	Current Band 4	Breeze Hill	Peace River
New Rate Bands	New Rate Band 1				New Rate Band 4		
Stand-alone Bill	\$36.56	\$40.15	\$59.17	\$55.75	\$92.18	\$95.31	\$81.46
Merged Bill	\$36.11	\$36.11	\$59.17	\$55.75	\$91.53	\$91.53	\$91.53
Subsidy	(\$0.45)	(\$4.04)	\$0.00	\$0.00	(\$0.64)	(\$3.50)	\$10.08
Current Bill	\$29.15	\$19.98	\$44.93	\$54.25	\$70.22	\$34.41	\$53.48

By merging the three stand-alone water systems into the existing 4 water rate bands, staff notes that no customer will have to pay a subsidy greater than the \$12.50 subsidy recommended by staff in Issue 34. However, this approach results in customers of New Rate Band 4 paying bills in excess of the \$66.50 ~~\$66.25~~ maximum bill that results from the application of the capband rate consolidation methodology presented below. Therefore staff does not believe that this approach is appropriate in the case.

**Issue 37 – page 123**

	Current Band 1	Fairway	Current Band 2	Current Band 3	Current Band 4	Breeze Hill	Peace River
New Capband Rate Bands	New Rate Band 1 (Uncapped)		New Rate Band 2 (Capped)				
Stand-alone Bill	\$36.56	\$40.15	\$59.17	\$55.75	\$92.18	\$95.31	\$81.46
Capband Bill	\$48.79	\$48.79	\$66.50	\$66.50	\$66.50	\$66.50	\$66.50
Subsidy	\$12.24	\$8.65	\$7.33	\$10.75	(\$25.68)	(\$28.53)	(\$14.96)
Current Bill	\$29.15	\$19.98	\$44.93	\$54.25	\$70.22	\$34.41	\$53.48

Staff believes that the customer bills resulting from applying the capband rate consolidation method provide more appropriate results than either the stand-alone or fully consolidated bills presented earlier. With this methodology, the high customer bills that result from the stand-alone rates for customers of current Rate Band 4, the Breeze Hill, and the Peace River systems are reduced to a more reasonable amount of \$66.50 ~~\$66.25~~. Simultaneously, ...

**Issue 38 – page 124**

	Current Band 1	Current Band 2	Current Band 3	Current Band 4 (GS Only)	Breeze Hill	Fairways	Peace River
Stand-alone Bill	\$61.07	\$83.96	\$207.05	\$137.77	\$100.37	\$86.26	\$108.04
Consol. Bill	\$91.22	\$91.22	\$91.22	\$91.22	\$91.22	\$91.22	\$91.22
Subsidy	\$30.14	\$7.25	(\$115.83)	(\$46.55)	(\$9.15)	\$4.96	(\$16.83)
Current Bill	\$45.63	\$78.10	\$83.35	\$142.97	\$39.38	\$35.45	\$82.25

Note: The customer bills and resulting subsidies are calculated at a usage level of 6 kgals. The bills for current rate band 4 are calculated using rates applicable to General Service customers.

Staff notes that for the customers of current Rate Band 3, the Breeze Hill, and the Peace River systems, the stand-alone bills are significantly greater than staff's recommended rate cap threshold of \$93.00 ~~\$90.00~~. Therefore, ...

**Issue 38 – page 124**

Footnote 100

AUF's Aqua Utilities Florida, Inc., Application --, Exhibit H.

**Issue 38 – page 125**

	Current Band 1	Current Band 2	Current Band 3	Current Band 4 (GS Only)	Breeze Hill	Fairway	Peace River
New Rate Bands	Rate Band 1	Rate Band 2	Rate Band 3	Rate Band 4	New Rate Band 5		
Stand-alone Bill	\$61.07	\$83.96	\$207.05	\$137.77	\$100.37	\$86.26	\$108.04
Merged Bill	\$61.07	\$83.96	\$207.05	\$137.77	\$91.71	\$91.71	\$91.71
Subsidy	\$0.00	\$0.00	\$0.00	\$0.00	(\$8.65)	\$5.46	(\$16.33)
Current Bill	\$45.63	\$78.10	\$83.35	\$142.97	\$39.38	\$35.45	\$82.25

This approach results in no customer having to pay a subsidy greater than the \$12.50 subsidy recommended by staff in Issue 34. However, this approach results in customers of Rate Band 3 and the three stand-alone systems paying bills in excess of the ~~\$90.00~~ \$93.00 maximum bill that results from the application of the capband rate consolidation methodology presented below. Therefore staff does not believe that this approach is appropriate in the case.

**Issue 38 – page 126**

	Current Band 1	Current Band 2	Current Band 3	Breeze Hill	Fairway	Peace River	Current Band 4 (GS Only)
New Capband Rate Bands	New Rate Band 1 (Uncapped)	New Rate Band 2 (Capped)		New Rate Band 2			New Rate Band 3
Stand-alone Bill	\$61.07	\$83.96	\$207.05	\$100.37	\$86.26	\$108.04	\$137.77
Capband Bill	\$72.97	\$93.00	\$93.00	\$93.00	\$93.00	\$93.00	\$137.77
Subsidy	\$11.90	\$9.04	(\$114.05)	(\$7.37)	\$6.74	(\$15.04)	(\$0.00)
Current Bill	\$45.63	\$78.10	\$83.35	\$39.38	\$35.45	\$82.25	\$142.97

Note: The customer bills and resulting subsidies are calculated at a usage level of 6 kgals.

Staff believes that the customer bills resulting from applying the capband rate consolidation method provide more appropriate results than either the stand-alone or fully consolidated bills presented earlier. With this methodology, the high customer bills that result from the stand-alone rates for customers of current Rate Band 3, the Breeze Hill, Fairway, and

the Peace River systems are reduced to a more reasonable amount of ~~\$93.00~~ \$90.00. Simultaneously, the high subsidies that result from fully consolidated rates for customers of current Rate Band 1 are limited to less than \$12.50. Therefore, staff believes that the capband rate consolidation method yields more appropriate customer bills.

**Issue 39 – page 127**

Table 39-1 (Revised)	
Recommended Repression Adjustments Uncapped Water Systems (Rate Band 1)	
<u>Uncapped</u>	
<u>Water</u>	
Number of Kgals Repressed	49,156
Pre-repression Revenue Requirement	\$3,631,639
Purchased Power Adjustment	(\$2,173)
Chemicals Adjustment	(\$5,778)
Purchased Water Adjustment	(\$23,123)
Regulatory Assessment Fees Adjustment	(\$1,398)
Post-repression Revenue Requirement (1)	\$3,599,166
(1)	May not sum to total due to rounding of individual expense adjustments.

**Issue 39 – pages 128-129**

**Beginning with the last paragraph on page 128 and continuing on page 129**

The first step in applying a repression adjustment to water Rate Band 1 is to calculate the pre-repression rates for the rate band using staff’s recommended rate factors of 1.0, 1.5, and 2.0. These new rates, compared to the existing rates for the systems contained in Rate Band 1, allow the percentage change in customer bills to be calculated. The percentage change in customers’ bills, together with the elasticity value of -0.4, allows the expected reduction in consumption to be calculated. The reduction in consumption, priced using the pre-repression rates, shows the revenue shortfall that would result if a repression adjustment were not made. In the case of water Rate Band 1, this revenue shortfall would be approximately ~~\$305,000~~ \$300,000 and represents ~~8.4~~ 8.3 percent of the water rate band’s pre-repression revenue requirement. Because the Commission’s current repression methodology does not apply a repression adjustment to non-discretionary consumption, the entirety of the ~~\$305,000~~ \$300,000 revenue shortfall is allocated for recovery purposes to the two usage blocks above 6 kgals per month. This causes the rates for the two upper usage blocks to increase above their pre-repression levels while leaving the rate for the first usage block at its pre-repression level. According to staff’s calculations, the pre-repression rates of ~~\$3.62, \$5.44, and \$7.25~~ \$3.59, \$5.38, and \$7.17 corresponding to the three usage blocks must change to ~~\$3.62, \$6.82, and \$10.24~~ \$3.59, \$6.69, and \$10.04 in order for the post-repression rates to be compensatory. The relative amounts of these rates give rise to staff’s recommended rate factors of 1.000, ~~1.883, and 2.824~~ 1.866, and 2.798 presented in Issue 36.

**Issue 40 – page 130**

Recommendation: The appropriate monthly water rates are shown on Schedule 4-A, and the appropriate monthly wastewater rates are shown on Schedule 4-B. Excluding miscellaneous service charges, the recommended water rates produce revenues of ~~\$10,010,973~~ \$9,981,498, and the recommended wastewater rates produce revenues of ~~\$6,001,265~~ \$5,835,689. The Utility...

Staff Analysis: The appropriate post-repression revenue requirement, excluding miscellaneous service charges, is ~~\$10,010,973~~ \$9,981,498 for the water system and ~~\$6,001,265~~ \$5,835,689 for the wastewater system. As discussed in Issue 36, staff recommends that the appropriate rate structure for the water system’s residential class is a three-tier inclining-block rate structure, with usage blocks of: a) 0-6 kgal; b) 6.001-12 kgal; and c) all usage in excess of 12 kgals in the third usage block. The usage block rate factors should be 1.000, ~~1.883~~, and ~~2.824~~ 1.866, and 2.798, respectively. The BFC cost recovery percentage should be set at 40 percent. Staff recommends that the traditional BFC/uniform gallonage charge rate structure be applied to all non-residential rate classes. As discussed in Issue 39, staff recommends that a repression adjustment be made to the water systems. Applying these rate designs and repression adjustments to the recommended pre-repression revenue requirements results in the final rates contained in Schedule 4-A. These rates are designed to recover a post-repression revenue requirement of ~~\$10,010,973~~ \$9,981,498 for the water system.

As discussed in Issue 36, staff recommends that the appropriate rate structure for the wastewater systems is a BFC/gallonage charge rate structure, with the general service gallonage charge set at 1.2 times the corresponding residential gallonage charge. The BFC cost recovery percentage should be set at 50 percent. As discussed in Issue 39, staff recommends that no repression adjustment be made to the wastewater systems. Applying these rate designs and no repression adjustment to the recommended pre-repression revenue requirements for the wastewater systems results in the final rates contained in Schedule 4-B. These rates are designed to recover a post-repression revenue requirement of ~~\$6,001,265~~ \$5,835,689 for the wastewater system.

**Issue 42 – page 138**

Table 42-6					
Allowance for Funds Prudently Invested					
Calculation of Carrying Cost Per ERC Per Month:					
	2011	2012	2013	2014	2015
January	1.19	15.59	30.91	47.20	64.56
February	2.39	16.86	32.26	48.64	66.09
March	3.58	18.13	33.61	50.08	67.63
April	4.78	19.40	34.96	51.52	69.16
May	5.97	20.67	36.31	52.96	70.69
June	7.16	21.94	37.66	54.39	72.22
July	8.36	23.21	39.01	55.83	73.75
August	9.55	24.48	40.36	57.27	75.29
September	10.74	25.75	41.71	58.71	76.82
October	11.94	27.02	43.06	60.15	78.35
November	13.13	28.29	44.41	61.59	79.88
December	14.33	29.56	45.76	63.03	81.41

Staff Analysis: Section 367.0816, F.S., requires rates to be reduced immediately following the expiration of the four-year amortization period by the amount of the rate case expense previously included in the rates. In Docket No. 080121-WS, the Commission approved rate case expense for the current water and wastewater rate bands, as well as the rate reduction to occur pursuant to Section 367.0816, F.S. The rates became effective April 1, 2009, and the four-year rate case expense reduction will not occur until March 31, 2013. As such, the previously-approved rate case expense for the current rate bands are embedded in the recommended revenue requirements. Because staff is recommending consolidation of the current rate bands and the stand-alone systems into two water and wastewater rate bands, staff believes it necessitates a recalculation of the four-year rate reduction. Also, staff believes the across-the-board rate decrease should be calculated by taking the grossed-up rate case expense approved in the last case and dividing it by the corresponding recommended revenue requirement in this instant case, as illustrated in Table 44-1 below.

Table 44-1 Calculation Four-Year Rate Case Expense (RCE) Reduction for Docket No. 080121-WS						
Recomm. Bands	Current Bands	Annual RCE Amort.	RAF Factor	Grossed-up RCE	Recomm. Rev. Req.	Across-the-Board Decrease
New Water Band 1	Old Water Band 1	\$86,810	0.955	\$90,901	\$2,642,758	3.44%
New Water Band 2	Old Water Band 2	\$38,944	0.955	\$40,779		
	Old Water Band 3	24,214	0.955	25,355		
	Old Water Band 4	10,183	0.955	10,663		
		\$73,341		\$76,797	\$7,323,309	1.05%
New Wastewater Band 1	Old Wastewater Band 1	\$11,172	0.955	\$11,698	\$490,355	2.39%
New Wastewater Band 2	Old Wastewater Band 2	\$43,690	0.955	\$45,749		
	Old Wastewater Band 3	1,364	0.955	1,428		
		\$45,054		\$47,177	\$4,657,486	1.01%
New Wastewater Band 3	Old Wastewater Band 4	\$1,492	0.955	\$1,562	\$504,850	0.31%

Issue 44 – page 145

Based on the above recommended across-the-board decreases, the recommended rate reductions effective as of March 31, ~~2013~~ 2012, for the rate case expense approved in Docket No. 080121-WS, for water and wastewater are shown on Tables 44-2 and 44-3, respectively.

Table 44-2				
WATER	New Rate Band One (1)	080121-WS 4-Yr Reduction	New Rate Band Two (2)	080121-WS 4-Yr Reduction
<u>RS, GS, Multi, Irrig</u>	BFC		BFC	
5/8" x 3/4"	\$20.22	\$0.70	\$18.95	\$0.20
3/4"	\$30.33	\$1.04	\$28.42	\$0.30
1"	\$50.56	\$1.74	\$47.37	\$0.50
1 1/2"	\$101.11	\$3.48	\$94.73	\$0.99
2"	\$161.78	\$5.56	\$151.57	\$1.59
3"	\$323.56	\$11.13	\$303.14	\$3.18
4"	\$505.56	\$17.39	\$473.66	\$4.97
6"	\$1,011.12	\$34.78	\$947.32	\$9.93
8"	\$1,617.80	\$55.65	\$1,515.71	\$15.89
10"	\$2,325.58	\$79.99	\$2,178.83	\$22.85
<u>Residential kgal chgs:</u>				
0-6 kgals	\$3.62	\$0.12	\$6.34	\$0.07
6.001 - 12 kgals	\$6.82	\$0.23	\$9.51	\$0.10
12.001 +	\$10.24	\$0.35	\$12.68	\$0.13
<u>Gen. Service kgal chg:</u>	\$5.17	\$0.18	\$7.16	\$0.08
<u>Private Fire Protection</u>				
BFC by Meter Size				
2"	\$13.48	\$0.46	\$12.63	\$0.13
3"	\$26.96	\$0.93	\$25.26	\$0.26
4"	\$42.13	\$1.45	\$39.47	\$0.41
6"	\$84.26	\$2.90	\$78.94	\$0.83
8"	\$134.82	\$4.64	\$126.31	\$1.32
10"	\$193.80	\$6.67	\$181.57	\$1.90
<u>Typical Residential Bills</u>				
3,000 gallons	\$31.10	\$1.07	\$37.97	\$0.40
5,000 gallons	\$38.35	\$1.32	\$50.65	\$0.53
10,000 gallons	\$69.27	\$2.38	\$95.03	\$1.00
(1) Rate Band One includes Old Rate Band One and Fairways.				
(2) Rate Band Two includes all other water Bands and Systems.				



Table 44-3

WASTEWATER	New Rate Band One (1)	080121-WS 4-Yr Reduction	New Rate Band Two (2)	080121-WS 4-Yr Reduction	New Rate Band Three (3)	080121-WS 4-Yr Reduction
<u>Residential</u>						
BFC - All Meter Sizes	\$24.10	\$0.58	\$36.52	\$0.37	\$79.24	\$0.25
Kgal Charge - 6,000 Cap	\$8.14	\$0.19	\$9.41	\$0.10	\$7.97	\$0.02
<u>General Service</u>						
5/8" x 3/4"	\$24.10	\$0.58	\$36.52	\$0.37	\$79.24	\$0.25
3/4"	\$36.15	\$0.86	\$54.79	\$0.55	\$118.86	\$0.37
1"	\$60.26	\$1.44	\$91.31	\$0.92	\$198.09	\$0.61
1 1/2"	\$120.51	\$2.88	\$182.62	\$1.85	\$396.19	\$1.23
2"	\$192.82	\$4.60	\$292.19	\$2.96	\$633.90	\$1.96
3"	\$385.63	\$9.20	\$584.38	\$5.92	\$1,267.79	\$3.92
4"	\$602.55	\$14.38	\$913.10	\$9.25	\$1,980.93	\$6.13
6"	\$1,205.11	\$28.75	\$1,826.19	\$18.50	\$3,961.85	\$12.26
8"	\$1,928.17	\$46.00	\$2,921.91	\$29.60	\$6,338.97	\$19.62
10"	\$2,771.74	\$66.13	\$4,200.24	\$42.55	\$9,112.27	\$28.20
Kgal Charge	\$9.77	\$0.23	\$11.30	\$0.11	\$9.57	\$0.03
<u>Flat Rate Residential</u>	\$47.77	\$1.14	\$62.93	\$0.64	N/A	N/A
<u>Flat Rate General Service</u>	N/A	N/A	\$120.16	\$1.22	N/A	N/A
<u>Reuse per Sprinkler Head</u>	\$0.50	\$0.01	\$0.50	\$0.01	\$0.50	\$0.00
<u>Typical Residential Bills</u>						
3,000 gallons	\$48.54	\$1.16	\$64.76	\$0.66	\$103.16	\$0.32
5,000 gallons	\$64.82	\$1.55	\$83.59	\$0.85	\$119.11	\$0.37
10,000 gallons	\$72.97	\$1.74	\$93.00	\$0.94	\$127.08	\$0.39
(Wastewater Gallonage Cap - 6,000 gallons)						
Rate Band One consists of Old Rate Band One only.						
Rate Band Two consists of Old Rate Bands 2 and 3, and the Breeze Hill, Fairways, and Peace River Systems.						
Rate Band 3 consists of Old Rate Band 4 (GS Only).						

Table 45-1						
	Recom.	RAF	Interim	Interim		
Band/System	Rev. Req.	Grossed RCE	Period Rev. Req.	Rev. Req. Per Order	Interim Excess	Refund %
Water Band 1	\$2,642,758	\$47,556	\$2,595,203	\$2,559,477	(\$35,726)	No Refund
Water Band 2	\$1,508,849	\$21,140	\$1,487,710	\$1,432,357	(\$55,353)	No Refund
Water Band 3	\$916,643	\$12,912	\$903,731	\$930,090	\$26,359	2.92%
Water Band 4	\$4,897,817	\$58,751	\$4,839,066	\$3,816,182	(\$1,022,884)	No Refund
Wastewater Band 1	\$490,355	\$8,453	\$481,902	\$473,692	(\$8,210)	No Refund
Wastewater Band 2	\$3,736,437	\$38,770	\$3,697,667	\$3,546,600	(\$151,067)	No Refund
Wastewater Band 3	\$921,049	\$4,760	\$916,289	\$484,040	(\$432,249)	No Refund
Wastewater Band 4	\$504,850	\$2,359	\$502,491	\$533,651	\$31,160	6.20%
Breeze Hill Water	\$64,438	\$1,000	\$63,437	\$53,069	(\$10,368)	No Refund
Breeze Hill Wastewater	\$65,807	\$1,000	\$64,807	\$73,949	\$9,142	14.11%
Fairways Water	\$182,743	\$3,651	\$179,092	\$189,399	\$10,307	5.75%
Fairways Wastewater	\$184,260	\$1,884	\$182,376	\$181,739	(\$637)	No Refund
Peace River Water	\$102,157	\$775	\$101,382	\$82,317	(\$19,065)	No Refund
Peace River Wastewater	\$99,530	\$725	\$98,804	\$97,667	(\$1,137)	No Refund