

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for limited proceeding rate
increase in Polk County, by CHC VII, Ltd.

DOCKET NO. 20190121-WS
ORDER NO. PSC-2019-0493-PAA-WS
ISSUED: November 19, 2019

The following Commissioners participated in the disposition of this matter:

ART GRAHAM, Chairman
JULIE I. BROWN
DONALD J. POLMANN
GARY F. CLARK
ANDREW GILES FAY

NOTICE OF PROPOSED AGENCY ACTION
ORDER GRANTING RATE INCREASE

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission (Commission) that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code (F.A.C.).

Case Background

CHC VII, Ltd. is a Class C water and wastewater utility serving approximately 891 customers in Polk County.¹ The service territory is located in the Southwest Florida Water Management District. According to the Utility's 2018 annual report, operating revenues were \$107,213 for water and \$172,851 for wastewater. Operating expenses were \$131,124 for water and \$158,915 for wastewater.

On May 29, 2019, CHC filed a request for a limited proceeding increase in water rates. In its application, CHC requested recovery of costs associated with installing automatic meter reading (AMR) water meters. The Utility requested a final revenue increase of \$27,355 (24.37 percent) for its water system. The Utility's last rate case was in 2014.²

¹ CHC VII, Ltd. is a corporation consisting of two mobile home parks, a golf course, and a utility company. The utility company does not have a separate capital structure from the corporate entity. This Order addresses only the utility aspect of CHC VII, Ltd., and for convenience, refers to CHC VII, Ltd. as "CHC" or "Utility."

² Order No. PSC-2014-0196-PAA-WS, issued May 1, 2014, in Docket No. 20130210-WS, In re: Application for staff-assisted rate case in Polk County by CHC VII, Ltd.

A customer meeting was held on September 11, 2019, in Haines City, Florida. Three customers attended and one customer spoke at the meeting. The customer asked about the nature and costs of the Utility's requested meter replacement program.

This Order addresses CHC's requested final water rates. We have jurisdiction pursuant to Sections 367.081 and 367.0822, Florida Statutes (F.S.).

Review and Decision

1. Request for Limited Proceeding

Limited proceedings generally address specific or significant changes that would adversely affect the normal operating income of a utility and are usually narrow in scope. Upon review, we find that CHC's case as filed is sufficiently narrow in scope to qualify for a limited proceeding. CHC has met all of the minimum filing requirements as set forth in Rule 25-30.445, F.A.C.

A. Secondary Water Quality Standards

Pursuant to Rule 25-30.445(4)(o), F.A.C., utilities are required to provide a copy of all customer complaints received regarding Florida Department of Environmental Protection (DEP) secondary water quality standards during the past five years as well as a copy of the Utility's most recent secondary water quality standards test results. The Utility averred that it did not receive any customer complaints regarding DEP secondary water quality standards during the past five years. Test results provided by CHC indicated that the Utility is currently passing secondary standards.

The one customer who spoke at the September 11, 2019 customer meeting had no concerns with the quality of CHC's product. We reviewed complaints received by the Commission and DEP for the previous five years. In August 2019, we received two complaints regarding foul odor. The Utility responded to both complaints and was able to resolve one of the complaints by visiting the customer in person and flushing her lines of stagnant water. The other customer was not receptive and denied assistance from the Utility. We received one additional consumer correspondence filed in this Docket regarding foul odor and gray water. Our staff responded to the customer and provided information on our practice and rate case process.

DEP received one complaint on September 14, 2014, for foul odor and black particles. DEP investigated and found that there was no chlorine residual at the customer's house and chlorine was low at the treatment plant. The operator made a repair to the chlorine injection pumps and the system was flushed to restore residual and help with any sediment in the mains. DEP conducted a sanitary survey on August 14, 2018, and determined the system to be substantially in compliance with DEP's rules and regulations.

CHC has provided the necessary information to comply with Rule 25-30.445(4)(o), F.A.C. Based on our review of the information provided by the Utility, as well as supplemental information gathered throughout the course of this Docket, we find that no actions need to be

taken with respect to secondary standards. We note that the overall quality of service for CHC's water system was considered satisfactory in the Utility's last rate case in 2014.

B. Incremental Rate Base

The Utility requested that costs related to replacing water meters across its system be included in rate base as part of this proceeding. CHC requested a rate base increase of \$232,600 to recover the costs associated with the plant additions. The appropriate plant additions and retirements, as well as corresponding adjustments to accumulated depreciation, depreciation expenses, and taxes other than income (TOTI) are discussed under separate headings below. The approved additions to plant are supported by invoices for the completed work. The Utility's working capital allowance is also updated based on approved changes to operating expense.

Plant Additions and Retirements

In its application, CHC stated that the existing meters are original to the system, which was constructed in the 1980s, and are likely not capturing all water usage. The Utility planned to replace all of the existing meters with automatic meter reading (AMR) meters. The Utility affirmed that AMR meters have been installed at Four Lakes Golf Club, Ltd. and S.V. Utilities, Ltd., which are under the same ownership as CHC.³ In order to use existing meter reading equipment, the Utility sought to purchase the same meters for the CHC system that were installed at the other two systems. The Utility was unable to locate multiple vendors in the area that offered the same meters; therefore, only one quote was obtained for the project.

A quote for 894 AMR meters at a cost of \$185 per residential meter with a higher cost for larger general service meters was provided. The total cost for all AMR meters was \$209,131, which also included the costs for installation and replacement parts. As of October 17, 2019, 700 meters had been installed, and all meters were expected to be installed by the end of October. The Utility proposed \$16,535 in retirements related to the meters and meter installations based on the cost reflected in the Utility's books. We verified the amount in the Utility's 2018 Annual Report and approve the adjustment.

The Utility provided an invoice for the existing meter reading equipment that will be used for all of the systems under the same ownership as CHC that use AMR meters. The total cost of the meter reading equipment was allocated to each system based on the total number of lots being read by the equipment. For CHC, an amount of \$8,341 or 36 percent was allocated to the system. There were no retirements associated with the meter reading equipment system since the equipment represents new additions to the system and not replacements.

The Utility provided a quote for 225 shut-off valves totaling \$18,429, which will be installed on an "as needed" basis. Therefore, the total cost for the meter replacement project is \$235,901. This includes the cost of the meters, meter installations, allocation of the meter reading equipment, and shut-off valves. There were no retirements related to the shut-off valves;

³ Order No. PSC-2017-0459-PAA-WS, issued November 30, 2017, in Docket No. 20160176-WS, *In re: Application for staff-assisted rate case in Polk County by Four Lakes Golf Club, Ltd.*

we previously disallowed inclusion of the cost due to lack of support. Therefore, costs associated with the curb stops are not currently reflected in the Utility's books.

Based on our approval of a similar meter replacement project for Four Lakes Golf Club, Ltd., we find that the costs presented by CHC are reasonable and shall approve such costs. The approved plant additions and retirements are summarized in the table below.

Summary of Requested Plant Additions

Project	Plant Additions	Retirements
Water Meter Replacement	\$209,131	(\$16,535)
Meter Reading Equipment	8,341	0
Shut-Off Valves	<u>18,429</u>	<u>0</u>
Total	<u>\$235,901</u>	<u>(\$16,535)</u>

Based on the plant additions described above, corresponding adjustments shall also be made to accumulated depreciation, depreciation expenses, and TOTI. These adjustments are discussed under separate headings in this Order below.

Accumulated Depreciation

CHC requested accumulated depreciation of \$12,882 for plant additions. We calculated accumulated depreciation using the prescribed rates as set forth in Rule 25-30.140, F.A.C. As a result, we increased accumulated depreciation by \$2,677 to account for the plant additions and retirements approved above. Accordingly, we approve an increase to accumulated depreciation of \$15,559 (\$12,882 + \$2,677).

Working Capital Allowance

Working capital is the short-term, investor-supplied funds that are necessary to meet operating expenses of a utility. Consistent with Rule 25-30.433(3), F.A.C., we used the one-eighth of the operation and maintenance (O&M) expense formula approach for calculating the working capital allowance. We approve an adjustment to O&M expense resulting in a decrease to O&M expenses of \$6,624. This adjustment is discussed in the Section D of this Order under the heading "Operating Expenses." We also removed the unamortized balance of rate case expense pursuant to Section 367.081(9), F.S.⁴ Applying this formula, we decrease the working capital allowance of \$828.

Rate Base Summary

Based on the foregoing, we approve a rate base increase of \$234,097. Our rate base calculations are shown on Schedule No. 1.

⁴ Section 367.081(9), F.S., states, "A utility may not earn a return on the unamortized balance of the rate case expense. Any unamortized balance of rate case expense shall be excluded in calculating the utility's rate base." Therefore, we excluded rate case expense from the working capital calculations.

C. Rate of Return

As noted above under Case Background, CHC VII, Ltd. is a corporation consisting of two mobile home parks, a golf course, and the utility. The utility does not have a separate capital structure from the corporate entity. Rule 25-30.445(4)(e), F.A.C., requires that the weighted average cost of capital be calculated based on the most recent 12-month period and include all of the appropriate capital structure components. In its filing, CHC provided a weighted average cost of capital (rate of return) of 4.18 percent, based on a capital structure consisting of 100 percent debt using the most recent 12-month period ended December 31, 2018.

CHC's capital structure consists of long-term debt of \$41,562,940 and negative common equity of \$15,443,740. The Utility does not have customer deposits. Consistent with our prior Orders and the Utility's last rate case, we set the common equity balance at zero.⁵ We used our approved 11.16 percent return on equity from the Utility's last rate case, with a range of 10.16 percent to 12.16 percent.⁶ Based on a capital structure of 100 percent debt, we approve an overall rate of return of 4.18 percent.

D. Operating Expenses

By its petition, CHC requested an increase to operating expenses of \$17,632. The components for the operating expenses were Depreciation Expense, Regulatory Commission Expense, Meter Reading Expense, and Regulatory Assessment Fees (RAF). While TOTI was not part of the Utility's calculation, we included a TOTI adjustment in our calculation of operating expenses to reflect the increase in property taxes based on approved plant additions.

Depreciation Expense

The Utility requested an increase in Depreciation Expense of \$13,640, which impacted three accounts (331, 334, and 340). The Utility originally listed the meter reading equipment in Account 340 – Office Furniture and Equipment, but we find that it is more appropriately included in Account 334 – Meters and Meter Installations. This results in a change in the depreciation rate from 16.67 percent to 5.88 percent. We calculated depreciation expense using the prescribed rates set forth in Rule 25-30.140, F.A.C. Based on the approved increase in rate base, we approve depreciation expense of \$12,305. This results in a reduction of \$1,335 (\$13,640 - \$12,305).

⁵ Order No. PSC-14-0196-PAA-WS, issued May 1, 2014, in Docket No. 20130210-WS, *In re: Application for staff-assisted rate case in Polk County by CHC VII, Inc.*; Order No. PSC-2018-0591-PAA-WS, issued December 19, 2018, in Docket No. 20180063-WS, *In re: Application for limited proceeding rate increase in Polk County by Orchid Springs Development Corporation*; and Order No. PSC-08-0652-PAA-WS, issued October 6, 2008, in Docket No. 20070722-WS, *In re: Application for staff-assisted rate case in Palm Beach County by W.P. Utilities, Inc.*

⁶ Order No. PSC-14-0196-PAA-WS, p.8.

Regulatory Commission Expense

In its filing, the Utility initially requested \$37,750 in rate case expense, with an annual amortization expense of \$9,438.⁷ This included \$35,200 for legal fees and costs associated with legal services, \$1,000 for the filing fee, \$800 for noticing, and \$750 for travel. The Utility provided updated rate case expense showing actual rate case expense and an estimate of expenses through completion of the Docket.⁸ The update reflected actual expenses of \$4,128 for legal fees, associated costs, and filing fees through August 15, 2019, with an additional \$12,068 in estimated rate case expense.

Pursuant to Section 367.081(7), F.S., we must determine the reasonableness of rate case expenses and disallow all rate case expenses determined to be unreasonable. We have examined the requested actual expenses, supporting documentation, and estimated expenses described above for the current case. Upon review, several adjustments to the Utility's proposed rate case expense are necessary.

The first adjustment relates to the Utility's legal fees. CHC included \$14,408 in legal fees and associated costs to complete this limited proceeding. The Utility provided invoices from Dean Mead Attorneys at Law (Dean Mead) through August 15, 2019, showing actual expenses associated with the rate case totaling \$4,128, and estimated an additional \$10,260 to complete the case. These amounts included 6.2 hours of actual time and 27 hours of time to complete the limited proceeding.

We reduced actual expense by \$152 (0.4 hrs. x \$380/hr.) to remove the attorney's time related to work on a deficiency. We made no additional adjustments to actual expense. We note the actual amount included the appropriate \$1,750 filing fee.⁹ We also made an adjustment to Dean Mead's estimate to complete the case, which included 7 hours to "Travel to and from Haines City for Customer Meeting and meet with staff, and with client." The Dean Mead offices are located in downtown Orlando and the customer meeting was held in Haines City, approximately 40 miles away. Moreover, the customer meeting lasted only 20 minutes. As such, we find that 3.5 hours is appropriate for the customer meeting. This represents an hour of travel time each way, half an hour for the customer meeting, and an hour to meet with the client. Accordingly, 3.5 hours, or \$1,330 (3.5 hrs. x \$380/hr.) shall be removed from the estimate to complete the case. We approve 23.5 hours (27 hours – 3.5 hours) total for the attorney's estimate to complete the case. Accordingly, the approved amount of legal fees is \$12,926, for a total reduction of \$1,482 (\$152 + \$1,330).

The next adjustment relates to the Utility's noticing costs. The Utility requested \$800 for costs associated with copying and mailing the required notices. The Utility is required by Rule 25-30.446, F.A.C., to provide notices of the customer meeting and notices of final rates in this case to its customers. We are also requiring the Utility to provide notice of the four-year rate reduction to its customers when the rates are reduced to remove the amortized rate case expense.

⁷ Document No. 04606-2019.

⁸ Document No. 08865-2019.

⁹ The Utility's initial filing reflected a \$1,000 filing fee. Later, our staff notified the Utility that the actual filing was \$1,750. The Utility paid the additional \$750 on June 27, 2019. The total filing fee of \$1,750 is reflected in our rate case expense calculation.

For noticing, we calculated \$1,470 for postage expense, \$624 for printing expense, and \$134 for envelopes. This results in \$2,228 (\$1,470 + \$624 + \$134) for the noticing requirement.

Our final adjustment relates to travel expense. The Utility requested \$750 for travel expense for one Utility employee to attend the customer meeting and the Commission Conference. This amount included \$200 for hotel, \$400 for auto-related expense, and \$150 for meals. Travel expense was estimated at \$658, but no supporting documentation was provided. Absent supporting documentation, we estimated hotel cost of \$125 for one night for one Utility representative to attend the Commission Conference. We estimated auto expense of \$306 based on the IRS 2019 standard mileage rate and the Florida Department of Transportation's mileage calculator for travel from the Utility's offices in Lakeland to Haines City to attend the customer meeting, and from the Utility's offices in Lakeland to Tallahassee to attend the Commission Conference.¹⁰ For Utility travel to the Commission Conference, we used the \$36 per day meal allowance that State of Florida employees receive when traveling. Upon review, we approve \$72 (\$36/day x 2 days) for meals. Thus, we approve travel expense of \$503 (\$125 + \$306 + \$72).

Based on the foregoing, we approve a total rate case expense of \$15,657. Amortized over four years, this results in regulatory commission expense of \$3,914 (\$15,657 ÷ 4) for water. These costs and our adjustments are summarized in the table below.

Appropriate Rate Case Expense

Expense	Utility (As filed)	Adjustments	Approved RCE
Legal Services & Fees (Dean Mead)	\$36,200	(\$23,274)	\$12,926
Noticing Costs	800	1,428	2,228
Travel	750	(247)	503
Total	<u>\$37,750</u>	<u>(\$22,093)</u>	<u>\$15,657</u>
Four-year amortization of Rate Case Expense:	<u>\$9,438</u>	<u>(\$5,524)</u>	<u>\$3,914</u>

Meter Reading Expense

In its filing, the Utility reflected a reduction in Salary Expense of \$6,624. This is a result of the elimination of the meter reader position previously used by the Utility. The calculation of this amount is shown below in the table below.

Reduction to Meter Reading Expense

Hours reading meters annualized	480
Employee cost per hour (gross pay plus payroll taxes, benefits, fees)	<u>\$13.80</u>
Total salary & benefits for meter reading	<u>\$6,624</u>

¹⁰ Round-trip mileage from Lakeland to Haines City totaled 42 miles, and Lakeland to Tallahassee totaled 486 miles. The IRS standard mileage rate is \$0.58 per mile for 2019.

Taxes Other Than Income

We calculated an increase in property taxes based on the approved plant additions. Because the 2019 millage rates for Polk County have not been finalized at this time, we used the 2018 millage rate. Consistent with our practice, we used the four percent discount that is available to the Utility for early payment of its property taxes. We approve an increase in property taxes of \$2,981.

Based on the foregoing decisions, we approve an increase to expenses before RAFs of \$12,576. These calculations are shown in the table below.

Expenses Before RAFs

	Per Utility	Adjustments	Approved
Depreciation Expense	\$13,640	(\$1,335)	\$12,305
Rate Case Expense	9,438	(5,524)	3,914
Meter Reading Expense	(6,624)	0	(6,624)
TOTI	<u>0</u>	<u>2,981</u>	<u>2,981</u>
Total Increase in Operating Expense	<u>\$16,454</u>	<u>(\$3,878)</u>	<u>\$12,576</u>

Regulatory Assessment Fees

Based on the foregoing, we approve a revenue increase before RAFs of \$22,361. Therefore, RAFs shall be increased by \$1,006 (\$22,361 x 4.5 percent).

Operating Expenses Summary

Based on the foregoing, we approve an incremental increase to Operating Expenses of \$13,582 (\$12,576 + \$1,006). Our calculations are shown on Schedule No. 1.

E. Summary

We approve a revenue requirement increase of \$23,368. This represents an increase of 20.82 percent. The Utility requested a revenue requirement increase of \$27,355, or 24.37 percent. Our revenue requirement calculations are shown on Schedule No. 1.

2. Water Rates

Service rates for CHC shall be designed to allow the Utility the opportunity to generate annual service revenues of \$135,631 for water. The annualized service revenues before the rate increase are \$112,263. The approved rates shall be designed to produce additional revenues of \$23,368 (20.82 percent increase) for the Utility's water service. The approved monthly water rates are shown on Schedule No. 2. The percent increase shall be applied as an across-the-board increase to the existing rates. The Utility shall file revised tariff sheets and a proposed customer notice to reflect the approved rates. The approved rates shall 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. The

approved rates shall not be implemented until our staff has approved the proposed customer notice and the notice has been received by the customers. The Utility shall provide proof of the date notice was given within 10 days of the date of the notice

3. Rate Case Expense

Pursuant to Section 367.081(8), F.S., CHC's rates shall be reduced immediately following the expiration of the 4-year period by the amount of the rate case expense previously included in rates. The reduction of \$4,099, shown on Schedule No. 2, reflects the removal of revenue associated with the amortization of rate case expense and the gross-up for RAFs. CHC shall 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 shall 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.

4. Temporary Rates in the Event of Protest

By this Order, we propose an increase in rates. A timely protest might delay what may be a justified rate increase resulting in an unrecoverable loss of revenue to the Utility. Therefore, pursuant to Section 367.0814(7), F.S., in the event of a protest filed by a party other than the Utility, the rates shall be approved as temporary rates. The Utility shall file revised tariff sheets and a proposed customer notice to reflect the approved rates. The approved rates shall 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. The temporary rates shall not be implemented until our staff has approved the proposed notice, and the notice has been received by the customers. The approved rates collected by the Utility shall be subject to the refund provisions discussed below.

The Utility shall be authorized to collect the temporary rates upon our staff's approval of an appropriate security for the potential refund and the proposed customer notice. Security shall be in the form of a bond or letter of credit in the amount of \$15,797. Alternatively, the Utility may establish an escrow agreement with an independent financial institution.

If the Utility chooses a bond as security, the bond shall contain wording to the effect that it will be terminated only under the following conditions:

1. The Commission approves the rate increase; or,
2. If the Commission denies the increase, the Utility shall refund the amount collected that is attributable to the increase.

If the Utility chooses a letter of credit as a security, it shall contain the following conditions:

1. The letter of credit is irrevocable for the period it is in effect.

2. The letter of credit will be in effect until a final Commission Order is rendered, either approving or denying the rate increase.

If security is provided through an escrow agreement, the following conditions shall be part of the agreement:

1. The Commission Clerk, or his or her designee, must be a signatory to the escrow agreement.
2. No monies in the escrow account may be withdrawn by the Utility without the prior written authorization of the Commission Clerk, or his or her designee.
3. The escrow account shall be an interest bearing account.
4. If a refund to the customers is required, all interest earned by the escrow account shall be distributed to the customers.
5. If a refund to the customers is not required, the interest earned by the escrow account shall revert to the Utility.
6. All information on the escrow account shall be available from the holder of the escrow account to a Commission representative at all times.
7. The amount of revenue subject to refund shall be deposited in the escrow account within seven days of receipt.
8. This escrow account is established by the direction of the Florida Public Service Commission for the purpose(s) set forth in its Order requiring such account. Pursuant to *Cosentino v. Elson*, 263 So. 2d 253 (Fla. 3d DCA 1972), escrow accounts are not subject to garnishments.
9. The account must specify by whom and on whose behalf such monies were paid.

In no instance shall the maintenance and administrative costs associated with the refund be borne by the customers. These costs are the responsibility of, and shall be borne by, the Utility. Irrespective of the form of security chosen by the Utility, an account of all monies received as a result of the rate increase shall be maintained by the Utility. If a refund is ultimately required, it shall be paid with interest calculated pursuant to Rule 25-30.360(4), F.A.C.

The Utility shall maintain a record of the amount of the bond, and the amount of revenues that are subject to refund. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., the Utility shall file reports with the Office of Commission Clerk no later than the 20th of every month indicating the monthly and total amount of money subject to refund at the end of the preceding month. The report filed shall also indicate the status of the security being used to guarantee repayment of any potential refund.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that CHC VII, Ltd.'s request for a limited proceeding rate increase, as modified by this Commission, is approved. CHC shall be allowed an annual increase of \$23,368 (20.82 percent) for water. The adjusted revenue requirement is reflected on Schedule No. 1. It is further

ORDERED that the approved monthly water rates are shown on Schedule No. 2. CHC VII, Ltd. shall file revised tariff sheets and a proposed customer notice to reflect the approved rates. The approved rates shall 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. The approved rates shall not be implemented until our staff has approved the proposed customer notice and the notice has been received by the customers. The CHC VII, Ltd. shall provide proof of the date that notice was given within 10 days of the date of the notice. It is further,

ORDERED that water rates shall be reduced, as shown on Schedule No. 2, to remove rate case expense grossed-up for RAFs and amortized over a 4-year period. The decrease in rates shall become effective immediately following the expiration of the four-year rate case expense recovery period. CHC VII, Ltd. shall 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 CHC VII, Ltd. files this reduction in conjunction with a price index or pass-through rate adjustment, separate data shall 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. It is further

ORDERED that the approved rates are approved for CHC VII, Ltd. on a temporary basis, subject to refund, in the event of a protest filed by a substantially affected person or party. CHC VII, Ltd. shall file revised tariff sheets and a proposed customer notice to reflect the approved rates. The approved rates shall 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. The temporary rates shall not be implemented until our staff has approved the proposed notice, and the notice has been received by the customers. Prior to implementation of any temporary rates, CHC VII, Ltd. shall provide appropriate security. Temporary rates collected by CHC VII, Ltd. shall be subject to the refund provisions set forth in the body of this Order. After the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., CHC VII, Ltd. shall file reports with our Clerk's office no later than the 20th of every month indicating the monthly and total amount of money subject to refund at the end of the preceding month. The report filed shall also indicate the status of the security being used to guarantee repayment of any potential refund. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that this Docket shall remain open for our staff's verification that the revised tariff sheets and customer notice have been filed by the Utility and approved by our staff. Once these actions are complete, this Docket shall be closed administratively.

By ORDER of the Florida Public Service Commission this 19th day of November, 2019.



ADAM J. TEITZMAN
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399
(850) 413-6770
www.floridapsc.com

Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

CWM

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing that is available under Section 120.57, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The action proposed herein is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this Order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on December 10, 2019.

In the absence of such a petition, this Order shall become final and effective upon the issuance of a Consummating Order.

ORDER NO. PSC-2019-0493-PAA-WS

DOCKET NO. 20190121-WS

PAGE 13

Any objection or protest filed in this/these Docket(s) before the issuance date of this Order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

CHC VII, LTD.		SCHEDULE NO. 1	
		DOCKET NO. 20190121-WS	
Water Revenue Requirement			
	<u>Per Utility</u>	<u>Adjustment</u>	<u>Commission Approved</u>
UPIS	\$235,901	\$0	\$235,901
Retirements	(16,535)	0	(16,535)
Less: Accumulated Depreciation	12,882	2,677	15,559
Working Capital	<u>352</u>	<u>(1,180)</u>	<u>(828)</u>
Total Increase in Rate Base	<u>\$232,600</u>	<u>\$1,497</u>	<u>\$234,097</u>
Weighted Cost of Capital	4.18%		4.18%
Return on Rate Base	<u>\$9,723</u>		<u>\$9,785</u>
Depreciation Expense	\$13,640	(\$1,335)	\$12,305
Rate Case Expense	9,438	(5,524)	3,914
Meter Reading Expense	(6,624)	0	(6,624)
TOTI	0	2,981	2,981
State Income Tax	0	0	0
Federal Income Tax	0	0	0
Regulatory Assessment Fees	<u>1,178</u>	<u>(172)</u>	<u>1,006</u>
Total Operating Expenses	<u>\$17,632</u>	<u>(\$4,050)</u>	<u>\$13,582</u>
Total Revenue Increase Requested/Recommended	<u>\$27,355</u>		<u>\$23,368</u>
Annualized Revenue	\$112,263		\$112,263
Percentage Increase	24.37%		20.82%
Note (1): Limited Partnership is not subject to State Income Tax.			
Note (2): Limited partnership not taxed directly by IRS; passed through to partners.			

CHC VII, Ltd. MONTHLY WATER RATES	SCHEDULE NO. 2 DOCKET NO. 20190121-WS		
	UTILITY CURRENT RATES	COMM. APPROVED RATES	4 YEAR RATE REDUCTION
<u>Residential and General Service</u>			
Base Facility Charge by Meter Size			
5/8" X 3/4"	\$4.55	\$5.50	\$0.17
3/4"	\$6.83	\$8.25	\$0.26
1"	\$11.38	\$13.75	\$0.43
1-1/4"	\$18.20	\$22.00	\$0.68
1-1/2"	\$22.75	\$27.50	\$0.85
2"	\$36.40	\$44.00	\$1.36
3"	\$72.80	\$88.00	\$2.72
4"	\$113.75	\$137.50	\$4.25
6"	\$227.50	\$275.00	\$8.50
8"	\$364.00	\$440.00	\$13.60
<u>Irrigation Service</u>			
All Meter Sizes	\$4.55	\$5.50	\$0.17
Charge per 1,000 gallons- Residential Service			
0-5,000 gallons	\$1.14	\$1.38	\$0.04
Over 5,000 gallons	\$1.51	\$1.82	\$0.05
Charge per 1,000 gallons- General and Irrigation Service	\$1.24	\$1.50	\$0.05
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
3,000 Gallons	\$7.97	\$9.64	
5,000 Gallons	\$10.25	\$12.40	
8,000 Gallons	\$14.78	\$17.86	