

Hiep Nguyen

From: Kate Hamrick
Sent: Friday, March 29, 2024 11:41 AM
To: Andrew Maurey; Wesley Thurmond; Tom Ballinger; Elisabeth Draper; Mark Cicchetti; Jennifer Crawford; Daniel Dose; Cindy Muir; Apryl Lynn; Braulio Baez; CLK - Agenda Staff; Commissioners & Staffs; Mark Futrell; Keith Hetrick; Mary Anne Helton
Cc: Jacqueline Moore; Asha Maharaj-Lucas
Subject: APPROVED: Request for Oral Modification - Docket No. 20230083-WS
Attachments: Oral Mod Charts.pdf; Oral Mod Charts.docx

Please see the approved oral modification to Item 5, Docket No. 20230083-WS, for the April 2, 2024, Commission Conference.

Kate Hamrick
Executive Assistant to
Mark Futrell
Deputy Executive Director: Technical
Florida Public Service Commission
850-413-6304

From: Braulio Baez <BBaez@PSC.STATE.FL.US>
Sent: Friday, March 29, 2024 11:29 AM
To: Andrew Maurey <AMaurey@PSC.STATE.FL.US>; Mark Futrell <MFutrell@PSC.STATE.FL.US>
Cc: Asha Maharaj-Lucas <AMaharaj@psc.state.fl.us>; Kate Hamrick <KHamrick@psc.state.fl.us>; Mark Cicchetti <MCICCHET@PSC.STATE.FL.US>; Tom Ballinger <TBalling@PSC.STATE.FL.US>; Elisabeth Draper <EDraper@PSC.STATE.FL.US>; Jennifer Crawford <jcrawfor@psc.state.fl.us>; Mary Anne Helton <MHelton@PSC.STATE.FL.US>
Subject: Re: Request for Oral Modification - Docket No. 20230083-WS

Approved. Thanks.

From: Andrew Maurey
Sent: Friday, March 29, 2024 11:27:33 AM
To: Braulio Baez; Mark Futrell
Cc: Asha Maharaj-Lucas; Kate Hamrick; Mark Cicchetti; Tom Ballinger; Elisabeth Draper; Jennifer Crawford; Mary Anne Helton
Subject: Request for Oral Modification - Docket No. 20230083-WS

Staff requests approval to make an oral modification to staff's recommendation in Docket No. 20230083-WS - Application for increase in water and wastewater rates in Orange County by Pluris Wedgefield, LLC., currently scheduled as Item 5 on the April 2, 2024 Commission Conference.

Subsequent to filing the recommendation, the Office of Public Counsel made staff aware of errors in the Excel calculation of pro forma property taxes, the capital structure, and the interim refunds. Additionally, an adjustment included in the revenue requirement and addressed in Issue 4 was not included in Schedule No. 1-C. As a result, modifications to staff's recommendation are necessary to Issues 5, 8, 9, 16, 17, and 24, and Schedule Nos. 1-C, 2, 3-A, 3-B, and 3-C.

The requested modifications increase the recommended revenue requirement for Pluris by \$691, or 0.04 percent, for water and \$357, or 0.03 percent, for wastewater. The requested modifications will also increase the recommended interim refund by \$34,526 for water and \$576 for wastewater.

The text below reflects the type and strike changes to the staff recommendation. With these changes, there are no other impacts to staff’s recommendation or calculations aside from the fall-out impact to the rates reflected on Schedule Nos. 4-A and 4-B. The resulting increase in revenue requirement does not change the base facility charges for either water or wastewater, but it does slightly increase the gallonage charges by one to two cents. Staff requests administrative approval to update the rates to reflect these as well as any additional changes that may result from the vote at the Commission Conference. The attached files reflect the fall-out modifications to Schedule Nos. 1-C, 2, 3-A, 3-B, and 3-C.

Issue 5, Page 15, Recommendation Statement

An additional adjustment should be made to increase corresponding property taxes by ~~\$29,695~~ ~~30,932~~.

Issue 5, Page 16, Paragraph 3

Therefore, pro forma property taxes should be increased by ~~\$29,695~~ ~~30,932~~

Issue 5, Page 16, Conclusion

An additional adjustment should be made to increase corresponding property taxes by ~~\$29,695~~ ~~30,932~~.

Issue 8, Page 20, Recommendation Statement

Based in the Commission leverage formula currently in effect, the appropriate return on equity (ROE) is ~~8.75~~ ~~8.79~~ percent with an allowed range of plus or minus 100 basis points.

Issue 8, Page 20, Staff Analysis

Based on the Commission leverage formula currently in effect, the appropriate ROE is ~~8.75~~ ~~8.79~~ percent.

Issue 9, Page 21, Recommendation Statement

The appropriate weighted average cost of capital for the test year ended December 31, 2022, is ~~8.24~~ ~~8.22~~ percent.

Issue 9, Page 22, Conclusion

staff recommends a weighted average cost of capital of ~~8.24~~ ~~8.22~~ percent.

Issue 16, Page 37, Recommendation Statement

Yes, Taxes Other Than Income (TOTI) should be decreased by ~~\$22,503~~ ~~\$21,266~~ for the water system

Issue 16, Page 37, Staff Analysis

Staff recommends increasing water TOTI by ~~\$29,695~~ ~~30,932~~ to reflect the increase in property taxes due to the pro forma adjustment discussed in Issue 5.

Based on the adjustments discussed above, staff recommends a decrease in TOTI of ~~\$22,503~~ ~~\$21,266~~ ~~(\$29,695~~ ~~30,932~~ - \$50,088 - \$2,110) for the water system,

Issue 17, Page 38, Recommendation Statement

System	Test Year Revenues	\$ Increase	Revenue Requirement	% Increase
Water	\$1,600,131	\$652,855	\$2,252,986	40.80%

		\$652,164	\$2,252,295	40.76%
Wastewater	\$1,057,726	\$156,222	\$1,213,948	14.77%
		\$155,864	\$1,213,590	14.74%

Issue 17, Page 38, Paragraph 2

Consistent with staff’s recommended adjustments to rate base, cost of capital, and operating income, staff recommends approval of rates designed to generate a revenue requirement of ~~\$2,252,986~~ ~~2,252,295~~ for the water system and ~~\$1,213,948~~ ~~1,213,590~~ for the wastewater system. This results in an increase of ~~40.80~~ ~~40.76~~ percent for the water system and ~~14.77~~ ~~14.74~~ percent for the wastewater system. Staff’s recommended revenue requirement will allow the Utility the opportunity to recover its expenses and earn an ~~8.24~~ ~~8.22~~ percent return on its investment in rate base.

Issue 24, Page 52, Recommendation Statement

Based on these calculations, staff recommends interim refunds of ~~5.00~~ ~~3.31~~ percent and ~~7.72~~ ~~7.67~~ percent for the water and wastewater systems, respectively.

Issue 24, Page 52, Paragraphs 4 and 5

Staff’s revised interim revenue requirement is ~~\$1,938,636~~ ~~\$1,973,162~~ and ~~\$1,200,719~~ ~~\$1,201,295~~, for the water and wastewater systems, respectively. These revised amounts reflect a difference of ~~\$102,112~~ ~~\$67,586~~ (\$2,040,748 - ~~\$1,938,636~~ ~~\$1,973,162~~) for water and ~~\$100,394~~ ~~\$99,818~~ (\$1,301,113 - ~~\$1,200,719~~ ~~\$1,201,295~~) for wastewater.

Based on the above, staff recommends refunds of ~~5.00~~ ~~3.31~~ percent (~~\$102,112~~ ~~67,586~~ / \$2,040,748) and ~~7.72~~ ~~7.67~~ percent (~~\$100,394~~ ~~99,818~~ / \$1,301,113) for the water and wastewater systems, respectively.

Schedule No 1-C, Page 58

Pluris Wedgefield, LLC. Adjustments to Rate Base Test Year Ended 12/31/22		Schedule No. 1-C Docket No. 20230083-WS	
Explanation	Water	Wastewater	
Plant In Service			
1 Staff-Adjusted Audit Finding No. 1	\$36,796	(\$15,765)	
2 To reflect the reclassification of a meter installation charge.	<u>268</u>	<u>0</u>	
Total	<u>\$37,064</u>	<u>(\$15,765)</u>	
Accumulated Depreciation			
1 Staff-Adjusted Audit Finding No. 2	\$39,740	\$68,782	
2 To reflect the appropriate pro-forma accumulated depreciation.	<u>(810)</u>	<u>0</u>	
Total	<u>\$38,930</u>	<u>\$68,782</u>	
<u>Non-used and Useful</u>			
<u>To reflect net non-used and useful adjustment</u>		<u>\$0</u>	<u>(\$97)</u>
CIAC			
1 Audit Finding No. 3	(\$8,409)	\$0	
2 To reflect the reclassification of a meter installation charge.	<u>(268)</u>	<u>0</u>	
Total	<u>(\$8,677)</u>	<u>\$0</u>	
Accumulated Amortization of CIAC			
Audit Finding No. 4	<u>(\$22,924)</u>	<u>(\$63,138)</u>	
Working Capital			
To reflect the unamortized balance of non-recurring expenses.	<u>\$19,842</u>	<u>\$19,717</u>	

Schedule No 2, Page 59

Pluris Wedgefield, LLC. Capital Structure 13-Mo. Average Test Year Ended 12/31/22						Schedule No. 2 Docket No. 20230083-WS		
Description	Total Capital	Specific Adjustments	Subtotal Adjusted Capital	Pro-rata Adjustments	Capital Reconciled to Rate Base	Ratio	Cost Rate	Weighted Cost
Per Utility								
1 Debt	\$1,911,528	\$0	\$1,911,528	\$376,318	\$2,287,846	26.52%	5.70%	1.51%
2 Common Equity	(1,003,979)	6,281,931	5,277,952	1,038,361	6,316,313	73.21%	9.00%	6.59%
3 Customer Deposits	23,168	0	23,168	0	23,168	0.27%	6.00%	0.02%
Total Capital	\$930,717	\$6,281,931	\$7,212,648	\$1,414,679	\$8,627,327	100.00%		8.12%
Description	Adjusted Test Year Total Capital	Pro Forma Adjustments	Subtotal Adjusted Capital	Pro-rata Adjustments	Capital Reconciled to Rate Base	Ratio	Cost Rate	Weighted Cost
Per Staff								
	\$1,911,528		\$1,911,528	(\$342,345)	\$1,569,183	18.03%		1.03%
4 Debt	\$1,661,528	\$0	\$1,661,528	(\$264,534)	\$1,396,994	16.06%	5.70%	0.92%
5 Common Equity	6,144,387	2,515,214	8,659,601	(1,550,892)	7,108,709	81.70%	8.79%	7.18%
6 Customer Deposits	23,168	0	23,168	0	23,168	0.27%	2.00%	0.01%
Total Capital	\$8,079,083		\$10,594,297	(\$1,893,237)				8.22%
	\$7,829,083	\$2,515,214	\$10,344,297	(\$1,643,237)	\$8,701,060	100.00%		8.24%
						LOW	HIGH	
						7.79%	9.79%	
					RETURN ON EQUITY	7.75%	9.75%	
						7.40%	9.03%	
					OVERALL RATE OF RETURN	7.41%	9.08%	

Schedule No 3-A, Page 60

Pluris Wedgefield, LLC. Statement of Water Operations Test Year Ended 12/31/22						Schedule No. 3-A Docket No. 20230083-WS	
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	<u>\$1,627,619</u>	<u>\$1,085,570</u>	<u>\$2,713,189</u>	<u>(\$1,113,058)</u>	<u>\$1,600,131</u>	<u>\$652,164</u> <u>\$652,855</u> <u>40.76%</u> <u>40.80%</u>	<u>\$2,252,295</u> <u>\$2,252,986</u>
Operating Expenses							
2 Operation & Maintenance	\$1,749,162	(\$404,919)	\$1,344,243	(\$318,387)	\$1,025,856	\$0	\$1,025,856
3 Depreciation	363,029	58,604	421,633	359	421,992	0	421,992
4 Amortization	0	0	0	273	273	0	273
5 Taxes Other Than Income	141,262	48,961	190,223	<u>(21,266)</u> <u>(22,503)</u>	<u>168,957</u> <u>167,720</u>	<u>29,347</u> <u>29,378</u>	<u>198,304</u> <u>197,098</u>
6 Income Taxes	<u>0</u>	<u>163,539</u>	<u>163,539</u>	<u>(163,539)</u>	<u>0</u>	<u>0</u>	<u>0</u>
7 Total Operating Expense	<u>2,253,453</u>	<u>(133,815)</u>	<u>2,119,638</u>	<u>(502,560)</u> <u>(503,798)</u>	<u>1,617,078</u> <u>1,615,840</u>	<u>29,347</u> <u>29,378</u>	<u>1,646,425</u> <u>1,645,219</u>
8 Operating Income	<u>(\$625,834)</u>	<u>\$1,219,385</u>	<u>\$593,551</u>	<u>(\$610,498)</u> <u>(\$609,260)</u>	<u>(\$16,947)</u> <u>(\$15,709)</u>	<u>\$622,817</u> <u>\$623,476</u>	<u>\$605,870</u> <u>\$607,767</u>
9 Rate Base	<u>\$1,426,078</u>		<u>\$7,309,740</u>		<u>\$7,373,975</u>		<u>\$7,373,975</u>
10 Rate of Return	<u>(43.88%)</u>		<u>8.12%</u>		<u>(0.23%)</u> <u>(0.21%)</u>		<u>8.22%</u> <u>8.24%</u>

Schedule No 3-B, Page 61

Pluris Wedgefield, LLC. Statement of Wastewater Operations Test Year Ended 12/31/22						Schedule No. 3-B Docket No. 20230083-WS	
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	<u>\$1,051,949</u>	<u>\$556,115</u>	<u>\$1,608,064</u>	<u>(\$550,338)</u>	<u>\$1,057,726</u>	<u>\$155,864</u> <u>\$156,222</u> <u>14.74%</u> <u>14.77%</u>	<u>\$1,213,590</u> <u>\$1,213,948</u>
Operating Expenses							
2 Operation & Maintenance	\$924,958	\$250,836	\$1,175,794	(\$332,260)	\$843,533	\$0	\$843,533
3 Depreciation	129,820	(845)	128,975	(14,575)	114,400	0	114,400
4 Amortization	0	0	0	285	285	0	285
5 Taxes Other Than Income	141,804	25,025	166,829	(27,508)	139,321	<u>7,014</u> <u>7,030</u>	<u>146,335</u> <u>146,351</u>
6 Income Taxes	<u>0</u>	<u>29,478</u>	<u>29,478</u>	<u>(29,478)</u>	<u>0</u>	<u>0</u>	<u>0</u>
7 Total Operating Expense	<u>1,196,582</u>	<u>304,494</u>	<u>1,501,076</u>	<u>(403,538)</u>	<u>1,097,538</u>	<u>7,014</u> <u>7,030</u>	<u>1,104,552</u> <u>1,104,568</u>
8 Operating Income	<u>(\$144,633)</u>	<u>\$251,621</u>	<u>\$106,988</u>	<u>(\$146,800)</u>	<u>(\$39,812)</u>	<u>\$148,850</u> <u>\$149,192</u>	<u>\$109,038</u> <u>\$109,379</u>
9 Rate Base	<u>(\$2,079,052)</u>		<u>\$1,317,586</u>		<u>\$1,327,085</u>		<u>\$1,327,085</u>
10 Rate of Return	<u>6.96%</u>		<u>8.12%</u>		<u>(3.00%)</u>		<u>8.22%</u> <u>8.24%</u>

Pluris Wedgefield, LLC.		Schedule No. 3-C	
Adjustments to Net Operating Income		Docket No. 20230083-WS	
Test Year Ended 12/31/22			
Explanation	Water	Wastewater	
Operating Revenues			
1 To remove the requested final revenue increase.	(\$1,085,570)	(\$556,115)	
2 To reflect the appropriate amount of test year revenues.	<u>(27,488)</u>	<u>5,777</u>	
Total	<u>(\$1,113,058)</u>	<u>(\$550,338)</u>	
Operation and Maintenance Expense			
1 Audit Finding No. 8	(\$4,964)	(\$6,059)	
2 To reflect the appropriate amount of test year salaries.	(27,588)	(27,412)	
3 To reflect the appropriate amount of pensions and benefits.	(2,332)	(2,317)	
4 To reflect the appropriate amount of management fees.	(264,427)	(265,903)	
5 To reflect the appropriate amount of rate case expense.	(3,681)	(3,659)	
6 To reflect non-recurring expenses.	(12,978)	(26,580)	
7 To reflect a fuel for power production normalization adjustment.	<u>(2,417)</u>	<u>(331)</u>	
Total	<u>(\$318,387)</u>	<u>(\$332,260)</u>	
Depreciation Expense			
1 Staff-Adjusted Audit Finding No 2	\$6,218	(\$14,964)	
2 To reflect the appropriate pro forma depreciation expense.	(5,859)	0	
3 To reflect the net depreciation on non-U&U adjustment.	<u>0</u>	<u>389</u>	
Total	<u>\$359</u>	<u>(\$14,575)</u>	
Amortization			
Audit Finding No. 4	<u>\$273</u>	<u>\$285</u>	
Taxes Other Than Income			
1 RAFs on revenue adjustment above.	(\$50,088)	(\$24,765)	
2 To remove the property taxes on non-U&U adjustment.	0	(646)	
3 To reflect the fallout of salary adjustment.	(2,110)	(2,097)	
	30,932	<u>0</u>	
4 To reflect the pro forma property tax.	29,695		
	<u>(\$21,266)</u>	<u>(\$27,508)</u>	
Total	<u>(\$22,503)</u>		
Income Taxes			
To remove the income tax provision.	(\$163,539)	(\$29,478)	