

FLORIDA PUBLIC SERVICE COMMISSION

VOTE SHEET

SPECIAL COMMISSION CONFERENCE

DATE: September 3, 1991

RE: ~~DOCKET NO. 900816-WS~~ - Petition for a rate increase in Martin County by SAILFISH POINT UTILITY CORPORATION. (MFRs filed 12/28/90)

Issue: To consider and make a final decision regarding Sailfish Point Utility Corporation's petition for a rate increase. Detailed issues are shown on the attached Supplemental Issue Listing.

DECISIONS ON INDIVIDUAL ISSUES ARE SHOWN ON THE ATTACHED PAGES.

COMMISSIONERS ASSIGNED: ES DS

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

Bobby Caskey

J. Terry Deane

REMARKS/DISSENTING COMMENTS:

PSC/RAR33 (5/90)

DOCUMENT NUMBER-DATE

00808 SEP -4 1991

FPSC-RECORDS/REPORTING

SUPPLEMENTAL ISSUE LISTING
SAILFISH POINT UTILITY CORPORATION

DOCKET NO. 900816-WS

SEPTEMBER 3, 1991

Issue A: Should the proposed stipulations as stated in the prehearing order and the staff memorandum dated August 22, 1991 be approved. (This issue is not included in the Prehearing Order.)
Recommendation: Yes.

APPROVED

Issue B: Should the Utility's Motion to Strike Reply Brief of SPOR or in the alternative, Motion to File Reply Brief, be denied.
Recommendation: Yes.

APPROVED

Issue 1: Is the quality of service provided by the utility system satisfactory?
Recommendation: Yes. Staff recommends that the Quality of Service provided by the Sailfish Point Utility Corporation is satisfactory.

APPROVED

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RATE BASE

Issue 2: Are contingency payments counted twice in the projected cost of the wastewater treatment plant?
Recommendation: No, an adjustment is not necessary.

APPROVED

Issue 3: Should the cost of the water distribution and wastewater collection lines and mains located on the Sailfish Point Property outside of the utility parcel be included in rate base calculations?
Recommendation: Yes. No adjustments are necessary.

APPROVED

Issue 4: Should the cost of the water treatment and wastewater collection treatment facilities located upon the utility parcel be included in the rate base calculations?
Recommendation: Yes. No adjustments are necessary.

APPROVED

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Issue 5: Should the pre-1984 construction of the utility plant by SPI, while the utility was a division of SPI, be removed from rate base because the cost of this utility plant was included in the cost of developing the lots?
Recommendation: No. No adjustments are necessary.

APPROVED

Issue 6: Should a margin of reserve be included in the calculations of used and useful plant?
Recommendation: Yes. A Margin Reserve is justified and should be included.

APPROVED

Issue 7: If the Commission allows a margin reserve should it adopt the utility's allowance?
Recommendation: No. The utility overstated its margin reserve.

APPROVED

Issue 8: Is the utility's provision for fire flow correct?
Recommendation: Yes.

APPROVED

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Issue 9: Is the level of unaccounted for water reasonable?
Recommendation: No. The level of excess unaccounted for water is 5%.

APPROVED

Issue 10: Are the utility's calculations to determine the number of equivalent residential connections for Sailfish Point by year for the years ending June 1990, 1991, and 1992 correct?
Recommendation: No. Since the utility did not calculate equivalent residential connections for the water or sewer systems, their calculations of these quantities are incorrect.

APPROVED

Issue 11: Is the utility's calculation for projected peak day water demand correct?
Recommendation: No. The utility should base its calculation on the five day average calculated in MFR schedule F-3.

APPROVED

Issue 12: What are the appropriate percentages of used and useful plant?
Recommendation: The appropriate amount of used and useful plant is shown in staff's memorandum dated August 22, 1991.

APPROVED

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Issue 13: What are the appropriate amounts of non-used and useful utility plant-in-service?

Recommendation: The appropriate amounts of non-used and useful Plant are \$184,985 for water and \$388,308 for wastewater.

APPROVED

Issue 14: Should there be an imputation of contributions-in-aid-of-construction (CIAC) to offset margin of reserve?

Recommendation: Yes, CIAC should be increased by \$58,987 to reflect the imputation on the margin reserve for the wastewater plant. An adjustment is also necessary to increase accumulated amortization of CIAC and test year amortization by \$2,161.

APPROVED

Issue 15: Should income taxes on contributions-in-aid-of-construction (CIAC) be capitalized in rate base?

Recommendation: No. Debit deferred taxes related to CIAC should offset credit deferred taxes in the capital structure.

APPROVED

Issue 16: What is the appropriate amount of working capital to be included in rate base?

Recommendation: A working capital amount of \$28,029 for water and \$19,053 for wastewater is recommended. This is a reduction of \$1,757 for water and \$1,728 for wastewater.

APPROVED

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Issue 17: What is the appropriate level of test year rate base?
Recommendation: The appropriate level of test year rate base is \$1,423,236 for water and \$1,165,130 for wastewater.

APPROVED

Issue 18: What is the appropriate capital structure for ratemaking purposes?
Recommendation: The Utility's actual capital structure is the appropriate capital structure for ratemaking purposes.

APPROVED

Issue 19: What is the cost of common equity capital?
Recommendation: The cost of common equity capital is 13.11% based upon the amount of equity capital in the capital structure recommended in Issue 18 and the current leverage formula from Order No. 24246.

APPROVED

Issue 20: What is the cost of debt capital?
Recommendation: The cost of debt capital is 11.00% on the mortgage from SPI.

APPROVED

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Issue 21: What specific adjustments should be made to accumulated deferred income taxes?

Recommendation: The credit deferred tax balance should be increased by \$229,109 to \$685,110, and the debit balance should be increased by \$20,000 to \$269,839.

APPROVED

Issue 22: Should debit and credit deferred taxes be offset, with the net credit included in the capital structure at zero cost?

Recommendation: Yes, debit and credit deferred taxes should be offset, with the net credit balance of \$415,271 included in the capital structure at zero cost.

APPROVED

Issue 23: What is the appropriate amount and cost rate of investment tax credits to be included in the capital structure?

Recommendation: The appropriate ITC balance is \$265,111, to be included in the capital structure at zero cost.

APPROVED

Issue 24: 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 for the projected test year ending June 30, 1992 is 1.56%.

APPROVED

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Issue 25: Are intercompany expense allocations appropriate?
Recommendation: Yes. No adjustments are necessary.

APPROVED

Issue 26: Should the utility's purchased power and chemical expense be adjusted for unaccounted for water?
Recommendation: Yes. The utility has 5% excessive unaccounted for water. Staff recommends that an adjustment be made to chemical and purchased power expenses used to treat and process the 5% excessive unaccounted for water.

APPROVED with the correction that no adjustment is required to chemical and purchased power expenses. (ST)

Issue 27: Is the replacement program for the new spiral wound membranes appropriate?
Recommendation: The utility's proposed program should be considered appropriate.

DENIED - A four year replacement period for this program was approved.

Issue 28: Should rate case costs for the prior docket be allowed in this case?
Recommendation: No, prior rate case costs of \$68,374, should be disallowed.

APPROVED

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Issue 29: What is the appropriate amount for current rate case expense?
Recommendation: The appropriate amount for current rate case expense is \$50,000, amortized over four years. This results in a reduction of \$41,800 to current rate case expense from the utility's request of \$91,800.

APPROVED

Issue 30: Is the utility's proposed depreciation expense overstated?
Recommendation: Yes, depreciation expense should be reduced by \$1,320 for water and \$750 for wastewater and accumulated depreciation should be reduced by \$1,320 and \$375, respectively.

APPROVED

Issue 31: Should the utility's requested provision for taxes other than income be approved?
Recommendation: Yes, no adjustment is necessary.

APPROVED

Issue 32: Should a parent debt adjustment be made in this case?
Recommendation: No, a parent debt adjustment should not be made in this case.

APPROVED

Issue 33: What is the appropriate income tax expense?
Recommendation: Income tax expense should be zero.

APPROVED

Issue 34: What is the appropriate level of test year operating income before revenue increase?
Recommendation: The appropriate level of test year operating income is \$(131,092) for water and \$(143,165) for wastewater.

MODIFIED - Test year operating income was revised to \$(124,792) based on the decision on issue no. 27 (Water only)

Issue 35: What is the total revenue requirement?
Recommendation: The following revenue requirement should be approved:

	<u>Total</u>	<u>(Decrease) Increase</u>	<u>Percent</u>
Water	\$357,198	\$160,513	81.61%
Wastewater	\$284,610	\$115,670	146.05%

MODIFIED - Water revenues were revised as follows:

\$350,601 153,917 78.26

Issue 36: Is an adjustment necessary to comply with Section 367.0815, Florida Statutes, regarding the limitation of rate case expense?
Recommendation: No.

APPROVED

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Issue 37: What final rates should be authorized?

Recommendation: The recommended rates should be designed to produce revenues of \$357,198 for water and \$284,610 for wastewater using the base facility charge rate structure. The approved rates will be effective for meter readings on or after thirty days from the stamped approval date, subject to the utility's filing of and staff's approval of revised tariff sheets and a customer notice.

APPROVED with the modification incorporating the revised water revenue requirement of \$350,601.

Issue 38: 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?

Recommendation: As reflected in Schedule Nos. 8 and 9, the water rates should be reduced by \$6,545 and the wastewater rates should be reduced by \$6,545 at the expiration of the four year period, in compliance with Section 367.0816, Florida Statutes.

APPROVED

Issue 39: Is the utility's existing service availability policy in compliance with Rule 25-30.580, Florida Administrative Code?

Recommendation: Yes.

APPROVED

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Issue 40: What are the appropriate miscellaneous service charges?
Recommendation: Staff recommends that the miscellaneous service charges as detailed in the Second Revised Staff Advisory Bulletin No. 13 be approved for both the water and wastewater systems and that the tariff contain a provision that when both water and wastewater services are provided, only a single charge is assessed unless circumstances beyond the control of the utility require multiple actions. The new miscellaneous service charges are effective for service provided on or after the stamped approval date of the revised tariff sheets. The tariff sheets will be approved upon staff's verification that the tariffs are consistent with the Commission's decision.

APPROVED

Issue 41: Should a charge be established for gray water used by the golf course? Is so, what is the appropriate charge?
Recommendation: No. The primary benefit is to the utility and no charge should be established for gray water used by the golf course.

APPROVED

Issue 42: Should this docket be closed?
(This issue is not included in the prehearing order)
Recommendation: Yes, this docket should be closed subsequent to the utility's submittal and staff's approval of the revised tariff sheets. The utility's corporate undertaking may be released.

APPROVED