

FLORIDA PUBLIC SERVICE COMMISSION

Item 4

VOTE SHEET

FILED NOV 05, 2015  
DOCUMENT NO. 07068-15  
FPSC - COMMISSION CLERK

November 5, 2015

Docket No. 140239-WS – Application for staff-assisted rate case in Polk County by Orchid Springs Development Corporation.

**Issue 1:** Is the overall quality of service provided by Orchid Springs satisfactory?

**Recommendation:** Yes. Staff recommends that the overall quality of service for the Orchid Springs system in Polk County is satisfactory. The utility is currently meeting all applicable DEP water quality standards, and appears to be responsive to its customers and to the DEP.

**APPROVED**

COMMISSIONERS ASSIGNED: All Commissioners

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

*[Handwritten signatures in blue ink on three lines]*

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**REMARKS/DISSENTING COMMENTS:**

*Staff given approval to make necessary fallout adjustments.*

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**Issue 2:** What are the used and useful (U&U) percentages of Orchid Springs' water treatment plant (WTP), water distribution system, and wastewater collection systems?

**Recommendation:** Orchid Springs' water treatment plant (WTP), water distribution system and wastewater collection systems should all be considered 100 percent Used and Useful (U&U). Staff recommends that a 5.8 percent adjustment to purchased power and chemical expenses be made for excessive unaccounted for water. No adjustments should be made for excessive infiltration and inflow.

**APPROVED**

**Issue 3:** What is the appropriate average test year water rate base and wastewater rate base for Orchid Springs?

**Recommendation:** The appropriate average test year water rate base is \$34,696 and the average test year wastewater rate base is \$110,940. If the land associated with the wastewater treatment plant that was formerly in rate base is sold, the utility must notify the Commission in writing within 60 days of the transaction. At the time that it notifies the Commission, the utility shall also submit all documentation regarding the transaction, including, but not limited to, the market value of the land. The utility shall also submit its proposal as to how this transaction should be treated for ratemaking purposes.

**APPROVED**

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

**Recommendation:** The appropriate return on equity (ROE) is 9.38 percent with a range of 8.38 percent to 10.38 percent. The appropriate overall rate of return is 7.39 percent.

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**Issue 5:** What are the appropriate test year revenues for the utility's water and wastewater systems?

**Recommendation:** The appropriate test year revenues for the Orchid Springs' water and wastewater systems are \$93,453 and \$119,803, respectively.

## APPROVED

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

**Primary Recommendation:** The appropriate amount of operating expense for Orchid Springs is \$86,293 for water and \$190,768 for wastewater.

**Alternative Recommendation:** Alternative staff concurs with primary staff with its recommendations on operating expenses with the exception of the amortization period related to costs associated with the abandonment of Orchid Springs' wastewater treatment plant. Alternate staff believes the appropriate period to amortize the costs associated with the abandonment of Orchid Springs' wastewater treatment plant is 10 years. Based on a 10-year amortization period, the appropriate amount of operating expense for Orchid Springs is \$195,035 for wastewater.

## APPROVED *alternative recommendation.*

*Strike language in recommendation on page 20, beginning with "Concepts of deferral", continuing for 13 lines down.*

**Issue 7:** Should the Commission utilize the operating ratio methodology as an alternative means to calculate the water revenue requirement for Orchid Springs, and, if so, what is the appropriate margin?

**Recommendation:** Yes, the Commission should utilize the operating ratio methodology for calculating the water revenue requirement for Orchid Springs. The margin should be 10.00 percent of O&M expense.

## APPROVED

**Issue 8:** What is the appropriate revenue requirement?

**Recommendation:** The appropriate revenue requirement is \$93,667 for water and \$198,962 for wastewater.

## APPROVED

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**Issue 9:** What are the appropriate rate structures and rates for Orchid Springs' water and wastewater systems?

**Recommendation:** The recommended rate structures and rates are shown on Schedule Nos. 4-A and 4-B of staff's memorandum dated October 22, 2015. The utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rates should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The utility should provide proof of the date notice was given within 10 days of the date of the notice.

**APPROVED**

**Issue 10:** Should Orchid Springs' request to implement a \$7 late payment charge be approved?

**Recommendation:** Yes. Orchid Springs' request to implement a \$7 late payment charge should be approved. Orchid Springs should be required to file a proposed customer notice to reflect the Commission-approved charge. The approved charge should be effective for services rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved charge should not be implemented until staff has approved the proposed customer notice. The utility should provide proof of the date notice was given no less than 10 days after the date of the notice.

**APPROVED**

**Issue 11:** Should Orchid Springs be authorized to collect Non-Sufficient Funds (NSF) charges?

**Recommendation:** Yes. Orchid Springs should be authorized to collect NSF charges. Staff recommends that Orchid Springs revise its tariffs to reflect the NSF charges currently set forth in Sections 68.065 and 832.08(5), F.S. The NSF charges should be effective on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475(1), F.A.C. Furthermore, the charges 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.

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**Issue 12:** What are the utility’s appropriate initial customer deposits for Orchid Springs’ wastewater service?

**Recommendation:** The appropriate wastewater initial customer deposit should be \$91 for the residential 5/8” x 3/4” meter size. The initial customer deposits for all other residential meter sizes and all general service meter sizes should be two times the average estimated bill for wastewater service. The approved customer deposits should be effective for connections made on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475, F.A.C. The utility should be required to charge the approved charges until authorized to change them by the Commission in a subsequent proceeding.

**APPROVED**

**Issue 13:** What is the appropriate amount by which rates should be reduced in four years after the published effective date to reflect the removal of the amortized rate case expense as required by Section 367.0816, F.S.?

**Recommendation:** The water and wastewater rates should be reduced as shown on Schedule Nos. 4-A and 4-B of staff’s memorandum dated October 22, 2015, to remove rate case expense grossed up for regulatory assessment fees and 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. Orchid Springs 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. If the utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data should be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense.

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**Issue 14:** What is the appropriate amount by which rates should be reduced in 15 years after the published effective date to reflect the removal of amortized removal costs associated with the decommissioning of the utility's wastewater treatment plant?

**Recommendation:** The wastewater rates should be reduced by \$8,534, as shown on Schedule No. 4-B of staff's memorandum dated October 22, 2015, to remove removal costs grossed up for regulatory assessment fees (RAFs) and amortized over a 15-year period. The decrease in rates should become effective immediately following the expiration of the 15-year recovery period of removal costs associated with the decommissioning of the utility's wastewater treatment plant (WWTP). Orchid Springs 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. If the utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data should be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized expense.

**APPROVED**

**Issue 15:** Should the recommended rates be approved for the utility on a temporary basis, subject to refund with interest, in the event of a protest filed by a party other than the utility?

**Recommendation:** Yes. Pursuant to Section 367.0814(7), F.S., the recommended rates should be approved for the utility on a temporary basis, subject to refund with interest, in the event of a protest filed by a party other than the utility. Orchid Springs should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the temporary rates should not be implemented until staff has approved the proposed notice, and the notice has been received by the customers. Prior to implementation of any temporary rates, the utility should provide appropriate security. If the recommended rates are approved on a temporary basis, the rates collected by the utility should be subject to the refund provisions discussed in the analysis portion of staff's memorandum dated October 22, 2015. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., the utility should file reports with the Commission's Office of Commission Clerk no later than the 20th of each month indicating the monthly and total amount of money subject to refund at the end of the preceding month. The report filed should also indicate the status of the security being used to guarantee repayment of any potential refund.

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**Issue 16:** 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) associated with the Commission-approved adjustments?

**Recommendation:** Yes. The utility should be required to notify the Commission, in writing, that it has adjusted its books in accordance with the Commission's decision. Orchid Springs should submit a letter within 90 days of the final order in this docket, confirming that the adjustments to all the applicable NARUC USOA accounts have been made to the utility's books and records. In an effort to assist the utility in its requirement, Attachment A of staff's memorandum dated October 22, 2015, provides a breakdown by primary account for plant and accumulated depreciation that reflects the year-end balances at December 31, 2014. In the event the utility needs additional time to complete the adjustments, notice should be provided within seven days prior to deadline. Upon providing good cause, staff should be given administrative authority to grant an extension of up to 60 days.

**APPROVED**

**Issue 17:** 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 should be issued. The docket should remain open for staff's verification that the revised tariff sheets and customer notice have been filed by the utility and approved by staff. Once these actions are complete, this docket should be closed administratively.

**APPROVED**