

VOTE SHEET

AUGUST 31, 1999

RE: DOCKET NO. 980242-SU - Petition for limited proceeding to implement two-step increase in wastewater rates in Pasco County by Lindrick Service Corporation.

Issue 1: What is the appropriate rate base for the utility's wastewater system at December 31, 1997?

Recommendation: The appropriate rate base for the utility's wastewater system at December 31, 1997 should be \$306,115.

APPROVED

Issue 2: What is the appropriate test year revenue for wastewater for 1997?

Recommendation: Test year revenue should be \$761,554.

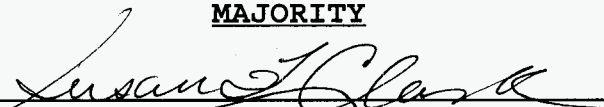


APPROVED

COMMISSIONERS ASSIGNED: Full Commission

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

	_____
	_____
	_____
_____	_____
_____	_____

REMARKS/DISSENTING COMMENTS:

Commissioners Deason, Clark, and Johnson participated in the vote on this item on 8/31/99.

DOCUMENT NUMBER-DATE

10527 SEP-28

FPSC-RECORDS/REPORTING

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Issue 3: What is the appropriate amount for operating expenses for wastewater for 1997?

Recommendation: The appropriate amount for operating expenses for wastewater for 1997 should be \$636,250.

APPROVED

Issue 4: Did Lindrick's wastewater system earn in excess of its authorized rate of return on equity for the year ended December 31, 1997?

Recommendation: Yes, Lindrick's wastewater system earned in excess of its authorized rate of return for the year ended December 31, 1997. However, once the wastewater overearnings are netted against the water system's underearning, Lindrick did not overearn on a total company basis.

APPROVED

Issue 5: Is the quality of service provided by Lindrick satisfactory?

Recommendation: No. The quality of service provided by Lindrick to its customers is not satisfactory. The utility should be monitored by staff to insure improvements are made and should be directed to respond in writing in six months as to the progress made in the area of complaint responsiveness.

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Issue 6: Should the utility's request for a limited proceeding for its water system be approved?

Recommendation: No. Lindrick's request for a limited proceeding for its water system should be denied. The utility may apply for a rate increase in accordance with Section 367.081, Florida Statutes.

APPROVED

Issue 7: Was the wastewater interconnection by Lindrick Service Corporation with the City of New Port Richey required and, if so, should the prudent cost of the interconnection be recovered through rates?

Recommendation: Yes, the interconnection is required and the prudent cost should be recovered in rates.

APPROVED

Issue 8: Should the utility be allowed to recover the requested interest during construction in the cost of the plant?

Recommendation: No. Since the utility does not have a Commission-approved Allowance for Funds Used During Construction (AFUDC) rate, the utility should not be allowed to recover the requested interest during construction in the cost of the plant.

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Issue 9: What is the appropriate amount of additional plant-in-service required for the improvements to the collection system and the interconnection with the City of New Port Richey?

Recommendation: The additional plant needed for the improvements to the collection system and the interconnection with the City of New Port Richey is \$2,978,582, as shown on Schedule No. 1A of staff's August 19, 1999 memorandum.

APPROVED

Issue 10: What is the appropriate average service life and depreciation rate that should be used for the improvements to the collection system?

Recommendation: An average service life of 18 years is appropriate, resulting in a 5.86% depreciation rate.

APPROVED

Issue 11: What is the appropriate projected rate base at December 31, 1999, for Lindrick subsequent to the improvements and interconnection with the City of New Port Richey?

Recommendation: The appropriate projected rate base at December 31, 1999, for Lindrick subsequent to the improvements and interconnection with the City of New Port Richey should be \$3,119,225.

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Issue 12: Based upon the findings as to the quality of service, should the Commission reduce Lindrick's return on equity (ROE) and, if so, by how much?

Recommendation: Yes. Lindrick's return on equity should be reduced by 100 basis points.

MODIFIED

*ROE will be reduced by 50
basis points.*

Issue 13: Should the Commission update the utility's authorized return on equity (ROE) and, if so, what is the appropriate return on equity?

Recommendation: Yes. The utility's authorized ROE should be updated to establish the return based on the current leverage formula for this limited proceeding and on a going-forward basis. Based on the current leverage formula, the utility's ROE would be 10.12%, with a range from 9.12% to 11.12%. However, as discussed in Issue 12, staff is recommending a reduction of 100 basis points because of the quality of service. Therefore, the utility's ROE should be decreased to 9.12% with a range of 9.12% to 11.12%. This recommended return on equity should be effective as of the date the Commission's order is final. It should be applied to any future wastewater proceedings of this utility, including, but not limited to, price indexes and interim rates.

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Issue 14: Should adjustments be made to the utility's capital structure and what is the appropriate overall rate of return?

Recommendation: Yes. Two adjustments should be made to the utility's capital structure. A \$4,000,000 loan with an interest rate of 9.00% should be added to the utility's long-term debt, and a \$279,759 advance from affiliates with an assigned interest rate of 10.12% should be included in the capital structure. Therefore, the appropriate overall rate of return should be 9.06% with a range of 9.06% to 9.20%.

MODIFIED

Approved with understanding that staff will update interest rates.

Issue 15: What are the appropriate billing determinants to be used for determining the 1999 projected test year revenues and rates and what is the appropriate amount of revenue for 1999?

Recommendation: The 1999 projected billing determinants provided by the utility should be used to determine the 1999 projected revenue and rates. The appropriate amount for the projected test year revenue is \$811,758.

MODIFIED

Approved with modification that staff will use new billing determinants.

Issue 16: What is the appropriate amount of rate case expense for this limited proceeding and for Docket No. 961364-WS?

Recommendation: The appropriate amount of rate case expense for this limited proceeding and for Docket No. 961364-WS is \$59,709. The annual amortization amount should be \$14,928.

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Issue 17: What is the appropriate amount of prospective operating expenses subsequent to the interconnection and improvements?

Recommendation: The appropriate amount of prospective operating expenses subsequent to the interconnection and improvements should be \$1,139,656.

APPROVED

Issue 18: What is the appropriate wastewater revenue requirements associated with the improvements to the collection system and interconnection to the City of New Port Richey?

Recommendation: The appropriate wastewater revenue requirement associated with the improvements to the collection system and interconnection to the City of New Port Richey is \$1,422,257.

APPROVED

Issue 19: What is the appropriate method to be used for calculating wastewater rates and what are the appropriate wastewater rates?

Recommendation: Staff's recommended rates should be designed to allow the utility the opportunity to generate annual operating revenues of \$1,422,257 for wastewater. The utility should file revised tariff sheets consistent with the decision herein. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheets

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pursuant to Rule 25-30.475(1), Florida Administrative Code, provided the customers have received notice. The utility should provide proof of the date customer notice was given within 10 days after the date of the notice.

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 required by Section 367.0816, Florida Statutes?

Recommendation: The wastewater rates should be reduced as shown on Schedule 4 of staff's memorandum, 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 expiration of the four-year rate case expense recovery period, pursuant to Section 367.0816, Florida Statutes (1997). The utility 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.

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Issue 21: Should the recommended rates be approved for the utility on a temporary basis, subject to refund, in the event of a protest?

Recommendation: Yes. The staff-recommended rates should be approved on a temporary basis in the event of a protest. The utility should be authorized to collect the temporary rates subject to refund, with interest, after staff's approval of the security for a potential refund, the proposed customer notice, and revised tariff sheets.

APPROVED

Issue 22: Should a refund of the difference between revenues generated through emergency rates and the revenues generated through the proposed agency action (PAA) rates approved herein be required and, if so, how should it be calculated?

Recommendation: No. A refund is not required.

APPROVED

Issue 23: Should this docket be closed?

Recommendation: Yes. If no timely protest is received upon expiration of the protest period, Order should become final and effective upon issuance of a Consummating Order and this docket should be closed. If a protest is filed within 21 days of issuance of the Order, the Commission-approved temporary rates should become effective pending resolution of the protest.

APPROVED