

VOTE SHEET

March 27, 2012

Docket No. 110264-WS – Application for increase in water and wastewater rates in Pasco County by Labrador Utilities, Inc.

Issue 1: Should the Commission grant Forest Lake Estates Co-op, Inc.'s Motion to Dismiss or Abate this case? Recommendation: No, the Commission should deny the Motion to Dismiss or Abate this case. Labrador should provide the Commission quarterly status reports on the course of Circuit Court Case No. 51-08-CA-4033-ES/B.

APPROVED

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COMMISSION
CLERK

Issue 2: Is the quality of service provided by Labrador satisfactory?

Recommendation: Yes. The overall quality of service provided by Labrador is satisfactory.

DENIED

The utility's water quality of service was found to be satisfactory and the wastewater quality of service was found to be marginal.

COMMISSIONERS ASSIGNED: All Commissioners

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

Julie B
[Signature]
[Signature]
[Signature]

[Signature] #6 only

REMARKS/DISSENTING COMMENTS:

Oral modification (DNO1118-12) was filed in this docket.

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

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Issue 3: Should the audit adjustments to rate base and operating expense to which the Utility and staff agree be made?

Recommendation: Yes. Based on the audit adjustments agreed to by the Utility and staff, the following adjustments should be made to rate base and net operating expense as set forth in the analysis portion of staff's memorandum dated March 15, 2012.

APPROVED

Issue 4: Should any adjustment be made to the Utility's Project Phoenix Financial / Customer Care Billing System (Phoenix Project)?

Recommendation: Yes. Plant should be reduced by \$6,578 for water and \$6,473 for wastewater. In addition, accumulated depreciation should be reduced by \$4,077 for water and \$4,011 for wastewater. Depreciation expense should be decreased by \$2,320 for water and \$2,285 for wastewater.

APPROVED

Issue 5: Should any adjustments be made to the Utility's requested adjustments to accumulated depreciation?

Recommendation: Yes. Accumulated depreciation should be decreased by \$179 for water and \$1,826 for wastewater. Corresponding adjustments should be made to decrease depreciation expense by \$179 and \$1,826 for water and wastewater, respectively.

APPROVED

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Issue 6: What are the used and useful percentages of the Utility's water and wastewater system?

Recommendation: The Utility's WTP, storage, WWTP, and distribution and collection systems should be considered 100 percent used and useful.

MODIFIED

The commissioners determined the wastewater used and useful @ 79.94% and the water @ 100%. Commissioner Graham dissented.

Issue 7: What is the appropriate working capital allowance?

Recommendation: The appropriate working capital allowance is \$19,736 ~~\$19,653~~ for water and \$26,327 ~~\$26,245~~ for wastewater. As such, the working capital allowance should be decreased by \$5,938 ~~\$6,024~~ for water and \$6,196 ~~\$6,278~~ for wastewater.

APPROVED

Oral modification (DN 01718-12) filed.

Issue 8: What is the appropriate rate base for the test year ended December 31, 2010?

Recommendation: The appropriate simple average rate base for the test year ended December 31, 2010, is \$695,728 ~~\$695,645~~ for water and \$1,351,775 ~~\$1,351,693~~ for wastewater.

APPROVED

Oral modification (DN 01718-12) filed.

Issue 9: What is the appropriate return on equity?

Recommendation: Based on the Commission leverage formula currently in effect, the appropriate return on equity (ROE) is 10.51 percent with an allowed range of plus or minus 100 basis points.

DENIED

The commissioners voted to reduce the ROE by 25 basis points for the wastewater only.

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Issue 10: What is the appropriate weighted average cost of capital including the proper components, amounts, and cost rates associated with the capital structure for the test year ended December 31, 2010?

Recommendation: The appropriate weighted average cost of capital for the test year ended December 31, 2010 is 8.26 percent.

APPROVED

Issue 11: Should any adjustments be made to the Utility's requested water O&M expense related to tank maintenance and repair?

Recommendation: Yes. Water O&M expense should be decreased by \$3,213 to reflect the appropriate amount of water tank maintenance and repair expense.

APPROVED

Issue 12: Should any adjustment be made to the Utility's salaries and wages expense?

Recommendation: Yes. Salaries and wages expense should be decreased by \$1,704 for water and \$1,677 for wastewater.

APPROVED

Issue 13: Should further adjustments be made to the Utility's O&M expense?

Recommendation: Yes. O&M expense should be reduced by \$640 for water and \$3,330 for wastewater to reflect the appropriate level of miscellaneous and sludge removal expenses.

MODIFIED

to give staff administrative authority to calculate the proper numbers for a five year plan, removing the phoenix portion of the expenses, and as further discussed at the Commission Conference.

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Issue 14: What is the appropriate amount of rate case expense?

Recommendation: The appropriate amount of rate case expense is ~~\$88,662~~ ~~\$83,374~~. This expense should be recovered over four years for an annual expense of ~~\$22,166~~ ~~\$20,844~~, or ~~\$11,171~~ ~~\$10,505~~ for water and ~~\$10,994~~ ~~\$10,338~~ for wastewater. Therefore, annual rate case expense should be reduced by ~~\$22,547~~ ~~\$23,213~~ for water and ~~\$22,189~~ ~~\$22,844~~ for wastewater from the amounts requested in the Utility’s MFRs.

APPROVED *oral modification (DN 01718-12) filed*

Issue 15: What is the appropriate revenue requirement for the test year ended December 31, 2010?

Recommendation: The following revenue requirement should be approved.

	Test Year Revenue	\$ Increase	Revenue Requirement	% Increase
Water		<u>\$52,363</u>	<u>\$301,937</u>	<u>20.98%</u>
	\$249,568	\$51,655	\$301,223	20.70%
Wastewater		<u>\$46,146</u>	<u>\$491,790</u>	<u>10.35%</u>
	\$445,644	45,449	\$491,093	10.20%

APPROVED *oral modification (DN 01718-12) filed*

Issue 16: What are the appropriate rate structures for the Utility’s water and wastewater systems?

Recommendation: The appropriate rate structure for the Utility’s water system is the base facility charge (BFC)/uniform gallonage charge rate structure. The BFC cost recovery allocations should be set at 40 percent. The appropriate rate structure for the utility’s wastewater system is the BFC/gallonage charge rate structure. The BFC cost recovery allocation should be set at 50 percent. Residential wastewater consumption should remain capped for billing purposes at 6 kgal per month. The general service wastewater gallonage charge should be 1.2 times the corresponding residential gallonage charge.

APPROVED

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Issue 17: What are the appropriate rates for this utility?

Recommendation: The appropriate monthly water rates are shown on Schedule No. 4-A, of staff's memorandum dated March 15, 2012, and the corresponding appropriate monthly wastewater rates are shown on Schedule No. 4-B of staff's memorandum dated March 15, 2012. Excluding miscellaneous service revenue, the recommended water rates are designed to produce revenue of ~~\$300,268~~ \$300,975 while the recommended wastewater rates are designed to produce revenue of ~~\$490,515~~ \$491,212. The Utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date of the revised tariff sheets pursuant to Rule 25-30.475(1), F.A.C. In addition, the rates should not be implemented until staff has approved the proposed customer notice. The Utility should provide proof of the date the notice was given within 10 days of the date of the notice.

APPROVED

*Oral modifications (DN 01718-12)
filed*

Issue 18: In determining whether any portion of the interim water and wastewater revenue increase granted should be refunded, how should the refund be calculated, and what is the amount of the refund, if any?

Recommendation: The proper refund amount should be calculated by using the same data used to establish final rates, excluding rate case expense and other items not in effect during the interim period. This revised revenue requirement for the interim collection period should be compared to the amount of interim revenue requirement granted. Based on this calculation, there is no refund required for water, and the Utility should be required to refund ~~3.08 percent, or \$8,838, of water annual revenue and 3.15 percent, or \$28,358, of wastewater annual revenue granted under interim rates.~~ 3.15 percent, or \$28,358, of wastewater annual revenue granted under interim rates. The refund should be made with interest in accordance with Rule 25-30.360(4), F.A.C. The Utility should be required to submit proper refund reports, pursuant to Rule 25-30.360(7), F.A.C. The Utility should treat any unclaimed refunds as CIAC, pursuant to Rule 25-30.360(8), F.A.C. Further, the corporate undertaking should be released upon staff's verification that the required refunds have been made.

APPROVED

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Issue 19: 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, Florida Statutes?

Recommendation: The rates should be reduced as shown on Schedule Nos. 4-A and 4-B of staff's memorandum dated March 15, 2012, to remove ~~\$11,819~~ ~~\$11,114~~ for water and ~~\$11,631~~ ~~\$10,937~~ for wastewater related the annual rate case expense, grossed up for RAFs, which is being amortized over a four-year period. The decrease in rates should become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.0816, F.S. The Utility should be required to file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the reduction no later than one month prior to the actual date of the required rate reduction.

APPROVED *oral modification (DN 01718-12)
filed*

Issue 20: Should the Utility be required to provide proof, within 90 days of an effective order finalizing this docket, that it has adjusted its books for all the applicable National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts (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, Labrador should provide proof, within 90 days of the final order in this docket, that the adjustments for all the applicable NARUC USOA primary accounts have been made.

APPROVED

Issue 21: Should this docket be closed?

Recommendation: No. If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, a consummating order will 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, and that the interim refund has been completed and verified by staff. Once these actions are complete, this docket should be closed administratively.

APPROVED; *The docket will remain open
per the quality of service waste
water issues discussed at the
Commission Conference.*