

FLORIDA PUBLIC SERVICE COMMISSION

VOTE SHEET

June 2, 2009

Docket No. 080249-WS – Application for increase in water and wastewater rates in Pasco County by Labrador Utilities, Inc.

Issue 1: Is the quality of service provided by Labrador Utilities, Inc. satisfactory?

Recommendation: Yes. The overall quality of service provided by Labrador Utilities, Inc. is satisfactory.

APPROVED

COMMISSIONERS ASSIGNED: All Commissioners

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

Handwritten signatures in the majority column: Ned A. Stog, Katrina J. McMurrian, [Signature], Lisa Edger, Nancy Argenziano by Jay Harris (issues 1-3)

Handwritten signature in the dissenting column: Nancy Argenziano by Jay Harris (issues 4-23)

REMARKS/DISSENTING COMMENTS: Commissioner Argenziano participated in the conference by telephone. She will sign the vote sheet upon her return to the office. Commissioner Argenziano dissented on issues 4-23. Staff was given administrative approval to address all fallout issues. The Office of Public Counsel provided a handout at the Commission Conference, which is attached to this vote sheet.

DOCUMENT NUMBER-DATE

05524 JUN-30

FPSC-COMMISSION CLERK

June 2, 2009

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Issue 2: Should the audit adjustments to rate base and operating expenses to which the Utility agrees, be made?**Recommendation:** Yes. Based on audit adjustments agreed to by the Utility and staff, the following adjustments should be made.

Audit Finding	Water	Wastewater
No. 1 – Reduce plant	\$2,864	-
No. 1 – Increase plant	-	\$2,864
No. 1 – Reduce Accumulated Depreciation	-	\$13,794
No. 1 – Increase Accumulated Depreciation	\$19,972	-
No. 2 – Reduce plant	\$15,338	-
No. 2 – Reduce Accumulated Depreciation	\$2,324	\$320
No. 3 – Reduce plant and Accumulated Depreciation	\$13,005	\$6,913
No. 4 – Reduce plant	-	\$440
No. 6 – Remove O&M Expenses related to Sandalhaven	-	\$2,910
No. 7 – Reduce Rental Expense	\$12,053	\$11,794
No. 8 – Reduce Prior Rate Case Expense	\$3,016	\$2,952

In addition, staff auditors performed an affiliate transactions (AT) audit of Utilities, Inc., the parent company of Labrador, and its sister companies. Based on Audit Finding No. 5 in the AT audit, transportation expense should be decreased by \$257 for water and \$247 for wastewater.

APPROVED

Issue 3: Should any adjustments be made to test year plant-in-service?**Recommendation:** Yes. Water plant should be reduced by \$5,000.

APPROVED

Issue 4: What are the used and useful percentages of the Utility's water and wastewater systems?**Recommendation:** The used and useful percentages for the Utility's water and wastewater systems should be considered 100 percent used and useful.

Commissioner Argenziano made a motion to reduce by \$80,000 the salaries and for staff to make the necessary fallout adjustments. The motion failed for lack of a second.

Staff's recommendation was **APPROVED**. Commissioner Argenziano dissented.

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Issue 5: What is the appropriate working capital allowance?

Recommendation: The appropriate working capital allowance is \$18,499 for water and \$30,027 for wastewater.

APPROVED Commissioner Argenziano dissented.

Issue 6: What is the appropriate rate base for the test year period ending December 31, 2007?

Recommendation: Consistent with other recommended adjustments, the appropriate rate base is \$526,443 for water and \$1,388,078 for wastewater.

APPROVED Commissioner Argenziano dissented.

Issue 7: What is the appropriate return on equity?

Recommendation: The appropriate return on equity is 11.13 percent based on staff's recommended 2009 leverage formula and an equity ratio of 42.59 percent. Staff recommends an allowed range of plus or minus 100 basis points be recognized for ratemaking purposes.

APPROVED Commissioner Argenziano dissented.

Issue 8: What is the appropriate weighted average cost of capital including the proper components, amounts, and cost rates associated with the capital structure?

Recommendation: Based on the resolution of the previous issues, the appropriate weighted average cost of capital, including the proper components, amounts, and cost rates associated with the capital structure, is 8.22 percent.

APPROVED Commissioner Argenziano dissented.

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Issue 9: Should an adjustment to Contractual Services - Other be made?

Recommendation: Yes. Contractual Services - Other should be decreased by \$671 for water and \$656 for wastewater.

APPROVED Commissioner Argenziano dissented.

Issue 10: Should an adjustment be made to remove the Utility's Consumer Price Index (CPI) adjustments to O&M expenses?

Recommendation: Yes. O&M expenses should be reduced by \$1,943 for water and \$4,249 for wastewater to reflect the removal of the Utility's adjustments for CPI.

APPROVED Commissioner Argenziano dissented.

Issue 11: What is the appropriate amount of rate case expense?

Recommendation: The appropriate rate case expense is \$128,655. This expense should be recovered over four years for an annual expense of \$32,164. Thus, rate case expense should be reduced by \$9,990 for water and \$9,775 for wastewater, respectively.

MODIFIED to adopt the adjustments to the rate case expense noted on the last page of the handout that the Office of Public Counsel provided at the Commission Conference, which is attached to this vote sheet. Commissioner Argenziano dissented.

Issue 12: Should any further adjustments be made to test year net depreciation expenses?

Recommendation: Yes. Net depreciation expense should be decreased by \$748 for water and increased by \$255 for wastewater. The corresponding adjustments include a decrease to accumulated depreciation of \$375 for water and \$12 for wastewater.

APPROVED Commissioner Argenziano dissented.

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Issue 13: What is the test year water and wastewater operating income before any revenue increase?

Recommendation: Based on the adjustments discussed in previous issues, the test year operating loss is \$21,762 for water and the test year operating income is \$28,899 for wastewater.

APPROVED Commissioner Argenziano dissented.

Issue 14: What is the appropriate revenue requirement?

Recommendation: The following revenue requirement should be approved:

	Test Year Revenues	\$ Increase	Revenue Requirement	% Increase
Water	\$155,762	\$109,212	\$264,974	70.11%
Wastewater	\$362,449	\$143,109	\$505,558	39.48%

APPROVED Commissioner Argenziano dissented.

Issue 15: What are the appropriate rate structures for the Utility's water and wastewater systems?

Recommendation: The appropriate rate structure for the Utility's water system is the base facility charge (BFC)/uniform gallonage charge rate structure. The BFC cost recovery allocations should be set at 40 percent. The appropriate rate structure for the utility's wastewater system is the base facility charge (BFC)/gallonage charge rate structure. The BFC cost recovery allocation should be set at 50 percent. Residential wastewater consumption should remain capped for billing purposes at 6 kgal per month. The general service wastewater gallonage charge should be 1.2 times the corresponding residential gallonage charge.

APPROVED Commissioner Argenziano dissented.

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Issue 16: Are repression adjustments to the utility’s water and wastewater systems appropriate in this case, and, if so, what are the appropriate adjustments to make for this utility?

Recommendation: Yes, repression adjustments are appropriate. Residential water consumption should be reduced by 7.9 percent, resulting in a consumption reduction of approximately 1,603 kgal. Total residential water consumption for ratesetting is 18,594 kgals, which represents a 6.6 percent reduction in overall consumption. The resulting water system reductions to revenue requirements are \$292 in purchased power expense, \$190 in chemicals expense, and \$22 in regulatory assessment fees (RAFs). The post-repression revenue requirement for the water system is \$263,456.

Residential wastewater consumption should be reduced by 7.4 percent, resulting in a consumption reduction of approximately 1,413 kgal. Total residential wastewater consumption for ratesetting is 17,596 kgals, which represents a 6.4 percent reduction in overall consumption. The resulting wastewater system reductions to revenue requirements are \$1,978 in purchased power expense, \$1,516 in chemicals expense, \$2,190 in sludge removal expense, and \$256 in RAFs. The post-repression revenue requirement for the wastewater system is \$500,806.

In order to monitor the effects of both the changes in revenues and rate structure, the utility should be ordered to file monthly reports detailing the number of bills rendered, the consumption billed and the revenues billed for each system. In addition, the reports should be prepared, for both the water and wastewater systems, by customer class and meter size. **The reports should be filed with staff, on a semi-annual basis, for a period of two years beginning the first billing period after the approved rates go into effect.** To the extent the utility makes adjustments to consumption in any month during the reporting period, the utility should be ordered to file a revised monthly report for that month within 30 days of any revision.

APPROVED Commissioner Argenziano dissented.

Issue 17: What are the appropriate rates for this utility?

Recommendation: The appropriate monthly water rates are shown on Schedule 4-A of staff’s memorandum dated May 20, 2009, and the corresponding appropriate monthly wastewater rates are shown on Schedule 4-B of staff’s memorandum dated May 20, 2009. Excluding miscellaneous service revenues, the recommended water rates are designed to produce revenues of \$263,456, while the recommended wastewater rates are designed to produce revenues of \$500,806. 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 of the revised tariff sheets, pursuant to Rule 25-30.475(1), F.A.C. In addition, the rates should not be implemented until staff has approved the proposed customer notice. The utility should provide proof of the date the notice was given no less than 10 days after the date of the notice.

APPROVED Commissioner Argenziano dissented.

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Issue 18: Should the Utility be authorized to revise its miscellaneous service charges, and, if so, what are the appropriate charges?

Recommendation: Yes. Labrador should be authorized to revise its miscellaneous service charges. The Utility should file a proposed customer notice to reflect the Commission-approved charges. The approved charges should be effective for service rendered on or after the stamped approval date of the tariff, pursuant to Rule 25-30.475(1), F.A.C., provided the notice has been approved by staff. Within 10 days of the date the order is final, Labrador should be required to provide notice of the tariff changes to all customers. The Utility should provide proof the customers have received notice within 10 days after the date that the notice was sent. The appropriate charges are reflected below.

Water Miscellaneous Service Charges

	<u>Normal Hrs</u>	<u>After Hrs</u>
Initial Connection	\$21	\$42
Normal Reconnection	\$21	\$42
Violation Reconnection	Actual Cost	Actual Cost
Premises Visit (in lieu of disconnection)	\$21	\$42

Wastewater Miscellaneous Service Charges

	<u>Normal Hrs</u>	<u>After Hrs</u>
Initial Connection	\$21	\$42
Normal Reconnection	\$21	\$42
Violation Reconnection	Actual Cost	Actual
Premises Visit (in lieu of	\$21	\$42

APPROVED Commissioner Argenziano dissented.

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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. Based on this calculation, no refund is required for wastewater. However, the Utility should be required to refund 2.32 percent (or \$5,857 of annual revenues) of water revenues granted under interim rates. The refund 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 corporate undertaking should be released upon staff's verification that the required refunds have been made.

APPROVED Commissioner Argenziano dissented.

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?

Recommendation: The rates should be reduced as shown on Schedules Nos. 4-A and 4-B of staff's memorandum dated May 20, 2009, to remove \$17,131 for water and \$16,764 for wastewater for rate case expense, grossed up for RAFs, which is being 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. 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.

APPROVED Commissioner Argenziano dissented.

Issue 21: Should the Utility be required to show cause, in writing within 21 days, why it should not be fined for its apparent failure to comply with the requirements of Rule 25-22.032(6)(b), F.A.C., which requires that the Utility provide to the Commission staff, within 15 working days after the Commission staff sends the complaint to the Utility, a written response to the customer's complaint?

Recommendation: Yes, the Utility should be ordered to show cause in writing, within 21 days of the show cause order, why it should not be fined \$1,000 for its apparent failure to comply with Rule 25-22.032(6)(b), F.A.C., in that in five of eleven customer complaints, the Utility did not meet the 15-day filing deadline. The order to show cause should incorporate the conditions stated in the analysis portion of staff's memorandum dated May 20, 2009.

APPROVED Commissioner Argenziano dissented.

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Issue 22: Should the Utility be required to provide proof that it has adjusted its books for all Commission approved adjustments?

Recommendation: Yes. To ensure that the Utility adjusts its books in accordance with the Commission's decision, Labrador should provide proof, within 90 days of the final order in this docket, that the adjustments for all the applicable National Association of Regulatory Utility Commissioners Uniform System of Accounts primary accounts have been made.

APPROVED Commissioner Argenziano dissented.

Issue 23: Should this docket be closed?

Recommendation: No. If no person whose substantial interests are affected by the proposed agency action files a protest within twenty-one 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 corporate undertaking should be released.

APPROVED Commissioner Argenziano dissented.

Labrador Utilities, Inc.
 Docket No. 080249-WS

**Adjustment to Wastewater Treatment Used and Useful Per
 Rule 25-30.432, F.A.C.**

Average Test Year Balances	UPIS (A-6)	Acc Dep (A-10)	Net Plant
Structures & Improvements	354.4	823,267	250,040
Treatment & Disposal Equip	380.4	473,805	84,623
Outfall Sewer Lines	382.4	5,333	(6,675)
Total	<u>1,302,405</u>	<u>327,988</u>	<u>974,417</u>
Non-Used and Useful Percent			61%
Non-Used and Useful Plant			594,394
Overall Cost of Capital			8.22%
Rate of Return Impact on Revenue			48,859
Depreciation Expense (B-14)	39,491	61%	24,090
Revenue Reduction			<u><u>72,949</u></u>

**Alternative Adjustment to Wastewater Treatment Used and
 Useful Per Last Commission Order**

Average Test Year Balances	UPIS (A-6)	Acc Dep (A-10)	Net Plant
Structures & Improvements	354.4	823,267	250,040
Treatment & Disposal Equip	380.4	473,805	84,623
Outfall Sewer Lines	382.4	5,333	(6,675)
Total	<u>1,302,405</u>	<u>327,988</u>	<u>974,417</u>
Non-Used and Useful Percent			20%
Non-Used and Useful Plant			194,883
Overall Cost of Capital			8.22%
Rate of Return Impact on Revenue			16,019
Depreciation Expense (B-14)	39,491	20%	7,898
Revenue Reduction			<u><u>23,918</u></u>

Pasco County, Florida

Mike Wells
Pasco County Property Appraiser



When I click on the map:

Quick Info

Full Info*

Zoom In 1.5x

Choose Layers:

- Parcel Lines (Default)
- Parcel Labels (Automatic)
- Street Names (Automatic)
- 2008 1 ft - Color
- Select Additional Layer
- Select Grouping

[Draw](#) [Help](#) [Print](#)

Image Size / Quality:



(Quality applies if imagery is selected)

Low Quality (Fast / JPEG)

Links of Interest:

- Recent Sales in this area
- Search for property in Pasco
- Map Search

MapID# 6245094/4523

2.0 miles S of Richland



9,433 Feet

Street name information is maintained by the Pasco County BOCC GIS Department.

Adjustment to Salary and Benefits

	<u>Total</u>	<u>Percent</u> <u>Increase</u>	<u>Expense</u> <u>Increase</u>	<u>Salaries/</u> <u>Benefits</u> <u>Indexed</u>
<u>2003 test year</u>				
MFR B-5,6 Salaries	33,196			
MFR B-5,6 Benefits	10,611			
Pro-Forma request	4,635			
Staff Adjust per Order	<u>(9,693)</u>			
Adjusted 2003 salary	<u><u>38,749</u></u>			
Increased Salary and Benefit Expense For CPI and Customer Growth		15.37%	5,956	44,705
<u>2007 test year</u>				
MFR B-5,6 Salaries	92,400			
MFR B-5,6 Benefits	21,663			
Pro Forma request	<u>11,225</u>			
Allowed By Staff Recommendation	<u><u>125,288</u></u>			
Requested Increase		223%	86,539	125,288
Excess over Indexed Expense				<u><u>80,583</u></u>

Labrador Utilities, Inc.
Docket No. 080249-WS

Adjustment to Rate Case Expense

	2003 Case Approved	Current Staff Rec.	Remove Milian & Swain Consulting	Adjusted Rate Case Expense
Filing Fee	4,000	4,000		4,000
Legal Fees	40,842	34,643		34,643
Consultant Fees (Seidman)	5,023	4,452		4,452
Consultant Fees (Milian & Swain)	0	59,415	(59,415)	0
WSC In house	16,664	26,146		26,146
Miscellaneous Exp	2,459			0
Total Rate Case Expense	<u>\$68,988</u>	<u>\$128,656</u>	<u>(\$59,415)</u>	<u>\$69,241</u>
Amortization period	4	4	4	4
Annual expense	<u>\$17,247</u>	<u>\$32,164</u>	<u>(\$14,854)</u>	<u>\$17,310</u>