

# Columbia County Utility Committee

Eastside Village Club House

February 8, 2011

6:00 p.m.

**Columbia County  
Utility Committee**

Commissioner Frisina, Chair  
Commissioner Bailey  
Commissioner DePratter  
Councilman Jefferson  
Councilman Ward  
Billy Dow (At Large)  
Walt Graham (At Large)

**Columbia County  
Board of County Commissioners**

Commissioner DuPree, Chair  
Commissioner Frisina  
Commissioner Williams  
Commissioner DePratter  
Commissioner Bailey

# Purpose of Meeting

The Utility Committee will make a recommendation directly to the Board in the form of a Proposed Board Action and in lieu of a formal hearing by a hearing officer.

This meeting is to present any information to the Committee for their consideration in making a recommendation.

The Committee can consider:

- Comments and Testimony presented tonight
- Submissions by KDM
- Customer Comments from the Customer Meeting
- Customer Concerns from the file
- Staff Recommendations

# Considerations in Rate Setting

The Board of County Commissioners has the “powers and rights”:

- To fix rates which are **just, reasonable, compensatory, not unfairly discriminatory and fairly balance the interest of the Utility and the ratepayers.**

In determining rates, the Board of County Commissioners shall consider:

- value and quality of service
  - Compliance issues with FDEP and County
  - Customer complaints
- the cost of providing service including
  - Debt interest and working capital
  - Maintenance, operating expenses, depreciation and taxes
- a fair return on the utility's investment;
  - 2010 PSC established reasonable range of returns cap at 10.85%
  - Can use an alternative approach – 10% of O&M

# Next Steps

- The Utility Committee makes recommendation to BOCC
  - Scheduled for February 8 at 6:00p.m.
- BOCC will schedule and hold Public Hearing within 90 days
  - BOCC may approve, modify or reject the recommendation
  - If rejected, BOCC may send to Hearing Officer or Utility Committee
- Written Protest
  - Substantially affected person may file written protest within 21 days
  - The BOCC may establish interim rates
  - The BOCC may select Hearing Officer or the Utility Committee to hear the protest before the matter returns for Board consideration.

# Staff Findings

- Kirby D. Morgan, Inc provides only wastewater services and provides these services to approximately 219 customers in Eastside Village. The City of Lake City provides water throughout the community and provides wastewater services to the remainder of the community. A few residents remain on septic systems.
- Kirby D. Morgan. Inc cannot expand the utility. Eastside Village is essentially built out and the City of Lake City provides water and sewer services throughout the surrounding area. As such, the utility should be considered 100% "used and useful" in setting rates. Only 3 lots remain that can reasonably be built upon.
- The Florida Public Service Commission last approved a rate on July 18, 2007. This increase to \$24.15 per month resulted from a 2007 Price Index Rate Adjustment and became effective August 1, 2007.
- On May 3, 2007, the Columbia County Board of County Commissioners adopted Ordinance 2007-15, the Columbia County Utilities Regulatory Ordinance, which became effective on May 8, 2007.

# Staff Findings

- On August 20, 2007, the Florida Public Service Commission issued an order acknowledging the rescission of jurisdiction over Kirby D. Morgan, Inc. (Docket Number 070345-WS, Order Number PSC -07-0667-F0E-WS).
- Kirby D. Morgan, Inc has operated since 2007 without a Franchise and in violation of the Columbia County Utilities Regulatory Ordinance.
- On June 1, 2008, Kirby D. Morgan, Inc increased their rates to \$35.00 per month. The Utility did not seek County approval.
- On January 1, 2010, Kirby D. Morgan, Inc increased their rates to \$45.00 per month. The Utility did not seek County approval.
- On March 11, 2010, County Attorney Marlin Feagle notified Kirby D. Morgan Inc. that that they would need to bring their utility into compliance with 2007-15.

# Staff Findings

- On April 26, 2010, Kirby D. Morgan, Inc. formally requested approval of the rate increase stating that management was not previously aware of any requirement to seek County approval for rate increases.
- On June 18, 2010, the Public Service Commission issued an order establishing the authorized range of returns on common equity for water and wastewater utilities (Order Number PSC-10-0401-PAA-WS).
- On July 1, 2010, the Columbia County Board of County Commissioners appointed a hearing officer. Between July and September the Utility and the Hearing Officer exchanged information. The Hearing Officer found the Minimum Filing Requirements deficient and no Official Filing Date was set.
- On October 26, 2011, the Utility Committee begins consideration of Provisional Franchise Agreements and Proposed Board Actions as alternatives to the formal hearing process. The intent is to control rate case expenses and speed the process to resolution.

# Staff Findings

- On November 23, 2010, Kirby D. Morgan acknowledged that the current rate of \$45.00 exceeds the allowable maximum return of equity. Kirby D. Morgan, Inc. stated they would be eligible for a rate of \$44.09 in 2010 and acknowledged that the difference between what was billed in 2010 and the allowable rate for 2010 would need to be refunded to the customers.
- On December 16, 2010, The Columbia County Board of County Commissioners approved for Provisional Franchise Agreements to be offered to the regulated private utilities.
- On January 6, 2011, the Board of County Commissioners adopted an amendment to Ordinance 2007-15 authorizing Proposed Board Actions.
- On January 20, 2011, the Board of County Commissioners, by its own motion, authorized a Proposed Board Action to resolve the Kirby D. Morgan, Inc. rate adjustment case.

# Staff Findings

- On January 25, 2011, County staff conducted a Customer Meeting of the Eastside Village/Kirby D. Morgan, Inc customers at the Eastside Village Clubhouse.
- The quality of service is satisfactory. The County has not received any service quality complaints and several customers complemented the service at the Customer Meeting held January 25, 2011.
- County staff has reviewed all of the exhibits provided by Kirby D. Morgan as part of the rate adjustment process and found them to contain sufficient evidence to support the stipulated rates, fees and charges as set forth in this recommendation.
- The Provisional Franchise Agreement and the stipulation of rates as the settlement of all issues related to the determination of rates, fees and charges for services rendered by Kirby D. Morgan, Inc within its service area is supported by competent, substantial evidence. Based upon the testimony and documentary evidence presented at the Customer Meeting, and barring any conflicting evidence to be presented to the Utility Committee, stipulated rates are just, reasonable, compensatory and not unfairly discriminatory.

# Comparison of Sewer Only Rates

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- Eastside Village \$45.00
- Columbia County \$58.44
  - Includes billing fee
- City of Lake City \$69.79
  - Includes billing fee

# Current KDM Request

	Pro Forma Year 2010			Test Year 2009
	Maximum ROE Rate	Proposed Rate	Existing Rate	
Revenue	\$ 115,790	\$ 118,260	\$ 91,980	\$ 92,035
Expenses	97,703	97,780	96,930	88,269
<b>Net Income (Loss)</b>	18,087	20,480	(4,950)	3,766
<b>Additional Expenses</b>				
Estimated Uncollectible Revenue	3,474	3,548	2,759	
2007 Regulatory Assessment Fee	1,590	1,590	1,590	
2008 Regulatory Assessment Fee	3,507	3,507	3,507	
Total Additional Expenses	8,571	8,645	7,856	-
<b>Adjusted Net Income</b>	<u>\$ 9,516</u>	<u>\$ 11,835</u>	<u>\$ (12,806)</u>	<u>\$ 3,766</u>
<b>Rate</b>	\$ 44.06	\$ 45.00	\$ 35.00	
Equity	97,391	99,710	75,069	87,876
Return on Equity	10.83%	13.47%	-14.57%	4.48%
Maximum Return on Equity	10.85%	10.85%	10.85%	11.30%

# Current KDM Request

Without Rate Case Expenses Amortized		With Rate Case Expenses Amortized
\$ 44.09	Allowable 2010 Rate	\$44.41
\$45.00	Rate Charged in 2010	\$45.00
\$0.91	2010 Over Billing	\$0.59
\$44.09	Allowable 2010 Rate	\$44.41
(\$0.91)	2010 Over Billing	(\$0.59)
\$43.18	Revised 2011 Rate	\$43.82

# Revenues Collected Over Approved Rate

<b>Estimate of Revenues at Approved Rate vs Actual Rate</b>											
			Number of Customers	219							
					2008	2009	2010	Total			
			Expected Revenue Assuming All Customers Pay								
			Last Approved Rate	\$ 24.15	\$ 31,733.10	\$ 63,466.20	\$ 63,466.20	\$ 158,665.50			
			Rate implemented July 1, 2008	\$ 35.00	\$ 45,990.00	\$ 91,980.00	\$ -	\$ 137,970.00			
			Rate Implemented January 1, 2010	\$ 45.00	\$ -	\$ -	\$ 118,260.00	\$ 118,260.00			
			Estimated Revenue Collections over Approved Rate		\$ 14,256.90	\$ 28,513.80	\$ 54,793.80	\$ 97,564.50			
<b>Comparison with Actual Collections</b>											
					2008	2009					
			Actual Revenue Collected		\$ 77,923.00	\$ 92,035.00					
			Estimated Revenue At Approved Rate		\$ 63,466.20	\$ 63,466.20					
					\$ 14,456.80	\$ 28,568.80					

# KDM Expenditure Statement

		Pro Forma	Test					
		Year	Year					
		2010	2009		2008		2007	2006
<b>Operation and Maintenance Expense</b>								
	Purchased Power	\$ 7,500	\$ 6,697		\$ 7,803		\$ 5,605	\$ 6,329
	Materials and Supplies	6,200	12,896		2,104		1,805	2,627
	Professional							
	KM Mgt Fees	33,600	8,000		21,500		25,728	33,456
	OMC CPA, etc	2,700	1,811		1,773		2,260	2,511
	Testing	2,500	2,092		2,025		1,375	1,790
	Other							
	Repairs	18,000	29,864		15,280		8,699	13,665
	Contractual Service	7,500	7,240		7,096		6,450	7,170
	Insurance Expense	200	152		-		-	-
	Miscellaneous Expenses							
	Bank Charges	1,000	1,587		982		2	158
	Dues	250	238		-		145	-
	Misc.		-		18		1,184	-
	Telephone	4,200	3,779		1,477		1,445	-
	<b>Total Operation and Maintenance Expense</b>	<b>83,650</b>	<b>74,356</b>		<b>60,058</b>		<b>54,698</b>	<b>67,706</b>
	RAF	5,322	4,124		-		-	-
	Taxes	8,900	900		-		8,392	3,071
	Depreciation	5,230	13,012		8,922		6,007	5,526
	<b>Total Expenses</b>	<b>103,102</b>	<b>\$ 92,392</b>		<b>\$ 68,980</b>		<b>\$ 69,097</b>	<b>\$ 76,303</b>
	Revenue	118,260	92,035		77,923		60,502	60,090
	<b>Net Income (Loss)</b>	<b>\$ 15,158</b>	<b>\$ (357)</b>		<b>\$ 8,943</b>		<b>\$ (8,595)</b>	<b>\$ (16,213)</b>

# Customer Comments

The Board of County Commissioners has authorized a “limited action” to resolve the Eastside Village/Kirby D Morgan, Inc. rate case

This Customer Meeting allows for your comments, as customers of the KDM sewer utility, to be recorded and considered by the Utility Committee and the Board of County Commissioners

We will call on people in the order they signed up and then accept comments from the floor. Please keep your comments to 3 minutes and address the sewer services provided by the KDM Utility.

