

VOTE SHEET

December 10, 2012

Docket No. 120037-WS – Application for increase in water and wastewater rates in Lake County by Utilities, Inc. of Pennbrooke.

**Issue 1:** Is the quality of service provided by Utilities, Inc. of Pennbrooke satisfactory?

**Recommendation:** Yes. The overall quality of service provided by Pennbrooke is satisfactory. However, due to localized water pressure concerns and the water quality aesthetics, staff recommends that Pennbrooke continue to engage the customers to discuss potential options and associated costs.

**APPROVED**

Staff was directed to include in the order that the Utility contact the Pennbrooke HOA and OPC to discuss and assess potential treatment options, costs, and any other concerns and to file a report with the Commission within six months – as discussed ~~that~~ at the Commission Conference this date.

RECEIVED- FPSC  
12 DEC 10 AM 11:08  
COMMISSION  
CLERK

COMMISSIONERS All Commissioners  
ASSIGNED:

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

*[Handwritten signatures in majority column]*

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REMARKS/DISSENTING COMMENTS:

DOCUMENT NUMBER-DATE

08046 DEC 10 12

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**Issue 2:** 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 adjustments should be made to rate base and net operating expense as set forth in the analysis portion of staff's memorandum dated November 29, 2012.

**APPROVED**

**Issue 3:** 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 \$12,251 for water and \$9,814 for wastewater. Corresponding adjustments should be made to increase accumulated depreciation by \$5,012 for water and \$4,147 for wastewater and to decrease depreciation expense by \$1,562 for water and \$1,262 for wastewater. O&M expenses should be decreased by \$2,623 for water and \$2,189 for wastewater. In addition, consistent with the Commission's previous decisions, Pennbrooke should be authorized to create a regulatory asset or liability for costs associated with the Phoenix Project, and to accrue interest on the regulatory asset or liability at the 30-day commercial paper rate until the establishment of rates in Pennbrooke's next rate proceeding. Furthermore, the regulatory asset or liability should be amortized over four years.

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**Issue 4:** Should any adjustments be made to the Utility's pro forma plant?

**Recommendation:** Yes. Plant should be reduced by \$386,696 for water. In addition, corresponding adjustments should be made to increase accumulated depreciation by \$19,461, decrease depreciation expense by \$13,006, and increase TOTI by \$163. Finally, accumulated deferred income taxes (ADITs) should be increased by \$5,907.

**APPROVED**

**Issue 5:** What are the used and useful percentages for the Utility's water and wastewater systems?

**Recommendation:** The Utility's water and wastewater systems are 100 percent used and useful (U&U).

**APPROVED**

**Issue 6:** What is the appropriate working capital allowance?

**Recommendation:** The appropriate working capital allowance is \$36,249 for water and \$36,233 for wastewater. As such, the working capital allowance should be decreased by \$701 for water and increased by \$1,619 for wastewater.

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**Issue 7:** What is the appropriate rate base for the test year ended September 30, 2011?

**Recommendation:** The appropriate simple average rate base for the test year ended September 30, 2011, is \$724,794 for water and \$1,184,747 for wastewater.

**APPROVED**

**Issue 8:** What is the appropriate return on equity?

**Recommendation:** Based on the Commission leverage formula currently in effect, the appropriate return on equity (ROE) is 10.37 percent with an allowed range of plus or minus 100 basis points.

**APPROVED**

**Issue 9:** 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 the test year ended September 30, 2011 is 7.89 percent.

**APPROVED** *CRS*  
*2-19-14*

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**Issue 10:** Should any adjustment be made to the Utility's salaries and wages expense?

**Recommendation:** Yes. O&M expense should be reduced by \$34,536 and \$18,471 for water and wastewater, respectively. Further, corresponding adjustments should be made to reduce payroll taxes by \$2,149 and \$1,149 for water and wastewater, respectively.

**APPROVED**

**Issue 11:** Should further adjustments be made to the Utility's O&M expense?

**Recommendation:** Yes. O&M expense should be reduced by \$11,205 for water and \$2,390 for wastewater to reflect the appropriate level of purchased power expense, regulatory commission expense, bad debt expense, and miscellaneous expenses.

**APPROVED**

**Issue 12:** Should an adjustment be made to recognize unamortized rate case expense from the Utility's prior rate case?

**Recommendation:** Yes. O&M expenses should be reduced by \$10,815 for water and \$8,708 for wastewater.

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**Issue 13:** What is the appropriate amount of rate case expense for the current case?

**Recommendation:** The appropriate amount of rate case expense is \$49,814. This expense should be recovered over four years for an annual expense of \$12,453, or \$6,788 for water and \$5,665 for wastewater. Therefore, annual rate case expense should be reduced by \$24,431 for water and \$20,388 for wastewater from the amounts requested in the Utility's MFRs.

**APPROVED**

**Issue 14:** What are the appropriate revenue requirements?

**Recommendation:** The following revenue requirement should be approved.

	Test Year		Revenue	
	<u>Revenue</u>	<u>\$ Increase</u>	<u>Requirement</u>	<u>% Increase</u>
Water	\$491,577	\$4,687	\$496,264	0.95%
Wastewater	\$488,477	\$56,445	\$544,922	11.56%

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**Issue 15:** What are the appropriate rate structures for the Utility's water and wastewater systems?

**Recommendation:** The appropriate rate structure for the water system's residential class is a continuation of its four-tier inclining block rate structure, with no changes being made to the monthly consumption usage blocks of: a) 0-3 kgals, b) 3.001-6 kgals, c) 6.001-12 kgals, and d) for all usage in excess of 12 kgals. The usage block rate factors in the second, third and fourth usage blocks should change to 1.0, 1.23 and 1.48, respectively. The appropriate rate structure for all non-residential classes is a continuation of the BFC/uniform gallonage charge rate structure. The appropriate rate structure for the wastewater system is a continuation of the BFC/gallonage charge rate structure. The residential wastewater gallonage cap for monthly consumption should remain at 6 kgals, while the general service gallonage charge should remain 1.2 times greater than the corresponding residential charge.

**APPROVED**

**Issue 16:** Is a repression adjustment for the water system appropriate in this case, and, if so, what is the appropriate adjustment?

**Recommendation:** No, a repression adjustment is not appropriate in this case.

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**Issue 17:** What are the appropriate water and wastewater rates for the Utility?

**Recommendation:** The appropriate water and wastewater rates are shown in Schedule Nos. 4-A and 4-B, respectively, of staff's memorandum dated November 29, 2012. Excluding miscellaneous service revenues, the recommended rates are designed to produce total Utility revenues of \$494,962 for the water system and \$543,835 for the wastewater system. 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**

**Issue 18:** In determining whether any portion of the current water revenue held subject to refund should be refunded, how should the refund be calculated, and what is the amount of the refund, if any?

**Recommendation:** Based on the staff recommendation in other issues, there is no refund required for water. Therefore, the corporate undertaking should be released.

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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 recommendation dated November 29, 2012, to remove \$7,178 for water and \$5,991 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**

**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, Pennbrooke 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.

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**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. Once these actions are complete, this docket should be closed administratively.

**APPROVED**

*as modified -  
The docket to remain open pending the  
results of the vote on Issue One.  
Staff may administratively close the  
docket based on the results of the  
report filed by the Utility (within  
six months).*