

FLORIDA PUBLIC SERVICE COMMISSION

Item 4

VOTE SHEET

May 5, 2020

FILED 5/5/2020
DOCUMENT NO. 02407-2020
FPSC - COMMISSION CLERK

Docket No. 20190118-WU – Application for increase in water rates in Gulf County by Lighthouse Utilities Company, Inc.

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

Recommendation: Yes. Lighthouse has been responsive to customer complaints, and is working to address the issues noted in the DEP Consent Order through the pro forma plant improvements discussed in Issue 4. Therefore, staff recommends that the overall quality of service for Lighthouse be considered satisfactory.

APPROVED

Issue 2: Are the infrastructure and operating conditions of Lighthouse's water system in compliance with DEP regulations?

Recommendation: Yes. Lighthouse's water treatment facility is currently in compliance with DEP regulations.

APPROVED

COMMISSIONERS ASSIGNED: All Commissioners

COMMISSIONERS' SIGNATURES

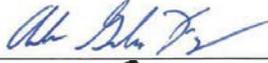
MAJORITY



DISSENTING







Donald J. Polmann

REMARKS/DISSENTING COMMENTS:

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Issue 3: What adjustments, if any, should be made to account for the audit adjustments related to rate base?

Recommendation: Based on the audit adjustments agreed to by the Utility, the following adjustments should be made to rate base and net operating income as set forth in the staff analysis portion of staff's memorandum dated April 23, 2020.

Plant	\$1 36,039
Accumulated Depreciation	(\$1 48,937)
CIAC	\$4 1,275
Accum. Amortization of CIAC	(\$5 ,256)
Depreciation Expense	\$6, 396
CIAC Amortization Expense	\$1, 303

APPROVED

Issue 4: What adjustments, if any, should be made to the Utility's pro forma plant?

Recommendation: No adjustments are necessary to the Utility's pro forma plant request. However, adjustments should be made to decrease both pro forma accumulated depreciation and depreciation expense by \$19,272. Additionally, pro forma property taxes should be increased by \$13,522.

APPROVED

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Issue 5: What are the used and useful (U&U) percentages of Lighthouse's WTP, storage, and distribution system?

Recommendation: Staff recommends Lighthouse's WTP, storage, and distribution system be considered 100 percent U&U. Staff recommends that a 6.8 percent adjustment to operating expenses for chemicals and purchased power should be made for excessive unaccounted for water (EUW).

APPROVED as MODIFIED

At the completion of the pro forma project plus 12 months, the Utility shall submit to the Commission a follow-up report addressing the impact on Excessive Unaccounted for Water.

Issue 6: What is the appropriate working capital allowance?

Recommendation: The appropriate working capital allowance is \$72,127. As such, working capital should be decreased by \$8,954.

APPROVED

Issue 7: What is the appropriate rate base for the test year ended December 31, 2018?

Recommendation: Consistent with staff's other recommended adjustments, the appropriate rate base for the test year ended December 31, 2018, is \$1,535,766.

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 10.55 percent with an allowed range of plus or minus 100 basis points.

APPROVED

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Issue 9: What is the appropriate weighted average cost of capital, including the proper components, amounts, and cost rate 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 8.01 percent.

APPROVED

Issue 10: What are the appropriate test year revenues for Lighthouse’s water system?

Recommendation: The appropriate test year revenues are \$757,270, which is an increase of \$57,722 to the Utility’s adjusted test year revenues.

APPROVED

Issue 11: What adjustments, if any, should be made to the account for the audit adjustments related to operating expenses?

Recommendation: Based on the audit adjustments agreed to by Lighthouse, O&M expense should be decreased by \$38,285 and taxes other than income (TOTI) should be reduced by \$2,294.

APPROVED

Issue 12: What adjustments, if any, should be made to the Utility's test year O&M expenses?

Recommendation: An adjustment should be made to decrease purchased power expense by \$3,498 and reduce chemicals expense by \$557. Rent expense should be increased by \$1,547. Additionally, miscellaneous expense should be increased by \$2,290.

APPROVED

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Issue 13: What adjustments, if any, should be made to the Utility's salaries and wages expense?

Recommendation: An adjustment should be made to reduce salaries and wages - officers expense by \$40,000.

APPROVED

Issue 14: Should any adjustments be made to account for the Utility's pro forma expense?

Recommendation: Yes. Adjustments should be made to increase purchased power expense by \$4,572 and to increase chemicals expense by \$2,295.

APPROVED

Issue 15: What is the appropriate amount of rate case expense and over what period should it be amortized?

Recommendation: The appropriate amount of rate case expense is \$96,040. This expense should be recovered over four years for an annual expense of \$24,010. Therefore, annual rate case expense should be increased by \$373 from the expense included in the MFRs.

APPROVED

Issue 16: What is the appropriate revenue requirement for the test year ended December 31, 2018?

Recommendation: The following revenue requirement should be approved.

Test Year	\$ Increase	Revenue Requirement	% Increase
\$757,270	\$154,963	\$912,233	20.46%

APPROVED

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Issue 17: What are the appropriate rate structures and rates for Lighthouse’s water system?

Recommendation: The recommended rate structures and monthly water rates are shown on Schedule No. 4 of staff’s memorandum dated April 23, 2020. 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 18: What are the appropriate initial customer deposits for Lighthouse’s water system?

Recommendation: The appropriate initial customer deposit should be \$67 for the residential 5/8 inch by 3/4 inch 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 water. The approved initial customer deposits should be effective for services rendered or 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 collect the approved deposits until authorized to change them by the Commission in a subsequent proceeding.

APPROVED

Issue 19: What is the appropriate amount by which rates should be reduced to reflect the removal of the amortized rate case expense, as required by Section 367.081(8), F.S.?

Recommendation: The water rates should be reduced, as shown on Schedule No. 4 of staff’s memorandum dated April 23, 2020, to remove the annual amortization of rate case expense grossed-up for RAFs. The decrease in rates should become effective immediately following the expiration of the rate case expense recovery period. Lighthouse 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 20: Should the Utility be required to notify, 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. Lighthouse 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 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 21: 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 notified staff that the adjustments for all the applicable NARUC USOA primary accounts have been made. Once these actions are complete, this docket should be closed administratively.

APPROVED