

FLORIDA PUBLIC SERVICE COMMISSION

Item 11

VOTE SHEET

FILED 12/10/2019
DOCUMENT NO. 11274-2019
FPSC - COMMISSION CLERK

December 10, 2019

Docket No. 20190031-WU – Application for increase in water rates in Highlands County by Placid Lakes Utilities, Inc.

Issue 1: Is the quality of service provided by Placid Lakes satisfactory?

Recommendation: Yes. Staff recommends the overall quality of service provided by Placid Lakes be considered satisfactory.

APPROVED

COMMISSIONERS ASSIGNED: All Commissioners

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

REMARKS/DISSENTING COMMENTS:

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Issue 2: What are the used and useful (U&U) percentages for Placid Lakes' water treatment plant (WTP), storage, and distribution system?

Recommendation: Staff recommends Placid Lakes' WTP and storage be considered 100 percent U&U, and the water distribution system be considered 79.09 percent U&U. There appears to be no excessive unaccounted for water (EUW); therefore, staff recommends that no adjustment be made to operating expenses for chemicals and purchased power.

APPROVED

Issue 3: Should adjustments be made to Placid Lakes' Pro Forma Plant additions?

Recommendation: Yes. The appropriate pro forma net plant additions are \$58,716. This results in a decrease of \$14,180 from the utility's amended request. Corresponding adjustments should also be made to increase Accumulated Depreciation by \$33,122 and decrease depreciation expense by \$738. Additionally, pro forma property taxes should be increased by \$233.

APPROVED

Issue 4: What is the appropriate Working Capital allowance?

Recommendation: The appropriate Working Capital allowance is \$69,556. This results in a reduction of \$139 to the utility's requested Working Capital allowance.

APPROVED

Issue 5: What is the appropriate rate base for the test year ended December 31, 2018?

Recommendation: Consistent with other recommended adjustments, the appropriate rate base for the test year ended December 31, 2018, is \$585,815. This results in a reduction of \$194,441 to the utility's requested rate base.

APPROVED

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Issue 6: What is the appropriate return on equity (ROE)?

Recommendation: Based on the Commission leverage formula currently in effect, the appropriate return on equity (ROE) is 8.76 percent. Staff recommends an allowed range of plus or minus 100 basis points be recognized for ratemaking purposes.

APPROVED

Issue 7: What is the appropriate weighted average cost of capital including the proper components, amounts, and cost rates associated with the capital structure for the test year ended December 31, 2018?

Recommendation: The appropriate weighted average cost of capital for the test year ended December 31, 2018, is 6.33 percent.

APPROVED

Issue 8: What are the appropriate test year revenues?

Recommendation: The appropriate test year revenues for Placid Lakes Utilities, Inc. are \$701,884.

APPROVED

Issue 9: Should adjustments be made to the utility's O&M expenses?

Recommendation: Yes. O&M expense should be increased by \$2,904 to reflect an increase to chemical expense.

APPROVED

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Issue 10: What is the appropriate amount of rate case expense for the current case?

Recommendation: The appropriate amount of rate case expense is \$30,664. This expense should be recovered over four years for an annual expense of \$7,666. Therefore, annual rate case expense should be reduced by \$4,020.

APPROVED

Issue 11: What is the appropriate revenue requirement for the test year ended December 31, 2018?

Recommendation: Staff recommends the following revenue requirement be approved. (Smith II)

Test Year		Revenue	
<u>Revenues</u>	<u>\$ Increase</u>	<u>Requirement</u>	<u>% Increase</u>
\$701,884	\$60,335	\$762,219	8.60%

APPROVED

Issue 12: What is the appropriate rate structure and rates for the utility's water system?

Recommendation: The recommended rate structures and monthly water rates are shown on Schedule No. 4 of staff's memorandum dated November 26, 2019. 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 sheets provided customers have received notice pursuant to Rule 25-30.475, F.A.C. The utility should provide proof of noticing within 10 days of rendering its approved notice.

APPROVED

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Issue 13: Should the utility's request for a new class of service for private fire protection be approved?

Recommendation: Yes, the utility's request to establish a new class of service for private fire protection should be approved. Staff's recommended monthly private fire protection rates are shown on Schedule No. 4 of staff's memorandum dated November 26, 2019. The utility should file a proposed tariff sheet 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 sheets provided customers have received notice pursuant to Rule 25-30.475, F.A.C. The utility should provide proof of noticing within 10 days of rendering its approved notice.

APPROVED

Issue 14: What is the appropriate amount by which rates should be reduced four years after the published effective date to reflect the removal of the amortized rate case expense?

Recommendation: The water rates should be reduced, as shown on Schedule No. 4 of staff's memorandum dated November 26, 2019, 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 367.081(8), F.S. Placid Lakes 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.

APPROVED

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Issue 15: Should the utility be required to notify the Commission, in writing, that it has adjusted its books in accordance with the Commission's decision?

Recommendation: Yes. Placid Lakes should be required to notify the Commission, in writing, that it has adjusted its books in accordance with the Commission's decision. Placid Lakes should submit a letter within 90 days of the final order in this docket, confirming that the adjustments to all applicable National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts (USOA) primary accounts have been made to the utility's books and records. In the event the utility needs additional time to complete the adjustments, notice should be provided within seven days prior to the deadline. Upon providing good cause, staff should be given administrative authority to grant an extension of up to 60 days.

APPROVED

Issue 16: 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, and the utility has provided staff with proof that the adjustments for all applicable NARUC USOA primary accounts have been made. Once these actions are complete, this docket should be closed administratively.

APPROVED