

BEFORE THE BOARD OF COUNTY COMMISSIONERS

UTILITIES, INC. OF SANDALHAVEN

APPLICATION FOR INCREASE IN WASTEWATER RATES  
IN CHARLOTTE COUNTY, FLORIDA

DOCKET NO. 2011-001-S

SYNOPSIS

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**I. Purpose**

The following information is being provided at the request of Charlotte County to provide customers with the background on the rate request and the rate case process in general.

**II. Comparison of the Present and Proposed Interim and Final Rates**

On September 28, 2011, the Utility filed an Application with the Charlotte County Board of County Commissioners (Board) for increased wastewater rates based on a historic test year ending December 31, 2010. The Application is assigned Docket No. 2011-001-S, and November 22, 2011, was established as the official date of filing.

The Utility has requested a permanent revenue increase for its wastewater system in Charlotte County of \$1,059,807 or 219%. The requested increase would produce annual revenues of \$1,543,579. The Utility has not requested interim rates. A schedule of the Utility's rates prior to filing, and the Utility's requested final rates follow.

**WASTEWATER SYSTEM**

<b><u>Residential</u></b>	<b><u>Rates Prior to Filing</u></b>	<b><u>Utility's Requested Final Rates</u></b>
Base Facility Charge:		
<u>Meter Size</u>		
All meter sizes	\$20.79	\$66.39
Gallage Charge (per 1,000 gallons) (Maximum 8,000 gallons)	\$4.67	\$14.91

<u>Multi-Residential and General Service</u>	<u>Rates Prior to Filing</u>	<u>Utility's Requested Final Rates</u>
Base Facility Charge:		
<u>Meter Size</u>		
5/8" x 3/4"	\$20.79	\$66.39
1"	\$51.98	\$165.99
1 ½"	\$103.95	\$331.95
2"	\$166.32	\$531.12
3"	\$332.65	\$1,062.27
4"	\$519.76	\$1,659.78
6"	\$1,039.51	\$3,319.54
Gallage Charge (per 1,000 gallons)	\$5.61	\$17.91
Reserved Capacity – Flat Charge – per unit	\$20.32	\$64.89

### **III. General Reasons for Rate Request**

The Utility is requesting a rate increase because the existing rates do not provide sufficient revenues to cover the required expenses of operations on a going-forward basis and a fair return on the Utility's investment in used and useful property for public use. The Utility's last general rate case was in 2007, and was based upon a projected customer growth that did not occur. Further, since that time, the Utility has incurred substantial additional operating costs and capital investment.

The rate of return on equity requested in this proceeding is 11.22% based upon the Florida Public Service Commission's 2011 leverage formula. The overall return requested (the weighted cost of debt and equity) is 8.26%. The overall rate of return, which the Utility is currently earning, based upon its books without a rate increase, is negative 5.19% and a negative 10.5% based upon the adjusted test year.

#### IV. Major Rate Case Issues

It is impossible to anticipate all the issues that may develop during a rate case. However, the following issues are anticipated to be major areas considered:

1. What is the test year rate base?
2. What is the test year net operating income?
3. What is the test year cost of capital?
4. What is the test year revenue requirement?
5. What is the proper rate design to recover the test year revenue requirement?
6. What is a proper rate of return for the Utility?

#### V. Description of the Ratemaking Process

##### Participants

Many people are involved in a utility rate case. The following is a list of some of the main participants:

1. The Board of County Commissioners is composed of five elected **Commissioners** from five districts. The Board will make a final decision on all of the issues in the case based upon the Recommended Order of the Hearing Officer. The Board must accept the findings of fact in the Recommended Order unless from a review of the entire record the Board finds that a fact is not supported by competent substantial evidence.
2. The Board has appointed Diane Kiesling as the **Hearing Officer** to conduct the formal evidentiary hearing and prepare a Recommended Order to the Board.
3. The County **Staff** members involved in the case include attorneys and financial analysts, and the Board has retained Public Resource Management Group to provide financial ratemaking expertise to the County Staff.
4. The **Public Counsel** is appointed by the Legislature to represent the citizens in rate cases before the Florida Public Service Commission and county commissions. Public Counsel also has a staff of attorneys, accountants, rate and financial analysts and has intervened in this case to represent the customers. The Public Counsel provides legal representation for consumers in matters before the Board. The Public Counsel participates in major rate cases, has access to all the information filed by the utility, assists members of the public who wish to testify, and may provide expert witnesses on various issues in the case.
5. The **Utility's** officers and staff personnel may testify about the Utility, its operation, revenue and expenses. The Utility may also employ outside consultants as expert witnesses and an attorney or other specialists to assist them with the rate case. The

accountants, rate analysts and engineers compile information in support of the rate increase request and testify at hearings.

6. **Intervenors** representing organizations, local governments, consumer groups, and commercial organizations may participate. An intervenor is a party who legally intervenes in the rate case through petition to the Board to represent a specific interest or point of view in the rate case. The intervenor has equal opportunity with other parties in the case to ask questions, present testimony, and cross examine witnesses.

### Rate Case Requirements

A test year is requested by the utility, and when approved, is used as a measuring point to determine if a rate increase should be approved. The utility files an application pursuant to the County Code (minimum filing requirements or *MFRs*). This application reflects the amount of money the utility has invested in its facilities to serve its customers. It also includes the utility's requested rate of return on its investment and the expenses the utility incurs to provide service for the test year. The data provides information about the operations of the company, supplies and expenses, taxes, construction, depreciation and all of the operating and financial matters that are crucial to a decision. The utility will also be requested to file additional information before the case is over. Among the things the Board looks for are expenditures that could be considered unnecessary, improper, or imprudent. Expenditures of this kind are disallowed for ratemaking purposes.

The County Staff's financial consultant performs an audit of the utility's books and records to see if they match the utility's MFRs, and that the utility is in compliance with County Code. The County Staff also performs other examinations and document requests of the utility's personnel and the utility's quality of service. This includes an engineering physical inspection of the utility's facilities and a review of records filed with other regulatory agencies regarding the utility.

### Hearings

The Board has scheduled public hearings on the rate case. These hearings are governed by rules similar to those used by courts. Witnesses are sworn and subject to cross-examination, and the final decision must be based upon information presented to the Hearing Officer during the hearings. Quality of Service Hearings are scheduled in the afternoon and the evening. At this time, customer testimony is given regarding quality of service. The customers also may testify about rates and charges they consider improper or unfairly discriminatory.

On the second day is the Technical Hearing when witnesses from the utility, the County Staff, the Public Counsel and intervenors present testimony and are cross-examined. There are official transcripts of all hearings. Court Reporters record the hearings, just as they do in a courtroom.

## Completing the Rate Case

After the hearings are completed, briefs are usually filed by all parties to the case. The briefs summarize each party's position on the issues. The Hearing Officer then issues a Recommended Order to the Board which addresses each issue of the case. Then the Board makes its final decision based upon the evidence presented at the hearing and the Recommended Order of the Hearing Officer.

County attorneys prepare a Final Order containing the basis for the decisions, the new rates, and when they will be effective. After the Board's Final Order is issued, any party may seek appellate review of the Board's decision in the courts.

### **VI. The Time Schedule**

The following tentative schedule was established by the Hearing Officer for the remaining major events in the Utility's rate case:

<b><u>Due Dates</u></b>	<b><u>Scheduled Item</u></b>
May 21, 2012	Pre-Hearing Conference, 10 a.m. at County Attorney's Office . Pre-Hearing Statements due.
June 18, 2012	Sandalhaven's Direct Pre-filed Testimony due
July 16, 2012	County & OPC Direct Pre-filed Testimony due
August 10, 2012	Sandalhaven's Rebuttal Pre-filed testimony due
August 17, 2012	Discovery Cut-off
August 22, 2012	Quality of Service Hearings, 1 & 6 p.m., Tringali Center, 3400 N. Access Rd., Englewood, FL
August 23, 2012	Technical Hearing, 9 a.m., Room 119, 18500 Murdock Circle, Port Charlotte, FL
August 24, 2012	Technical Hearing, 9 a.m., Room 119, 18500 Murdock Circle, Port Charlotte, FL, if needed
September 14, 2012	Transcript Due
October 1, 2012	P.R.O.s and remaining briefs due to Hearing Officer

October 22, 2012	R.O. Completed by Hearing Officer
October 29, 2012	21-day "Public Notice" newspaper ad published
November 6, 2012	Exceptions to P.R.O. Due
November 20, 2012	CC Special Meeting to consider Resolution approving Recommended Order, including consideration of exceptions (no public input) at 1 p.m., Room 119, 18500 Murdock Circle, Port Charlotte, FL.

**VII. Location of Application (MFRs) for Review**

All of the information on file at the County is open to the public and is available for review at the County Attorney's Office in Port Charlotte. The MFRs filed by the Utility are also available for inspection at the following location:

Englewood Charlotte Library  
 2450 McCall Road  
 Englewood, FL 34224

Hours of Operation:  
 Monday, Tuesday & Thursday 9:00 a.m. to 6:00 p.m.  
 Wednesday 9:00 a.m. to 8:00 p.m.  
 Thursday & Saturday 9:00 a.m. to 1:00 p.m.

In addition, all pleadings filed in the case are available on the County website at [www.charlottecountyfl.com](http://www.charlottecountyfl.com).