

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for establishment of wastewater
AFPI charges in Lake County by Utilities, Inc. of Florida. DOCKET NO. 2019____-SU

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APPLICATION FOR ESTABLISHMENT OF AFPI CHARGES

Applicant, Utilities, Inc. of Florida (the "Utility"), pursuant to Section 367.101, Florida Statutes, and Rule 25-30.434, Florida Administrative Code, files this Application for establishment of wastewater AFPI charges in Lake County.

Preliminary Matters

(1) The following information is provided pursuant to Rule 25-30.434, Florida Administrative Code:

(a)(i) The name of the Utility and its principal place of business:

Utilities, Inc. of Florida
200 Weathersfield Ave.
Altamonte Springs, FL 32714-4027

(ii) The name and address of the persons authorized to receive notices and communications in respect to this Application:

Martin S. Friedman, Esquire
Dean Mead
420 S. Orange Ave., Suite 700
Orlando, FL 32801
Direct telephone: (407) 310-2077
Email: mfriedman@deanmead.com

Jared Deason
200 Weathersfield Ave.
Altamonte Springs, FL 32714-4027
Direct telephone: (850) 643-7326
Email: jdeason@uiwater.com

(b)(i) The Utility does not have a business office in Lake County, and will place a copy of the Application at the following library, which are the most convenient library to the service area:

Cooper Memorial Library
2525 Oakley Seaver Drive
Clermont, FL 34711
Monday – Thursday: 9:00 a.m. to 7:00 p.m.
Friday – Saturday: 9:00 a.m. to 1:00 p.m.
Sunday: (Closed)

(b)(ii) The Utility will publish a Notice in a newspaper of general circulation in Lake County and will file the Affidavit of Publication as Late Filed Exhibit “A”. A draft Notice that will be published and mailed is attached as Exhibit “A-1”. A copy will also be provided to Staff in Word format for comments.

(b)(iii) The Utility will mail a copy of the Notice of the Application to all persons who have filed a written request for wastewater service or who has been provided a written estimate for wastewater service in Lake County within the past 12 months and will file an Affidavit of Mailing as Late Filed Exhibit “B”.

(c) The last Order that established rates and service availability charges for the Lake Utility Services (LUSI) system in Lake County is Order No. 2019-0363-PAA-WS on August 27, 2019. The last Order that established AFPI charges for the LUSI wastewater system was Order PSC-2018-0174-TRF-SU issued April 4, 2018.

(d) The AFPI Charges are set forth in the financial schedules attached hereto as Exhibit “C” and are scheduled for one ERC on a monthly basis up to the time the WWTP reaches design capacity.

(e) The Utility is requesting the wastewater AFPI Charge as the result of the Commission finding in Order No. 2019-0363-PAA-WS that the LUSI wastewater system was determined to be 53.54 Used & Useful.

(f) The dollar amount of the non-used and useful plant and the accumulated depreciation was determined from the findings in the last rate proceeding (Docket No. 20160101-WS).

(g) The plant capacity related to the LUSI wastewater system and the methodology used to determine that amount is set forth in the schedules attached hereto as Exhibit "C".

(h) The number of future customers in number of ERCs related to the non-used and useful plant by system is set forth in the schedules attached hereto as Exhibit "C".

(i) The amount of depreciation expense and composite depreciation rate related to the non-used and useful plant by system is set forth in the schedules hereto "C".

(j) The overall rate of return requested for the AFPI charge and the workpapers supporting the calculation is set forth in the schedules attached hereto as Exhibit "C".

(k) The last authorized rate of return on equity is 10.4% established in Docket No. 20160101-WS which resulted in Order No. PSC-2017-1361-FOF-WS.

(l) The state and federal income tax rates requested for calculating the AFPI charge are 21% and 5.5%, respectively.

(m) There are no other costs such as non-used and useful property taxes and operation and maintenance expenses removed in the last rate case that need to be removed.

(n) The test year to be used in the calculation, the month that the utility expects that charge to go into effect and the number of years the Utility expects to collect the charge is set forth in the schedules attached hereto as Exhibit "C". The AFPI should remain in effect until the total future ERCs are connected.

(o) The workpapers and calculations used to develop the proposed AFPI charge is set forth in the schedules attached hereto as Exhibit "C".

(p) The tariff sheets necessary to incorporate the AFPI charge into the tariff are attached hereto as Exhibit "D".

(2) The appropriate filing fee of \$2,250.00 (over 4,000 wastewater ERCs) will be sent to the Clerk by FedEx.

WHEREFORE, the Utility requests that the Florida Public Service Commission do the following:

1. Accept jurisdiction of this Application to establish wastewater AFPI Charges consistent with the schedules attached hereto as Exhibit "C".
2. Provide such other and further relief as is fair, just and equitable.

Respectfully submitted the 7th day of October, 2019, by:

Dean Mead
420 S. Orange Ave., Suite 700
Orlando, FL 32801
Direct telephone: (407) 310-2077
Fax: (407) 423-1831
mfriedman@deanmead.com

/s/Martin S. Friedman
MARTIN S. FRIEDMAN
For the Firm

EXHIBIT “A”

Affidavit of Publication – to be Late Filed

EXHIBIT “A-1”

Proposed Notice

**NOTICE OF REQUEST FOR ALLOWANCE OF FUNDS PRUDENTLY INVESTED (AFPI)
CHARGES BY UTILITIES, INC. OF FLORIDA
October __, 2019**

On October 7, 2019, Utilities, Inc. of Florida filed an application with the Florida Public Service Commission to establish Allowance for Funds Prudently Invested (AFPI) Charges. The AFPI Charge is to pay for growth in the utility system, and the requested charges will be paid by new, not existing customers. Pursuant to Commission Rules, an AFPI Charge is a mechanism designed to allow a utility the opportunity to earn a fair rate of return on prudently constructed plant held for future use from customers who will be served by that plant. This one-time charge is assessed based on the date the future customer connects to the Utility’s wastewater system.

A copy of the Application is available at the following library:

Cooper Memorial Library
2525 Oakley Seaver Drive
Clermont, FL 34711
Monday – Thursday: 9:00 a.m. to 7:00 p.m.
Friday – Saturday: 9:00 a.m. to 1:00 p.m.
Sunday: (Closed)

**Lake County – Wastewater
The current AFPI Charges are as follows:**

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
January	\$ 18.00	\$ 234.72	\$ 460.02	\$ 694.53	\$ 938.89
February	\$ 36.00	\$ 253.43	\$ 479.50	\$ 714.82	\$ 960.06
March	\$ 54.00	\$ 272.14	\$ 498.97	\$ 735.11	\$ 981.22
April	\$ 72.00	\$ 290.86	\$ 518.45	\$ 755.40	\$ 1,002.39
May	\$ 90.00	\$ 309.57	\$ 537.92	\$ 775.69	\$ 1,023.55
June	\$ 108.00	\$ 328.28	\$ 557.40	\$ 795.99	\$ 1,044.71
July	\$ 126.01	\$ 346.99	\$ 576.87	\$ 816.28	\$ 1,065.88
August	\$ 144.01	\$ 365.70	\$ 596.34	\$ 836.57	\$ 1,087.04
September	\$ 162.01	\$ 384.42	\$ 615.82	\$ 856.86	\$ 1,108.20
October	\$ 180.01	\$ 403.13	\$ 635.29	\$ 877.15	\$ 1,129.37
November	\$ 198.01	\$ 421.84	\$ 654.77	\$ 897.44	\$ 1,150.53
December	\$ 216.01	\$ 440.55	\$ 674.24	\$ 917.73	\$ 1,171.708

The AFPI charges, which are based on one equivalent residential connection (ERC), will be collected from 1,471 additional ERCs as of December 31, 2015. If by December 31, 2020, any number of ERCs remain unconnected, the remaining ERCs shall be charged the constant maximum charge of \$1,171.70 until all 1,471 additional ERCs are connected, after which the charge will cease.

The requested AFPI Charges are as follows:

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
January	\$ 18.98	\$ 247.42	\$ 484.46	\$ 730.69	\$ 986.80
February	\$ 37.95	\$ 267.11	\$ 504.91	\$ 751.96	\$ 1,008.95
March	\$ 56.93	\$ 286.80	\$ 525.36	\$ 773.23	\$ 1,031.09
April	\$ 75.91	\$ 306.49	\$ 545.81	\$ 794.50	\$ 1,053.23
May	\$ 94.89	\$ 326.18	\$ 566.26	\$ 815.77	\$ 1,075.38
June	\$ 113.86	\$ 345.87	\$ 586.72	\$ 837.04	\$ 1,097.52
July	\$ 132.84	\$ 365.56	\$ 607.17	\$ 858.31	\$ 1,119.66
August	\$ 151.82	\$ 385.25	\$ 627.62	\$ 879.58	\$ 1,141.80
September	\$ 170.80	\$ 404.94	\$ 648.07	\$ 900.85	\$ 1,163.95
October	\$ 189.77	\$ 424.63	\$ 668.52	\$ 922.12	\$ 1,186.09
November	\$ 208.75	\$ 444.32	\$ 688.97	\$ 943.39	\$ 1,208.23
December	\$ 227.73	\$ 464.01	\$ 709.42	\$ 964.66	\$ 1,230.38

The AFPI charges, which are based on one equivalent residential connection (ERC), will be collected from 1,658 additional ERCs as of December 31, 2015. If by December 31, 2020, any number of ERCs remain unconnected, the remaining ERCs shall be charged the constant maximum charge of \$1,230.38 until all 1,658 additional ERCs are connected, after which the charge will cease.

Utilities, Inc. of Florida’s address is 200 Weathersfield Ave., Altamonte Springs, FL 32714-4027, (866) 842-8432, and normal business hours are 8:30am to 4:30pm.

Any person who wishes to comment or provide information to Commission staff may direct them to this address:

Florida Public Service Commission
 Director, Office of Commission Clerk
 2540 Shumard Oak Boulevard
 Tallahassee, Florida 32399-0870

All correspondence should refer to “Docket No. 2019____-SU, Utilities, Inc. of Florida” Your letter will placed in the correspondence file of this docket. You may also submit comments through the Florida Public Service Commission’s toll-free facsimile line at 1-800-511-0809, or the Commission’s website available at <http://floridapsc.com/ConsumerAssistance/ComplaintForm>.

EXHIBIT “B”

Affidavit of Mailing – to be Late Filed

EXHIBIT “C”

Financial Schedules

LUSI

UTILITIES INC. OF FLORIDA - LUSI							SCHEDULE 1-A		
Allowance for Funds Prudently Invested List of Information Imputed Into Calculation									
Information Needed									
1.	Cost of Qualifying Assets						\$	2,197,001	
2.	Capacity of Qualifying Assets							464,135	GPD
3.	Number of Future Customers							1,658	ERC
4.	Annual Depreciation Expense						\$	170,221	
5.	Rate of Return							7.09%	
6.	Weighted Cost of Equity							4.36%	
7.	Federal Income Tax Rate							21.00%	
8.	State Income Tax Rate							5.50%	
9.	Annual Property Tax						\$	1963	
10.	Other Costs						\$	0	
11.	Depreciation Rate of Assets							7.75%	
12.	Test Year							2015	

UTILITIES INC. OF FLORIDA - LUSI				SCHEDULE 1-B			
Allowance for Funds Prudently Invested							
Calculation of Carrying Costs for Each ERC:							
Cost of Qualifying Assets:	\$	2,197,001	Annual Depreciation Expense:	\$	170,221		
Divided By Future ERC:		1,658	Future ERC's:		1,658		
		-----			-----		
Cost/ERC:	\$	1,325.39	Annual Depr. Cost per ERC:	\$	102.69		
Multiply By Rate of Return:		7.09%					

Annual Return Per ERC:	\$	93.99	Annual Property Tax Expense:	\$	1,963		
			Future ERC's:		1,658		

Annual Reduction in Return:	\$	7.28	Annual Prop. Tax per ERC:	\$	1.18		
(Annual Depreciation Expense							
per ERC Times Rate of Return)							
Federal Tax Rate:		21.00%	Weighted Cost of Equity:		4.36%		
Effective State Tax Rate:		4.35%	Divided by Rate of Return:		7.09%		
		-----			-----		
Total Tax Rate:		25.35%	% of Equity in Return:		61.48%		
Effective Tax on Return:		15.58%	Other Costs:	\$	0		
(Equity % Times Tax Rate)			Future ERC's:		1,658		

Provision For Tax:		20.87%	Cost per ERC:	\$	0.00		
(Tax on Return/(1-Total Tax Rate))							

UTILITIES INC. OF FLORIDA - LUSI					SCHEDULE 1-C				
Allowance for Funds Prudently Invested									
Calculation Of Carrying Costs Per ERC Per Year									
		2016	2017		2018	2019		2020	
		----	----		----	----		----	
Unfunded Other Costs:	\$	0.00	\$ 0.00	\$	0.00	\$ 0.00	\$	0.00	\$ 0.00
Unfunded Annual Depreciation:		102.69	102.69		102.69	102.69		102.69	
Unfunded Property Tax:		1.18	1.18		1.18	1.18		1.18	
		-----	-----		-----	-----		-----	
Subtotal Unfunded Annual Expense:	\$	103.87	\$ 103.87	\$	103.87	\$ 103.87	\$	103.87	\$ 103.87
Unfunded Expenses Prior Year:		0.00	103.87		207.75	311.62		415.50	
		-----	-----		-----	-----		-----	
Total Unfunded Expenses:	\$	103.87	\$ 207.75	\$	311.62	\$ 415.50	\$	519.37	\$ 519.37
		-----	-----		-----	-----		-----	
Return on Expenses Current Year:		7.37	7.37		7.37	7.37		7.37	
Return on Expenses Prior Year:		0.00	7.37		14.73	22.10		29.46	
Return on Plant Current Year:		93.99	86.71		79.43	72.15		64.87	
Earnings Prior Year:		0.00	93.99		194.73	302.70		418.42	
Compound Earnings from Prior Year:		0.00	6.67		13.81	21.47		29.67	
		-----	-----		-----	-----		-----	
Total Compounded Earnings:	\$	93.99	\$ 194.73		302.70	418.42		542.42	
Earnings Expansion Factor for Tax:		1.21	1.21		1.21	1.21		1.21	
		-----	-----		-----	-----		-----	
Revenue Required to Fund Earnings:	\$	113.61	\$ 235.38	\$	365.88	\$ 505.75	\$	655.64	\$ 655.64
Revenue Required to Fund Expenses:		103.87	207.75		311.62	415.50		519.37	
		-----	-----		-----	-----		-----	
Subtotal:	\$	217.48	\$ 443.13	\$	677.50	\$ 921.25	\$	1,175.01	\$ 1,175.01
Divided by Factor for Regulatory Assessment Fee		0.955	0.955		0.955	0.955		0.955	
		-----	-----		-----	-----		-----	
ERC Carrying Cost for 1 Year:	\$	227.73	\$ 464.01	\$	709.42	\$ 964.66	\$	1,230.38	\$ 1,230.38
		-----	-----		-----	-----		-----	

UTILITIES INC. OF FLORIDA - LUSI										SCHEDULE 1-D										
Allowance for Funds Prudently Invested Calculation Of Carrying Costs Per ERC Per Month																				
		2016	2017	2018	2019	2020	2021													
		-----	-----	-----	-----	-----	-----													
	January	18.98	247.42	484.46	730.69	986.80	1,230.38													
	February	37.95	267.11	504.91	751.96	1,008.95	1,230.38													
	March	56.93	286.80	525.36	773.23	1,031.09	1,230.38													
	April	75.91	306.49	545.81	794.50	1,053.23	1,230.38													
	May	94.89	326.18	566.26	815.77	1,075.38	1,230.38													
	June	113.86	345.87	586.72	837.04	1,097.52	1,230.38													
	July	132.84	365.56	607.17	858.31	1,119.66	1,230.38													
	August	151.82	385.25	627.62	879.58	1,141.80	1,230.38													
	September	170.80	404.94	648.07	900.85	1,163.95	1,230.38													
	October	189.77	424.63	668.52	922.12	1,186.09	1,230.38													
	November	208.75	444.32	688.97	943.39	1,208.23	1,230.38													
	December	227.73	464.01	709.42	964.66	1,230.38	1,230.38													

EXHIBIT “D”

Tariff Sheet

ALLOWANCE FOR FUNDS PRUDENTLY INVESTED

Formerly Lake Utility Services, Inc.
 Lake County

An Allowance for Funds Prudently Invested (AFPI) charge is a mechanism which allows a utility the opportunity to earn a fair rate of return on prudently constructed plant held for future use from the future customers to be served by that plant in the form of a charge paid by those customers.

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
January	\$ 18.98	\$ 247.42	\$ 484.46	\$ 730.69	\$ 986.80
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December	\$ 227.73	\$ 464.01	\$ 709.42	\$ 964.66	\$ 1,230.38

The approved AFPI charges, which are based on one equivalent residential connection (ERC), will be collected from 1,658 additional ERCs as of December 31, 2015. The amount of the charge will be based on the month in which the connection to the utility is made. If by December 31, 2020, any number of ERCs remain unconnected, the remaining ERCs shall be charged the constant maximum charge of \$1,230.38 until all 1,658 additional ERCs are connected, after which the charge will cease.

EFFECTIVE DATE –

TYPE OF FILING – Application for AFPI Charges

JOHN P. HOY
 ISSUING OFFICER

PRESIDENT
 TITLE