

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for a limited alternative rate
increase proceeding, by TKCB, Inc.

DOCKET NO. 20210120-SU
ORDER NO. PSC-2021-0435-PAA-SU
ISSUED: November 22, 2021

The following Commissioners participated in the disposition of this matter:

GARY F. CLARK, Chairman
ART GRAHAM
ANDREW GILES FAY
MIKE LA ROSA
GABRIELLA PASSIDOMO

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING RATE INCREASE FOR TKCB, INC.
AND FINAL ORDER ON RECOVERY OF RATE CASE EXPENSES,
TEMPORARY RATES, AND ACCOUNTING ADJUSTMENTS

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission (Commission) that the actions discussed herein, except for (1) the reduction of rates after four years based upon the recovery of rate case expense and the granting of temporary rates in the event of protest. The reduction of rates after four years, and the granting of temporary rates in the event of protest are procedural agency actions and subject to reconsideration and appeal as described below under the heading, "NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW."

Background

TKCB, Inc. (TKCB or utility) is a Class C utility providing wastewater service in Brevard County to approximately 277 customers. According to TKCB's annual report, total gross revenue was \$98,455 and total operating expense was \$92,668. The utility's rates for wastewater were last approved by the Florida Public Service Commission (Commission) in a staff-assisted rate case in 2019.¹ Subsequently, the rates were increased by a price index rate adjustment effective June 21, 2020.

In the utility's last rate case, we found the utility's overall quality of service to be satisfactory. As a wastewater-only utility, the determination is made from an evaluation of TKCB's attempt to address customer satisfaction and consideration of any outstanding citations, violations, and consent orders on file with the Florida Department of Environmental Protection (DEP) and the county health department, along with any DEP and county health department officials' testimony concerning quality of service. There are no identified complaints filed with us since the last rate case. We note that based on the most recent DEP Compliance Inspection

¹ Order No. PSC-2019-0362-PAA-SU, issued August 26, 2019, in Docket No. 20180218-SU, *In re: Application for staff-assisted rate case in Brevard County by TKCB, Inc.*

Report, conducted on August 14, 2018, the utility was determined to be in compliance with the DEP's rules and regulations after corrective actions were completed on September 12, 2018.

On June 25, 2021, the utility filed an application for a limited alternative rate increase (LARI) pursuant to Rule 25-30.457, Florida Administrative Code (F.A.C.). On July 13, 2021, the utility was notified that it met the initial requirements of Rule 25-30.457, F.A.C. Therefore, pursuant to Rule 25-30.457(4), F.A.C., the official date of filing was established as August 12, 2021, and the 90-day time frame for us to render a decision began on that date. The utility's purpose for filing this request is to recover the increase in costs that has or will occur due to the abrupt change in operator services and recovery of repairs to the wastewater treatment plant. However, on July 21, the utility withdrew its request for recovery of plant adjustments.

We have jurisdiction pursuant to Sections 367.0814(9) and 367.121(1), Florida Statutes (F.S.).

Decision

Pursuant to Rule 25-30.457, F.A.C., any utility eligible to file for a staff-assisted rate case may petition us for a rate increase of up to 20 percent applied to metered or flat recurring rates as an alternative to a rate case. This Rule was designed to stream-line the rate increase process for qualifying water or wastewater utilities by establishing an abbreviated procedure for a limited rate increase that is less time consuming and thus less costly for us, utilities, and their customers. This Rule is similar to the rules governing price index and pass-through increases, in that neither an engineering review nor a financial audit of the utility's books and records is required.

On June 25, 2021, TKCB notified us of its intent to implement a LARI pursuant to Rule 25-30.457, F.A.C. The utility's application was determined to have met the initial requirements of the rule on August 12, 2021, and that was established to be the official filing date. Commission staff verified that the utility is current on the filing of regulatory assessment fees and annual reports. We determined that TKCB has had rates established within the last seven years, pursuant to Rule 25-30.457(2)(l), F.A.C., and was under earning based on information provided in its 2020 Annual Report.² The filing contained additional relevant information in support of the utility's application.

On September 27, 2021, the utility sent to all customers a Notice for the Solicitation of Comments (Notice) that provided a summary of the rate request, the current and proposed rates, detailed instructions on how comments may be filed with us prior to the Commission Conference, and instructions if a customer wished to comment at the Commission Conference. Also, attached to the Notice was a customer comment card that customers could complete and mail us. As of the date and time of this Agenda Conference, no customers have submitted comments.

² Order No. PSC-2019-0362-PAA-SU, issued on August 26, 2019, in Docket No. 20180218-SU, *In re: Application for staff-assisted rate case in Brevard County by TKCB, Inc.*

Utility’s Requested Increase

As part of its filing, the utility requested \$2,245 in plant improvements. We determined the instant LARI docket is not the appropriate rate application to address plant improvements. On July 21, 2021, the utility agreed and opted to forgo the inclusion of the plant adjustments in this proceeding.³ Therefore, the utility is not seeking recovery associated with the requested plant increase amounts in this docket.

The main driver behind this LARI request is the fact that on February 10, 2021, TKCB’s prior plant operator notified the utility that he “would no longer service the WWTP, effective immediately.”⁴ This required the utility to find a new plant operator in a short period of time. TKCB entered into a contract with the new plant operator, Accurate Utilities, Inc., effective March 1, 2021. Accurate Utilities, Inc. determined that the previous operator had not been maintaining the plant to adequate standards. This determination impacted several operations and maintenance (O&M) expense accounts, both in regards to rectifying previous issues and appropriately servicing the plant going forward.⁵

In its application, the utility requested O&M expense increases totaling \$17,509. Based on the documentation provided by the utility, we find that the requested increases have been supported by the utility and are appropriate. A summary of the increases is provided in the table below.

Table 1
Summary of Expense Increases

Account	Commission-Approved Increase
Sludge Removal (711)	\$6,500
Chemicals (718)	3,922
Materials and Supplies (720)	2,650
Contractual Services – Billing (730)	202
Contractual Services – Testing (735)	995
Contractual Services – Other (736)	<u>3,240</u>
Total	<u>\$17,509</u>

Source: Utility’s application, response to data request, and Commission staff’s calculations.

In addition to the O&M increase detailed above, the utility also requested rate case expense in its application. The calculated rate case expense is \$5,095 for the instant docket, which amortized over four years is \$1,274 ($\$5,095 \div 4$ years) per year.

³ Document No. 08223-2021, filed on July 22, 2021.

⁴ Document No. 08469-2021, filed on July 29, 2021.

⁵ Id.

The data presented in the application was based on annualized revenues by customer class and meter size for the period ended December 31, 2020, the most recent 12-month period. After conducting a complete review of the record, we find that an increase of \$17,509 to O&M expenses and an allowance for rate case expense of \$1,274 totaling \$18,783 (\$17,509 + \$1,274) is appropriate. As a result of this increase, there is a corresponding increase to the regulatory assessment fees (RAF) of \$885. As summarized in Table 2, we approve a total increase of \$19,668.

Table 2
Summary of Adjustments

Increase to O&M	RCE	Total Increase	Adjustment For RAFs	Total Revenue Increase
\$17,509	\$1,274	\$18,783	\$885	\$19,668

Source: Commission staff's calculations.

Based on annualized revenues of \$99,605, the increase of \$19,668 represents a 19.75 percent increase, resulting in total annual service revenues of \$119,273, as shown in Table 3.

Table 3
Commission-Approved Increase

2020 Annualized Revenue	Annual Service Revenue	Revenue Increase	Percentage Increase
\$99,605	\$119,273	\$19,668	19.75%

Source: Utility's application and Commission staff's calculations.

Pursuant to Rule 25-30.457(7), F.A.C., the utility is required to hold any revenue increase granted subject to refund in accordance with Rule 25-30.360(4), F.A.C.

To ensure overearnings will not occur due to the implementation of these rate increases, Commission staff will conduct an earnings review of the 12-month period following the implementation of the revenue increase. At the end of the 12-month period, the utility has 90 days to complete and file Form PSC 1025 (03/20), entitled "Limited Alternative Rate Increase Earnings Review." In the event a utility needs additional time to complete the form, the utility may request an extension of time supported by a statement of good cause that must be filed with Commission staff within seven days prior to the 90-day deadline. If the earnings review demonstrates that the utility exceeded the range of its last authorized rate of return on equity, such overearnings, up to the amount held subject to refund, with interest, shall be disposed of for the benefit of the customers. If Commission staff determines that the utility did not exceed the range of its last authorized return on equity, the revenue increase will no longer be held subject to refund.

Based on the information provided above, we hereby approve of the utility's application with the modifications discussed above.

Monthly Service Rates

Based on our approval of the utility's LARI, the existing service rates for TKCB shall be increased by 19.75 percent across-the-board to the existing base facility and gallonage charges, in accordance with Rule 25-30.457, F.A.C. The utility's existing wastewater rates and the approved rates are shown on Schedule No. 1 at Attachment A. The utility shall file tariff sheets and a proposed customer notice to reflect the Commission-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. In addition, the rates shall not be implemented until the proposed customer notice has been approved. The utility shall provide proof of the date notice was given no less than 10 days after the date of the notice.

Rate Case Expense (Procedural Agency Action)

Section 367.081(8), F.S., requires that the rates be reduced immediately following the expiration of the recovery period by the amount of the rate case expense previously included in rates. These reductions will reflect the removal of revenue associated with the amortization of rate case expense and the gross-up for RAFs. The total reduction for TKCB is \$1,334 ($\$1,274 \div .955$).

We find that the rates shall be reduced to remove rate case expense grossed-up for RAFs and amortized over a four-year period. The decrease in rates shall become effective immediately following the expiration of the rate case expense recovery period, pursuant to Section 367.081(8), F.S. TKCB shall be required to file revised tariffs and proposed customer notices setting forth the lower rates and the reason for the reductions no later than one month prior to the actual date of the required rate reductions. If the utility files these reductions in conjunction with price index or pass-through rate adjustments, separate data should be filed for the price index and/or pass-through increases or decreases and the reductions in the rates due to the amortized rate case expenses.

Temporary Rates that are Subject to Refund (Procedural Agency Action)

The filing of a timely protest to this increase in rates might delay what may be a justified rate increase resulting in an unrecoverable loss of revenue for the utility. Therefore, pursuant to Rule 25-30.457(9), F.A.C., the utility shall be authorized to implement the rates established in the LARI PAA Order on a temporary basis subject to refund upon filing a SARC application within 21 days from the date the protest is filed. The utility shall also file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The 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. In addition, the temporary rates shall not be implemented until Commission staff has approved the proposed notice, and the notice has been received by the customers. These rates are approved on a temporary basis, and the incremental increase collected by the utility shall be subject to the refund provisions outlined in Rule 25-30.360, F.A.C. Pursuant to Rule 25-30.457(9), F.A.C., if the utility fails to file a SARC application within 21 days in the event there is a protest, the application for a LARI will be deemed withdrawn.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the application for a limited alternative rate increase by TKCB, Inc., is hereby approved, subject to the modifications set out in the body of this Order. It is further

ORDERED the utility's rates shall be increased by 19.75 percent, which results in an increase in revenues of \$19,668, in accordance with Rule 25-30.457, F.A.C. It is further

ORDERED that pursuant to Rule 25-30.457(7), F.A.C., the utility is required to hold any revenue increase granted subject to refund. To ensure overearnings will not occur due to the implementation of the rate increase, Commission staff will conduct an earnings review of the 12-month period following the implementation of the revenue increase. If overearnings occur, such overearnings, up to the amount held subject to refund, with interest, must be disposed of for the benefit of the customers. If Commission staff determines that the utility did not exceed the range of its last authorized return on equity, the revenue increase will no longer be held subject to refund. It is further

ORDERED that the existing service rates for TKCB Inc., the utility shall file tariff sheets and a proposed customer notice to reflect the Commission-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. In addition, the rates shall not be implemented until Commission staff has approved the proposed customer notice. The utility shall provide proof of the date notice was given no less than 10 days after the date of the notice. It is further

ORDERED that the rates shall be reduced as shown in Schedule No. 1 (Attachment A), to remove rate case expenses grossed-up for RAFs and amortized over a four-year period. The decrease in rates shall become effective immediately following the expiration of the rate case expense recovery period, pursuant to Section 367.081(8), F.S. TKCB Inc., shall be required to file revised tariffs and proposed customer notices setting forth the lower rates and the reason for the reductions no later than one month prior to the actual date of the required rate reductions. If the utility files this reduction in conjunction with price index or pass-through rate adjustments, separate data shall be filed for the price index and/or pass-through increase or decrease and the reductions in the rates due to the amortized rate case expenses. (*Procedural Agency Action*) It is further

ORDERED that TKCB Inc.'s approved rates are shown on Schedule No. 1. It is further

ORDERED that pursuant to Rule 25-30.457(9), F.A.C., in the event of a protest of the Proposed Agency Action (PAA) Order by a substantially affected person other than the utility, the TKCB Inc. is authorized to implement the rates established in the LARI PAA Order on a temporary basis, subject to refund upon filing a SARC application within 21 days from the date the protest is filed. The utility shall file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The 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. In addition, the temporary rates shall not be implemented until Commission staff has approved the

proposed notice, and the notice has been received by the customers. The incremental increase collected by the utility will be subject to the refund provisions outlined in Rule 25-30.360, F.A.C. Pursuant to Rule 25- 30.457(9), F.A.C., if the utility fails to file a SARC application within 21 days in the event there is a protest, the application for a LARI will be deemed withdrawn. (*Procedural Agency Action*) 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 the remainder of the docket shall remain open for Commission staff's verification that the revised tariff sheets, which reflect the Commission-approved rates, and customer notice have been filed by the utilities and approved by Commission staff, and so that Commission staff may conduct an earnings review of the utility pursuant to Rule 25-30.457(8), F.A.C. Upon Commission staff's approval of the tariff and completion of the earnings review process as set forth in Rule 25-30.457(8), F.A.C., this docket shall be closed administratively.

By ORDER of the Florida Public Service Commission this 22nd day of November, 2021.



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.

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.

As identified in the body of this order, our actions, except for the granting of temporary rates in the event of a protest, are 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 13, 2021. If such a petition is filed, 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. In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

Any party adversely affected by the Commission's final action in this matter may request: (1) reconsideration of the decision by filing a motion for reconsideration with the Office of Commission Clerk, within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or (2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water or wastewater utility by filing a notice of appeal with the Office of Commission Clerk and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

TKCB		Schedule No. 1		
Test Year Ended 12/31/2020		Docket No. 20210120-SU		
Wastewater Rates				
	UTILITY'S EXISTING RATES	UTILITY'S PROPOSED RATES	COMMISSION APPROVED RATES	4-YEAR RATE REDUCTION
<u>Residential</u>				
Base Facility Charge – All Meter Sizes	\$14.60	\$17.52	\$17.48	\$0.20
Gallonge Charge (6,000 gallonage cap)	\$5.14	\$6.17	\$6.16	\$0.07
<u>General Service</u>				
Base Facility Charge by Meter Size				
5/8" x 3/4"	\$14.60	\$17.52	\$17.48	\$0.20
3/4"	\$21.90	\$26.28	\$26.22	\$0.29
1"	\$36.50	\$43.80	\$43.70	\$0.49
1 1/2"	\$73.00	\$87.60	\$87.40	\$0.98
2"	\$116.80	\$140.16	\$139.84	\$1.57
3"	\$233.60	\$280.32	\$279.68	\$3.13
4"	\$365.00	\$438.00	\$437.00	\$4.89
6"	\$730.00	\$876.00	\$874.00	\$9.79
Charge per 1,000 gallons	\$6.17	\$7.40	\$7.39	\$0.08
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>				
2,000 Gallons	\$24.88	\$29.86	\$29.80	
4,000 Gallons	\$35.16	\$42.20	\$42.12	
6,000 Gallons	\$45.44	\$54.54	\$54.44	