

VOTE SHEET

December 1, 2009

Docket No. 090060-WU – Application for staff-assisted rate case in Duval County by Neighborhood Utilities. (Deferred from the November 10, 2009 Commission Conference, revised recommendation filed.

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

Recommendation: No. The overall quality of service provided by Neighborhood Utilities, Inc. is marginal. In order to monitor the customers’ concerns about the precautionary “boil water” notices as required by the Department of Environmental Protection (DEP), it is recommended that the Utility provide the Commission with a copy of both the initial and rescinding boil water notifications for a period of one year after the Commission order concerning the rate case.

DEFERRED

Issue 2: What are the used and useful percentages of the Utility’s water system?

Recommendation: The treatment plant and distribution system is considered 100 percent used and useful.

DEFERRED

COMMISSIONERS ASSIGNED: All Commissioners

COMMISSIONERS’ SIGNATURES

MAJORITY

DISSENTING

Five horizontal lines for majority signatures.

Five horizontal lines for dissenting signatures.

REMARKS/DISSENTING COMMENTS: Deferred to the December 15, 2009 Commission Conference

DOCUMENT NUMBER-DATE

11661 DEC-18

FPSC-COMMISSION CLERK

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**Issue 3:** What is the appropriate average test year rate base for the Utility?

**Recommendation:** The appropriate average test year rate base for the Utility is \$660 for water.

## DEFERRED

**Issue 4:** What is the appropriate rate of return on equity and overall rate of return for this Utility?

**Recommendation:** The appropriate return on equity is 11.30 percent with a range of 10.30 - 12.30 percent. The appropriate overall rate of return is 9.65 percent.

## DEFERRED

**Issue 5:** What are the appropriate amount of test year revenues?

**Recommendation:** The appropriate test year revenue for this Utility is \$89,675 for water.

## DEFERRED

**Issue 6:** What is the appropriate amount of test year operating expense?

**Recommendation:** The appropriate amount of operating expense for the Utility is \$118,465 for water.

## DEFERRED

**Issue 7:** Should the Commission utilize the operating ratio methodology as an alternative means to calculate the revenue requirement for Neighborhood Utilities, Inc. 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 O&M expense.

## DEFERRED

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**Issue 8:** What is the appropriate revenue requirement?

**Recommendation:** The appropriate revenue requirement using the operating ratio methodology for calculating the revenue requirement is \$131,988.

## DEFERRED

**Issue 9:** Should the Utility's current rate structure be changed, and if so, what is the appropriate rate structure for the Utility's water system?

**Recommendation:** Yes. The Utility's current base facility charge (BFC)/uniform gallonage charge rate structure, which is billed on a quarterly basis, should be changed to a monthly three-tier inclining block rate structure with usage blocks set at: a) 0-5 kgals; b) 5-10 kgals; c) usage in excess of 10 kgals, with appropriate usage block rate factors of 1.0, 1.5, 2.0 respectively for water system's residential class. The appropriate rate structure for the water system's non-residential class is a traditional BFC/uniform gallonage charge. The billing system should be changed to a monthly basis. The water system's BFC cost recovery should be set at 35%.

## DEFERRED

**Issue 10:** Is a repression adjustment appropriate in this case, and if so, what are the appropriate adjustments to make for this Utility, what are the appropriate corresponding expense adjustments to make, and what are the final revenue requirements?

**Recommendation:** Yes, a repression adjustment is appropriate for this Utility. Test year consumption should be reduced by 4,360 ~~3,499~~ Kgals or 12.7 ~~10.2~~ percent. Purchased power expense should be reduced by \$978 ~~\$785~~, chemical expense should be reduced by \$436 ~~\$350~~, and regulatory assessment fees (RAFs) should be reduced by \$67 ~~\$53~~. The final post-repression revenue requirement for the water system should be \$130,506 ~~\$130,799~~.

In order to monitor the effect of the changes to rate structure and revenue, the Utility should be ordered to file reports detailing the number of bills rendered, the consumption billed and the revenues billed on a monthly basis. 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.

## DEFERRED

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**Issue 11:** What are the appropriate rates for this Utility?

**Recommendation:** The appropriate monthly water rates are shown on Schedules Nos. 4-A of staff's memorandum dated November 17, 2009. The recommended rates should be designed to produce revenue in the amount of ~~\$130,506~~ \$130,799 for water, excluding miscellaneous service revenues. 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.

## DEFERRED

**Issue 12:** Should the Commission approve proforma improvement items for the Utility, and if so, what is the appropriate return on equity, overall rate of return, revenue requirement and when should the resulting rates be implemented?

**Recommendation:** Yes. The Commission should approve a Phase II revenue requirement associated with proforma plant improvements. The Utility's revenue requirement should be \$166,672. Neighborhood should complete the proforma improvements within no more than 12 months of the issuance of the consummating order. The Utility should be allowed to implement the resulting rates once the proforma improvements have been completed and verified by staff. However, Neighborhood should not implement the revised rates until it has submitted a revised tariff and a proposed customer notice reflecting the Commission-approved rates. The 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. The rates should not be implemented until notice has been received by the customers. Neighborhood should provide proof of the date notice was given within 10 days after the date of the notice. If the Utility encounters any unforeseen events that will impede the completion of the proforma improvements, the Utility should ~~immediately~~ notify the Commission immediately.

## DEFERRED

**Issue 13:** Should this docket be closed?

**Recommendation:** Yes, upon expiration of the protest period, if a timely protest is not received from a substantially affected person, this docket should be closed.

## DEFERRED