

FLORIDA PUBLIC SERVICE COMMISSION

VOTE SHEET

SEPTEMBER 7, 1999

RE: DOCKET NO. 971065-SU - Application for rate increase in Pinellas County by Mid-County Services, Inc.

Issue 1: How should construction work in progress (CWIP) be treated? Recommendation: Rate base should include \$189,138 of CWIP related to the US-19, Curlew Road and Belcher main relocation. The \$106,433 related to the seven other CWIP projects should not be included in test year rate base. Corresponding adjustments should be made to increase accumulated depreciation by \$1,772 and decrease depreciation expense by \$3,554 related to the other seven projects. An adjustment should be made to remove \$148,330 in CWIP from Rate Base.

decrease

MODIFIED

Approved with noted modification.

COMMISSIONERS ASSIGNED: DS CL JN

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

Handwritten signatures of Susan L. Clark and J. [unclear] under the MAJORITY column.

Empty lines under the DISSENTING column.

REMARKS/DISSENTING COMMENTS:

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Issue 1A: Did the PAA grant the entire revenue requirement associated with the CWIP sought by Mid-County in its original filing?

Recommendation: No. The PAA granted Mid-County a revenue requirement associated with \$143,830 of CWIP, which is \$4,500 less than the utility requested.

APPROVED

Issue 2: What is the appropriate methodology for calculating used and useful for wastewater treatment plant?

Recommendation: The utility's annual average daily flow (AADF) should be compared with the permitted capacity, which is also based on AADF, for calculating used and useful. A peaking factor should not be used, due to the plant's design which can handle peak flows. Margin reserve should be allowed as discussed in Issue 3.

APPROVED

Issue 3: Should the utility be granted a margin reserve and, if so, what is the appropriate amount which should be used?

Recommendation: The utility should be allowed a five-year margin reserve, equating to 365 ERCs and 98,050 gallons per day (GPD) of flow.

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Issue 4: What is the appropriate used and useful percentage of the wastewater treatment facility?

Recommendation: The wastewater treatment facility is 91% used and useful, including margin reserve of 365 ERCs.

APPROVED

Issue 5: DROPPED

Issue 6: DROPPED

Issue 7: Should Contributions in Aid of Construction (CIAC) be imputed on the margin reserve and, if so, what amount?

Recommendation: No, CIAC should not be imputed on margin reserve.

APPROVED

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

Recommendation: Based on staff's recommended adjustments and the use of a simple beginning and year-end-average, rate base is \$1,540,735.

APPROVED

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Issue 9: DROPPED

Issue 10: DROPPED

Issue 11: Should operation and maintenance (O&M) expense be reduced for life insurance policies for officers, directors and key employees?

Recommendation: Yes. Operation and maintenance expenses should be reduced by \$3,683.

APPROVED

Issue 12: Are the allocations from Utilities, Inc. a reasonable distribution of the cost of the services provided to Mid-County?

Recommendation: No. The "customer equivalent" allocation method employed by Utilities, Inc. overstates the costs to Mid-County. These costs should be recalculated using ERCs. As recalculated, allocated operation and maintenance expenses in the MFRs should be reduced by \$96,821, allocated depreciation expense should be reduced by \$11,063, and allocated payroll taxes generated by the allocated salaries should be reduced by \$1,832 for a total reduction in expense of \$109,717.

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

Recommendation: Staff's recommended provision for rate case expense totals \$153,681. This results in an increase of \$27,465 to the utility's MFR requested amount. The four-year amortization results in test year rate case expense of \$38,421, which increases the MFR amortization amount by \$6,866.

APPROVED

Issue 14: What is the appropriate net operating income for the test year?

Recommendation: The appropriate net operating income for the test year before any revenue increase is \$68,012.

APPROVED

Issue 15: What is the appropriate revenue requirement for the test year?

Recommendation: The following revenue requirement should be approved:

	<u>Total</u>	<u>Increase</u>	<u>Percentage Increase</u>
Wastewater	\$1,040,710	\$127,117	13.91%

APPROVED

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Issue 16: What are the appropriate wastewater rates for the test year?

Recommendation: The recommended wastewater rates should be designed to allow the utility the opportunity to generate annual operating revenues of \$1,039,326; the \$1,040,710 revenue requirement less \$1,384 in miscellaneous revenue. The utility should be required to file revised tariff sheets and proposed customer notice to reflect the appropriate rates pursuant to Rule 25-22.0407(10), Florida Administrative Code. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), Florida Administrative Code, provided the customers have received notice. The rates should not be implemented until proper notice has been received by the customers. The utility should provide proof of the date notice was given within 10 days after the date of the notice.

APPROVED

Issue 17: What is the appropriate amount of rate reduction in four years as required by Section 367.081(6), Florida Statutes?

Recommendation: The wastewater rates should be reduced as shown on Schedule No. 5 of staff's August 26, 1999 memorandum to remove \$40,231 for rate case expense grossed up for regulatory assessment fees which are being amortized over a four-year period. The decrease in rates should become effective immediately following the expiration of the four-year recovery period, pursuant to Section 367.0816, Florida Statutes. The utility should be required to file revised tariff sheets 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.

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Issue 18: What is the appropriate amount of the interim 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. This revised revenue requirement for the interim collection period should be compared to the amount of interim revenues granted. Based on this calculation, the utility should be required to refund 16.81% of wastewater revenues collected under interim rates. The refund should be made with interest in accordance with Rule 25-30.360(4), Florida Administrative Code. The utility should treat any unclaimed refunds as CIAC pursuant to Rule 25-30.360(8), Florida Administrative Code.

APPROVED

Issue 19: Should this docket be closed?

Recommendation: No. Upon expiration of the appeal period, if no party timely appeals the order, this docket should remain open pending staff's verification of refunds. The docket should be closed administratively upon verification that the refunds have been completed.

APPROVED
