

VOTE SHEET

April 5, 2011

Docket No. 100149-WU – Application for increase in water rates in Lee County by Ni Florida, LLC. (Deferred from the January 25, 2011, Commission Conference. Revised Recommendation filed.)

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

Recommendation: Yes, the quality of service provided by Ni Florida is satisfactory.


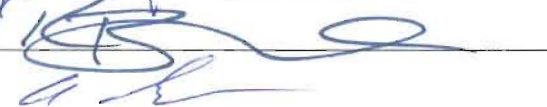
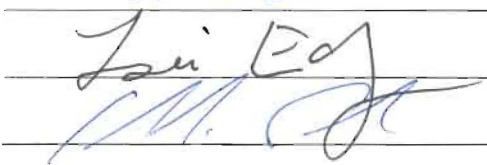
**APPROVED**

COMMISSIONERS ASSIGNED: All Commissioners

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

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REMARKS/DISSENTING COMMENTS:

DOCUMENT NUMBER-DATE

02263 APR-5 =

FPSC-COMMISSION CLERK

April 5, 2011

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**Issue 2:** Should the audit adjustments to rate base to which the Utility agrees be made?

**Recommendation:** Yes. Based on audit adjustments agreed to by the Utility, staff recommends the following adjustments to rate base and operating expenses be made.

Audit Finding	Plant	Accum. Depr.	Accum. Amortz. of CIAC	Amortz. Expense	Depr. Expense	O&M Expense
No. 1	(\$5,512)	(\$69)	\$0	\$0	(\$138)	(\$981)
No. 2	(4,312)	4,312	0	0	(100)	0
No. 3	<u>0</u>	<u>(435)</u>	<u>(1,293)</u>	<u>861</u>	<u>1,251</u>	<u>0</u>
Total:	<u>(\$9,824)</u>	<u>\$3,808</u>	<u>(\$1,293)</u>	<u>\$861</u>	<u>\$1,013</u>	<u>(\$981)</u>

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**Issue 3:** Should adjustments be made to the Utility's pro forma plant additions and associated expenses?

**Recommendation:** Yes. The Utility's pro forma plant additions should be increased by \$391. Accordingly, accumulated depreciation and depreciation expense should be decreased by \$288.

**APPROVED**

**Issue 4:** What is the used and useful percentage for the water distribution system?

**Recommendation:** The Ni Florida water distribution system should be considered 100 percent used and useful (U&U).

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**Issue 5:** What is the appropriate working capital allowance?

**Recommendation:** The appropriate amount of working capital is \$26,347.

**APPROVED**

**Issue 6:** What is the appropriate rate base for the December 31, 2009, test year?

**Recommendation:** Consistent with other recommended adjustments, the appropriate 13-month average rate base for the test year ended December 31, 2009, is \$277,597.

**APPROVED**

**Issue 7:** What is the appropriate return on equity?

**Recommendation:** The appropriate return on equity (ROE) is 8.82 percent based on the Commission's leverage formula currently in effect. Staff recommends an allowed range of plus or minus 100 basis points be recognized for ratemaking purposes.

**APPROVED**

**Issue 8:** 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, 2009?

**Recommendation:** The appropriate weighted average cost of capital for the test year ended December 31, 2009, is 8.77 percent.

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**Issue 9:** What is the appropriate amount of current rate case expense?

**Recommendation:** The appropriate amount of rate case expense is \$82,815. This expense should be recovered over four years for an annual expense of \$20,704. Thus, Ni Florida's requested annual rate case expense should be reduced by \$2,447.

**APPROVED**

**Issue 10:** Should any adjustment be made to bad debt expense?

**Recommendation:** Yes. The Utility should be entitled to bad debt expense of \$957. As a result, Ni Florida's bad debt expense of \$3,853 should be reduced by \$2,896.

**APPROVED**

**Issue 11:** Should any adjustment be made to the Utility's allocated overhead?

**Recommendation:** Yes. The Utility should be entitled to allocated overhead of \$43,589. As a result, the Utility's allocated overhead of \$175,649 should be reduced by \$132,060.

**APPROVED**

**Issue 12:** What is the test year operating income before any revenue increase?

**Recommendation:** Based on the adjustments discussed in previous issues, the test year operating loss is \$16,633.

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**Issue 13:** What is the appropriate revenue requirement for the December 31, 2009 test year?

**Recommendation:** The following revenue requirement should be approved:

	<u>Test</u> <u>Year Revenues</u>	<u>\$ Increase</u>	<u>Revenue</u> <u>Requirement</u>	<u>% Increase</u>
Water	\$220,146	\$42,905	\$263,051	19.49%

**APPROVED**

**Issue 14:** What are the appropriate rate structures?

**Recommendation:** The appropriate rate structure for the water system's residential class is a three-tier inclining-block rate structure. Staff's preliminary rate design called for a two-tier rate structure with usage blocks of: a) 0-6 kgals in the first usage block; and b) all usage in excess of 6 kgals in the second usage block. However, as discussed in Issue 15, by restricting any cost recovery due to repression being applied to non-discretionary usage, an additional tier is necessary for non-discretionary usage below 3 kgals per month. This results in a three-tier rate structure for monthly consumption with usage blocks of: a) 0-3 kgal; b) 3.001-6 kgal; and c) all usage in excess of 6 kgals in the third usage block, and usage block rate factors of 0.91, 1.0, and 1.5 respectively. The appropriate rate structure for the water system's nonresidential classes is a continuation of its BFC/uniform gallonage charge rate structure. The BFC cost recovery percentage for the water system should be set at 54.80 percent.

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**Issue 15:** Is a repression adjustment appropriate in this case, and, if so, what are the appropriate adjustments?

**Recommendation:** Yes, a repression adjustment is appropriate for this Utility. Test year residential kgals sold should be reduced by 506 kgal to 16,280 kgals, purchased water expense should be reduced by \$1,830, and regulatory assessment fees (RAFs) should be reduced by \$86. The final post-repression revenue requirement should be \$260,140.

In order to monitor the effect of the rate structure and rate changes, 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, usage block, and meter size. The reports should be filed with staff, on a semi-annual basis, for a period of two years beginning with 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.

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**Issue 16:** What are the appropriate monthly water rates?

**Recommendation:** The appropriate monthly water rates are shown on Schedule No. 4 of staff's memorandum dated March 24, 2011. Excluding miscellaneous service charges, the recommended water rates produce revenues of \$260,140. The Utility should file revised water tariff sheets and a proposed customer notice to reflect the Commission-approved rates for the water system. 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 approved rates 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 ten days after the date of the notice.

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**Issue 17:** Should the Utility be authorized to revise its miscellaneous service charges, and, if so, what are the appropriate charges?

**Recommendation:** Yes. Ni Florida 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 revised tariff, pursuant to Rule 25-30.475(1), F.A.C., provided the notice has been approved by staff. The Utility should provide proof the customers have received notice within ten days after the date that the notice was sent. The appropriate charges are reflected below. This notice may be combined with the notice required in other issues.

Miscellaneous Service Charges

	<u>Bus. Hrs</u>	<u>After Hrs</u>
Initial Connection	\$24	\$34
Normal Reconnection	\$24	\$34
Violation Reconnection	\$24	\$34
Premises Visit	\$18	\$27

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**Issue 18:** Should the Utility's request for approval of a \$5 late fee be granted?

**Recommendation:** Yes. The Utility's requested late fee of \$5 should be approved. The late fee should be effective on or after the stamped approval date on the 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 within ten days after the date of the notice. This notice may be combined with the notices required in other issues.

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**Issue 19:** Should the Utility's request for approval of a Non-Sufficient Funds fee be granted?

**Recommendation:** Yes. The Utility's requested Non-Sufficient Funds (NSF) fee should be approved. The NSF fee should be effective on or after the stamped approval date on the 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 within ten days after the date of the notice. This notice may be combined with the notice required in other issues.

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**Issue 20:** 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. This results in a refund of 28.75 percent. The refunds 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 escrow account should be released upon staff's verification that the required refunds have been made.

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**Issue 21:** 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 March 24, 2011. 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 30 days prior to the actual date of the required rate reduction. The approved rates should be effective for service rendered on or after the stamped approval date of the revised tariff sheets, pursuant to Rule 25-40.475(1), F.A.C. The rates should not be implemented until staff has approved the proposed customer notice. Ni Florida should provide proof of the date notice was given no less than ten days after the date of the notice.

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**Issue 22:** Should the Utility be required to provide proof, within 90 days of the final order issued in this docket, that it has adjusted its books for all the applicable National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts (USOA) primary accounts associated with the Commission approved adjustments?

**Recommendation:** Yes. To ensure that the Utility adjusts its books in accordance with the Commission decision, Ni Florida should provide proof, within 90 days of the final order issued in this docket, that the adjustments for all the applicable NARUC USOA primary accounts have been made.

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**Issue 23:** Should this docket be closed?

**Recommendation:** No. If no person whose substantial interests are affected by the proposed agency action (PAA) files a protest within 21 days of the issuance of the PAA 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, that the interim refund has been completed and verified by staff, and that the Utility has provided proof that it has adjusted its books for all the applicable NARUC USOA primary accounts associated with the Commission approved adjustments. Once these actions are complete, this docket should be closed administratively.

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