

FLORIDA PUBLIC SERVICE COMMISSION

VOTE SHEET

November 10, 2009

Docket No. 090170-WU – Application for staff-assisted rate case in Lee County by Mobile Manor Water Company, Inc.

Issue 1: Is the quality of service provided by Mobile Manor Water Company, Inc. satisfactory?

Recommendation: Yes, the overall quality of service provided by Mobile Manor should be considered satisfactory.

APPROVED

Issue 2: What is the used and useful percentage of the water distribution system?

Recommendation: The water distribution system is 100 percent used and useful.

APPROVED

COMMISSIONERS ASSIGNED: All Commissioners

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

Handwritten signatures of David E. Klement, Ned A. ... and others under the MAJORITY column.

Four horizontal lines under the DISSENTING column for signatures.

REMARKS/DISSENTING COMMENTS:

DOCUMENT NUMBER-DATE

11240 NOV 10 8

FPSC-COMMISSION CLERK

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Issue 3: Should an adjustment be made for excessive unaccounted for water?

Recommendation: Yes. Mobile Manor has 14.61 percent excessive unaccounted for water. The cost of purchased water should be reduced by \$3,507 to reflect excessive unaccounted for water.

APPROVED

Issue 4: What is the appropriate average test year rate base for the Utility?

Recommendation: The appropriate average test year rate base for Mobile Manor is \$11,905 for water.

APPROVED

Issue 5: What is the appropriate return of equity and overall rate of return for this Utility?

Recommendation: The appropriate return on equity (ROE) is 11.78 percent with a range of 10.78 percent to 12.78 percent. The appropriate overall rate of return is 5.25 percent.

APPROVED

Issue 6: What is the appropriate amount of test year revenue in this case?

Recommendation: The appropriate test year revenue for this Utility is \$59,068 for water.

APPROVED

Issue 7: What is the appropriate amount of test year operating expenses?

Recommendation: The appropriate amount of operating expenses for this Utility is \$58,289.

APPROVED

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Issue 8: Should the Commission utilize the operating ratio methodology as an alternative means to calculate the revenue requirement for Mobile Manor, and if so, what is the appropriate margin?

Recommendation: Yes, the Commission should utilize the operating ratio methodology for calculating the revenue requirement for the Utility water system. The margin should be 10 percent of operation and maintenance expenses, excluding purchased water expense.

APPROVED

Issue 9: What is the appropriate revenue requirement?

Recommendation: The appropriate revenue requirement using the operating ratio methodology for calculating the revenue requirement is \$61,792.

APPROVED

Issue 10: What is appropriate rate structure for this Utility?

Recommendation: The appropriate rate structure for the water systems' residential and non-residential class is a continuation of the base facility charge (BFC)/uniform gallonage charge rate structure. The water system's BFC cost recovery should be set at 44.41 percent.

APPROVED

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Issue 11: Is a repression adjustment appropriate in this case, and if so, what is the appropriate adjustment to make for this utility? What are the corresponding expense adjustments, and what is the final revenue requirement for the respective water system?

Recommendation: No, a repression adjustment is not appropriate for this utility. However, in order to monitor the effects resulting from the changes in revenues, the Utility should prepare monthly reports for the water system, detailing the number of bills rendered, the consumption billed and revenues billed. In addition, the reports should be prepared 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

Issue 12: What are the appropriate rates for this Utility?

Recommendation: The appropriate monthly water rates are shown on Schedule No. 4 of staff's memorandum dated October 29, 2009. The recommended rates should be designed to produce revenue of \$61,792 for water, excluding miscellaneous service charges. If the effective date of the new rates falls within a regular billing cycle, the initial bills at the new rate may be prorated. The old charge shall be prorated based on the number of days in the billing cycle before the effective date of the new rates. The new charge shall be prorated based on the number of days in the billing cycle on and after the effective date of the new rates. In no event shall the rates be effective for service rendered prior to the stamped approval date. 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 no less than 10 days after the date of the notice.

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Issue 13: 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, the Utility should be required to refund 17.40 percent of water revenues collected 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.

APPROVED

Issue 14: 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 as required by Section 367.0816, F.S.?

Recommendation: The water rates should be reduced as shown on Schedule No. 4 of staff's memorandum dated October 29, 2009, 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 367.0816, 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. If Mobile Manor 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.

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Issue 15: Should the Utility be authorized to collect customer deposits, and, if so, what are the appropriate charges?

Recommendation: Yes. Mobile Manor should be authorized to collect customer deposits. The appropriate customer deposit should be the recommended charge as specified in the analysis portion of staff's memorandum dated October 29, 2009. The Utility should file revised tariff sheets which are consistent with the Commission's vote. Staff should be given administrative authority to approve the revised tariff sheets upon staff's verification that the tariffs are consistent with the Commission's decision. If revised tariff sheets are filed and approved, the customer deposit should become effective for connections made on or after the stamped approval date of the revised tariff sheets.

APPROVED

Issue 16: Should the recommended rates be approved for the Utility on a temporary basis, subject to refund, in the event of a protest filed by a party other than Mobile Manor?

Recommendation: Yes. Pursuant to Section 367.0814(7), F.S., the recommended rates should be approved for the Utility on a temporary basis, subject to refund, in the event of a protest filed by a party other than Mobile Manor. Prior to implementation of any temporary rates, the Utility should provide appropriate security. If the recommended rates are approved on a temporary basis, the rates collected by Mobile Manor should be subject to the refund provisions discussed in the analysis portion of staff's memorandum dated October 29, 2009. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., the Utility should file reports with the Commission's Division of Economic Regulation no later than the 20th of each month, indicating the monthly and total amount of money subject to refund at the end of the preceding month. The report filed should also indicate the status of the security being used to guarantee repayment of any potential refund.

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Issue 17: Should the Utility be required to maintain its books and records in conformance with the NARUC USOA?

Recommendation: Yes. The Utility should be ordered to maintain its books and records in conformance with the 1996 NARUC USOA and submit a statement from its accountant by March 31, 2010, along with its 2009 annual report, stating that its books are in conformance with the NARUC USOA and have been reconciled with the Commission Order.

APPROVED

Issue 18: Should this docket be closed?

Recommendation: No. The docket should remain open until a final order has been issued, staff has approved the revised tariffs sheets and customer notices, the Utility has sent the notices to its customers, staff has received proof that the customers have received notice within 10 days after the date of the notice, and the Utility has provided staff with proof that the adjustments for all the applicable NARUC USOA primary accounts have been made. Once staff has verified all of the above actions are complete, this docket should be closed administratively.

APPROVED