

FLORIDA PUBLIC SERVICE COMMISSION

Item 7

VOTE SHEET

April 4, 2017

FILED APR 04, 2017
DOCUMENT NO. 04024-17
FPSC - COMMISSION CLERK

Docket No. 160143-WU – Application for staff-assisted rate case in Hardee County by Charlie Creek Utilities, LLC.

Issue 1: Is the quality of service provided by Charlie Creek Utilities, LLC satisfactory?

Recommendation: Yes. The overall quality of service provided by Charlie Creek Utilities, LLC should be considered satisfactory.

APPROVED as modified

COMMISSIONERS ASSIGNED: All Commissioners

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

Donald Polman
[Signature]
Julie [Signature]
[Signature]
[Signature]

Issue 7 only

REMARKS/DISSENTING COMMENTS:

Oral modification, assigned DN 03910-17, is attached.
Chairman Brown dissents on Issue 7.

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Issue 2: What are the used and useful percentages (U&U) of Charlie Creek Utilities, LLC's water treatment plant (WTP) and distribution system?

Recommendation: Charlie Creek's WTP should be considered 50 percent U&U. The water distribution system should be considered 55 percent U&U. There appears to be no excessive unaccounted for water (EUW); therefore, staff is not recommending an adjustment be made to operating expenses for chemicals and purchased power.

APPROVED

Issue 3: What is the appropriate average test year rate base for Charlie Creek Utilities, LLC?

Recommendation: The appropriate average test year water rate base for Charlie Creek is \$26,617.

APPROVED

Issue 4: What is the appropriate return on equity and overall rate of return for Charlie Creek Utilities, LLC?

Recommendation: The appropriate return on equity (ROE) is 11.16 percent with a range of 10.16 percent to 12.16 percent. The appropriate overall rate of return is 6.28 percent.

APPROVED

Issue 5: What are the appropriate test year revenues for Charlie Creek Utilities, LLC?

Recommendation: The appropriate test year revenues for Charlie Creek's water system are \$65,621.

APPROVED

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Issue 6: What is the appropriate amount of operating expense for Charlie Creek Utilities, LLC?

Recommendation: The appropriate amount of operating expense for Charlie Creek is \$69,063.

APPROVED

Issue 7: Should the Commission utilize the operating ratio methodology as an alternative method of calculating the water revenue requirement for Charlie Creek Utilities, LLC? If so, what is the appropriate margin?

Recommendation: Yes, the Commission should utilize the operating ratio methodology for calculating the water revenue requirement for Charlie Creek. The margin should be 10 percent of O&M expense.

APPROVED

Issue 8: What is the appropriate revenue requirement for Charlie Creek Utilities, LLC?

Recommendation: The appropriate revenue requirement is \$75,318, resulting in an annual increase of \$9,697 (14.78 percent).

APPROVED

Issue 9: What are the appropriate rate structure and rates for Charlie Creek Utilities, LLC?

Recommendation: The recommended rate structure and monthly water rates are shown on Schedule No. 4 of staff's memorandum dated March 23, 2017. 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 within 10 days of the date of the notice.

APPROVED

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Issue 10: What is the appropriate amount by which rates should be reduced in four years after the published effective date to reflect the removal of the amortized rate case expense as required by Section 367.081(8), F.S.?

Recommendation: The water rates should be reduced as shown on Schedule No. 4 of staff's memorandum dated March 23, 2017, to remove rate case expense grossed up for RAFs 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 367.081(8), F.S. Charlie Creek 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 rate case expense.

APPROVED

Issue 11: Should the recommended rates be approved for Charlie Creek Utilities, LLC on a temporary basis, subject to refund with interest, in the event of a protest filed by a party other than the utility?

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 with interest, in the event of a protest filed by a party other than the utility. Charlie Creek 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 temporary rates should not be implemented until staff has approved the proposed notice, and the notice has been received by the customers. 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 the utility should be subject to the refund provisions discussed in the analysis portion of staff's memorandum dated March 23, 2017. 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 Office of Commission Clerk 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.

APPROVED

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Issue 12: Should the miscellaneous service charges of Charlie Creek Utilities, LLC be revised?

Recommendation: Yes. Charlie Creek's miscellaneous service charges should be revised. The charges should be effective on or after the stamped approval date on the tariff, pursuant to Rule 25-30.475, F.A.C. In addition, the approved charges 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

Issue 13: Should the request of Charlie Creek Utilities, LLC to implement a late payment charge be approved?

Recommendation: Yes. Charlie Creek's request to implement a \$5.25 late payment charge should be approved. The utility should be required to file a proposed customer notice and tariff to reflect the Commission-approved charge. The approved charge should be effective 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 charge should not be implemented until staff has approved the proposed customer notice. The utility should provide proof of the date notice was given no less than 10 days after the date of the notice.

APPROVED

Issue 14: Should the Commission approve Charlie Creek Utilities, LLC's request to implement a convenience charge of \$3.43?

Recommendation: Yes. Charlie Creek's request for approval of a convenience charge of \$3.43 for customers who opt to pay their bill by debit or credit card should be approved. The convenience charge should be effective on or after the stamped approval date on the tariff, pursuant to Rule 25-30.475, F.A.C. In addition, the approved charge 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

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Issue 15: Should Charlie Creek Utilities, LLC's request for a \$50 meter tampering charge be approved?

Recommendation: Yes. Charlie Creek's request to implement a \$50 meter tampering charge should be approved. The charge should be effective for services rendered on or after the stamped approval date on the tariff, pursuant to Rule 25-30.475, F.A.C. In addition, the approved charge should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. Charlie Creek should provide proof of the date notice was given within 10 days of the date of the notice.

APPROVED

Issue 16: What are the appropriate initial customer deposits for Charlie Creek Utilities, LLC?

Recommendation: The appropriate water initial customer deposit should be \$76 for the residential 5/8" x 3/4" meter size. The initial customer deposits for all other residential meter sizes and all general service meter sizes should be two times the average estimated bill for water service. The approved initial customer deposits should be effective for connections made on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475, F.A.C.

APPROVED

Issue 17: Should the existing plant capacity charge of Charlie Creek Utilities, LLC, be discontinued?

Recommendation: Yes. Charlie Creek's existing plant capacity charge should be discontinued. The utility's existing plant capacity charge should be discontinued.

APPROVED

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Issue 18: Should the utility be required to notify the Commission in writing that it has adjusted its books in accordance with the Commission's decision?

Recommendation: Yes. Charlie Creek should be required to notify the Commission, in writing, that it has adjusted its books in accordance with the Commission's decision. Charlie Creek should submit a letter within 90 days of the final order in this docket, confirming that the adjustments to all applicable NARUC USOA primary accounts have been made to the utility's books and records. In the event the utility needs additional time to complete the adjustments, notice should be provided within seven days prior to the deadline. Upon providing good cause, staff should be given administrative authority to grant an extension of up to 60 days.

APPROVED

Issue 19: Should this docket be closed?

Recommendation: No. Except for the granting of temporary rates in the event of protest, the four year rate reduction, and proof of adjustments of books and records, which are final actions 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 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 the utility has provided staff with proof that the adjustments for all the applicable NARUC USOA primary accounts have been made. Once the above actions are completed this docket will be closed administratively.

APPROVED

Ashley Quick

From: Kathy Shoaf
Sent: Thursday, March 30, 2017 8:40 AM
To: Shannon Hudson; Marissa Friedrich; Lynn Deamer; Cheryl Bulecza-Banks; Robert Graves; Apryl Lynn; Braulio Baez; Carlotta Stauffer; Cayce Hinton; Cindy Muir; CLK - Agenda Staff; Commissioners & Staffs; Jacqueline Moore; Kate Hamrick; Kathy Shoaf; Keith Hetrick; Mark Futrell; Mary Anne Helton
Cc: Kate Hamrick; Jacqueline Moore; Nancy Harrison
Subject: APPROVED: Request approval for Oral Modification - Item 7 - Docket. 160143-WU, Application for increase in water rates in Hardee County by Charlie Creek Utilities, LLC -

Please see the attached APPROVED Oral Modification for Item 7, Docket No. 160143-WU.

Thank you .

Kathy Shoaf

Executive Assistant to
Braulio Baez, Executive Director
Florida Public Service Commission
Telephone: (850)413-6053
kshoaf@psc.state.fl.us

From: Braulio Baez
Sent: Wednesday, March 29, 2017 7:48 PM
To: Greg Shafer
Cc: Mark Futrell; Kate Hamrick; Kathy Shoaf; Patti Daniel; Marissa Friedrich; Shannon Hudson; Andrew Maurey; Tom Ballinger; Lee Eng Tan
Subject: RE: Request approval for Oral Modification - Item 7 - Docket. 160143-WU, Application for increase in water rates in Hardee County by Charlie Creek Utilities, LLC -

Approved, thank you.

Sent from my T-Mobile 4G LTE Device

----- Original message -----

From: Greg Shafer <GShafer@PSC.STATE.FL.US>
Date: 3/29/17 4:10 PM (GMT-05:00)
To: Braulio Baez <BBaez@PSC.STATE.FL.US>
Cc: Mark Futrell <MFutrell@PSC.STATE.FL.US>, Kate Hamrick <KHamrick@psc.state.fl.us>, Kathy Shoaf <kshoaf@psc.state.fl.us>, Patti Daniel <PDaniel@PSC.STATE.FL.US>, Marissa Friedrich <mfriedri@psc.state.fl.us>, Shannon Hudson <SHudson@PSC.STATE.FL.US>, Andrew Maurey <AMaurey@PSC.STATE.FL.US>, Tom Ballinger <TBalling@PSC.STATE.FL.US>, Lee Eng Tan <LTAN@PSC.STATE.FL.US>
Subject: Request approval for Oral Modification - Item 7 - Docket. 160143-WU, Application for increase in water rates in Hardee County by Charlie Creek Utilities, LLC -

7 (CP) 3-30-17

Staff requests approval to make an oral modification to Item 9 scheduled for the April 4, 2016 Commission Conference (Docket. 160143-WU, Application for increase in water rates in Hardee County by Charlie Creek Utilities, LLC). Staff inadvertently did not remove additional miscellaneous revenues from the revenue requirement that would be generated from staff's recommended increase to miscellaneous service, late payment, and convenience charges and the recommended addition of a meter tampering charge. Modifications are necessary in order for final rates to reflect the appropriate removal of miscellaneous revenues on a prospective basis. As a result of these changes, staff increased the BFC allocation from 40 percent to 43 percent and the repression adjustment was removed. Additionally, Schedule No. 4 containing staff's recommended monthly water rates should be modified to reflect these changes. Staff's proposed modifications are shown below.

Corrections to Issue 9 (pages 26-27) are contained within Staff's Analysis.

In order to design gallonage charges that will send the appropriate pricing signals to target non-discretionary usage, staff believes 40.43 percent of the revenue requirement should be recovered through the BFC. At the 40.43 percent BFC allocation, the percentage increase in price increases as consumption increases, which is one of the rate design goals. In addition, the average number of people per household served by the water system is two and one half; therefore, based on the number of persons per household, 50 gallons per day per person, and the number of days per month, the non-discretionary usage threshold should be 4,000 gallons per month instead of 3,000 gallons. Staff recommends a BFC and a two-tier gallonage charge rate structure for residential customers. The rate tiers should be: (1) 0-4,000 gallons and (2) all usage in excess of 4,000 gallons per month. Staff recommends a BFC and uniform gallonage charge rate structure for general service customers.

As discussed in Issue Nos. 12, 13, and 14, staff recommends increases to the utility's miscellaneous service, late payment, and convenience charges and the addition of a meter tampering charge. As a result, test year miscellaneous revenues should be increased to \$10,834 to reflect the appropriate miscellaneous revenues on a prospective basis. Further, based on the recommended revenue increase of approximately 16.3 15.0 percent excluding miscellaneous revenues, there is no anticipated repression. residential consumption can be expected to decline by 292,000 gallons, resulting in anticipated average residential demand of 4,619 gallons per month. Staff recommends a 3.5 percent reduction in total test year residential gallons for rate setting purposes and corresponding reductions of \$13 for purchased power, \$6 for chemical expense, and \$1 for RAFs to reflect the anticipated repression. These adjustments result in a post repression revenue requirement of \$69,333. The recommended rate structure and monthly water rates are shown on Schedule No. 4. Additionally, staff evaluated alternative rate structures with varying BFC allocation and found that the alternatives were not in accordance with the rate design parameters.

Corrections to Schedule No. 4 Monthly Water Rates (page 51).

CHARLIE CREEK UTILITIES, LLC. TEST YEAR ENDED 12/31/15 MONTHLY WATER RATES		SCHEDULE NO. 4 DOCKET NO. 160143-WU	
	UTILITY CURRENT RATES	STAFF RECOMMENDED RATES	4 YEAR RATE REDUCTION
<u>Residential and General Service</u>			
Base Facility Charge by Meter Size			
5/8"X3/4"	\$15.00	\$15.89	\$0.14-\$0.15
3/4"	\$22.50	\$23.84	\$0.21-\$0.23
1"	\$37.50	\$39.73	\$0.35-\$0.38
1-1/2"	\$75.00	\$79.45	\$0.71-\$0.76

2"	\$120.00	\$127.12	\$1.13 \$1.22
3"	\$240.00	\$254.24	\$2.26 \$2.44
4"	\$375.00	\$397.25	\$3.54 \$3.81
6"	\$750.00	\$794.50	\$7.07 \$7.63
Charge per 1,000 gallons - Residential			
0 - 3,000 gallons	\$3.50	N/A	N/A
Over 3,000 gallons	\$4.50	N/A	N/A
0 - 4,000 gallons	N/A	\$4.72 \$4.00	\$0.04
Over 4,000 gallons	N/A	\$5.90 \$5.01	\$0.05
Charge per 1,000 gallons - General Service			
0 - 3,000 gallons	\$3.50	N/A	
Over 3,000 gallons	\$4.50	N/A	
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
4,000 Gallons	\$30.00	\$34.77 \$31.89	
6,000 Gallons	\$39.00	\$46.57 \$41.91	
8,000 Gallons	\$48.00	\$58.57 \$51.93	