

VOTE SHEET

April 9, 2013

Docket No. 120152-WS – Application for increase in water and wastewater rates in Orange County by Pluris Wedgefield, Inc.

Issue 1: Is the quality of service provided by Pluris Wedgefield, Inc. satisfactory?

Recommendation: Yes. The quality of service provided by Pluris Wedgefield, Inc. is satisfactory.

APPROVED

Issue 2: Should the audit adjustments to rate base and net operating income to which the Utility and staff agree be made?

Recommendation: Yes. The adjustments should be made to rate base and net operating income as set forth in Table 2-2 of staff's memorandum dated March 28, 2013.

APPROVED

COMMISSIONERS ASSIGNED: All Commissioners

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

REMARKS/DISSENTING COMMENTS:

DOCUMENT NUMBER-DATE

02150 APR 24 2013

FPSC-COMMISSION CLERK

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Issue 3: Should the contested audit adjustments to rate base be made?

Recommendation: Yes. The Utility's wastewater plant should be reduced by \$135,285. Accordingly, corresponding adjustments should be made to decrease accumulated depreciation and depreciation expense by \$17,184 and \$4,318, respectively.

APPROVED

Issue 4: Should the Commission approve any pro forma plant additions?

Recommendation: Yes. The appropriate pro forma plant additions are \$86,203 for water and \$3,103 for wastewater. This results in an incremental increase of \$41,358 for water and decrease of \$7,979 for wastewater from the Utility's initial filing. Corresponding adjustments should also be made to decrease accumulated depreciation by \$44,863 for water and \$9,235 for wastewater and decrease depreciation expense by \$2,028 for water and \$391 for wastewater. Additionally, pro forma property taxes should be increased by \$2,243 for water and \$207 for wastewater.

APPROVED

Issue 5: What are the Used and Useful percentages of the Utility's water and wastewater systems?

Recommendation: Staff recommends that the Utility's WTP and storage be considered 100 percent used and useful (U&U). The Utility's water distribution system should be considered 85.1 percent U&U. As a result, corresponding adjustments are necessary for the non-U&U water distribution plant. Accordingly, water rate base should be reduced by \$9,787. Corresponding adjustments should be made to increase depreciation expense by \$302 and reduce property taxes by \$894. The Utility's WWTP should be considered 72.1 percent U&U. The Utility's wastewater collection system should be considered 85.1 percent U&U. Accordingly, wastewater rate base should be reduced by \$14,186. Corresponding adjustments should be made to increase depreciation expense by \$163 and reduce property taxes by \$2,465.

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Issue 6: What is the appropriate working capital allowance?

Recommendation: The appropriate working capital allowance is \$70,969 for water and \$72,121 for wastewater. This represents a reduction of \$3,370 for water and \$3,361 for wastewater.

APPROVED

Issue 7: What is the appropriate rate base for the test year ended December 31, 2011?

Recommendation: Consistent with other recommended adjustments, the appropriate rate base for the test year ended December 31, 2011, is \$4,439,796 for water and \$885,369 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 10.88 percent. Staff recommends an allowed range of plus or minus 100 basis points be recognized for ratemaking purposes.

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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, including the proper components, amounts, and cost rates associated with the capital structure, is 8.36 percent.

APPROVED

Issue 10: What is the appropriate amount of test year revenues?

Recommendation: The appropriate test year revenues for Wedgefield are \$983,812 for water and \$732,003 for wastewater. CIAC for water should be increased by \$8,410.

APPROVED, with direction that staff is authorized to make administrative changes in light of the other decisions made today.

Issue 11: Should any adjustments be made to Contractual Services – Management Fees?

Recommendation: Yes. The appropriate amount of allocated expenses from Pluris Holdings, LLC to Pluris Wedgefield, Inc. in Contractual Services – Management Fees should be reduced by a total of \$69,419 or by \$34,710 each for water and wastewater.

APPROVED, as modified regarding the \$400 related to the personal tax return of an officer and in agreement with the 2011 AWWA study with affects on the salaries. The effect would be approximately a \$1,400 increase for both water and wastewater. Staff was given administrative authority regarding the working capital issue, which would flow through to the rate base. The utility agreed to remove the 10% bonus provision in the contract.

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Issue 12: What is the appropriate amount of rate case expense?

Recommendation: The appropriate amount of rate case expense is \$94,447. This expense should be recovered over four years for an annual expense of \$12,061 for water and \$11,551 for wastewater. Therefore, total rate case expense should be reduced by \$13,153. This represents a reduction of \$1,680 for water and \$1,609 for wastewater on an annual basis.

APPROVED

Issue 13: Should the Commission approve any pro forma expense items for the Utility?

Recommendation: Yes. O&M expense should be increased by \$9,439 for both water and wastewater. Additionally, property taxes should be increased by \$29,091 for water and \$31,245 for wastewater.

APPROVED, as amended at the Commission conference that the incremental amount of \$12,457 would be split equally within water and wastewater, recognizing the utility would be limited on the waterside. The utility agreed to work with staff and accept the limit on the water side.

Issue 14: What is the appropriate amount of income tax expense?

Recommendation: The appropriate amount of income tax expense is \$93,646 for water and \$20,166 for wastewater as reflected on Schedules 3-A and 3-B, respectively, of staff's memorandum dated March 28, 2013.

APPROVED

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Issue 15: What is the appropriate revenue requirement?

Recommendation: The following revenue requirement should be approved.

	Test Year		Revenue	
	<u>Revenue</u>	<u>\$ Increase</u>	<u>Requirement</u>	<u>% Increase</u>
Water	\$983,812	\$389,470	\$1,373,282	39.59%
Wastewater	\$732,003	\$148,110	\$880,113	20.23%

APPROVED

Issue 16: What is the appropriate rate structure for the Wedgefield water and wastewater systems?

Recommendation: The appropriate rate structure for the water system's residential class should be a continuation of the base facility charge (BFC) and three-tier inclining block gallonage charge rate structure. The appropriate usage blocks should be set for consumption at: 1) 0-5,000 gallons; 2) 5,001-10,000 gallons; and 3) usage in excess of 10,000 gallons, with appropriate usage block rate factors of .81, 1.00, and 1.50, respectively. The recommended rate structure for the water system's non-residential class should be a continuation of the BFC and uniform gallonage charge rate structure. The water system's BFC cost recovery percentage should be set at 35 percent. Staff recommends the residential wastewater gallonage cap be set at 8,000 gallons a month. Furthermore, staff recommends that the non-residential gallonage charge be 1.2 times greater than the residential gallonage charge.

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Issue 17: Is a repression adjustment for Wedgefield's water system appropriate in this case, and, if so, what is the appropriate adjustment to make, what are the corresponding expense adjustments to make, and what is the final revenue requirement for the water system?

Recommendation: Yes, a repression adjustment to the water system is appropriate for this Utility. For the water system, test year gallons sold should be reduced by 7,062,000 gallons, purchased power expense should be reduced by \$4,287, chemicals expenses should be reduced by \$3,926 and regulatory assessment fees (RAFs) should be reduced by \$387. The final post-repression revenue requirement for the water system should be \$1,329,044.

APPROVED

Issue 18: What are the appropriate rates for Wedgefield?

Recommendation: The appropriate monthly water and wastewater rates are shown on Schedule Nos. 4-A and 4-B, respectively, of staff's memorandum dated March 28, 2013. The recommended rates should be designed to produce revenues of \$1,329,044 for water and \$880,113 for wastewater, excluding miscellaneous revenues and expenses associated with the repression adjustments. 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.

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Issue 19: 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 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. This results in a refund of 6.49 percent for water and 6.68 percent for wastewater. The refunds 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 escrow account funds should be released upon staff's verification that the required refunds have been made.

APPROVED

Issue 20: 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 and wastewater rates should be reduced as shown on Schedule Nos. 4-A and 4-B of staff's memorandum dated March 28, 2013, 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. Wedgefield 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 21: 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, Wedgefield 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 22: Should this docket be closed?

Recommendation: No. If no person whose substantial interests are affected by the proposed agency action issues 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, and the escrow account should be released.

APPROVED