

FLORIDA PUBLIC SERVICE COMMISSION

Item 19

VOTE SHEET

FILED DEC 15, 2015
DOCUMENT NO. 07883-15
FPSC - COMMISSION CLERK

December 3, 2015

Docket No. 150102-SU – Application for increase in wastewater rates in Charlotte County by Utilities, Inc. of Sandalhaven.

Issue 1: Is the quality of service provided by Sandalhaven satisfactory?

Recommendation: Yes. The utility has taken reasonable actions to comply with DEP’s consent order and to address customer concerns. All quality of service issues have been resolved. Staff recommends that the quality of service provided by the utility be considered satisfactory.

APPROVED

COMMISSIONERS ASSIGNED: All Commissioners

COMMISSIONERS’ SIGNATURES

MAJORITY

DISSENTING

Jimmy Diaz
[Signature]
[Signature]
[Signature]

REMARKS/DISSENTING COMMENTS:

Staff given administrative authority to make fall-out adjustments.

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Issue 2: Should the audit adjustments to rate base and operating expense to which the utility and staff agree be made?

Recommendation: Yes. Based on the audit adjustments agreed to by the utility and staff, the adjustments should be made to rate base and net operating income as set forth in the analysis portion of staff's memorandum dated November 18, 2015.

APPROVED

Issue 3: Should any further adjustments be made to test year rate base?

Recommendation: Yes. Plant should be decreased by \$23,335, accumulated depreciation should be decreased by \$297,173, CIAC should be increased by \$258,674, and accumulated amortization of CIAC should be increased by \$19,536. Corresponding adjustments should also be made to increase net depreciation expense by \$6,160. Staff recommends that Sandalhaven reflect any change in property taxes in its next pass through filing with the Commission. The amortization expense related to the cost of removal of the WWTP should be decreased by \$642 to \$9,770 and amortized over a period of 10 years. After the expiration of the amortization period, the wastewater rates should be reduced by \$9,770, as shown on Schedule No. 4 of staff's memorandum dated November 18, 2015, to remove removal costs grossed up for regulatory assessment fees (RAFs) and amortized over a 10-year period. The decrease in rates should become effective immediately following the expiration of the 10-year recovery period of removal costs associated with the decommissioning of the utility's WWTP. Sandalhaven 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 the utility 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 expense.

APPROVED

Issue 4: Should any adjustments be made to the utility's pro forma plant?

Recommendation: Yes. Pro forma plant should be decreased by \$153,873. Corresponding adjustments should be made to decrease accumulated depreciation and depreciation expense by \$4,870. An additional corresponding adjustment should be made to decrease credit ADITs by \$481.

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Issue 5: What are the used and useful percentages for the utility's wastewater collection and interconnection systems?

Recommendation: Sandalhaven's wastewater collection system, purchased wastewater treatment capacity, and primary master lift station should be considered 100 percent used and useful (U&U); and its interconnection force main should be considered 74.9 percent U&U. To reflect the appropriate U&U percentages, staff recommends that plant be decreased by \$755,064, accumulated depreciation be decreased by \$252,979, CIAC be decreased by \$19,144, and accumulated amortization of CIAC be decreased by \$7,337. In addition, Land should be decreased by \$4,662. Corresponding adjustments should be made to decrease depreciation expense and amortization expense by \$26,089 and \$637, respectively. As such, rate base should be decreased by \$490,278 and net depreciation expense should be decreased by \$25,451. Staff recommends that wastewater purchased power, chemical expenses, and purchased wastewater treatment should be reduced by 26.07 percent for excessive infiltration and inflow (I&I).

APPROVED as modified

*Remove growth allowance;
U&U purchase capacity of 91.4%;
force main of 61.2%;
primary master lift station of 93%.
Staff given authority to make fallout
adjustments.*

Issue 6: What is the appropriate working capital allowance?

Recommendation: The appropriate working capital allowance is \$70,647. As such, the working capital allowance should be decreased by \$16,610.

APPROVED * with staff given administrative authority to make fallout adjustments.

Issue 7: What is the appropriate rate base for the test year period ended December 31, 2014?

Recommendation: Consistent with staff's other recommended adjustments, the appropriate rate base for the test year ended December 31, 2014, is \$3,561,327.

APPROVED *

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Issue 8: What is the appropriate return on equity?

Recommendation: Based on the Commission leverage formula currently in effect, the appropriate allowed return on equity (ROE) is 10.36 percent with a range of plus or minus 100 basis points.

APPROVED *

Issue 9: What is the appropriate balance of accumulated deferred income taxes?

Recommendation: The appropriate 2014 average net used and useful credit accumulated deferred income taxes (ADITs) balance to include in the capital structure is \$214,874.

APPROVED *

Issue 10: What is the appropriate weighted average cost of capital including the proper components, amounts, and cost rates associated with the capital structure for the test year ended December 31, 2014?

Recommendation: The appropriate weighted average cost of capital is 7.92 percent.

APPROVED *

Issue 11: What are the appropriate test year revenues for the utility's wastewater system?

Recommendation: The appropriate test year revenues for Sandalhaven's wastewater system, including miscellaneous revenues are \$666,122.

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Issue 12: Should any adjustment be made to the utility's salaries and wages expense?

Recommendation: Yes. Salaries and wages expense should be decreased by \$67,362. Employee Pensions and Benefit expense should be decreased by \$897. In addition, payroll tax expense should be decreased by \$4,027.

APPROVED

Issue 13: Should further adjustments be made to the utility's O&M expense?

Recommendation: Yes. O&M expense should be decreased by \$83,287.

APPROVED

Issue 14: What is the appropriate amount of rate case expense?

Recommendation: The appropriate amount of rate case expense is \$123,015. This expense should be recovered over four years for an annual expense of \$30,754. Therefore, annual rate case expense should be decreased by \$2,830 from the respective levels of expense included in the MFRs.

APPROVED

Issue 15: Should any further adjustment be made to Taxes other than Income?

Recommendation: Yes. Property Taxes should be decreased by \$7,460.

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Issue 16: What is the appropriate revenue requirement for the test year ended December 31, 2014?

Recommendation: Staff recommends the following revenue requirement be approved.

Test Year Revenue	\$ Increase	Revenue Requirement	% Increase
\$666,122	\$626,375	\$1,292,497	94.03%

APPROVED

Issue 17: What are the appropriate rate structures and rates for Sandalhaven's wastewater systems?

Recommendation: The recommended rate structures and monthly wastewater rates are shown on Schedule No. 4 of staff's memorandum dated November 18, 2015. 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 sheets, 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 within 10 days of the date of the notice.

APPROVED

*as modified in
Alternative I recommendation
in Table 17-1*

Issue 18: In determining whether any portion of the interim water and wastewater revenue increase granted should be refunded, how should the refund be calculated, and what is the amount of the refund, if any?

Recommendation: The appropriate 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. The revised revenue requirements for the interim collection period should be compared to the amount of interim revenues granted. Based on this methodology, no refund is necessary. As a result, the corporate undertaking amount of \$356,608 should be released.

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Issue 19: 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, Florida Statutes?

Recommendation: The wastewater rates should be reduced as shown on Schedule No. 4 of staff's memorandum dated November 18, 2015, to remove rate case expense grossed up for regulatory assessment fees (RAFs) and amortized over a four-year period effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.0816, F.S. Sandalhaven 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 respective rate reductions. If the utility 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.

APPROVED

Issue 20: What are the appropriate customer deposits for Sandalhaven's wastewater system?

Recommendation: The appropriate initial customer deposit for the residential wastewater customers should be \$166 for all meter sizes. The initial customer deposits for all general service meter sizes should be two times the average estimated bill for wastewater. The approved customer deposits should be effective for services rendered or connections made on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475, F.A.C. The utility should be required to charge the approved charges until authorized to change them by the Commission in a subsequent proceeding.

APPROVED

Issue 21: Should Sandalhaven's guaranteed revenue charge be revised?

Recommendation: Yes. Sandalhaven's guaranteed revenue charge should be revised. Staff's recommended guaranteed revenue charge is \$50.31. The approved charge should be effective on or after the stamped approval date of the tariff, pursuant to Rule 25-30.475, F.A.C.

APPROVED *as modified*

guaranteed revenue charge of \$ 45.73.

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Issue 22: Should Sandalhaven's existing service availability policy and charges be revised, and if so, what is the appropriate policy and charges?

Recommendation: Yes. Staff recommends that the utility's existing main extension policy remain in effect and a plant capacity charge of \$3,270 per ERC should be approved. The approved service availability charges should be effective for connections made on or after the stamped approval date of the tariff, pursuant to Rule 25-30.475, F.A.C.

APPROVED

Issue 23: Should Sandalhaven's existing Allowance for Funds Prudently Invested (AFPI) charges be revised, and if so, what are the appropriate charges?

Recommendation: Yes. Sandalhaven's existing AFPI charges should be revised. The beginning date of the new AFPI charges should be January 1, 2015. After December 31, 2020, the utility should be allowed to collect the constant charge until 792 future ERCs have been added, at which time the charge should be discontinued. The charge should be collected from future connection based upon the time of the initial connection. The revised tariff sheets should be approved upon staff's verification that the tariffs are consistent with the Commission's decision. The approved AFPI charges should be effective for connections made on or after the stamped approval date of the tariff, pursuant to Rule 25-30.475, F.A.C.

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Issue 24: Should the utility be required to provide proof, within 90 days of an effective order finalizing this docket, that it has adjusted its books for all the applicable National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts (USOA) associated with the Commission-approved adjustments?

Recommendation: Yes. To ensure that the utility adjusts its books in accordance with the Commission's decision, Sandalhaven should notify the Commission in writing within 90 days of the final order in this docket that the adjustments to all the applicable NARUC USOA accounts have been made to the utility's books and records.

APPROVED

Issue 25: Should this docket be closed?

Recommendation: If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, a consummating order should 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. Once these actions are complete, this docket should be closed administratively.

APPROVED