

FLORIDA PUBLIC SERVICE COMMISSION

VOTE SHEET

SPECIAL COMMISSION CONFERENCE

DATE: October 7, 1994

RE: DOCKET NO. ~~940109~~-WU - Petition for interim and permanent rate increase in Franklin County by ST. GEORGE ISLAND UTILITY COMPANY, LTD.

Issue: To consider and make a final decision regarding the petition for interim and permanent rate increase in Franklin County by St. George Island Utility Company, Ltd. Detailed issues are shown on the attached Supplemental Issue Listing.

Please refer to the Supplemental Issue Listing

COMMISSIONERS ASSIGNED: DS KS

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

Jerry Weas
Steve K. [unclear]

REMARKS/DISSENTING COMMENTS:

PSC/RAR33 (5/90)

DOCUMENT NUMBER-DATE

10356 OCT 11 94

FPSC-RECORDS/REPORTING

SUPPLEMENTAL ISSUE LISTING

ST. GEORGE ISLAND UTILITY CO., LTD.

DOCKET NO. 940109-WU

OCTOBER 7, 1994

Quality of Service

Issue 1: Is the quality of service provided by St. George Island Utility Co., Ltd. satisfactory?

Recommendation: Yes, the quality of service provided is satisfactory.

APPROVED

Rate Base

Issue 2: Has St. George accurately stated the original cost of the water system?

Recommendation: No. Staff recommends that a \$379,948 reduction to the utility's test year plant in service is appropriate. This results in a reduction to depreciation expense of \$9,385.

APPROVED

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Issue 3: Should the utility's pro forma adjustment of \$21,000 for engineering design fees, as stated in Audit Exception No. 14, be removed?

Recommendation: Yes, the utility's pro forma adjustment should be removed.

APPROVED

Issue 4: Should plant in service be reduced by \$1,295 for leasehold improvements?

Recommendation: No. However, plant leasehold improvements should be reduced by \$647 for non-utility use.

APPROVED

Issue 5: Is an adjustment necessary to reflect the use of office furniture and equipment by utility affiliates?

Recommendation: Yes. An adjustment should be made to reduce general plant by \$562.

APPROVED

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Issue 6: Should adjustments be made to plant and contributions in aid of construction (CIAC)?

Recommendation: Yes, an adjustment should be made to increase CIAC by \$44,440 to reflect contributions received in 1991 but not booked until 1993. Also advances should be increased by \$65,000 to record the receipt of funds from St. George Island Homeowners Association.

APPROVED

Issue 7: Does the utility's case in chief present an appropriate matching of rate base, on the one hand, with revenues and expenses, on the other?

Recommendation: No. Adjustments should be made to the following items: increase plant in service by \$115,428; increase land by \$11,086; increase accumulated depreciation by \$59,543; increase CIAC by \$267,148; increase accumulated amortization of CIAC by \$28,542; decrease advances for construction by \$2,775.

APPROVED

Issue 8: What is the appropriate level of test year rate base?

Recommendation: The appropriate level of water rate base should be \$247,876.

APPROVED

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Cost of Capital

Issue 9: What capital structure should be used for ratemaking purposes?

Recommendation: The utility's actual capital structure, after adjustments to certain debt instruments, should be used for ratemaking purposes.

APPROVED

Issue 10: What is the weighted average cost of capital including the proper components, amounts, and cost rates associated with the appropriate capital structure?

Recommendation: The weighted average cost of capital is 7.35%. The cost of common equity should be set as 11.34%, with a range of plus or minus 100 basis points.

APPROVED

Operating Income

Issue 11: Should the numerous pro forma adjustments to the test year in this case be contrasted with those requested in the immediately prior, dismissed rate case?

Recommendation: No. The adjustments made in this case should not be contrasted with those requested in the prior case.

APPROVED

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Issue 12: Are the expenses claimed by St. George comparable to those experienced by other Class B water utilities under Commission jurisdiction and, if not, are any adjustments appropriate?
Recommendation: No. SGIU's expenses are not comparable to the expenses of most other Class B utilities; however, no additional adjustments are necessary.

APPROVED

Issue 13: Should test year expenses be adjusted to reflect an additional allocation of expenses to utility affiliates?
Recommendation: Yes. A adjustment should be made to reduce expenses by \$10,288.

APPROVED

Issue 14: Should employee salaries and wages be reduced?
Recommendation: No, employee salaries and wages should not be reduced.

APPROVED

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Issue 15: Should pension and benefits be reduced?

Recommendation: Yes. The Commission should not allow the utility's requested amount for pension expense, \$6,156, in O & M expenses. The Commission should disallow \$10,800 for health benefits expense.

MODIFIED

Approved, with the modification that the Company be required to set up an externally managed & funded pension plan. The order should state when & how the company would fund the current and the new pension plan.

Issue 16: Should an adjustment be made to reduce engineering contractual services by \$1,959 as suggested in Audit Disclosure No. 6?

Recommendation: Yes, engineering contractual services should be reduced by \$1,959.

APPROVED

Issue 17: Should any adjustment be made to contractual services-accounting?

Recommendation: Yes. Accounting contractual services should be reduced by \$6,000.

APPROVED

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Issue 18: Should an adjustment be made to reduce legal contractual services?

Recommendation: Yes, a reduction of \$21,000 to legal contractual services is appropriate.

APPROVED

Issue 19: Should an adjustment be made to reduce management fees?

Recommendation: Yes. An adjustment should be made to reduce management fees by \$16,000.

APPROVED

Issue 20: Should an adjustment be made to contractual services-other?

Recommendation: Staff recommends that \$42,054 be allowed for these expenses on a yearly basis. This results in a \$43,037 reduction to the Utility's request. Staff also recommends that the utility provide proof that these expenses are under contract or have been completed by January 10, 1995.

APPROVED

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Issue 21: Should transportation expenses be reduced?

Recommendation: Yes. Transportation expenses should be reduced by \$7,800.

MODIFIED

Approved, with the modification that the company will keep accurate mileage records from the date of the final order.

Issue 22: Should an adjustment be made to reduce insurance expense?

Recommendation: Yes. Due to insufficient supporting documentation and to noncontinuous coverage in the past, the Commission should disallow the entire \$36,502 for general liability, workmen's compensation, and property insurance.

MODIFIED

Approved with the modification that the Company will be allowed \$12,703.⁰⁰ for insurance expenses. The final order will require that the Company provide, within 90 days, copies of cancelled checks and proof of policies.

Issue 23: Is St. George's level of unaccounted for water excessive, and if so, should an adjustment be made to the chemical and purchased power expenses?

Recommendation: No, staff recommends that no adjustment should be made.

APPROVED

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Issue 24: Should any adjustment be made to bad debt expense?
Recommendation: Yes. Bad debt expense should be reduced by \$4,707.

APPROVED

Issue 25: Should miscellaneous expenses be reduced?
Recommendation: Yes. Miscellaneous expenses should be reduced by \$6,831 to support the testimony provided in this case.

APPROVED

Issue 26: What is the appropriate amount of rate case expense?
Recommendation: The appropriate amount of rate case expense should be \$101,885. This results in a decrease to the utility's filing of \$789 in annual amortization.

MODIFIED

\$454.00 associated with copying costs is to be included in rate case expense.

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Issue 27: Should an adjustment be made to amortization expenses for the system analysis, aerator analysis, hydrological study, and fire protection studies?

Recommendation: Yes. The total amortization expense should be \$21,567 (\$8,741 for system analysis, \$6,310 for system mapping, \$1,716 for aerator analysis, \$2,400 for a hydrological study, and \$2,400 for a fire protection study). If the Commission allows the expense for a fire protection study, it should be undertaken simultaneously with the updated system analysis so that the issue of improved fire flow can be incorporated in future plant additions (see Issue 41). Staff further recommends that if the Commission allows recovery of this expense, that the fire protection study should be completed by the Utility by January 1, 1995. The Utility shall file a copy of the fire protection study with the Commission, and send notice to its customers that the study is available at the Utility's offices for review.

APPROVED

Issue 28: Should an adjustment be made to taxes other than income?

Recommendation: Yes. Taxes other than income should be reduced by \$3,433.

APPROVED

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Issue 29: Should test year expenses be adjusted to eliminate the cost of maintaining the old generator?

Recommendation: No. Staff believes that the expenses for generator maintenance are reasonable and should be allowed.

APPROVED

Issue 30: Does the utility's case in chief present an appropriate matching of revenue and expenses?

Recommendation: No. An adjustment should be made to increase revenues by \$35,094, O&M expenses by \$3,303 and depreciation expense by \$3,301.

APPROVED

Issue 31: What is the appropriate level of test year operating income?

Recommendation: The appropriate level of test year operating loss is \$91,590.

APPROVED

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Revenue Requirement

Issue 32: What is the total revenue requirement?

Recommendation: The following revenue requirement should be approved:

	<u>TOTAL</u>	<u>INCREASE</u>	<u>PERCENT</u>
<u>Water</u>	\$464,923	\$114,974	32.85%

APPROVED

Rates and Charges

Issue 33: What are the appropriate rates?

Recommendation: The recommended rates should be designed to produce revenues of \$464,923. The approved rates will be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to 25-30.475(1), Florida Administrative Code. The rates may not be implemented until proper notice has been received by the customers. The utility should provide proof of the date notice was given no less than 10 days after the date of notice.

APPROVED

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Issue 34: Does the utility's contributions in aid of construction (CIAC) levels exceed the guideline level of Rule 25-30.580, Florida Administrative Code, and, if so, should the utility's service availability policy be changed?

Primary Recommendation: Yes, based on staff's calculations of the appropriate rate base in Issue 8, staff has determined that the level of CIAC for the period ending December 31, 1993, is 76% of net plant in service. Staff is concerned since this level of contributions exceeds the guideline maximum level of 75% pursuant to Rule 25-30.580(1)(a), Florida Administrative Code. Staff believes that the best solution to this situation at this time would be to reduce SGIU's plant capacity charge by \$400. Staff is recommending that the utility's plant capacity charge be reduced gradually to avoid an over-contribution situation in the future. Staff's recommended charges are reflected in staff's analysis. In the alternative, staff is offering two other options it believes are available to the Commission.

APPROVED

Alternative 2: Although staff is concerned since the utility's level of contributions exceeds the guideline maximum level of 75% pursuant to Rule 25-30.580(1)(a), Florida Administrative Code, there was not sufficient information presented in the record to determine the appropriate change in Service Availability Charges at this time. Therefore SGIU should be ordered to file an application to modify its service availability charges within ninety days of receipt of the information addressed in Issues 40 and 41.

DENIED

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Alternative 3: Since the utility's level of contribution in aid of construction exceeds the 75% maximum specified in Rule 25-30.580 (1)(a), Florida Administrative Code, SGIU should be ordered to discontinue collection of all authorized service availability charges, as of the issuance date of the final order in this rate proceeding. The utility's tariff should be revised to reflect the elimination of all service availability charges.

DENIED

Issue 35: Should the utility's service availability charges be escrowed?

Recommendation: Yes. Due to the fact that staff believes that additional plant capacity is required, as discussed in Issue 41, the service availability charges should be escrowed into a separate commercial escrow account. Further, the utility should file a monthly report reflecting monthly collections as well as the aggregate balance. Before funds are released, the administrative bank shall receive the following:

- 1) a written request for release of such funds from SGIU;
- 2) written approval of each disbursement and amount thereof from this Commission;
- 3) an affidavit from SGIU stating the names of all parties owed, the amount owed to each and a lien waiver from each, and;
- 4) evidence of the proper payment of all prior disbursements.

These funds should be escrowed to ensure that the capital improvements are made expeditiously and accurately. The utility's service availability charges should continue to be escrowed until the filing of a subsequent file and suspend rate case or modification to the service availability policy and charges.

APPROVED

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Issue 36: 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 water rates should be reduced by \$25,585 at the expiration of the four year recovery period as shown in Schedule 5, in compliance with Section 367.0816, Florida Statutes. The utility should be required to file revised tariff no later than one month to the actual date of the required rate reduction. The utility also should be required to file a proposed "customer letter" setting forth the lower rates and the reason for the reduction.

APPROVED

Issue 37: 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 final revenue requirement should be adjusted for items not representative of the period interim rates were in effect before comparing the final revenue requirement with the interim revenue requirement to determine whether a refund is necessary. Based on Staff's calculation, no refund is necessary

APPROVED

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Issue 38: Should the utility's AFPI charge be adjusted?

Recommendation: The appropriate AFPI charges, as calculated by staff, are shown on Schedules 6, located at the back of the recommendation. The new AFPI tariff effectively cancels the old AFPI tariff.

APPROVED

Other Issues

Issue 39: Does the utility keep its books and records in substantial compliance with the Commission's Rules and Regulations, and if not, should it be penalized?

Recommendation: No. The books and records are not in substantial compliance with the Commission's Rules and Regulations.

APPROVED

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Issue 40: What is the number of ERCs that the utility is currently serving and what is the maximum number of ERCs that the utility is capable of serving while maintaining compliance with the regulatory agencies?

Recommendation: As of July 20, 1994, SGIU was committed to serving 1,347 ERCs; however, the maximum number of ERCs the utility can presently serve is 1,346, where an ERC is defined as 520 gpd. Therefore, the utility is currently oversold. When the utility's permit modification application before the Northwest Florida Water Management District (NFWFMD) is decided, the utility should provide a copy of the approved consumptive use permit (CUP) to the Commission and to DEP. As part of that filing, the utility should state the new maximum number of ERCs it believes it can serve with such number reconciled between DEP's raw water supply methodology, Mr. Thomas' hydraulic analysis of the distribution system and Baskerville-Donovan's distribution system methodology.

APPROVED

Issue 41: Is additional capacity required of the utility, and if so, what specific actions, if any, are necessary in order to achieve additional capacity?

Recommendation: Additional capacity is required, and the Utility must submit specific plans to the DEP by January 1, 1995. In addition, if the Commission approves the amortized expense for a fire flow study in Issue 27, the utility shall consider improved fire protection while undergoing its current system analysis.

APPROVED

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Issue 42: Should the Commission accept the utility's proposed findings of fact?

Recommendation: The Commission should accept and reject as reflected on the rulings on proposed findings of fact.

APPROVED

Issue 43: Should this docket be closed?

Recommendation: Yes, this docket should be closed after the final order has been issued, the proper revised tariff sheets have been filed by the Utility and approved by staff, and the appropriate actions in Issues 15, 20, 22, 27, 40 and 41 have been met. Further, since no interim refund is appropriate, the bond may be released.

APPROVED

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and permanent rate increase in Franklin County
by St. George Island Utility Company, Ltd.**

RULINGS ON PROPOSED FINDINGS OF FACT

ITEM 42

1. The following proposed findings of fact are adopted in substance, but will be modified in the final order: 1, 3, 4, 5, 39, 40, 50, 51, 52, 58, 60, 61, 67, 77, 86, 87, 89, and 90. *Specific modifications to staff recommendations were discussed at Conference*
2. The following proposed findings of fact will be adopted in the final order: 42, 47, 55 (1st sentence), and 91.
3. The following proposed findings of fact are rejected for the reasons stated:
 - a. Unnecessary or immaterial: 2, 8, 10, 11, 20-24, and 26.
 - b. Unsupported by the competent, substantial evidence: 2, 6, 7, 14, 15, 17, 19, 25, 27, 28, 33, 34, 35, 36, 37, 38, 41, 43, 44, 45, 55 (2nd sentence); 62, 64, 65, 70, 71, 72, 73, 74, 75, 76, 78, 79, 80, 82, 83, 85, 92, 93, 94, 95, 96, 97, 98, 99, 100, 101, 102, 103, and 104.
 - c. Argumentative: 9, 12, 13, 16, 18, 27, 29, 30, 31, 32, 33, 49, 53, 56, 57, 59, 63, 68, 69, 81, 84, and 88.
 - d. Conclusory: 29, 46, 48, 54, and 66.

APPROVED