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October 30, 2018

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Item 1

State of Florida











Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: October 18, 2018

TO: Office of Commission Clerk (Stauffer)

FROM:   Office of the General Counsel (A. Weisenfeld)  
  Office of Industry Development and Market Analysis (D. Flores)  

RE: Application for Certificate of Authority to Provide Telecommunications Service

AGENDA: 10/30/2018 - Consent Agenda - Proposed Agency Action - Interested Persons May Participate

SPECIAL INSTRUCTIONS: None

Please place the following Application for Certificate of Authority to Provide Telecommunications Service on the consent agenda for approval.

<u>DOCKET NO.</u>	<u>COMPANY NAME</u>	<u>CERT. NO.</u>
20180156-TX	Vero Fiber Networks, LLC d/b/a Vero Networks	8925

The Commission is vested with jurisdiction in this matter pursuant to Section 364.335, Florida Statutes. Pursuant to Section 364.336, Florida Statutes, certificate holders must pay a minimum annual Regulatory Assessment Fee if the certificate is active during any portion of the calendar year. A Regulatory Assessment Fee Return Notice will be mailed each December to the entity listed above for payment by January 30.



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-M-E-M-O-R-A-N-D-U-M-

DATE: October 18, 2018

TO: Office of Commission Clerk (Stauffer) *J* *DRB* *MC* *CRAB* *ALM*

FROM: Division of Accounting and Finance (Hightower, D. Buys, Cicchetti)
Office of the General Counsel (Schrader) *KS* *JSC*

RE: 20180162-EI - Application for authority to issue and sell securities and to receive common equity contributions during 12 months ending December 31, 2019, pursuant to Chapter 25-8, F.A.C., and Section 366.04, F.S., by Gulf Power Company.

AGENDA: 10/30/2018 - Consent Agenda - Final Action - Interested Persons May Participate

SPECIAL INSTRUCTIONS: None

Please place the following securities application on the consent agenda for approval.

Docket No. 20180162-EI – Application for authority to issue and sell securities and to receive common equity contributions during 12 months ending December 31, 2019, pursuant to Chapter 25-8, F.A.C., and Section 366.04, F.S., by Gulf Power Company.

Gulf Power Company (Gulf Power or Company) seeks authority to receive equity funds from and/or issue common equity securities to its parent company, Southern Company (Southern); issue and sell long-term debt and equity securities; and issue and sell short-term debt securities during 2019. The amount of common equity contributions received from and issued to Southern, the amount of other equity securities issued, and the maximum principal amount of long-term debt securities issued will total not more than \$600 million. The maximum principal amount of short-term debt at any one time will total not more than \$500 million.

In connection with this application, Gulf Power confirms that the capital raised pursuant to this application will be used in connection with the regulated electric operations of Gulf Power and not the unregulated activities of the Company or its affiliates.

Staff has reviewed Gulf Power's projected capital expenditures. The amount requested by the Company (\$1.1 billion) exceeds its expected capital expenditures (\$262.8 million). The additional amount requested exceeding the projected capital expenditures allows for financial flexibility with regard to unexpected events such as hurricanes, financial market disruptions and other unforeseen circumstances. Staff believes the requested amounts are appropriate. Staff recommends Gulf Power's petition to issue securities be approved.

Docket No. 20180162-EI

Date: October 18, 2018

For monitoring purposes, this docket should remain open until May 1, 2020, to allow the Company time to file the required Consummation Report.

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-M-E-M-O-R-A-N-D-U-M-

DATE: October 18, 2018

TO: Office of Commission Clerk (Stauffer) *BT DRB Mc CREW ALM*

FROM: Division of Accounting and Finance (Smith II, D. Buys, Cicchetti)
Office of the General Counsel (Schrader) *K S JSC*

RE: Docket No. 20180165-EI - Application for authority to issue and sell securities during 12 months ending December 31, 2019, pursuant to Section 366.04, F.S., and Chapter 25-8, F.A.C., by Duke Energy Florida, LLC.

AGENDA: 10/30/2018 - Consent Agenda – Final Action - Interested Persons May Participate

SPECIAL INSTRUCTIONS: None

Please place the following securities application on the consent agenda for approval.

Docket No. 20180165-EI - Application for authority to issue and sell securities during 12 months ending December 31, 2019, pursuant to Section 366.04, F.S., and Chapter 25-8, F.A.C., by Duke Energy Florida, LLC.

Duke Energy Florida, LLC (DEF or Company) seeks authority to issue, sell or otherwise incur during 2019 up to \$1.5 billion of any combination of equity securities, long-term debt securities, and other long-term obligations. Additionally, the Company requests authority to issue, sell, or otherwise incur during 2019 and 2020, up to \$1.5 billion outstanding at any time of short-term debt securities and other obligations.

In connection with this application, DEF confirms that the capital raised pursuant to this application will be used in connection with the regulated activities of the Company and not the unregulated activities of its unregulated affiliates.

Staff has reviewed the Company's projected capital expenditures. The amount requested by the Company (\$3.0 billion) exceeds its expected capital expenditures (\$1.6 billion). The additional amount requested exceeding the projected capital expenditures allows for financial flexibility with regard to unexpected events such as hurricanes, financial market disruptions, and other unforeseen circumstances. Staff believes the requested amounts are appropriate. Staff recommends DEF's petition to issue securities be approved.

For monitoring purposes, this docket should remain open until May 1, 2020, to allow the Company time to file the required Consummation Report.



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-M-E-M-O-R-A-N-D-U-M-

DATE: October 18, 2018

TO: Office of Commission Clerk (Stauffer) *LSF DB MC ALM*

FROM: Division of Accounting and Finance (Smith II, D. Buys, Cicchetti)
Office of the General Counsel (Schrader) *KS*

RE: Docket No. 20180167-EI – Application for authority to issue and sell securities for 12 months ending December 31, 2019, by Tampa Electric Company.

AGENDA: 10/30/2018 - Consent Agenda - Final Action - Interested Persons May Participate

SPECIAL INSTRUCTIONS: None

Please place the following securities application on the consent agenda for approval.

Docket No. 20180167-EI – Application for authority to issue and sell securities for 12 months ending December 31, 2019, by Tampa Electric Company.

Tampa Electric Company (Tampa Electric or Company) seeks the authority to issue, sell and/or exchange equity securities and issue, sell, exchange and/or assume long-term or short-term debt securities and/or to assume liabilities or obligations as guarantor, endorser, or surety during calendar year 2019. The Company also seeks authority to enter into interest swaps or other derivatives instruments related to debt securities during calendar year 2019.

The amount of all equity and long-term debt securities issued, sold, exchanged, or assumed and liabilities and obligations assumed or guaranteed as guarantor, endorser, or surety will not exceed in the aggregate \$1.75 billion during the year 2019, including any amounts issued to retire existing long-term debt securities. The maximum amount of short-term debt outstanding at any one time will be \$0.9 billion during calendar year 2019. This application is for both Tampa Electric and its local gas distribution division, Peoples Gas System.

In connection with this application, the Company confirms that the capital raised pursuant to this application will be used in connection with the activities of the Company's regulated electric and gas operations and not the unregulated activities of the utilities or their affiliates.

Staff has reviewed the Company's projected capital expenditures. The amount requested by the Company (\$2.65 billion) exceeds its expected capital expenditures (\$1.352 billion). The

additional amount requested exceeding the projected capital expenditures allows for financial flexibility with regard to unexpected events such as hurricanes, financial market disruptions, and other unforeseen circumstances. Staff believes the requested amounts are appropriate. Staff recommends Tampa Electric's petition to issue securities be approved.

For monitoring purposes, this docket should remain open until May 1, 2020, to allow the Company time to file the required Consummation Report.

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-M-E-M-O-R-A-N-D-U-M-

DATE: October 18, 2018

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Accounting and Finance (Richards, D. Buys, Cicchetti)
Office of the General Counsel (Schrader) *ERR DBB MK CRR ALM KS JCI*

RE: Docket No. 20180168-EI – Application for authority to issue and sell securities during calendar years 2019 and 2020, pursuant to Section 366.04, F.S., and Chapter 25-8, F.A.C., by Florida Power & Light Company.

AGENDA: 10/30/2018 - Consent Agenda - Final Action - Interested Persons May Participate

SPECIAL INSTRUCTIONS: None

Please place the following securities application on the consent agenda for approval.

Docket No. 20180168-EI – Application for authority to issue and sell securities during calendar years 2019 and 2020 pursuant to Section 366.04, F.S., and Chapter 25-8, F.A.C., by Florida Power & Light Company.

Florida Power and Light Company (FPL or Company) seeks authority to issue and sell and/or exchange any combination of long-term debt and equity securities and/or to assume liabilities or obligations as guarantor, endorser or surety in an aggregate amount not to exceed \$6.1 billion during calendar year 2019.

In addition, FPL seeks permission to issue and sell short-term securities during the calendar years 2019 and 2020 in an amount or amounts such that the aggregate principal amount of short-term securities outstanding at the time of and including any such sale shall not exceed \$4.0 billion.

In connection with this application, FPL confirms that the capital raised pursuant to this application will be used in connection with the activities of FPL and FPL's regulated subsidiaries and not the unregulated activities of FPL or its unregulated subsidiaries or affiliates.

Staff has reviewed the Company's projected capital expenditures. The amount requested by the Company (\$10.1 billion) exceeds its expected capital expenditures (\$8.684 billion). The additional amount requested exceeding the projected capital expenditures allows for financial flexibility with regard to unexpected events such as hurricanes, financial market disruptions and

Docket No. 20180168-EI

Date: October 18, 2018

other unforeseen circumstances. Staff believes the requested amounts are appropriate. Staff recommends FPL's petition to issue securities be approved.

For monitoring purposes, this docket should remain open until May 1, 2020, to allow the Company time to file the required Consummation Report.



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-M-E-M-O-R-A-N-D-U-M-

DATE: October 18, 2018

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Accounting and Finance (Richards, D. Buys, Cicchetti)
Office of the General Counsel (Schrader) *chh DRB MC WED ALM KS JSC*

RE: Docket No. 20180166-GU – Application for authority to issue debt security during calendar year 2019, pursuant to Section 366.04, F.S., and Chapter 25-8, F.A.C., by Florida City Gas.

AGENDA: 10/30/2018 - Consent Agenda - Final Action - Interested Persons May Participate

SPECIAL INSTRUCTIONS: None

Please place the following securities application on the consent agenda for approval.

Docket No. 20180166-GU – Application for authority to issue debt security during calendar year 2019, pursuant to Section 366.04, F.S., and Chapter 25-8, F.A.C., by Florida City Gas.

Florida City Gas (Company) seeks authority to finance its working capital and capital expenditure requirements through short-term and long-term borrowings from Florida Power & Light Company (FPL). Florida City Gas is a division of Pivotal Utility Holdings, Inc., which is a wholly-owned subsidiary of FPL. The maximum aggregate short-term borrowings during 2019 will not exceed \$50 million and long-term borrowings will not exceed \$250 million.

In connection with this application, Florida City Gas confirms that the capital raised pursuant to this application will be used in connection with the regulated natural gas operations of Florida City Gas and not the unregulated activities of the Company or its affiliates.

Staff has reviewed the Company's projected capital expenditures. The amount requested by the Company (\$300 million) exceeds its expected capital expenditures (\$100 million). The additional amount requested exceeding the projected capital expenditures allows for financial flexibility for the purposes enumerated in the Company's petition as well as unexpected events such as hurricanes, financial market disruptions, and other unforeseen circumstances. Staff believes the requested amounts are appropriate. Staff recommends the Company's petition to issue securities be approved.

For monitoring purposes, this docket should remain open until May 1, 2020, to allow the Company time to file the required Consummation Report.

Item 2

State of Florida



Public Service Commission

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-M-E-M-O-R-A-N-D-U-M-

DATE: October 18, 2018

TO: Docket No. 20180141-WS – Proposed adoption of Rule 25-30.4575, F.A.C.,
Operating Ratio Methodology.

FROM: Carlotta S. Stauffer, ^{CS}Commission Clerk, Office of Commission Clerk

RE: Rescheduled Commission Conference Agenda Item

Staff's memorandum assigned DN 06300-2018 was filed on September 28, 2018, for the October 11, 2018 Commission Conference.

Due to the approach of Hurricane Michael and its potential threat to areas throughout the State of Florida, the Commission's Conference set for Thursday, October 11, 2018, was cancelled. Dockets scheduled for consideration at that conference were deferred to the October 30, 2018, Commission Conference.

Accordingly, this item has been placed on the agenda for the October 30, 2018 Commission Conference, and staff's previously filed memorandum is attached.

/css

Attachment

State of Florida



Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: September 28, 2018

TO: Office of Commission Clerk (Stauffer)

FROM: Office of the General Counsel (Harper) *ASH JMC*
Division of Accounting and Finance (Galloway, Wilson) *ALM KW*
Division of Economics (Guffey) *BK-g EJD JAH*

RE: Docket No. 20180141-WS – Proposed adoption of Rule 25-30.4575, F.A.C.,
Operating Ratio Methodology.

AGENDA: 10/11/18 – Regular Agenda – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Polmann

RULE STATUS: Proposal May Be Deferred

SPECIAL INSTRUCTIONS: None

Case Background

Pursuant to Section 367.0814(9), Florida Statutes (F.S.), the Commission may by rule establish standards and procedures whereby rates and charges of small utilities are set using criteria other than those set forth in Sections 367.081(1), (2)(a) and (3), F.S. Rule 25-30.4575, Operating Ratio Methodology, Florida Administrative Code (F.A.C.), will be a new rule that sets forth the Commission's policy on the use of the operating ratio methodology in staff-assisted rate cases (SARC). The proposed rule is included as Attachment A. The operating ratio methodology is used to determine the revenue requirement in certain staff-assisted water and wastewater rate cases and is an alternative to the traditional calculation of revenue requirement for smaller water and wastewater utilities. The operating ratio methodology substitutes the utility's operation and maintenance expenses for rate base in calculating the amount of return.

The operating ratio methodology was first introduced in Docket No. 950641-WU, an application for a SARC in Palm Beach County by Lake Osborne Utilities Company, Inc. (Lake Osborne).¹ In a SARC, the Commission is charged with approving a revenue requirement that will provide a utility with the opportunity not only to recover its operating expenses, but also to earn a fair return on its investment (or margin).

However, when a utility's rate base is small or negative, as was the case for Lake Osborne, the utility could be subject to an inadequate margin or no margin at all. As such, the utility is unable to effectively deal with extraordinary events, unexpected expenses and repairs, and has a reduced incentive for further investment. A utility that lacks the funds to make necessary repairs has a significantly reduced ability to provide safe and reliable service to its customers. To assist these water and wastewater utilities and protect the customers' ability to receive safe and reliable service, after approval of the Lake Osborne case, the Commission began utilizing the operating ratio methodology as an alternative to the traditional calculation of revenue requirement for smaller water and wastewater utilities that apply for a SARC.

Before considering applying the operating ratio methodology for subsequent SARCs, the Commission established the following threshold qualifying criteria in the Lake Osborne Order: (1) whether the utility's operation and maintenance (O&M) expense exceeds rate base, and (2) whether the utility is expected to become a Class B utility in the foreseeable future. The Commission noted that additional factors could be considered such as: (1) quality of service and condition of plant, (2) whether the utility is developer-owned, and (3) whether the utility operates treatment facilities or is simply a distribution and/or collection system. Collectively, these criteria have been used in subsequent SARCs in order to determine whether or not the operating ratio methodology was appropriate.

In the Lake Osborne Order, the Commission recognized that by implementing Section 367.0814, F.S. (the SARC statute), the Legislature recognized that the segment of the water and wastewater industry comprised of Class C utilities is significantly different from the remainder of regulated water and wastewater utilities. That Order also established that an alternative to the traditional calculation of revenue requirement was within the Commission's jurisdiction.²

Since the Lake Osborne Order, approximately 167 SARCs have been filed with the Commission. Staff recommended applying the operating ratio methodology in 23 dockets, and the Commission has approved the methodology in 21 of those dockets. A summary of these dockets is included as Attachment B. Staff initiated this rulemaking to codify the Commission's long-standing practice regarding the operating ratio methodology and to evaluate the necessary components needed in the rule to reflect the conditions currently faced by small water and wastewater utilities.

The Commission's Notice of Development of Rulemaking for Rule 25-30.4575, F.A.C., Operating Ratio Methodology, was published in Volume 43, No. 229, of the Florida Administrative Register on November 29, 2017. On December 14, 2017, staff held a Rule

¹Order No. PSC-96-0357-FOF-WU, issued March 13, 1996, in Docket No. 950641-WU, *In re: Application for staff assisted rate case in Palm Beach County by Lake Osborne Utilities Company, Inc.* (Lake Osborne Order).

²Lake Osborne Order, pg. 3.

Docket No. 20180141-WS
Date: September 28, 2018

Development Workshop. Representatives from the Office of Public Counsel (OPC) and U.S. Water Services Corporation (U.S. Water) participated at the workshop and submitted post-workshop comments. Additionally, representatives from Utilities Inc. of Florida attended the workshop but did not submit post-workshop comments.

This recommendation addresses whether the Commission should propose the adoption of Rule 25-30.4575, F.A.C. The Commission has jurisdiction pursuant to Section 120.54, F.S., and Section 367.0814, F.S.

Discussion of Issues

Issue 1: Should the Commission propose the adoption of Rule 25-30.4575, F.A.C., Operating Ratio Methodology?

Recommendation: Yes, the Commission should propose the adoption of Rule 25-30.4575, F.A.C., as set forth in Attachment A. The Commission should certify Rule 25-30.4575, F.A.C., as a minor violation rule. (Harper, Galloway)

Staff Analysis: In a staff-assisted rate case (SARC), a calculation is made to determine the utility's revenue requirement. The revenue requirement reflects the monies a utility needs to recover its operating expenses and provide it with an opportunity to earn a fair rate of return on its investment.

The traditional calculation of revenue requirement for smaller water and wastewater utilities is achieved by adding the operation and maintenance (O&M) expenses to the net depreciation expense, amortization expense, taxes other than income taxes, income taxes, and a return on investment. The "return on investment" for SARCs is the overall rate of return multiplied by the amount of rate base. All of these components added together make up the revenue requirement in a SARC through traditional ratemaking. However, in some SARCs, traditional ratemaking, also referred to as the rate of return methodology, does not always provide sufficient revenue to protect against potential variances in revenue and expenses. In these cases, the utility may qualify for the operating ratio methodology.

When the operating ratio methodology is applied, instead of calculating the revenue requirement by including the return on investment (rate of return x rate base), the "return on investment" has been replaced by an operating margin. The operating margin is calculated by multiplying a defined percentage by the amount of O&M expenses. As stated in the Lake Osborne Order, the operating ratio methodology substitutes O&M expenses for rate base in calculating the amount of return (or margin).

The table below shows the difference between the two methodologies, the use of a rate of return times rate base (traditional rate base methodology), as compared to the margin percentage times operation and maintenance expenses (operating ratio methodology).

Table 1-1
Comparison of Traditional and Operating Ratio Methodologies

Traditional Revenue Requirement Calculation	Operating Ratio Methodology
Operation and Maintenance Expense	Same
Net Depreciation Expense	Same
Amortization	Same
Taxes Other than Income Taxes (less RAFs)	Same
Income Taxes	Same
Rate of Return percent x Rate Base	Margin percent x O&M expense
= Revenue Requirement before RAFs	= Revenue Requirement before RAFs

Many utilities that apply for a SARC are financially troubled systems. Many times, these are not utilities that are simply earning below the bottom of their authorized rate of return range; these are utilities that are losing money. Often, these are utilities that have been losing money on a consistent basis over a prolonged period of time. The operating ratio methodology is intended to act as a bridge for these troubled systems to become financially viable and return to the traditional revenue requirement calculation. The operating ratio methodology also provides a lifeline for them to stay in business and remain viable entities that can provide safe and reliable water and wastewater services to their customers.

At the staff workshop and in its post-workshop comments, OPC indicated its preference for the proposed Commission rule to codify the operating ratio methodology set forth in the Lake Osborne Order. OPC stated that because the proposed rule does not incorporate the exact same criteria set forth in the Lake Osborne Order, it defies the purpose of rulemaking and allows for the development of new policy based on non-existent difficulties. OPC further stated that the Commission's policy on the operating ratio methodology had been clearly and consistently applied over 21 years.

The Lake Osborne Order recognized that determining whether to utilize the operating ratio methodology required a great deal of judgement. In keeping with the spirit of the Lake Osborne Order, staff considered whether to include each of the five criteria from the Lake Osborne Order in the proposed rule. However, because the Lake Osborne Order states that the Commission "may" consider the factors listed in the order, this would give the Commission too much discretion in the context of rulemaking under Section 120.545(1), F.S. Therefore, staff began the process of scrutinizing each criteria in hope of finding a way to enable the same understanding that judgement is critical in determining which SARCs should qualify for the operating ratio methodology.

For smaller water and wastewater utilities whose resources are very limited, a SARC is a daunting process, even though staff provides the expertise. Staff notes that some utilities that apply for a SARC have never been before the Commission for a rate case or applied for a rate increase, despite having been in existence for decades. Because many SARCs are financially troubled systems, staff believes the suggestion that there is no evidence of a need to make the proposed adjustments contained in the proposed rule is misplaced.

Staff believes the attached proposed rule is an opportunity to be proactive rather than reactive. Staff disagrees with OPC's assertion that provisions of the proposed rule address "non-existent difficulties." Instead, staff believes if the Commission codifies the practice in a rule, the proposed rule should reflect the Commission practice that has applied for over 20 years, the Commission's experience gained from implementing the operating ratio methodology, and the current economic and operational conditions that small water and wastewater utilities face. Staff's analysis below discusses in more detail the areas where the Commission's policy on the operating ratio methodology should be refined from the Commission's policy set forth in the Lake Osborne Order.

Subsection (1) of the Rule – How the Operating Ratio Methodology Should be Calculated

Subsection (1) of Rule 25-30.4575, F.A.C., provides that the operating ratio methodology will calculate the water or wastewater utility's revenue requirement based on the utility's operating expenses plus a margin of 15 percent of the utility's operation and maintenance expenses.

15 Percent Margin and No \$10,000 Cap

OPC commented that the margin percentage should be 10 percent with a \$10,000 cap, consistent with the Lake Osborne Order. OPC alleged there is no evidence that the Commission's current practice is ineffective or causing harm.

Again, staff disagrees with OPC's suggestion that there is no evidence to support an increase in the margin percentage and the removal of \$10,000 cap. While the Commission has never applied a margin greater than 10 percent in any of the cases where operating ratio has been approved, staff believes the rule should promote a policy that allows utilities to provide the safest and most reliable service to customers. Staff believes that changes in circumstances have occurred since the Lake Osborne Order and the changes must be considered and evaluated. U.S. Water Services stated in its comments that:

Many of the utilities that I manage have little to no rate base through no fault of the acquiring utility and are faced with financial difficulties meeting day-to-day operations. Just as many of these utilities were financially non-viable, distressed utilities that were acquired in order to turn them around and provide safe and reliable service to customers. Without the operating margin, several of these utilities would either not have been acquired and/or would remain financially non-viable.

U.S. Water also stated that the 10 percent margin that was established more than 20 years ago in the Lake Osborne Order should be further evaluated. Staff agrees, and believes that the proposed rule's 15 percent margin represents a natural evolution of the practice addressed in the Lake Osborne Order.

Other states' policies regarding use of an operating ratio and the associated percentage applied to achieve a margin were analyzed in the Lake Osborne Order. As part of this rule docket, staff sent out a request through the National Association of Regulatory Utility Commissioners (NARUC) to learn what other states have been doing since the Commission's initial decision in 1996. The specific states referenced in the Lake Osborne Order included Kentucky, North Carolina, South Carolina, California, and Michigan. With the exception of Michigan, which no longer regulates water and wastewater utilities, and California, which did not respond to the request, the states referenced in the Lake Osborne Order have not changed from their 1995-1996 alternative rate setting policies. These states are very interested in what the Florida Commission will decide. Below is a synopsis of current policies for these states:

- Kentucky has been using a 12 percent margin since 1995-1996 and also allows a dollar-for-dollar coverage for short-term interest expense.

- North Carolina continues to use a margin based on the yield on the 5 year U.S. Treasury Bond plus 3 percent for risk.
- South Carolina sets operating margins for each water and wastewater utility regardless of size and recent rulings have been above the 15 percent margin level. However, the typical range is 10 – 15 percent. Two cases in 2018 were settled with one margin of 12.32 percent and the other margin was 14.99 percent.

While it is important to be informed about what other states are doing with regard to alternative rate making, staff believes that Florida is in a unique situation with respect to regulation of water and wastewater utilities. For example, water and wastewater utilities operating in Florida must contend with a seasonal customer base, saltwater intrusion, sinkholes, and hurricanes. Therefore, while consideration of other states' policies is informative, it is not necessarily conclusive for the Commission's determination of what is appropriate for this proposed rule.

OPC commented that the 10 percent margin is not a fixed dollar amount, and that it increases as expenses increase. OPC also asserts the proposed rule should include the same \$10,000 cap that was in the Lake Osbourne Order. Staff disagrees. Docket No. 160176-WS, *Application for staff assisted rate case in Polk County by Four Lakes Golf Club, Ltd.*, is a recent example of a utility being negatively impacted by the limitation of the \$10,000 cap.³ Due to the cap, the utility's allowed margin was reduced from 10 percent to 5.41 percent. Had the 10 percent margin been used, an operating margin of \$18,476 would have been included in the revenue requirement rather than only \$10,000. In this case, even if the full 10 percent margin had been used when the operating ratio methodology was applied, the utility's ability to provide safe and reliable service was still compromised as evidenced by the \$64,000 operating loss it reported for the year.⁴ Thus, contrary to OPC's argument, to include a \$10,000 cap and 10 percent margin in the proposed rule would be harmful to the utilities and their ability to provide safe and reliable service.

Docket No. 160165-WS, *In re: Application for staff assisted rate case in Gulf County by ESAD Enterprises, Inc. d/b/a Beaches Sewer Systems, Inc.*, is another recent example of a utility being negatively impacted by the limitation of the \$10,000 cap. Due to the cap, the utility's allowed margin was reduced from 10 percent to 7.25 percent.⁵ Had the 10 percent margin been used, an operating margin of \$13,801 would have been included in the revenue requirement rather than only \$10,000.

The Lake Osbourne Order stated that it may be appropriate to apply a margin greater than 10 percent in the case of a fully depreciated system where there would be an expectation of greater than average volatility in operation and maintenance costs. However, of the 23 cases where the operating ratio methodology was recommended, staff did not pursue a margin greater than 10 percent in any of them. The caveat contained in the Lake Osbourne Order served to discourage application of a higher margin by the instruction to prove "an expectation of greater than average

³Order 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.*

⁴See Attachment B.

⁵Order No. PSC-2017-0383-PAA-SU, issued October 4, 2017, in Docket No. 20160165-SU, *In re: Application for staff-assisted rate case in Gulf County by ESAD Enterprises, Inc. d/b/a Beaches Sewer Systems, Inc.*

volatility in operation and maintenance costs.” Staff has found that it has been a difficult task to prove “greater than average volatility” prior to the volatility occurring.

Recently, in Order No. PSC-2018-0327-PAA-WS, the Commission recognized that smaller water and wastewater utilities are more risky than other utilities. In the order, the Commission listed a variety of reasons that make smaller water and wastewater utilities more risky in nature:

- (1) WAW utilities are more capital intensive than electric or natural gas utilities;
- (2) WAW utilities experience lower relative depreciation rates than other utilities, thereby providing less cash flow;
- (3) WAW utilities experience consistently negative free cash flow, thereby increasing their financing requirements;
- (4) WAW utilities’ credit metrics are inferior to those of electric and natural gas utilities;
- (5) Florida WAW utilities are substantially smaller than electric and natural gas utilities by virtually any measure including total revenues, total assets, and market capitalization;
- (6) WAW utilities’ earnings are much more volatile (uncertain) than electric and natural gas utilities’ earnings; and
- (7) WAW utilities experience many more business failures than electric and natural gas utilities.⁶

Staff disagrees with OPC’s opinion that the margin should remain unaffected by the Consumer Price Index (CPI) or other inflationary factors. Staff believes that the percentage increase from 10 percent to 15 percent reflects not only inflationary factors, but also compensates for the riskier nature and true plight of smaller water and wastewater utilities that qualify and apply for a SARC. Regarding any underlying argument of potential overearnings, staff believes the Commission’s annual in-house review of Annual Reports, which are required to be filed by all regulated water and wastewater utilities, will alert the Commission of any potential overearnings.

As discussed below, Subsection (2) of the proposed rule includes limiting criteria. Subsection (2) would limit the use of the operating ratio methodology to only those utilities that are eligible for a SARC, and those utilities must continue to be eligible for a SARC when the methodology is applied.

Water and Wastewater Utilities that are Resellers

Subsection (1) of proposed Rule 25-30.4575, F.A.C., further provides that for water and wastewater utilities that are resellers, purchased water and purchased wastewater expenses will be removed from operation and maintenance expense before the 15 percent margin is applied. As stated in the Lake Osborne Order, if a utility is a reseller, the issue is whether or not purchased water and/or wastewater costs should be excluded in the computation of the operating margin. Staff believes that this qualification continues to remain valid, and thus, it is reflected in Subsection (1) of proposed Rule 25-30.4575, F.A.C.

⁶Order No. PSC-2018-0327-PAA-WS, issued June 26, 2018, in Docket No. 20180006-WS, *In re: Water and wastewater industry annual reestablishment of authorized range of return on common equity for water and wastewater utilities pursuant to Section 367.081(4)(f), F.S.*

Subsection (2) of the Rule – Criteria for Use of Operating Ratio Methodology

Subsection (2) of the proposed rule addresses the criteria the Commission would use to determine whether to use the operating ratio methodology.

125 Percent of O&M Expenses

Subsection (2)(a) of proposed Rule 25-30.4575, F.A.C., provides that the operating ratio methodology may only be used for those utilities whose rate base is no greater than 125 percent of operation and maintenance expenses. In its post-workshop comments, OPC takes issue with this language in the proposed rule. While the Lake Osborne Order limits eligibility to utilities with O&M expenses equal to or less than rate base, the Commission also stated in the Order that the initial eligibility criteria for the operating ratio methodology was purposely limited until more experience was gained.

While this rule is designed for small water and wastewater utilities, particularly those utilities where investment in rate base is limited relative to the level of O&M expenses, it is informative to compare what the typical relationship between rate base and the level of O&M expenses is for larger, more financially viable systems. For Class A water utilities in Florida, average rate base is three times greater than the average level of O&M expenses. For Class A wastewater systems, average rate base is five times greater than the average level of O&M expenses. Staff believes that requiring the investment in rate base to be less than the level of O&M expenses for purposes of this rule appears overly restrictive when compared to the typical relationship between rate base and the level of O&M expenses in this industry. Because the exigent conditions that exist for water and wastewater utilities whose rate base equals O&M expenses also exist for utilities with rate base marginally greater than O&M expenses, staff recommends that the proposed rule should modestly increase the threshold that was set forth in the Lake Osborne Order.

Based on information from the 2017 Annual Reports, under the current practice, the operating ratio methodology is available to 30 water and 29 wastewater systems. If the threshold for rate base is increased to 125 percent of O&M expenses, an additional 6 water and 8 wastewater systems will be eligible for the operating ratio methodology. While this change represents a modest increase in the number of eligible utilities, staff believes it is a reasonable evolution of the eligibility criteria for use of the operating ratio methodology.

Limit on the Application of the Operating Ratio Methodology to Only the Utilities that Qualify for a SARC

Subsection (2) of the proposed rule provides that the operating ratio methodology may only be used for utilities that qualify for a SARC under Rule 25-30.455, F.A.C. The current threshold for SARC eligibility under Rule 25-30.455(1), F.A.C., applies to water and wastewater utilities whose total gross annual operating revenues are \$300,000 or less per system, and \$600,000 or less on a combined basis. At the time of the Lake Osborne Order, the SARC threshold was for utilities with revenue of \$150,000 or less per system, which precluded any Class B utilities from qualifying for a SARC.

OPC commented that the proposed rule should remain consistent with the Lake Osborne Order and that only Class C utilities should be eligible for the operating ratio methodology. However, since the Lake Osborne Order, the Florida Legislature has amended Section 367.0814, F.S., to

increase the SARC threshold and to add language providing that the threshold for SARC eligibility must be adjusted on July 1, 2013, and every five years thereafter. As a result, the SARC threshold increased to \$275,000 in July 2013 and then to \$300,000 in July 2018. This means Section 367.0814, F.S., allows SARCs for utilities with revenue of \$300,000 or less per system, which may include some Class B utilities. Accordingly, staff believes OPC's position to exclude all Class B utilities for eligibility for the operating ratio methodology is contrary to Section 367.0814, F.S. To be consistent with the statute and because exigent conditions that exist for many Class C utilities may also exist for smaller Class B utilities, staff believes utilities with revenue of \$300,000 or less per system that qualify for a SARC should be eligible for the use of the operating ratio methodology.

Limit on the Use of the Operating Ratio Methodology to Only Utilities that Continue to Qualify for a SARC

Subsection (2)(b) of the proposed rule provides that if the application of the operating ratio methodology changes the utilities' qualification for a SARC, the operating ratio methodology may not be applied. Thus, this provision ensures that only utilities that qualify for a SARC will benefit from the rule.

Quality of Service and Condition of Plant

OPC also takes issue with the fact that the proposed rule does not include the Lake Osborne Order's considerations of the quality of service and condition of the plant. OPC seems to suggest these considerations should be included in the rule as a means to disqualify certain utilities from the use of the operating ratio methodology. Staff disagrees. Staff believes that the Lake Osborne Order recognized that quality of service or condition of the plant are always considerations in a SARC and that, in fact, poor quality of service or condition of the plant may be indicative of a utility that would benefit from the use of the operating ratio methodology. As stated in the Lake Osborne Order, "poor condition of plant and/or unsatisfactory quality may be due to a variety of factors such as age of the system, poor maintenance" and these factors may "highlight the need for an adequate revenue stream to properly test and treat the water and maintain/renovate the system."⁷

Because evaluation of the quality of service and condition of the plant are standard considerations in every SARC,⁸ staff believes it is unnecessary to include this criteria in the proposed rule. Moreover, it stands to reason that unsatisfactory quality of service and condition of the plant may be a result of insufficient revenues. To identify poor quality of service or condition of the plant in the proposed rule may cause a utility to be denied the opportunity to use the operating ratio methodology, which would not be in the long-term interest of the utility or its customers. If poor conditions are a direct result of the owner directly contributing to the system's decline, the Commission can pursue revocation of the certificate and/or an escrow of operating ratio methodology funds when improvements are needed to restore the utility system. Therefore, staff believes that because quality of service and condition of the plant are considered in every SARC, these factors do not need to be included and used as disqualifying criteria in proposed Rule 25-30.4575, F.A.C.

⁷Lake Osborne Order, pg. 6-7.

⁸ Section 367.081(2)(a), F.S.

Developer-Owned Utilities

OPC also took issue with the proposed rule because it did not include the criteria from the Lake Osborne Order regarding developer-owned water and wastewater utilities. In the Lake Osborne Order, the Commission stated that being developer-owned should not disqualify a utility from the operating ratio method. The Commission also acknowledged in the Order that it may not be appropriate to use the operating ratio if the development is in the early stages of growth. The Commission stated:

Other factors that may be considered when determining eligibility for the operating ratio method are customer growth, the developer's financial condition, the utility's financial and operational condition, government mandated improvements and/or other unanticipated expenses. The level of CIAC collected by the utility may also be considered.⁹

The points contemplated in this criteria are standard considerations in every SARC. Therefore, staff believes it is duplicative and unnecessary to include these criteria in the rule.

Summary

The proposed rule codifies the Commission's practice of applying the operating ratio methodology. As discussed above, OPC expressed concerns about not seeing the long-standing Commission practice of using the five criteria set forth in the Lake Osborne Order in the attached proposed rule. However, staff believes the proposed rule sufficiently and clearly addresses the necessary qualifications for implementing the operating ratio methodology on a going forward basis. Simply restating the same criteria and considerations of the Lake Osborne Order in the proposed rule as OPC suggests ignores the discretionary nature of the Lake Osborne Order criteria as well as the current requirements for rulemaking under Section 120.545(1), F.S., and the 20 years of Commission experience and practice in implementing the operating ratio methodology. Simply put, shoehorning the same discretionary criteria and considerations from the Lake Osborne Order into a rule would be contrary to the rulemaking requirements. Moreover, the proposed rule is not only well within the Commission's delegated grant of legislative authority but is also necessary to avoid violating the prohibition against unadopted rules.

Even with the adoption of the rule, staff will continue to present to the Commission both the option of the traditional and the operating ratio methodologies and the potential effect on the revenue requirement. The ultimate decision to use the operating ratio methodology will remain with the Commission. Staff believes the proposed rule captures the purpose and criteria necessary for the use of the operating ratio methodology for determining the revenue requirement and recommends that that the proposed rule as set forth in Attachment A should be approved.

Minor Violation Rules Certification

Pursuant to Section 120.695, F.S., beginning July 1, 2017, for each rule filed for adoption the agency head shall certify whether any part of the rule is designated as a rule the violation of which would be a minor violation. Rule 25-30.4575, F.A.C., is a rule for which a violation would

⁹Lake Osborne Order, pg. 7.

be minor because violation of the rule would not result in economic or physical harm to a person or an adverse effect on the public health, safety, or welfare or create a significant threat of such harm. Thus, staff recommends that the Commission certify Rule 25-30.4575, F.A.C., as a minor violation rule.

Statement of Estimated Regulatory Costs

Pursuant to Section 120.54, F.S., agencies are encouraged to prepare a statement of estimated regulatory costs (SERC) before the adoption, amendment, or repeal of any rule. The SERC is appended as Attachment C to this recommendation. The SERC analysis also includes whether the rule is likely to have an adverse impact on growth, private sector job creation or employment, or private sector investment in excess of \$1 million in the aggregate within five years of implementation.¹⁰

The SERC concludes that the rule will not likely directly or indirectly increase regulatory costs in excess of \$200,000 in the aggregate in Florida within one year after implementation. Further, the SERC concludes that the rule will not likely have an adverse impact on economic growth, private sector job creation or employment, private sector investment, business competitiveness, productivity, or innovation in excess of \$1 million in the aggregate within five years of implementation. Thus, the rule does not require legislative ratification pursuant to Section 120.541(3), F.S. In addition, the SERC states that the rule will not have an adverse impact on small business and will have no impact on small cities or counties. No regulatory alternatives were submitted pursuant to paragraph 120.541(1)(a), F.S. None of the impact/cost criteria established in paragraph 120.541(2)(a), F.S., will be exceeded as a result of the recommended revision.

Conclusion

Based on the foregoing, staff recommends the Commission propose the adoption of Rule 25-30.4575, F.A.C., as set forth in Attachment A. In addition, staff recommends the Commission certify Rule 25-30.4575, F.A.C., as a minor violation rule.

¹⁰Section 120.541(2), F.S.

Issue 2: Should this docket be closed?

Recommendation: Yes. If no requests for hearing or comments are filed, the rule may be filed with the Department of State, and this docket should be closed. (Harper)

Staff Analysis: If no requests for hearing or comments are filed, the rule may be filed with the Department of State, and this docket should be closed.

25-30.4575 Operating Ratio Methodology.

(1) Under the operating ratio methodology, instead of calculating the utility's revenue requirement based on a rate of return on the utility's rate base, the revenue requirement includes the utility's operating expenses plus a margin of 15 percent of the utility's operation and maintenance expenses. For utilities that are resellers, purchased water and purchased wastewater expenses will be removed from operation and maintenance expense before the 15 percent margin is applied.

(2) In rate cases processed under Rule 25-30.455, F.A.C, the Commission will use the operating ratio methodology to establish the utility's revenue requirement when:

(a) The utility's rate base is no greater than 125% of operation and maintenance expenses;
and

(b) The use of the operating ratio methodology does not change the utility's qualification for a staff assisted rate case under subsection 25-30.455(1), F.A.C.

Rulemaking Authority 367.0814(9) FS. Law Implemented 367.0814(9) FS. History-
New.

CODING: Words underlined are additions; words in ~~struck-through~~ type are deletions from existing law.

Comparison of 2017 Net Income/Loss to Approved Margin from Last Rate Case

Staff-Assisted Rate Case Information				2017 ANNUAL REPORT						Margin from Last Rate Case		
				Water			Wastewater					
Docket No.		Utility Name	County	Commission Action	Total Revenues	Total Expenses	Net Income/ Net Loss	Total Revenues	Total Expenses	Net Income/ Net Loss	Water	Sewer
19950641	WU	Lake Osborne	Palm Beach	Approved	No longer regulated						\$3,692	
19960561	SU	Indian Springs	Citrus	Approved	No longer regulated							\$5,829
19961434	WS	Point Water and Sewer	Clay	Recommended, but denied	No longer regulated						\$1,659	\$2,440
19991290	WU	Brendenwood	Lake	Approved	\$33,113	\$28,301	\$4,812				\$2,565	
20090170	WU	Mobile Manor	Lee	Approved	\$61,511	\$67,509	(\$5,998)				\$3,380	
20090346	WU	Brendenwood	Lake	Approved	\$33,113	\$28,301	\$4,812				\$3,187	
20100471	SU	S&L	Marion	Approved				\$55,401	\$29,295	\$26,106*		\$4,977
20100472	WS	Heather Hills	Manatee	Approved, WW Only				\$96,801	\$99,309	(\$2,508)		\$1,738
20110165	SU	Utility Corp of Florida	Highlands	Approved	No longer regulated							\$10,000
20110238	WU	Sunrise Utilities, LLC	Polk	Approved	\$70,120	\$90,009	(\$19,889)				\$6,166	
20110282	WS	Regency Utilities, Inc.	Duval	Approved, WW Only				\$86,717	\$120,880	(\$34,163)		\$5,530
20120270	SU	West Lakeland	Polk	Approved				\$130,333	\$137,046	(\$6,713)		\$9,451
20120078	SU	TKCB	Brevard	Approved				\$82,793	\$75,366	\$7,427		\$6,214
20120082	WU	Joyland	Gadsden	Approved	\$26,657	\$25,532	\$1,125				\$1,860	
20130194	WS	Lakeside	Lake	Approved**	\$67,285	\$64,292	\$2,993	\$57,159	\$62,999	(\$5,840)	\$5,000	\$5,195
20140147	WS	Jumper Creek	Sumter	Recommended WW only, settled w/ OPC				\$33,096	\$37,542	(\$4,446)		\$2,438
20140217	WU	Cedar Acres	Sumter	Approved	\$73,260	\$80,376	(\$7,116)				\$9,420	
20140220	WU	Sunrise	Polk	Approved	\$70,120	\$90,009	(\$19,889)				\$6,670	
20140239	WS	Orchid Springs	Polk	Approved, Water Only	\$101,959	\$104,567	(\$2,608)				\$7,374	
20160143	WU	Charlie Creek	Hardee	Approved	\$59,983	\$67,939	(\$7,956)				\$6,256	
20160165	SU	Beaches	Gulf	Approved				\$142,954	\$131,139	\$11,815		\$10,000
20160176	WS	Four Lakes	Polk	Approved, WW Only				\$142,725	\$206,995	(\$64,270)		\$10,000
20170147	WS	FIMC Hideaway	Levy	Approved, WW Only	Approved at July 2018 Agenda Conference							\$4,569

* Utility is being reviewed for potential overearnings. There have been substantial changes to the utility's operational structure since the rate case.

** Joint motion approved by the Commission provided that the utility would forego operating margin for first year.

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: September 4, 2018
TO: Adria E. Harper, Senior Attorney, Office of the General Counsel
FROM: Sevini K. Guffey, Public Utility Analyst II, Division of Economics *SKG*
RE: Statement of Estimated Regulatory Costs for Proposed Adoption of Rule 25-30.4575, Florida Administrative Code (F.A.C.), Operating Ratio Methodology

The operating ratio methodology is an alternative to the traditional calculation of revenue requirement for smaller water and wastewater utilities and was first implemented by the Commission in 1996. The purpose of the proposed new Rule 25-30.4575, F.A.C., is to codify the Commission practice of using the operating ratio methodology when determining the revenue requirement in staff assisted rate cases for water and wastewater utilities.

Subsection (1) of Rule 25-30.4575, F.A.C., provides that the operating ratio methodology calculates the water and wastewater utility's revenue requirement based on the utilities' operating expenses plus a margin of 15 percent of the utilities' operations and maintenance expenses. For utilities that are resellers, their purchased water and wastewater expenses will be removed from the operation and maintenance expense before the 15 percent margin is applied.

Subsection (2) of Rule 25-30.4575, F.A.C., provides that the operating ratio methodology may only be used for utilities whose rate base is no greater than 125 percent of operation and maintenance expenses and when the use of the operating ratio methodology would not change the utility's eligibility for a staff assisted rate case under Rule 25-30.455(1), F.A.C.

Although the new rule applies to 132 investor-owned water and wastewater utilities, not all will qualify for the operating ratio methodology due to the rate base criteria contained in the proposed rule. A workshop to solicit input on the recommended rule was conducted by Commission staff on December 14, 2017. Several comments were received during workshop from the Office of the Public Counsel (OPC) and a representative of U.S. Water Services Corporation (U.S. Water). Post-workshop written comments were received from OPC and U.S. Water and were considered during the drafting of the proposed rule.

The attached Statement of Estimated Regulatory Costs (SERC) addresses the considerations required pursuant to Section 120.541, Florida Statutes (F.S.). No regulatory alternatives were submitted pursuant to Paragraph 120.541(1)(a), F.S. None of the impacts/cost criteria established in Paragraph 120.541(2)(a), F.S. will be exceeded as a result of the proposed new rule.

cc: SERC File

FLORIDA PUBLIC SERVICE COMMISSION
STATEMENT OF ESTIMATED REGULATORY COSTS
Chapter 25-30.4575, F.A.C.

1. Will the proposed rule have an adverse impact on small business?
[120.541(1)(b), F.S.] (See Section E., below, for definition of small business.)

Yes ☐

No ☒

If the answer to Question 1 is "yes", see comments in Section E.

2. Is the proposed rule likely to directly or indirectly increase regulatory costs in excess of \$200,000 in the aggregate in this state within 1 year after implementation of the rule? [120.541(1)(b), F.S.]

Yes ☐

No ☒

If the answer to either question above is "yes", a Statement of Estimated Regulatory Costs (SERC) must be prepared. The SERC shall include an economic analysis showing:

A. Whether the rule directly or indirectly:

- (1) Is likely to have an adverse impact on any of the following in excess of \$1 million in the aggregate within 5 years after implementation of the rule?
[120.541(2)(a)1, F.S.]

Economic growth Yes ☐ No ☒

Private-sector job creation or employment Yes ☐ No ☒

Private-sector investment Yes ☐ No ☒

- (2) Is likely to have an adverse impact on any of the following in excess of \$1 million in the aggregate within 5 years after implementation of the rule?
[120.541(2)(a)2, F.S.]

Business competitiveness (including the ability of persons doing business in the state to compete with persons doing business in other states or domestic markets) Yes ☐ No ☒

Productivity Yes ☐ No ☒

Innovation Yes ☐ No ☒

(3) Is likely to increase regulatory costs, including any transactional costs, in excess of \$1 million in the aggregate within 5 years after the implementation of the rule? [120.541(2)(a)3, F.S.]

Yes ☐

No ☒

Economic Analysis: A summary of the recommended new rule is included in the attached memorandum to Counsel. Staff believes that none of the impacts/cost criteria established in Paragraph 120.541(2)(a), F.S. will be exceeded as a result of the proposed new rule. The proposed new rule is not imposing any new regulatory requirements, only codifying existing Commission practice of using a variation of the rate of return methodology in determining that revenue requirement for staff assisted rate cases.

B. A good faith estimate of: [120.541(2)(b), F.S.]

(1) The number of individuals and entities likely to be required to comply with the rule.

Potentially affected entities include 132 investor-owned water and wastewater utilities that serve approximately 177,256 customers in Florida. Water and wastewater utilities which come under the jurisdiction of the Commission in the future also may be affected by the new rule.

(2) A general description of the types of individuals likely to be affected by the rule.

The 132 investor-owned water and wastewater utilities and customers of those utilities are likely to be affected by this rule.

C. A good faith estimate of: [120.541(2)(c), F.S.]

(1) The cost to the Commission to implement and enforce the rule.

☒ None. To be done with the current workload and existing staff.

☐ Minimal. Provide a brief explanation.

☐ Other. Provide an explanation for estimate and methodology used.

(2) The cost to any other state and local government entity to implement and enforce the rule.

- ☒ None. The rule will only affect the Commission.
- ☐ Minimal. Provide a brief explanation.
- ☐ Other. Provide an explanation for estimate and methodology used.

(3) Any anticipated effect on state or local revenues.

- ☒ None.
- ☐ Minimal. Provide a brief explanation.
- ☐ Other. Provide an explanation for estimate and methodology used.

D. A good faith estimate of the transactional costs likely to be incurred by individuals and entities (including local government entities) required to comply with the requirements of the rule. "Transactional costs" include filing fees, the cost of obtaining a license, the cost of equipment required to be installed or used, procedures required to be employed in complying with the rule, additional operating costs incurred, the cost of monitoring or reporting, and any other costs necessary to comply with the rule. [120.541(2)(d), F.S.]

- ☒ None. The rule will only affect the Commission.
- ☐ Minimal. Provide a brief explanation.
- ☐ Other. Provide an explanation for estimate and methodology used.

E. An analysis of the impact on small businesses, and small counties and small cities: [120.541(2)(e), F.S.]

(1) "Small business" is defined by Section 288.703, F.S., as an independently owned and operated business concern that employs 200 or fewer permanent full-time employees and that, together with its affiliates, has a net worth of not more than \$5 million or any firm based in this state which has a Small Business Administration 8(a) certification. As to sole proprietorships, the \$5 million net worth requirement shall

include both personal and business investments.

- ☒ No adverse impact on small business.
- ☐ Minimal. Provide a brief explanation.
- ☐ Other. Provide an explanation for estimate and methodology used.

(2) A "Small City" is defined by Section 120.52, F.S., as any municipality that has an unincarcerated population of 10,000 or less according to the most recent decennial census. A "small county" is defined by Section 120.52, F.S., as any county that has an unincarcerated population of 75,000 or less according to the most recent decennial census.

- ☒ No impact on small cities or small counties.
- ☐ Minimal. Provide a brief explanation.
- ☐ Other. Provide an explanation for estimate and methodology used.

F. Any additional information that the Commission determines may be useful.
[120.541(2)(f), F.S.]

- ☒ None.

Additional Information:

G. A description of any regulatory alternatives submitted and a statement adopting the alternative or a statement of the reasons for rejecting the alternative in favor of the proposed rule. [120.541(2)(g), F.S.]

- ☒ No regulatory alternatives were submitted.
- ☐ A regulatory alternative was received from
 - ☐ Adopted in its entirety.

☐ Rejected. Describe what alternative was rejected and provide a statement of the reason for rejecting that alternative.

Item 3

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: October 23, 2018

TO: Office of Commission Clerk (Stauffer)

FROM: Office of the General Counsel (Cowdery) *SMC 10*
Division of Economics (Doherty, Draper) *ESD JSH*

RE: Docket No. 20180188-EI – Petition for a temporary waiver of application of Rule 25-6.100, F.A.C., by Duke Energy Florida, LLC.

AGENDA: 10/30/18 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Brown

CRITICAL DATES: Pursuant to Section 120.542, Florida Statutes, the Commission must grant or deny the petition by January 14, 2019.

SPECIAL INSTRUCTIONS: None

Case Background

On October 16, 2018, Duke Energy Florida, LLC (DEF) filed a petition pursuant to Section 120.542, Florida Statutes (F.S.), requesting a temporary waiver of Rule 25-6.100, Florida Administrative Code (F.A.C.), which sets forth customer billing requirements. Pursuant to the rule, utilities are required to render monthly bills. DEF is requesting that it be granted a temporary waiver from the requirement of Rule 25-6.100, F.A.C., that DEF render monthly bills to its customers in Bay, Gulf, Franklin, and Wakulla Counties until completion of its restoration efforts in response to Hurricane Michael.

Docket No. 20180188-EI

Date: October 23, 2018

Pursuant to Section 120.542(6), F.S., notice of the petition was published in the October, 18, 2018 edition of the Florida Administrative Register, Volume 44, Number 204. As of the date of the filing of this recommendation, no comments have been submitted on the petition.

Staff's recommendation addresses whether DEF's petition should be granted. The Commission has jurisdiction pursuant to Sections 120.542, 366.03, 366.04, 366.05, 366.051, 366.06, and 366.8260, F.S.

Date: October 23, 2018

Discussion of Issues

Issue 1: Should the Commission grant DEF's petition for a temporary waiver of Rule 25-6.100, F.A.C., Customer Billings?

Recommendation: Yes, the Commission should grant DEF's petition for a temporary waiver of the requirement in Rule 25-6.100, F.A.C., that DEF render monthly bills to its customers in Bay, Gulf, Franklin, and Wakulla Counties until DEF completes its restoration efforts in response to Hurricane Michael. (Cowdery, Doherty, Draper)

Staff Analysis: DEF is requesting that it be granted a temporary waiver from the requirement of Rule 25-6.100, F.A.C., that DEF render monthly bills to its customers in Bay, Gulf, Franklin, and Wakulla Counties until completion of restoration efforts in response to Hurricane Michael.

Legal Standard for Rule Waivers

Section 120.542(2), F.S., authorizes the Commission to grant waivers from its rules "when the person subject to the rule demonstrates that the purpose of the underlying statute will be or has been achieved by other means by the person and when application of a rule would create a substantial hardship or would violate the principles of fairness." "Substantial hardship" is defined as "a demonstrated economic, technological, legal, or other type of hardship" to the person requesting the variance. A violation of the "principles of fairness" occurs when "the literal application of a rule affects a particular person in a manner significantly different from the way it affects other similarly situated persons who are subject to the rule."

DEF's Petition

DEF states that compliance with Rule 25-6.100, F.A.C., necessitates good physical access to the residences of DEF customers. DEF states that the residual effects of Hurricane Michael have made roads in Bay, Gulf, Franklin, and Wakulla Counties impassible due to flooding and large quantities of debris. DEF states that as a consequence, the U.S. Postal Service does not have safe physical access to customer residences in these counties and, thus, cannot deliver bills to these customers. In addition, DEF states that even those residences accessible by normal means are not serviceable by mail because many mailboxes were either destroyed or made non-functional by the hurricane. DEF asserts that due to circumstances beyond its control, it is unable to satisfy the requirements of Rule 25-6.100, F.A.C.

DEF states that unless it is granted a temporary waiver from Rule 25-6.100, F.A.C., it will suffer a substantial hardship because DEF will be subject to scrutiny and possible imposition of penalties by the Commission. It further asserts that the literal application of the rule will violate the principles of fairness because the present circumstances caused by Hurricane Michael affects DEF in a significantly different manner than other utilities not impacted by the hurricane.

DEF states that the overall purpose of the statutory provisions implemented by Rule 25-6.100, F.A.C., is to ensure fair, reasonable, and timely charges are made by utilities to their customers. DEF asserts that a temporary waiver of the rule will serve this purpose because "[d]uring the short period of time that DEF suspends bill rendering, DEF will not impose any interest or penalty on customer bills" and "will provide necessary payment arrangement plans to any of its customers that need additional time to pay their bills." As soon as restoration is complete in their

Date: October 23, 2018

county, DEF will provide the suspended bill information to customers, so customers will receive all information related to usage. Thus, DEF states that customers will not suffer any negative effect from the waiver.

DEF further states that there will be no adverse impact on service to DEF customers and that the temporary rule waiver will enable these DEF customers “to focus the limited resources they would otherwise have to dedicate to resolving their utility bills to more pressing issues, such as returning to work and school and to making repairs to their homes.” The company states that it will notify the affected areas of the temporary suspensions of customer bills via text messages and updates to its website, and it will issue a news release.

As mentioned above, DEF will resume rendering bills to these customers when DEF’s restoration efforts within the county are complete. It states that it is unable to give a firm date at when it plans to resume billing due to the nature of the extensive damage to these counties, but it will inform Commission staff when it resumes its normal billing operations in the affected counties.

Conclusion

Staff believes that DEF has met the requirements of Section 120.542, F.S. DEF has demonstrated that the purpose of the underlying statutes will be achieved by other means and that application of Rule 25-6.100, F.A.C., would place a substantial hardship on DEF and violate the principles of fairness. Therefore, staff recommends that the Commission grant DEF’s petition for a temporary waiver of the requirement in Rule 25-6.100, F.A.C., that DEF render monthly bills to its customers in Bay, Gulf, Franklin, and Wakulla Counties until DEF completes its restoration efforts in response to Hurricane Michael.

Issue 2: Should this docket be closed?

Recommendation: If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, a consummating order should be issued and the docket should be closed. (Cowdery)

Staff Analysis: If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, a consummating order should be issued and the docket should be closed.

State of Florida



Public Service Commission

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-M-E-M-O-R-A-N-D-U-M-

DATE: October 26, 2018

TO: Office of Commission Clerk (Stauffer)

FROM: Office of the General Counsel (Gervasi) *PS S.M.C.*
Division of Economics (Doherty, Draper) *RD EDD ID 10H*

RE: Docket No. 20180195-EI – Petition for temporary waiver of Rule 25-6.100, F.A.C., by Florida Public Utilities Company.

AGENDA: 10/30/18 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Brown

CRITICAL DATES: 1/21/19 (Date by which petition must be ruled upon pursuant to Section 120.542, F.S.)

SPECIAL INSTRUCTIONS: This item should be placed after Item 3 on the Agenda.

Case Background

On October 23, 2018, Florida Public Utilities Company (FPUC) filed a petition pursuant to Section 120.542, Florida Statutes (F.S.), requesting a temporary waiver of Rule 25-6.100, Florida Administrative Code (F.A.C.), which sets forth customer billing requirements. Pursuant to the rule, utilities are required to render monthly bills. FPUC is requesting that it be granted a temporary waiver from the requirement of Rule 25-6.100, F.A.C., that FPUC render monthly bills to its customers in its Northwest service territory until completion of its restoration efforts in response to Hurricane Michael.

Pursuant to Section 120.542(6), F.S., notice of the petition was published in the October 24, 2018 edition of the Florida Administrative Register, Volume 44, Number 208. As of the date of the filing of this recommendation, no comments have been submitted on the petition.

Docket No. 20180195-EI

Date: October 26, 2018

Staff's recommendation addresses whether FPUC's petition should be granted. The Commission has jurisdiction pursuant to Sections 120.542, 366.03, 366.04, 366.05, 366.051, 366.06, and 366.8260, F.S.

Date: October 26, 2018

Discussion of Issues

Issue 1: Should the Commission grant FPUC's petition for a temporary waiver of Rule 25-6.100, F.A.C., Customer Billings?

Recommendation: Yes, the Commission should grant FPUC's petition for a temporary waiver of the requirement in Rule 25-6.100, F.A.C., that FPUC render monthly bills to its customers in Jackson, Calhoun, and Liberty Counties until FPUC completes its restoration efforts in response to Hurricane Michael. (Gervasi, Doherty, Draper)

Staff Analysis: FPUC is requesting that it be granted a temporary waiver from the requirement of Rule 25-6.100, F.A.C., that FPUC render monthly bills to its customers in Jackson, Calhoun, and Liberty Counties until completion of restoration efforts in response to Hurricane Michael.

Legal Standard for Rule Waivers

Section 120.542(2), F.S., authorizes the Commission to grant waivers from its rules "when the person subject to the rule demonstrates that the purpose of the underlying statute will be or has been achieved by other means by the person and when application of a rule would create a substantial hardship or would violate the principles of fairness." "Substantial hardship" is defined as "a demonstrated economic, technological, legal, or other type of hardship" to the person requesting the variance. A violation of the "principles of fairness" occurs when "the literal application of a rule affects a particular person in a manner significantly different from the way it affects other similarly situated persons who are subject to the rule."

FPUC's Petition

FPUC states that many of the homes and businesses served by FPUC in its Northwest service territory have been either totally destroyed or rendered uninhabitable as a result of Hurricane Michael. Access to some locations remains limited due to downed trees, other debris, and related hazardous conditions. Even in those areas in which mail service has been reinstated by the U.S. Postal Service, many customers are unable to take delivery due to the condition of their premises. FPUC asserts that due to extraordinary circumstances beyond its control, it is unable to satisfy the requirements of Rule 25-6.100, F.A.C., which requires that "[b]ills shall be rendered monthly and as promptly as possible following the reading of meters."

FPUC states that its inability to comply with Rule 25-6.100, F.A.C., will place it in jeopardy of regulatory penalties by the Commission, which would constitute a substantial hardship. FPUC further asserts that requiring it to comply with the rule to the letter would impact FPUC very differently than other utilities that were not impacted by Hurricane Michael and would necessitate that FPUC take unprecedented action to effectuate billing that would otherwise detract from its current restoration efforts.

FPUC states that the purpose of Rule 25-6.100, F.A.C., and its underlying statutes is to ensure that utilities provide timely, accurate, and fair bills to their customers with specified information regarding the customer's usage and the rates and fees being assessed. FPUC asserts that a temporary waiver of the rule will serve this purpose because FPUC will not impose any interest or penalties on bills during the suspension period, and billing will be reinstated when service is

Date: October 26, 2018

restored. FPUC further asserts that customers will not experience any negative impact as a result of the waiver and will likely benefit from the waiver by virtue of having additional time to focus their limited resources on recovery as opposed to utility bills. FPUC proposes to suspend billing in Jackson, Calhoun, and Liberty Counties until service is restored to all customers capable of taking service in their respective county. FPUC states that it will not impose late fee penalties or interest on bills during this period and will work with customers on additional payment arrangements as may be necessary. Customers will be promptly notified when billing resumes upon completion of restoration efforts within each county, and FPUC will provide all required information for usage during the suspension period. FPUC states that it is unable to give a firm date upon which it will be able to reinstate billing in the three affected counties, but it will inform Commission staff when it is able to do so.

Conclusion

Staff believes that FPUC has met the requirements of Section 120.542, F.S. FPUC has demonstrated that the purpose of the underlying statutes will be achieved by other means and that application of Rule 25-6.100, F.A.C., would place a substantial hardship on FPUC. Therefore, staff recommends that the Commission grant FPUC's petition for a temporary waiver of the requirement in Rule 25-6.100, F.A.C., that FPUC render monthly bills to its customers in Jackson, Calhoun, and Liberty Counties until FPUC completes its restoration efforts in response to Hurricane Michael.

Date: October 26, 2018

Issue 2: Should this docket be closed?

Recommendation: Yes, if no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, a consummating order should be issued and the docket should be closed. (Gervasi)

Staff Analysis: If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, a consummating order should be issued and the docket should be closed.

Item 4

State of Florida



Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: October 18, 2018

TO: Office of Commission Clerk (Stauffer)

FROM: Office of Industry Development and Market Analysis (Deas, Fogleman, Wendel) *J.D. LF BMW CH*
Office of Auditing and Performance Analysis (Casey) *PK*
Office of the General Counsel (Murphy) *cm TM*

RE: Docket No. 20180118-TL – Implementation of the 689 area code overlay in the existing 407/321 area code.

AGENDA: 10/30/18 – Regular Agenda – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Brown

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Case Background

On September 25, 2018, the Florida Public Service Commission (Commission) received Notice from the North American Numbering Administrator (NANPA) of the proposed implementation date for the 689 overlay in the 407/321 Numbering Plan Area (NPA). The areas served by the 407/321 NPA include Orange, Osceola, Seminole Counties and parts of Lake and Volusia Counties in Central Florida.

On May 15, 2001, NANPA petitioned this Commission for approval to implement an overlay relief plan for the 407/321 NPA. The petition was filed based upon NANPA's projection that the 407 central office (NXX) code would exhaust during the fourth quarter of 2003. On March 25, 2002, the Commission approved an area code overlay relief plan for the 407/321 NPA.¹

¹ Order No. PSC-2002- 0405-FOF-TL

The approved relief plan was the implementation of a third area code overlay in the existing 407/321 NPA. Subsequently, NANPA assigned the 689 area code to the 407/321 NPA with an implementation date of July 15, 2002. However, prior to the implementation date, new exhaust dates were posted by NANPA. Based on the new exhaust dates it was estimated that the remaining life of the 407 NXX would be extended for approximately 8.77 years. Therefore, on May 31, 2002, the Commission issued Order No. PSC-2002-0743-FOF-TL, indefinitely suspending the implementation of the 689 overlay. NANPA was directed to officially inform the Commission one year before the exhaust of available 407 NXX codes.

On May 16, 2018, NANPA notified the Commission that the current quantity of 407 NXX codes was only sufficient to meet the demand for the next 12 months. Therefore, NANPA requested that the Commission lift the suspension of the implementation of the 689 overlay so that NANPA may begin the process of putting the 689 area code in place prior to the exhaust of the 407 NXX codes. On July 25, 2018, the Commission lifted the suspension of the implementation plan for the 689 overlay of the 407/321 NPA.² NANPA was also directed to inform the Commission of the proposed implementation date once determined.

On September 25, 2018, NANPA notified the Commission of the proposed implementation date of June 4, 2018 for the 689 overlay in accordance with PSC-2018-0364-PCO-TL.

² PSC-2018-0364-TL

Discussion of Issues

Issue 1: Should the Commission acknowledge the implementation date of the 689 area code overlay in the 407/321 NPA as June 4, 2019?

Recommendation: Yes, the Commission should acknowledge the implementation date of the 689 area code overlay in the 407/321 NPA as June 4, 2019. (Deas, Fogelman, Wendel, Murphy, Casey)

Staff Analysis: On September 25, 2018, NANPA, on behalf of the telecommunications industry, notified the Commission of the proposed implementation dates for the 689 area code overlay. The industry's proposed activation date for the 689 area code is June 4, 2019. Prior to this date the industry has scheduled 7 months for network preparation and customer education. This preparation began on October 4, 2018, and is expected to be complete by May 4, 2019.

Carrier's will use various methods to educate customers regarding the new area code. This will include bill inserts, text messages and press releases. Also, carriers will update directories, websites and social media outlets to include information regarding the new area code overlay. Additionally, the Commission's Office of Consumer Assistance will provide customer education through press releases, informational alerts and announcements on the Commission's website and Twitter, as well as handle any press inquiries.

Ten-digit dialing is already in place in the 407/321 NPA; therefore, a permissive dialing period will not be necessary. The dialing plan will be as follows:

Local call	10 - digit (NPA-NXX-XXXX)
Toll call	1 + 10-digits (1+NPA-NXX-XXXX)
Operator Services	0 + 10-digits (0+NPA- NXX-XXXX)

According to NANPA, the 407 NXX is projected to exhaust by the third quarter of 2019. Therefore, staff recommends that the Commission acknowledge the June 4, 2019 implementation date for the 689 area code overlay in the 407/321 NPA.

Issue 2: Should this docket be closed?

Recommendation: Yes. Staff recommends that this docket be closed. (Deas, Fogelman, Wendel, Murphy, Casey)

Staff Analysis: Upon issuance of the Order acknowledging the implementation date, this docket should be closed.

Item 5

State of Florida



Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: October 18, 2018

TO: Office of Commission Clerk (Stauffer)

FROM: Office of the General Counsel (DuVal, Weisenfeld) *md* *TH* *J.D. PWN* *BMW*
Office of Industry Development and Market Analysis (Deas, Fogleman, Wendel) *EC*

RE: Docket No. 20180180-TX – Application for limited designation as an eligible telecommunications carrier (ETC) to receive Connect America Fund Phase II Auction (Auction 903) support for voice and broadband services with request for expedited consideration by Viasat Carrier Services, Inc.

AGENDA: 10/30/18 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Brown

CRITICAL DATES: February 25, 2019 (Date By Which ETC Designation Status Must Be Obtained)

SPECIAL INSTRUCTIONS: None

Case Background

Viasat Carrier Services, Inc. (Viasat) is a wholly-owned subsidiary of Viasat, Inc. (VSI), which offers voice over internet protocol (VoIP) and broadband services through the use of their geostationary-satellite orbit satellite technologies. On August 28, 2018, VSI was selected as a winning bidder under the Federal Communications Commission's (FCC) recent Connect America Fund Phase II Auction. The Connect America Fund is a form of high-cost support that is part of the federal universal service fund.

The FCC did not require auction participants to be designated as Eligible Telecommunications Carriers (ETCs); however, winning bidders must obtain ETC designation within 180 days. Viasat

must obtain ETC designation for 685 Census Blocks Groups covering Florida by February 25, 2019. Section 214(e)(2) of the Telecommunications Act of 1996 authorizes state commissions to designate common carriers as an ETC. In cases where a state commission lacks jurisdiction, Section 214(e)(6) provides that the FCC will make such ETC designations.

Currently, the Florida Public Service Commission (Commission) only evaluates wireline ETC applications, while wireless providers' ETC applications are evaluated by the FCC. In 2011, legislation was passed that removed the Commission's authority to designate wireless providers, including commercial mobile radio service providers as ETCs.¹ Chapter 364.011, Florida Statutes (F.S.), outlines the types of service that are exempt from Commission jurisdiction and oversight. Specifically, Chapter 364.011, F.S., provides:

Exemptions from commission jurisdiction.—The following services are exempt from oversight by the commission, except to the extent delineated in this chapter:

- (1) Intrastate interexchange telecommunications services.
- (2) Broadband services, regardless of the provider, platform, or protocol.
- (3) VoIP.
- (4) Wireless telecommunications, including commercial mobile radio service providers.
- (5) Basic service.
- (6) Nonbasic services or comparable services offered by any telecommunications company.

On September 27, 2018, Viasat filed a petition for designation as an ETC with the Commission. Viasat requests that the Commission find that it meets all requirements for ETC designation. In the alternative, Viasat seeks an affirmative statement that the Commission does not have jurisdiction, and that Viasat should petition the FCC for ETC designation.

¹ 2011 FL H.B. 1231, Adopted May 5, 2011.

Discussion of Issues

Issue 1: Should Viasat be granted limited ETC status in Florida for the purpose of receiving Connect America Fund Phase II Auction (Auction 903) support for voice and broadband services?

Recommendation: No. Staff recommends that the Commission should not grant Viasat limited ETC status in Florida for the purpose of receiving Connect America Fund Phase II Auction (Auction 903) support for voice and broadband services. Staff further recommends that, as a facilities-based satellite provider, Viasat should directly apply for Florida ETC designation with the FCC. (DuVal, Weisenfeld)

Staff Analysis: Pursuant to federal law, the Commission has the authority to designate carriers as ETCs if they meet certain requirements.² In 2011, the Florida Legislature removed the Commission's authority to designate wireless providers as ETCs.³ Accordingly, effective July 1, 2012, the Commission only evaluates wireline ETC applications, while wireless providers must directly apply with the FCC for Florida ETC designation. Furthermore, Section 364.011, F.S., provides that wireless telecommunications, including commercial mobile radio service providers, are exempt from oversight by the Commission.

Viasat is a facilities-based satellite provider that currently offers broadband Internet access and VoIP services. The satellite technology utilized by Viasat to provide its services has not been assessed by this Commission before, and it is not directly addressed in Section 364.011, F.S. However, like wireless providers, a satellite provider is not a wireline provider. As such, staff recommends that the Commission should not grant Viasat limited ETC status in Florida for the purpose of receiving Connect America Fund Phase II Auction (Auction 903) support for voice and broadband services because the Commission only evaluates wireline ETC applications. Staff further recommends that, as a facilities-based satellite provider, Viasat should directly apply for Florida ETC designation with the FCC.

² Section 214(e)(2) of the Telecommunications Act of 1996.

³ 2011 FL H.B. 1231, Adopted May 5, 2011.

Issue 2: Should this docket be closed?

Recommendation: If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, this docket should be closed upon the issuance of a consummating order. (DuVal, Weisenfeld)

Staff Analysis: If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, this docket should be closed upon the issuance of a consummating order.

Item 6

State of Florida



FILED 10/18/2018
DOCUMENT NO. 06624-2018
FPSC - COMMISSION CLERK

Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: October 18, 2018

TO: Carlotta S. Stauffer, Commission Clerk, Office of Commission Clerk

FROM: Andrew L. Maurey, Director, Division of Accounting & Finance *ALM*

RE: Docket No. 20180021-WU – Application for staff-assisted rate case in Highlands County by Country Walk Utilities, Inc. – Revised Recommendation

Attached for filing is the revised recommendation in the above-mentioned docket. Subsequent to filing its recommendation, staff became aware of an error in the recording of the acquisition adjustment expense. The amount of \$2,337 was included as an increase when by it should have been a decrease to operating expenses. As a result, modifications to staff's recommendation were necessary that affected many of the Issues and Schedules.

EXE Approval _____

A handwritten signature in blue ink, consisting of several loops and a long vertical stroke, positioned over a horizontal line.

ALM:ls
Attachment

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: October 18, 2018

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Accounting and Finance (Smith II, Buys, Cicchetti, Hightower)
Division of Economics (Sibley) *my*
Division of Engineering (Lewis, Salvador, Wright) *9/24/18*
Office of the General Counsel (Murphy) *cm*

ALM
CS
TJ

RE: Docket No. 20180021-WU – Application for staff-assisted rate case in Highlands County by Country Walk Utilities, Inc.

AGENDA: 10/30/18 – Regular Agenda - Proposed Agency Action – Except for Issue Nos. 12, 13, and 14 – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Brown

CRITICAL DATES: 5/16/2019 (15-Month Effective Date (SARC))

SPECIAL INSTRUCTIONS: None

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Case Background

Country Walk Utilities, Inc. (Country Walk or Utility) is a Class C utility providing water service to approximately 70 residential water customers and one general service water customer in Highlands County. The service area is located in the Southwest Florida Water Management District (SWFWMD). Wastewater treatment is provided by septic tank. Country Walk was granted Certificate No. 579-W in a transfer from Holmes Utilities, Inc. and its net book value was established in Docket No. 20130294-WU.¹

On January 22, 2018, Country Walk filed its application for a staff-assisted rate case (SARC). Staff selected the test year ended December 31, 2017, for the instant docket. According to Country Walk's 2017 annual report, its total gross revenues were \$28,552 and total operating expenses were \$25,022. The Utility's rates were last established in Docket No. 20010403-WU.² A customer meeting was held in Lake Placid, Florida on July 25, 2018.

The Florida Public Service Commission (Commission) has jurisdiction in this case pursuant to Sections 367.081, 367.0812, 367.0814, and 367.091, Florida Statutes (F.S.).

¹Order No. PSC-14-0495-PAA-WU, issued September 17, 2014, in Docket No. 20130294-WU, *In re: Application for transfer of water systems and Certificate No.579-W in Highlands County from Holmes Utilities, Inc. to Country Walk Utilities, Inc.*

²Order No. PSC-01-2385-PAA-WU, issued December 10, 2001, in Docket No. 010403-WU, *In re: Application for staff-assisted rate case in Highlands County by Holmes Utilities, Inc.*

Date: October 18, 2018

Discussion of Issues

Issue 1: Is the quality of service provided by Country Walk satisfactory?

Recommendation: Country Walk is currently working to incorporate Department of Environmental Protection (DEP) guidance into its operating methodology and is expected to return to compliance with disinfection byproduct standards following third quarter sampling results. Country Walk has worked, and continues to work closely with its customers to address complaints in a timely manner and to discuss potential operational solutions to its customers' needs. Finally, Country Walk's water treatment plant was found to be in sound operating condition during the recent site visit. However, because Country Walk is not currently in compliance with DEP standards, staff recommends that the overall quality of service should be considered marginal. (Wright)

Staff Analysis: Pursuant to Section 367.081(2)(a)1, F.S., in water and wastewater rate cases, the Commission considers the overall quality of service provided by a utility. Rule 25-30.433(1), Florida Administrative Code (F.A.C.), provides for the consideration of three separate components of the utility's operations.³ The components are: (1) the quality of the utility's product; (2) the utility's attempt to address customer satisfaction; and (3) the operating conditions of the utility's plant and facilities. The Rule further states that sanitary surveys, outstanding citations, violations, and consent orders on file with DEP and the county health department over the preceding three-year period shall be considered. Additionally, Section 367.0812(1), F.S., requires the Commission to consider the extent to which the utility provides water service that meets secondary water quality standards as established by DEP.

Quality of Utility's Product

In evaluating Country Walk's product quality, staff reviewed the Utility's compliance with DEP's primary and secondary drinking water standards. Primary standards protect public health, while secondary standards regulate contaminants that may impact the taste, odor, and color of drinking water. Pursuant to Rule 25-30.433, F.A.C., staff reviewed DEP's compliance records from January 1, 2015, through December 31, 2017,⁴ and has identified two related areas of concern: (1) disinfection byproduct levels of Total Trihalomethanes (TTHM) and Haloacetic Acids (HAA5), both primary contaminants had exceeded their maximum contaminant levels (MCL) on multiple occasions; and (2) the water color standard, measuring a secondary contaminant, was not met when last evaluated.

Country Walk draws its water from a source containing high concentrations of hydrogen sulfides. Prior to recent plant modifications, Country Walk's system employed a pump-and-chlorinate methodology. High doses of chlorine were required to maintain DEP mandated residual chlorine levels in the water distribution system because chlorine was being readily consumed through an oxidation reaction with the hydrogen sulfides. An August 16, 2014, sampling of Country Walk's system, however, found that this methodology was resulting in TTHM and HAA5 MCL exceedances, per DEP standards. At the same time, due to the residual

³Rule 25-30.433(1), F.A.C., was amended on July 11, 2018. Staff's analysis is based on the Rule at the time of the Utility's filing.

⁴Staff has also reviewed DEP records outside of this three-year period.

Date: October 18, 2018

hydrogen sulfides in the distribution system and the high levels of treatment required, Country Walk was receiving customer complaints regarding dark/foul smelling water and loss of pressure, the former being reflected in a May 12, 2015, secondary standards sampling that revealed water color standards were not being met.

DEP responded to Country Walk's sampling results by placing them on a quarterly TTHM and HAA5 sampling requirement. In a follow-up letter to DEP, dated September 16, 2014, Country Walk explained that, through U.S. Water Services Corporation, a treatment system to remove the sulfides in the raw water was designed in line with recommendations from DEP rules.⁵ Country Walk also explained that the treatment system's estimated \$100,000 cost would be, pending Commission approval, passed on to Country Walk's customers who, at the time, were not willing to take on the financial burden.

On February 11, 2016, Country Walk held a meeting with the Homeowners Association and DEP during which Country Walk's customers were made aware of the regulatory motivations for the proposed plant modifications and were provided an opportunity to participate in the funding of the project as a means to mitigate a rate increase. In a follow-up letter dated April 25, 2016, Country Walk's Homeowners Association declined the option to participate in project funding but expressed their approval of the planned plant modifications. With approval from its customers, Country Walk began to implement its plans on May 2, 2016. In September 2017, Country Walk completed the plant modifications and placed into service its new forced draft aeration treatment system to begin removing the hydrogen sulfides from its raw water prior to chlorination. Sulfide analysis performed on samples taken downstream of the forced draft aeration treatment system on September 6, 2017, revealed undetectable levels of sulfides, indicating the system is effectively volatilizing and removing the hydrogen sulfides present in the raw water. Cost recovery for the forced draft aeration treatment system is discussed in Issue 3.

While the design and construction of the forced draft aeration treatment system was underway, Country Walk was still operating on a DEP-imposed quarterly TTHM and HAA5 sampling schedule, under which Country Walk repeatedly reported disinfection byproduct MCL exceedances. By a February 6, 2018 letter, DEP issued Country Walk a draft consent order, finding Country Walk in repeated violation of primary drinking water standards. In a responsive letter to DEP dated February 16, 2018, Country Walk explained that the new system had recently gone into service and that, according to the sampling schedule, it would take some months for Country Walk to return to official compliance. Staff has contacted DEP in regards to this consent order and has been informed that Country Walk is on a monitoring plan to determine if the consent order is required. Staff has reviewed recent TTHM and HAA5 sampling results which show that Country Walk's rolling annual average falls under MCL, indicating the new system is operating as intended. However, DEP has not released Country Walk from its quarterly sampling requirement, instead opting to reevaluate after third quarter sampling results. Staff has reviewed a June 12, 2018 correspondence between Country Walk and DEP that exhibits Country Walk's continued efforts to incorporate DEP guidance into its treatment methodology.

⁵Rule 62-555.315, F.A.C., recommends the use of a packed tower aeration treatment system with pH adjustment. While Country Walk has referred to its recent plant modification as a "forced draft aeration treatment system", it in fact uses packed tower technology and pH adjustment as recommended.

Staff has also reviewed two sets of lead and copper analyses of Country Walk's system performed, in part, to address customer complaints regarding green/blue staining of surfaces in contact with finished water and a dark coloration to the finished water. Both analyses, the first performed on samples dating from April 27 to May 4, 2018, and the second performed on samples dated July 19, 2018, reported lead and copper concentrations under actionable levels. Country Walk was recently required by DEP to perform quarterly lead and copper sampling due to the change in the water treatment process discussed above. Sampling results for all other primary and secondary quality standards, performed on samples taken August 6, 2018, were reviewed by staff and indicated that the Utility was in compliance with the exception of the pH of the finished water. Country Walk's finished water, sampled at the entry point to distribution, was found to be slightly more acidic, with a pH of 6.38, than the normal finished water pH range of 6.5 – 8.5. Country Walk is still working with DEP to make modifications to its treatment methodology to achieve its finished water target pH of 7.3. Additionally, staff's review did not reveal any citations from the Highlands County Health Department.

Country Walk is currently working to incorporate DEP guidance into its operating methodology, is cooperating with sampling requirements, and is expected to return to compliance with disinfection byproduct standards following third quarter sampling results.

The Utility's Attempt to Address Customer Satisfaction

Staff reviewed the complaint records filed with this Commission, DEP, and Country Walk for the period starting October 23, 2013, and ending March 1, 2018. Staff has also performed a supplemental review of the complaints filed with this Commission following the July 25, 2018, customer meeting. Table 1-1 below shows a count of all complaints reviewed by source and subject.

Table 1-1
Number of Complaints by Source and Subject

Subject of Complaint	PSC Records	DEP Records	Utility Records
Dark/Foul Smelling Water	3	-	48
Decreased Water Pressure	1	-	21
High Water Pressure	3	-	3
Excessive Gallonage/ Billing Errors	5	1	25
No Generator at Plant	2	-	-
Suspended Solids	1	-	-
Rate Concerns	2	-	-
Other	1	-	-
Total*	18	1	97

*A single customer complaint may be counted multiple times if it meets multiple categories.

Prior to recent plant modifications, Country Walk's customers had complained of dark/foul smelling water. This water quality issue originated from Country Walk's prior treatment methodology, discussed above in detail, and was exacerbated by the seasonality of Country Walk's customers. Country Walk addressed these complaints by flushing customer's water pipes

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until the water quality improved. Following installation of the new forced draft aeration treatment system, customers have reported a notable improvement in water quality. At the same time, staff was made aware of new water quality complaints during the July 25, 2018 customer meeting. It appears that some customers have experienced green/blue staining of surfaces in contact with finished water. As discussed above, Country Walk has performed lead and copper analyses of its finished water to determine if this staining was related to potential mineral leaching from residents' internal plumbing. These analyses resulted in lead and copper concentrations under actionable levels. Country Walk explained that due to the seasonality of many of its customers and the volume of water contained in its distribution system, these issues will take some time to resolve and has urged customers to cycle the water in their hot water heaters and, when faced with acute water quality issues, to run faucets until the water quality improves. Country Walk has indicated that if further changes to its treatment methodology are required to address these complaints, it will consider adding a sequestrant or may convert to using chloramines as a disinfectant.

Several other customer complaints concerned a decrease or complete loss of pressure at customers' homes, the cause of which varied by instance. If the cause of the pressure loss was known, such as a planned outage or a main break, Country Walk would inform the customer of the issue and the estimated duration of the service interruption. If the cause was not immediately known, Country Walk would respond to these complaints by issuing a service order for a technician to visit the property to inspect the water meter and perform a leak test. Leaks found on the Utility's side of the meter were repaired. If a leak was believed to be on the customer's side of the meter, Country Walk would advise the customer to seek a plumber's expertise. At a February 11, 2016 customer meeting, Country Walk was made aware of multiple pressure loss complaints. Following the meeting, Country Walk representatives investigated the complaints and discovered that, due to both the age of the system and the high levels of chlorine required to treat the source water, calcium buildup had clogged the service lines where they tap into the water mains. A select few homes had their service lines dug up, the calcium buildup removed, and their water pressure tested, revealing satisfactory pressure levels. As discussed in Issue 3, Country Walk is now undergoing a project to clear the calcium buildup from the service lines of every property served.

A high pressure event occurred in September 2017, due to an electrical failure associated with the newly installed forced draft aeration treatment system that caused Country Walk's distribution lines to be over-pressurized. This led to damages of some customers' plumbing and may have contributed to a main line break that occurred around this time. Country Walk has since repaired the electrical components at the water treatment plant and has begun working with affected customers to resolve their complaints. As of August 10, 2018, Country Walk reports that it has not received any documentation detailing damage to customer plumbing. Country Walk has installed a pressure relief valve, designed to open at 80 psi, downstream of the high-service pumps which feed into the hydropneumatic tank to prevent future high-pressure events.

Customer complaints related to billing included excessive gallonage charges and other errors in billing. Country Walk's initial response was typically to review a customer's historical usage rates to determine if the usage in question differs by a large margin. If it did, or if a customer was still not satisfied by the usage review, Country Walk would schedule a visit by a technician to

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inspect and reread customers' meters and test for leaks. If the meter was found to have been read incorrectly, the customer's account would be credited for the excessive gallonage charges. However, if the meter was found to have been read accurately and no leaks were found, Country Walk would offer to perform a bucket test on the customer's meter to determine if it was registering water flow appropriately. In those cases where the meter was found to be operating correctly, Country Walk would notify the customer and, if the customer was still not satisfied, would typically offer a credit to the customer's account as a courtesy. Those meters found to be incorrectly registering water flow would be replaced and, in some cases, the old meter would be sent to an independent testing facility to confirm its erroneous measurements. In those cases, Country Walk's customers would also be offered a credit to their accounts, calculated according to Rule 25-30.340, F.A.C. Country Walk has recently analyzed consumption in 2018 and reports that it found no anomalous values.

During the July 25, 2018 customer meeting, Country Walk customers informed staff of their troubles experienced during a five to seven day period in September 2017 after Hurricane Irma during which Country Walk had lost power, and therefore its capability to provide potable water to its customers. Customers questioned whether Country Walk was required to have a standby generator at its water treatment plant. Per DEP rules, a community water system serving, or designed to serve, 350 or more persons or 150 or more service connections is required to provide standby power for operation. Because Country Walk does not meet this criteria, it is not required to provide standby power. However, in an effort to address customer complaints, Country Walk communicated with the Homeowners Association in regards to equipping Country Walk's water treatment plant with a generator. On August 31, 2018, the Homeowners Association responded that it does not want Country Walk to install and maintain a generator at the plant at this time.

Following the July 25, 2018 customer meeting, this Commission received additional customer complaints. One such complaint concerned clogging of a customer's filtration equipment. Country Walk has responded to the customer informing them that filtration of its finished water is neither needed nor required. Country Walk also explained that its water treatment plant is neither equipped nor permitted to provide for filtration of its finished water. Staff has been informed that DEP is currently investigating the complaint. Customers have also expressed concerns over the proposed rate increase.

Operating Condition of the Utility's Plant and Facilities

Country Walk's water treatment plant is served by a single well, where raw water is pumped up from a well rated at 80 gallons per minute (gpm). Prior to recent plant modifications, Country Walk treated the water with high levels of chlorine and pumped the treated water into its distribution system with a 5,000 gallon hydropneumatic tank. As discussed above, Country Walk has recently installed a forced draft aeration treatment system to remove the hydrogen sulfides from the raw water prior to chlorination.

Staff has reviewed the most recent available DEP Sanitary Survey for Country Walk's water treatment plant dated April 17, 2013. Staff notes that this Sanitary Survey predates Country Walk's purchase of the water treatment system on October 23, 2013. This report identifies two deficiencies: (1) the previously used well had not been capped correctly following its retirement; and (2) the new well's air release valve had not been installed correctly. In a letter dated May 28,

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2013, former owner Holmes Utilities, Inc. reported to DEP that all deficiencies had been corrected. On July 26, 2018, staff confirmed, through a site visit to Country Walk's water treatment plant, that both deficiencies had been corrected. Staff also reviewed a subsequent DEP Compliance Inspection Report dated June 27, 2014, that identified two areas of concern: (1) the new well for the system had total sulfide levels that required specialized treatment; and (2) Country Walk's hydropneumatic tank was due for its five-year inspection and cleaning. Country Walk responded to DEP in a letter dated July 9, 2014, reporting that a preliminary conceptual design with an associated cost estimate was being prepared for the system required to treat the new well's water (that system being the newly installed forced draft aeration treatment system discussed above), and that the hydropneumatic tank was scheduled to be inspected and cleaned within the next 60 days. Staff received confirmation from Country Walk that the hydropneumatic tank was inspected and cleaned on October 2, 2014. Per DEP, Country Walk is scheduled for a Sanitary Survey to occur during the next federal fiscal year, October 2018 through September 2019.

Conclusion

Country Walk is currently working to incorporate DEP guidance into its operating methodology and is expected to return to compliance with disinfection byproduct standards following third quarter sampling results. Country Walk has worked, and continues to work closely with its customers to address complaints in a timely manner and to discuss potential operational solutions to its customers' needs. Finally, Country Walk's water treatment plant was found to be in sound operating condition during the recent site visit. However, since Country Walk is not currently in compliance with DEP standards, staff recommends that the overall quality of service should be considered marginal.

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Issue 2: What is the used and useful percentage (U&U) of Country Walk's water treatment plant, storage, and distribution system?

Recommendation: Country Walk's water treatment plant, storage, and distribution system should be considered 100 percent U&U. There appears to be no excessive unaccounted for water; therefore, no adjustment should be made to operating expenses for chemicals and purchased power. (Wright)

Staff Analysis: Country Walk's water treatment plant is served by a single well rated at 80 gpm. The Utility's water system has two 5,000 gallon storage tanks, one underground tank and one hydropneumatic tank. Country Walk's distribution system is composed of 3,815 linear feet of 2 inch polyvinyl chloride (PVC) pipe and 1,802 linear feet of 4 inch PVC pipe.

Rule 25-30.4325, F.A.C., addresses the method by which the U&U of a water system is determined. The U&U for Country Walk's water treatment plant and distribution system were last determined in Order No. PSC-01-2385-PAA-WU.⁶ In that Order, the Commission found Country Walk's water treatment plant and distribution system to be 100 percent and 90 percent U&U, respectively. Country Walk's water storage is a recent addition to its system and, thus, a storage U&U determination has not previously been made.

Water Treatment Plant Used and Useful

As noted above, the Commission found the water treatment plant to be 100 percent U&U in the prior rate case. The Utility has not increased the capacity of its water treatment facilities since the last rate case. Therefore, consistent with the Commission's previous decisions, staff recommends the Utility's water treatment plant to be considered 100 percent U&U.

Water Storage Used and Useful

Pursuant to Rule 25-30.4325(8), F.A.C., for water systems with storage, if the storage capacity is less than the peak demand, the storage system should be considered 100 percent U&U. Country Walk stores its water in a 5,000 gallon underground concrete tank. Per Rule 25-30.4325(9)(b), F.A.C., Country Walk's water storage tank has a usable storage capacity of 4,500 gallons (90 percent of 5,000 gallons). Country Walk's peak day demand is estimated at approximately 118,191 gallons which exceeds the usable water storage amount. Staff recommends that the water storage is 100 percent U&U.

Water Distribution System Used and Useful

There are no large undeveloped parcels in Country Walk's territory. While there are undeveloped lots interspersed throughout the distribution system, all lines are required to serve existing customers, and no portions of the distribution system could be isolated as not U&U. Therefore, staff recommends that Country Walk's water distribution system be considered 100 percent U&U.

⁶Order No. PSC-01-2385-PAA-WU, issued December 10, 2001, in Docket No. 20010403-WU, *In re: Application for staff-assisted rate case in Highlands County by Holmes Utilities, Inc.*

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Excessive Unaccounted for Water (EUW)

Unaccounted for water (UW) is all water produced that is not sold, metered, or accounted for in the records of the Utility. Rule 25-30.4325(1)(e), F.A.C., defines EUW as “unaccounted for water in excess of 10 percent of the amount produced.” EUW is used in the U&U determinations pursuant to Rule 25-30.4325, F.A.C. Additionally, Rule 25-30.4325(10), F.A.C., provides factors to be considered in determining whether adjustments to plant operating expenses are necessary for EUW.

UW is calculated by subtracting test year totals of both the gallons sold to customers and the gallons used for other services, such as flushing, from the total gallons produced at the water treatment plant. Based on the monthly operating reports Country Walk has submitted to DEP, Country Walk produced 3,771,300 gallons of water from January 1, 2017, to December 31, 2017. The audit completed by staff indicated that the Utility sold 2,533,000 gallons of water to customers. Country Walk reported that an estimated 1,410,025 gallons of water were used for flushing and maintenance purposes during the test year, including estimations of leakage from main line breaks. Staff notes that, based on the data provided, several months were determined to exhibit negative UW, indicating that a greater amount of water had been accounted for than was actually produced. This likely resulted from either Country Walk’s overestimation of water lost to main line breaks or its flushing activities; the latter having been discussed in Issue 1 as it relates to Country Walk’s water quality issues and its solutions thereof. For the purposes of EUW determination, staff has adjusted any negative UW calculations to be zero. After adjustment, Country Walk’s UW was calculated to be 1 percent, indicating that Country Walk has no EUW. As such, staff recommends no adjustment should be made to operating expenses for chemicals and purchased power.

Conclusion

Staff recommends that Country Walk’s water treatment plant, storage, and distribution system be considered 100 percent U&U. There appears to be no EUW; therefore, no adjustment should be made to operating expenses for chemicals and purchased power.

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Issue 3: Should the Commission approve a year-end rate base for Country Walk, and if so, what is the appropriate water rate base for the year-end test year?

Recommendation: Yes, the Commission should approve a year-end rate base. The appropriate water rate base is \$167,776 for the test year ended December 31, 2017. (L. Smith, Wright)

Staff Analysis: Country Walk's net book value was established as of September 4, 2013, in its 2013 transfer docket by Order No. PSC-14-0495-PAA-WU.⁷ The test year end December 31, 2017, is being used for the instant case. A summary of each rate base component and recommended adjustments are discussed below.

Year-End Rate Base

In its application, the Utility requested a year-end rate base for its water system in order to have an opportunity to recover its allowed rate of return on the capital improvement that was made during the test year. This improvement consisted of a forced draft aeration treatment system which was installed to remove the majority of the hydrogen sulfides from Country Walk's well water, thereby addressing both the primary and secondary standards compliance issues discussed in Issue 1. Based on staff's review, Country Walk's water system improvement represents an increase of \$136,344 or 147.07 percent over the Utility's 2016 year-end Utility Plant in Service (UPIS) balance. If an average rate base were used, the Utility would not be afforded the opportunity to recover its allowed rate of return on the new investment and would be put in the position of requesting a subsequent SARC at a later date.

The Commission has the authority to apply a year-end rate base, but should only apply a year-end rate base in extraordinary circumstances.⁸ Staff believes extraordinary circumstances exist in the instant case. The Utility has made a significant improvement to its water system to address water quality concerns. The year-end rate base will provide Country Walk with an opportunity to recover its investment to improve water quality and will ensure compensatory rates for this Utility. The Commission has previously authorized the use of a year-end rate base in other cases involving significant test year improvements.⁹ Therefore, staff recommends that the Commission approve a year-end water rate base for Country Walk.

Utility Plant in Service (UPIS)

Country Walk has modified its water treatment plant by installing a forced draft aeration treatment system. This system was recently cleared by the DEP and was placed into operation in

⁷Order No. PSC-14-0495-PAA-WU, issued September 17, 2014, in Docket No. 20130294-WU, *In re: Application for transfer of water systems and Certificate No.579-W in Highlands County from Holmes Utilities, Inc. to Country Walk Utilities, Inc.*

⁸*See, Citizens of Florida v. Hawkins*, (FLA.1978), 356 So. 2d 254.

⁹Order No. PSC-98-0763-FOF-SU, issued June 3, 1998, in Docket No. 19971182-SU, *In re: Application for staff-assisted rate case in Marion County by BFF Corp.*; Order No. PSC-00-1774-PAA-WU, issued September 27, 2000, in Docket No. 19991627-WU, *In re: Application for rate increase in Polk County by Park Water Company Inc.*; Order No. PSC-01-0323-PAA-WU, issued February 5, 2001, in Docket No. 20000580-WU, *In re: Application for staff-assisted rate case in Polk County by Keen Sales, Rentals and Utilities, Inc. (Alturas Water Works)*; and Order No. PSC-02-1449-PAA-WS, issued October 21, 2002, in Docket No. 20011451-WS, *In re: Investigation of water and wastewater rates for possible overearnings by Plantation Bay Utility Co. in Volusia County.*

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September 2017 in an effort to resolve water quality complaints and to conform to the DEP's maximum disinfection by-product contamination levels as discussed in Issue 1. Per Country Walk's response to staff's second data request, the cost of purchasing and installing the treatment system through U.S. Water Services Corporation (USWSC) was \$114,485.¹⁰ Country Walk explains that the actual cost of providing and installing the system from USWSC was \$122,369 but that USWSC lowered the labor rate and the project margin below contracted amounts, and absorbed some of the travel expenses of the workers, resulting in an invoiced amount that is \$7,884 lower. USWSC also provided design and permitting services for the forced draft aeration treatment system at an additional cost of \$21,859, for a total cost of \$136,344. Supporting documentation was provided in the staff audit. For comparative purposes, Country Walk provided a bid by Marolf Environmental Inc. for providing and installing a similar treatment system, not including design and permitting costs, which totaled \$161,283. Therefore, staff recommends that Country Walk was acting prudently in its contracting with USWSC for the forced draft aeration treatment system and recommends that UPIS be adjusted accordingly.

Country Walk recorded UPIS of \$230,541. Staff has reviewed the audit workpapers and the Utility's annual reports and found that a second well was placed into service in 2012. In response to staff's data request dated August 8, 2018, the Utility stated that only one well has been in service since 2012.¹¹ Staff could not find the retirement associated with the original well. Therefore, staff recommends reducing Account 307 Wells and Springs by \$16,306 to retire the original well that is no longer in service.

Pro Forma Plant

As discussed in Issue 1, Country Walk's customers have been experiencing low water pressure issues. Country Walk representatives investigated the complaints and discovered that, due to both the age of the system and the high levels of chlorine required to treat the source water, calcium buildup had clogged the service lines where they tap into the water mains. A select few homes had their service lines dug up by the Utility and the calcium buildup removed, resulting in satisfactory pressure levels. Country Walk believes it is necessary to conduct a system-wide project to address the remaining service connections and has provided staff with two bids for the project: one from USWSC for \$16,085 and one from Oxford Pipeline Inc. for \$21,000. Country Walk requested additional bids from other contractors but no other proposals have been received at this time. Country Walk has selected the bid from USWSC who is currently executing the contract. Staff believes this project is reasonable, prudent, and necessary to increase water pressure to acceptable levels.

Country Walk also is requesting a pro forma plant item to install a bypass around its hydropneumatic tank that will allow Country Walk to continue to provide water to its customers during times when its hydropneumatic tank is taken out of service, as will be the case for its upcoming sandblasting and coating as discussed in Issue 6. Without this bypass system, Country Walk would be forced to take its water system offline, and subsequently issue boil water notices, any time its hydropneumatic tank was serviced. Country Walk has provided one invoice from USWSC for \$1,029. Staff has requested additional bids from Country Walk but was informed

¹⁰See Document No. 03734-2018, filed on May 17, 2018.

¹¹See Document No. 05262-2018, filed on August 13, 2018.

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that Country Walk did not seek additional bids from other contractors due to the nature of the work and the location of the Utility in a rural area of Florida. Due to the cost and scope of the project, the competitiveness of the other USWSC bids reviewed during this rate case, and the lasting benefits to customers, staff believes that this project is reasonable and prudent.

Based on the above, staff increased UPIS by \$17,114 ($\$16,085 + \$1,029$) to reflect the service connection refurbishment project and the hydropneumatic tank bypass installation. Staff's adjustments result in a net increase to UPIS of \$808 ($-\$16,306 + \$17,114$). Therefore, staff is recommending a year-end UPIS balance of \$231,349 ($\$230,541 + \808).

Land & Land Rights

The Utility recorded a test year land value of \$1,495. Staff believes the amount is correct and did not make any adjustments to this account.

Contributions In Aid of Construction (CIAC)

Country Walk recorded a CIAC balance of \$23,950 as of December 31, 2017. This balance consists of \$6,701 for the Distribution Reservoirs & Standpipes, \$2,896 for Transmission & Distribution (T&D) Mains, and \$14,353 for Cash. Staff did not make any adjustments to this account.

Accumulated Depreciation

Country Walk recorded a test year accumulated depreciation balance of \$64,064. Staff recalculated accumulated depreciation using the prescribed rates set forth in Rule 25-30.140, F.A.C., to be \$66,515 as of December 31, 2017. This results in an increase of \$2,451. Additionally, staff reduced accumulated depreciation by \$16,306 to reflect the retirement of the original well discussed above. Further, staff increased accumulated depreciation by \$520 to reflect the two pro forma projects, resulting in a total decrease of \$13,335 ($\$2,451 - \$16,306 + \520). Staff's adjustments result in an accumulated depreciation balance of \$50,729 ($\$64,064 - \$13,335$).

Accumulated Amortization of CIAC

The Utility recorded accumulated amortization of CIAC of \$17,421 in its 2017 Annual Report. Based on staff's calculations, the appropriate components of accumulated amortization of CIAC are \$4,739 for the Distribution Reservoirs & Standpipes, \$1,788 for T&D Mains, and \$11,402 for Cash. Therefore, staff recommends an accumulated amortization of CIAC balance of \$17,929 ($\$4,739 + \$1,788 + \$11,402$). The result is a net increase of \$508 ($\$17,929 - \$17,421$).

Acquisition Adjustment

The Utility recorded a negative acquisition adjustment of \$20,064. Staff believes this amount is correct and did not make any adjustments to this account.

Accumulated Amortization of Acquisition Adjustment

The Utility recorded an accumulated amortization of acquisition adjustment of \$10,127. Staff recalculated this amount based on the method set forth in Rule 25-30.0371, F.A.C. Staff's calculation results in a decrease of \$2,337. Therefore, staff recommends an accumulated amortization of acquisition adjustment balance of \$7,790 ($\$10,127 - \$2,337$).

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Working Capital Allowance

Working capital is defined as the short-term investor-supplied funds that are necessary to meet operating expenses. Consistent with Rule 25-30.433(2), F.A.C., staff used the one-eighth of the operation and maintenance expense formula approach for calculating the working capital allowance. Applying this formula, staff recommends a working capital allowance of \$3,956.

Rate Base Summary

Based on the foregoing, staff recommends that the appropriate year-end rate base is \$167,776 as shown on Schedule No. 1-A. The associated adjustments are shown on Schedule No. 1-B.

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Issue 4: What is the appropriate return on equity and overall rate of return for Country Walk?

Recommendation: The appropriate return on equity (ROE) is 8.11 percent with a range of 7.11 percent to 9.11 percent. The appropriate overall rate of return is 8.08 percent. (L. Smith)

Staff Analysis: Country Walk's test year capital structure reflected a total common equity balance of \$35,848 and customer deposits of \$744. The common equity balance consists of \$250 in common stock, \$21,704 of retained earnings, and \$13,894 of paid-in capital. Staff did not make any adjustments to these amounts.

Country Walk's capital structure has been reconciled with staff's recommended rate base. The appropriate ROE for the Utility is 8.11 percent based upon the Commission-approved leverage formula currently in effect.¹² Staff recommends an ROE of 8.11 percent, with a range of 7.11 percent to 9.11 percent, and an overall rate of return of 8.08 percent. The ROE and overall rate of return are shown on Schedule No. 2.

¹²Order No. PSC-2018-0327-PAA-WS, issued June 26, 2018, in Docket No. 20180006-WS, *In re: Water and wastewater industry annual reestablishment of authorized range of return on common equity for water and wastewater utilities pursuant to Section 367.081(4)(f), F.S.*

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Issue 5: What are the appropriate test year revenues for Country Walk Utilities, Inc.?

Recommendation: The appropriate test year revenues are \$29,364. (Sibley)

Staff Analysis: Country Walk recorded \$28,552 in test year revenues, which consists of \$28,263 in service revenues and \$289 in miscellaneous revenues. Based on the test year billing determinants and the service rates, staff determined service revenues should be \$29,070, which is an \$807 (\$29,070-\$28,263) increase to test year service revenues. This adjustment to service revenues is due to a timing difference between the billing register and the general ledger and annualizing prorated bills. For miscellaneous revenues, staff applied the appropriate miscellaneous service charges to the test year occurrences and determined miscellaneous revenues should be \$294, which is an increase of \$5. Staff recommends that the appropriate test year revenues are \$29,364 (\$29,070+\$294).

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Issue 6: What are the appropriate test year operating expenses for Country Walk?

Recommendation: The appropriate amount of test year total operating expenses for the Utility is \$43,405. (Hightower, L. Smith)

Staff Analysis: Country Walk recorded operating expense of \$27,804. Staff reviewed the Utility's test year operating expenses, including invoices, canceled checks, and other supporting documentation. Staff made several adjustments to the Utility's operating expenses as summarized below.

Salaries and Wages - Officers (603)

Country Walk recorded salaries and wages - officers expense of \$3,000. In the Utility's last rate case, the Commission approved an expense of \$3,000 for this account. Staff compared this amount with Country Walk's sister utilities and found it below the average. Staff believes this amount is reasonable. Therefore, staff recommends salaries and wages - officers expense of \$3,000.

Purchased Power (615)

The Staff Audit Report recorded \$1,224 for purchased power expense in Account 615 for the test year. The Utility subsequently provided invoices for the most recent twelve-month period, August 2017 through July 2018, which averaged a monthly expense of \$96 or \$1,152 annually for purchased power. Staff made an adjustment of \$72 to decrease purchased power expense to reflect the actual expense of \$1,152. Therefore, staff recommends purchased power expense of \$1,152 (\$1,224 - \$72).

Chemicals (618)

Country Walk recorded chemical expense of \$2,969 in its General Ledger for the test year. Due to the installation of a new forced draft aeration water treatment system, the Utility was required to purchase two new chemicals to treat the water: sodium hydroxide and sulfuric acid. Country Walk provided its calculation of the annualized chemical expense of \$3,749, and the actual chemical purchase expense of \$3,673 in Document No. 04218-2018. The Utility determined the new water treatment system used approximately 5.8 gallons of sodium hydroxide during a 50-day period. However, the Utility purchased 280 gallons of sodium hydroxide at a cost of \$4 per gallon, or \$1,120. At a use rate of 5.8 gallons per 50 days, the utility would use only 42.3 gallons of sodium hydroxide per year at an annual cost of \$169. Therefore, staff believes the appropriate annual cost for sodium hydroxide is \$169. Country Walk calculated its expenses for sulfuric acid and chlorine of \$2,324 and \$326, respectively, which appears to reflect the actual use rates for those chemicals. Therefore, staff believes the appropriate annual chemical expense is \$2,819 (\$2,324 + \$326 + \$169). Accordingly, staff recommends a reduction to chemical expense of \$150 (\$2,969 - \$2,819).

Contractual Services - Accounting (632)

The Utility recorded contractual services - accounting expense of \$350. Supporting documentation confirming the expense was used for tax preparation was provided. Staff made no adjustments to contractual services - accounting expense and recommends contractual services - accounting expense of \$350.

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Contractual Services - Legal (633)

Country Walk recorded contractual services - legal expense of \$530. Staff was able to trace the expenses without exception and supporting documentation confirmed the expense was used for legal fees related to annual corporate maintenance, including a Department of State filing fee. Staff did not make any adjustments to contractual services – legal as recorded. Staff recommends contractual services - legal expense of \$530.

Contractual Services – Other (636)

Country Walk recorded contractual services - other expense of \$15,432 related to the USWSC service contract, which includes the expense for operating the new forced draft aeration water treatment system, meter reading, testing, and various repairs. In its filing, the Utility advised staff of changes to the USWSC contract effective October 1, 2017, that increased the costs charged to the Utility. The revised USWSC contract takes into consideration similar USWSC agreements previously approved in prior cases involving seven of Country Walk’s “sister” utilities during nine rate case proceedings.¹³ Staff made adjustments to annualize the updated amount of the revised USWSC contract and staff recommends an amount of \$20,828, which equates to an increase of \$5,396 or 24 percent.

There are significant changes between the current USWSC contract (2017 contract) and the contract which was last revised on October 1, 2013 (2013 contract). The 2017 contract removes the addition of 1,000 potential ERCs that were included in the 2013 contract for a growth allowance that is no longer expected to occur. Actual costs for fuel and maintenance utilized in 2016 are included in the management and administrative portion of the 2017 contract. Also included in the 2017 contract are the allocated costs for in-house customer service and billing as well as necessary operator and maintenance technician positions previously excluded from the 2013 contract. According to USWSC, the 2013 contract did not reflect the full actual cost for other services incurred such as inspections required by DEP or calibrating the water well meter. The 2017 contract adjusted these costs to reflect the actual costs incurred by the Utility.

In order to analyze the reasonableness of the 2017 USWSC Service contract, staff compared the total O&M costs recommended in the instant case with the Commission approved amounts for

¹³Order No. PSC-14-0413-PAA-WS, issued August 14, 2014, in Docket No. 20130153-WS, *In re: Application for staff-assisted rate case in Highlands County, by L.P. Utilities Corporation c/o LP Waterworks, Inc.*; Order No. PSC-15-0013-PAA-WS, issued January 2, 2015, in Docket No. 20130194-WS, *In re: Application for staff-assisted rate case in Lake County by Lakeside Waterworks, Inc.*; Order No. PSC-15-0282-PAA-WS, issued July 8, 2015, in Docket No. 20140158-WS, *In re: Application for increase in water/wastewater rates in Highlands County by HC Waterworks, Inc.*; Order No. PSC-15-0329-PAA-WU, issued August 14, 2015, in Docket No. 20140186-WU, *In re: Application for staff-assisted rate case in Brevard County by Brevard Waterworks, Inc.*; Order No. PSC-15-0335-PAA-WS, issued August 20, 2015, in Docket No. 20140147-WS, *In re: Application for staff-assisted rate case in Sumter County by Jumper Creek Utility Company.*; Order No. PSC-16-0256-PAA-WU, issued June 30, 2016, in Docket No. 20150199-WU, *In re: Application for staff-assisted rate case in Lake County by Raintree Waterworks, Inc.*; Order No. PSC-16-0305-PAA-WU, issued July 28, 2016, in Docket No. 20150236-WU, *In re: Application for staff-assisted rate case in Lake County, by Lake Idlewild Utility Company.*; Order No. PSC-2017-0334-PAA-WS, issued August 23, 2017, in Docket No. 20160222-WS, *In re: Application for staff-assisted rate case in Highlands County by LP Waterworks, Inc.*; Order No. PSC-2017-0428-PAA-WS, issued November 7, 2017, in Docket No. 20160195-WS, *In re: Application for staff-assisted rate case in Lake County by Lakeside Waterworks, Inc.*

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the similarly sized utilities of Lake Idlewild and Charlie Creek.¹⁴ Staff indexed the amounts from those cases using the Commission approved index factors.¹⁵ This analysis resulted in per ERC amounts of \$418 for Lake Idlewild and \$454 for Charlie Creek. Staff's recommended amount of \$20,828, in the instant case equates to \$446 per ERC. Based on this analysis, staff believes the revised USWSC service contract amount is reasonable.

Country Walk is also requesting \$5,000 for the sandblasting and recoating of a tank, which is a maintenance project required by DEP to be completed every five years. The estimated cost is based on a 2016 proposal from Crystal Coating, Inc. for \$5,000. A second bid of \$14,150 was received from PCI, Inc. for the same project. Country Walk is working with Crystal Coating, Inc. to schedule the project with other utilities in Highlands County in order to minimize the costs. Pursuant to Rule 25-30.433(9), F.A.C., non-recurring expenses shall be amortized over a 5-year period unless a shorter or longer period of time can be justified. Staff recommends the \$5,000 tank sandblasting and recoating expense be amortized over the required 5-year period and recommends increasing this account by \$1,000 ($\$5,000 \div 5$). Therefore, staff recommends contractual services - other expense of \$21,828 ($\$15,432 + \$5,396 + \$1,000$).

Insurance Expense - General Liability (657)

The Utility recorded insurance expense of \$1,300. The Utility provided invoices totaling \$1,300 related insurance expense. Staff recommends no adjustments to insurance expense.

Regulatory Commission Expense (665)

By Rule 25-22.0407, F.A.C., Country Walk is required to mail notices of the customer meeting, notices of final rates, and notices of the four-year rate reduction in this case to its customers. Staff increased this account by \$75 for printing and mailing notices for the customer meeting, \$53 for printing and mailing notices of the final hearing, and \$53 for the four-year rate reduction.

The Utility requested travel and lodging expense of \$250 to attend the customer meeting and \$250 to attend the Agenda conference. Staff adjusted those amounts based on actual mileage and hotel receipts. Staff further adjusted these amounts in order to share them with Pine Harbour Waterworks, Inc. Pine Harbour is a sister utility of Country Walk that had its customer meeting the day after Country Walk's, and is scheduled to be on the same Agenda Conference. Based on these adjustments, staff is decreasing this expense by \$78 and recommends travel expense of \$422.

Additionally, the Utility paid a \$1,000 rate case filing fee. Based on the above, staff recommends total rate case expense of \$1,603 ($\$75 + \$53 + \$53 + \$422 + \$1,000$), which amortized over four years, results in regulatory commission expense of \$401 ($\$1,603 \div 4$)

¹⁴Order Nos. PSC-16-0305-PAA-WU, p. 13, issued July 28, 2016, in Docket No. 20150236-WU, *In re: Application for staff-assisted rate case in Lake Idlewild Utility Company in Lake County.*; PSC-17-0144-PAA-WA, p. 6, issued April 27, 2017, in Docket No. 20160143-WU, *In re: Application for staff-assisted rate case in Hardee County by Charlie Creek Utilities, LLC.*

¹⁵Order No. PSC-2017-0480-PAA-WS, issued December 21, 2017, in Docket No. 20170005-WS, *In re: Annual reestablishment of price increase or decrease index of major categories of operating costs incurred by water and wastewater utilities pursuant to Section 367.081(4)(a), F.S.*

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Bad Debt (670)

Country Walk recorded a bad debt expense of \$117 for the test year. It is Commission practice to calculate bad debt expense using a three-year average. Staff did not use a three-year average due to a negative balance recorded in 2016. The negative balance is not indicative of the actual bad debt expense incurred and is due to an accounting entry reflecting a write-off. Therefore, staff recommends using a percentage of the revenue requirement. In a prior SARC for sister utility, LP Waterworks, Inc., the Commission determined 1 percent of the revenue requirement was a reasonable percentage for bad debt.¹⁶ Staff believes 1 percent is also reasonable in the instant case as bad debt expense is expected to increase due to the substantial increase in the Utility's revenue requirement. Staff believes the appropriate bad debt expense for the test year is 1 percent of staff's recommended revenue requirement, or \$570. This represents an increase of \$453. Therefore, staff recommends a bad debt expense of \$570 (\$117 + \$453).

Miscellaneous Expense (675)

The Utility recorded miscellaneous expenses of \$100 for DEP fees. Staff believes this expense is reasonable and recommends no adjustment.

Operation and Maintenance Expenses Summary

Based on the above, staff recommends that the O&M expenses are \$32,050. Staff's recommended adjustments to O&M expenses are shown on Schedule No. 3-B.

Depreciation Expense (Net of Amortization of CIAC)

The Utility recorded depreciation expense of \$4,328 and CIAC expense of \$779, resulting in a net depreciation expense of \$3,549 (\$4,328 - \$779) for the test year. The Utility used a half-year convention when calculating depreciation expense during the test year. Staff increased this expense to reflect the going-forward depreciation expense that is needed for the Utility to recover its investment in the forced draft aeration system discussed previously. Staff recalculated depreciation expense using the prescribed rates set forth in Rule 25-30.140, F.A.C., and found that depreciation expense was understated by \$7,084. Additionally, staff reduced depreciation expense by \$604 to reflect the well retirement discussed in Issue 3. Staff also increased depreciation expense by \$520 to reflect the increase in depreciation expense for the pro forma plant additions. Therefore, staff recommends depreciation expense of \$11,328 (\$4,328 + \$7,084 - \$604 + \$520).

Staff recalculated CIAC amortization expense using the methodology prescribed in the Utility's last SARC. Staff reduced this expense by \$78. Therefore, staff is recommending CIAC amortization expense of \$701 (\$779 - \$78). Based on the above, staff recommends a test year net depreciation expense of \$10,627 (\$11,328 - \$701).

Amortization Expense for Acquisition Adjustment

Country Walk recorded amortization expense for acquisition adjustment of (\$2,337). Staff has reviewed this amount and finds it to be appropriate. Staff is therefore recommending amortization expense for acquisition adjustment of (\$2,337).

¹⁶Order No. PSC-2017-0334-PAA-WS, issued August 23, 2017, in Docket No. 20160222-WS, *In re: Application for staff-assisted rate case in Highlands County, by L.P. Utilities Corporation c/o LP Waterworks, Inc.*

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Taxes Other Than Income (TOTI)

Country Walk recorded TOTI of \$1,570. Staff increased this amount by \$253 to reflect the increase in property taxes related to the pro forma plant project. Staff increased TOTI by \$1,242 to reflect RAFs associated with the revenue increase. Staff is therefore recommending TOTI of \$3,065 ($\$1,570 + \$253 + \$1,242$).

Total Operating Expenses Summary

The application of staff's recommended adjustments to Country Walk's test year operating expenses results in total operating expenses of \$43,405. Operating expenses are shown on Schedule No. 3-A. The related adjustments are shown on Schedule No. 3-B.

Issue 7: What is the appropriate revenue requirement?

Recommendation: The appropriate revenue requirement is \$56,960, resulting in an annual increase of \$27,596 or 93.98 percent. (L. Smith)

Staff Analysis: Country Walk should be allowed an annual increase of \$27,596 or 93.98 percent. This will allow the Utility the opportunity to recover its expenses and earn an 8.08 percent return on its water system. The calculations are shown in Table 7-1.

Table 7-1
Revenue Requirement

Revenue Requirement	
Adjusted Rate Base	\$167,776
Rate of Return	<u>8.08%</u>
Return on Rate Base	\$13,556
Adjusted O&M Expense	32,050
Depreciation Expense (Net)	10,627
Amortization Expense	(2,337)
Taxes Other Than Income	<u>3,065</u>
Revenue Requirement	\$56,960
Less Adjusted Test Year Revenues	<u>(29,364)</u>
Annual Increase	<u>\$27,596</u>
Percent Increase	<u>93.98%</u>

Source: Staff's Calculation

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Issue 8: What are the appropriate rate structure and rates for Country Walk?

Recommendation: The recommended rate structure and monthly water rates are shown on Schedule No. 4. The Utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should 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 approved rates should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The Utility should provide proof of the date notice was given within 10 days of the date of this notice. (Sibley)

Staff Analysis: Country Walk is located in Highlands County within the SWFWMD. The Utility provides water service to approximately 70 residential customers and a single general service customer. Approximately 22.9 percent of the residential customer bills during the test year had zero gallons, indicating some seasonality in the customer base. The average residential water demand is 2,794 gallons per customer. The average residential water demand excluding zero gallons bills is 3,625 gallons per customer. The Utility's current water system rate structure for residential customers consists of a base facility charge (BFC) and two-tier inclining block rate structure. The rate blocks are: (1) 0-10,000 gallons and (2) all usage in excess of 10,000 gallons per month. The general service rate structure consists of a BFC and uniform gallonage charge.

Staff performed an analysis of the Utility's billing data in order to evaluate the appropriate rate structure for the residential water customers. The goal of the evaluation was to select the rate design parameters that: (1) produce the recommended revenue requirement; (2) equitably distribute cost recovery among the Utility's customers; (3) establish the appropriate non-discretionary usage threshold for restricting repression; and (4) implement, where appropriate, water conserving rate structures consistent with Commission practice.

Due to the customers' low average monthly consumption and somewhat seasonal customer base, staff recommends 45 percent of the revenue requirement should be recovered through the BFC in an effort to provide revenue stability. In addition, the average number of people per household served by the water system is two; therefore, based on the number of persons per household, 50 gallons per day per person, and the number of days per month, the non-discretionary usage threshold should be 3,000 gallons per month. Staff recommends a traditional BFC and gallonage charge rate structure with an additional gallonage charge for non-discretionary usage for residential water customers. General service customers should be billed a BFC based on meter size and a uniform gallonage charge.

Based on the customer billing data provided by the Utility, approximately 32 percent of total residential consumption is discretionary and subject to the effects of repression. Customers will typically reduce their discretionary consumption in response to price changes, while non-discretionary consumption remains relatively unresponsive. Based on the recommended revenue increase of 94 percent, the residential discretionary consumption (over 3,000 gallons per bill) can be expected to decline by 356,000 gallons resulting in anticipated average residential demand of 2,374 gallons per month. Staff recommends a 15 percent reduction in test year gallons for rate setting purposes and corresponding reductions of \$172 for purchased power, \$420 for chemicals, and \$28 for RAFs to reflect the anticipated repression. This results in a post repression revenue

requirement of \$56,046. As shown on Table 8-1, in comparison to staff's recommended rate structure and rates, although Alternatives I and II, result in lower bills for non-discretionary usage, they send less of a pricing signal for targeting discretionary usage. Staff's recommended rate structure and resulting water rates are shown on Schedule No. 4.

Conclusion

Based on the above, the recommended rate structures and monthly water rates are shown on Schedule No. 4. The Utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should 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 approved rates should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The Utility should provide proof of the date notice was given within 10 days of the date of this notice.

Table 8-1
Staff's Recommended and Alternative Water Rate Structures and Rates

	RATES AT TIME OF FILING	STAFF RECOMMENDED RATES	ALTERNATIVE I	ALTERNATIVE II
		(45% BFC)	(50% BFC)	(55% BFC)
<u>Residential and General Service</u>				
Base Facility Charge by Meter Size				
5/8"X3/4"	\$16.45	\$29.16	\$32.42	\$35.70
Charge per 1,000 gallons - Residential				
0-10,000 gallons	\$6.17			
Over 10,000 gallons	\$7.72			
0-3,000 gallons		\$13.07	\$11.88	\$10.69
Over 3,000 gallons		\$23.74	\$20.22	\$17.14
Charge per 1,000 gallons - General Service	\$6.17	\$15.19	\$13.63	\$12.11
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>				
3,000 Gallons	\$34.96	\$68.37	\$68.06	\$67.77
6,000 Gallons	\$53.47	\$139.59	\$128.72	\$119.19
10,000 Gallons	\$78.15	\$234.55	\$209.60	\$187.75

Source: Current tariff and staff's calculations

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Issue 9: What are the appropriate initial customer deposits for Country Walk?

Recommendation: The appropriate initial customer deposits should be \$120 for the residential 5/8 inch x 3/4 inch meter size. The initial customer deposits for all other residential meter sizes and all general service meter sizes should be two times the average estimated monthly bill. The approved initial customer deposits should be effective for connections made on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475, F.A.C. The Utility should be required to collect the approved deposits until authorized to change them by the Commission in a subsequent proceeding. (Sibley)

Staff Analysis: Rule 25-30.311, F.A.C., provides the criteria for collecting, administering, and refunding customer deposits. Customer deposits are designed to minimize the exposure of bad debt expense for the Utility and, ultimately, the general body of ratepayers. An initial customer deposit ensures that the cost of providing service is recovered from the cost causer. Historically, the Commission has set initial customer deposits equal to two times the average estimated bill.¹⁷ Currently, the Utility has an initial customer deposit of \$62. However, this amount does not cover two months' average bills based on staff's recommended rates. The post-repression average monthly residential usage is approximately 2,374 gallons per customer. Therefore, the average residential monthly bill based on staff's recommended rates is approximately \$120.

Staff recommends the appropriate initial customer deposits should be \$120 for the residential 5/8 inch x 3/4 inch meter size. The initial customer deposits for all other residential meter sizes and all general service meter sizes should be two times the average estimated monthly bill. The approved initial customer deposits should be effective for services rendered or connections made on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475, F.A.C. The Utility should be required to collect the approved deposits until authorized to change them by the Commission in a subsequent proceeding.

¹⁷Order No. PSC-2018-0446-FOF-SU, issued September 4, 2018, in Docket No. 20170141-SU, *In re: Application for increase in wastewater rates in Monroe County by K W Resort Utilities Corp.*

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Issue 10: Should Country Walk's request to implement a \$6.50 late payment charge be approved?

Recommendation: Yes. The Utility's request to implement a \$6.50 late payment charge should be approved. Country Walk should be required to file a proposed customer notice to reflect the Commission-approved charge. The approved charge should be effective on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved charge should not be implemented until staff has approved the proposed customer notice and the notice has been received by customers. The Utility should provide proof of the date notice was given no less than 10 days after the date of the notice. (Sibley)

Staff Analysis: The Utility is requesting a \$6.50 late payment charge to recover the cost of labor, supplies, and RAFs associated with processing late payment notices. Country Walk's current late payment charge is \$5.00. However, the Utility is requesting \$6.50 for its late payment charge, which is consistent with Commission practice and its sister utilities managed by U.S. Water.¹⁸ The purpose of this charge is not only to provide an incentive for customers to make timely payment, thereby reducing the number of delinquent accounts, but also to place the cost burden of processing delinquent accounts solely upon those who are cost causers. Section 367.091, F.S., authorizes the Commission to establish, increase, or change a rate or charge other than monthly rates or service availability charges.

Country Walk calculated the actual costs for its late payment charges to be \$8.07. The Utility indicated that it will take approximately 15 minutes per account to research, compile, and produce late notices. The delinquent customer accounts will be processed by the administrative contract employee, which results in labor cost of \$7.00 (\$28.00 x 0.25hr). This is consistent with prior Commission decisions where the Commission has allowed 10-15 minutes per account per month for the administrative labor associated with processing delinquent customer accounts.¹⁹ However, \$8.07 would be the highest late payment charge amongst all other water and wastewater utilities regulated by the Commission.²⁰ Therefore, the Utility is requesting a charge of \$6.50, consistent with recent Commission decisions. The Utility's calculation for its requested late payment charge is shown in Table 10-1.

¹⁸Order No. PSC-2018-0334-PAA-WU, issued June 28, 2018, in Docket No. 20170155-WU, *In re: Application for grandfather water certificate in Leon County and application for pass through increase of regulatory assessment fees, by Seminole Waterworks, Inc.*

¹⁹Order Nos. PSC-16-0041-TRF-WU, issued January 25, 2016, in Docket No. 20150215-WU, *In re: Request for approval of tariff amendment to include miscellaneous service charges for the Earlene and Ray Keen Subdivisions, the Ellison Park Subdivision and the Lake Region Paradise Island Subdivision in Polk County, by Keen Sales, Rentals and Utilities, Inc.* and PSC-15-0569-PAA-WS, issued December 16, 2015, in Docket No. 20140239-WS, *In re: Application for staff-assisted rate case in Polk County by Orchid Springs Development Corporation.*

²⁰Order Nos. PSC-14-0105-TRF-WS, issued February 20, 2014, in Docket No. 20130288-WS, *In re: Request for approval of late payment charge in Brevard County by Aquarina Utilities, Inc.*; PSC-15-0535-PAA-WU, issued November 19, 2015, in Docket No. 20140217-WU, *In re: Application for staff-assisted rate case in Sumter County by Cedar Acres, Inc.*; and PSC-15-0569-PAA-WS, issued December 16, 2015, in Docket No. 20140239-WS, *In re: Application for staff-assisted rate case in Polk County by Orchid Springs Development Corporation.*

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Table 10-1
Late Payment Charge Cost Justification

Activity	Cost
Labor	\$7.00
Supplies	\$0.22
Postage	<u>\$0.49</u>
Markup for RAFs	<u>\$0.36</u>
Total Cost	<u><u>\$8.07</u></u>

Source: Utility's cost justification documentation

Based on the above, Country Walk's request to implement a \$6.50 late payment charge should be approved. The Utility should be required to file a proposed customer notice to reflect the Commission-approved charge. The approved charge should be effective on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved charge should not be implemented until after staff has approved the proposed customer notice and the notice has been received by customers. The Utility should provide proof of the date notice was given no less than 10 days after the date of the notice.

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Issue 11: What are the appropriate miscellaneous service charges for Country Walk?

Recommendation: The miscellaneous service charges identified in Table 11-5 are appropriate and should be approved. The charges should be effective on or after the stamped approval date on the tariff pursuant to Rule 25-30.475, F.A.C. In addition, the approved charges should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The Utility should provide proof of the date notice was given within 10 days of the date of the notice. (Sibley)

Staff Analysis: Country Walk's current miscellaneous service charges were established in Docket Nos. 960244-WU²¹, 150067-WU²², and 150260-WS.²³ Section 367.091, F.S., authorizes the Commission to change miscellaneous service charges. The Utility's request to revise its miscellaneous charges was accompanied by its reason for requesting the charges, as well as the cost justification required by Section 367.091(6), F.S. The requested charges are consistent with those recently approved for its sister company, LP Waterworks, which is located in the same county.²⁴ The calculation for staff's recommended charges for miscellaneous services are shown in Tables 11-1 through 11-4 and are rounded up to the nearest tenth. The Utility's current and staff's recommended miscellaneous service charges are shown in Table 11-5.

Initial Connection Charge

The initial connection charge is levied for service initiation at a location where service did not exist previously. A Utility representative makes one trip when performing the service of an initial connection. Based on labor and transportation to and from the service territory, staff recommends initial connection charges for Country Walk's water system of \$31.10 for normal hours and \$36.20 for after hours. Staff's calculations are shown in Table 11-1.

²¹Order No. PSC-97-0568-FOF-WU, issued May 20, 1997, in Docket No. 960244-WU, *In re: Application for certificate to provide water service in Highlands County by Country Walk Utilities, Inc.*

²²Order No. PSC-15-0187-TRF-WU, issued May 06, 2015, in Docket No. 150067-WU, *In re: Request for approval of amendment to tariff for miscellaneous service charges in Highlands County by Country Walk Utilities, Inc.*

²³Order No. PSC-16-0084-TRF-WS, issued February 22, 2016, in Docket No. 150260-WS, *In re: Request for approval of late payment charges and return check (NSF) charge and request for approval of amendment to tariff sheets for miscellaneous service charges in Lake County by Brendenwood Waterworks, Inc., Harbor Waterworks, Inc., Lake Idlewild Waterworks, Inc., and Raintree Waterworks, Inc., and in Highlands County by Country Walk Utilities, Inc.*

²⁴Order No. PSC-17-0334-PAA-WS, issued in August 23, 2017, in Docket No. 160222-WS, *In re: Application for staff-assisted rate case in Highlands County by LP Waterworks, Inc.*

**Table 11-1
Initial Connection Charge Calculation**

Activity	Normal Hours Cost	Activity	After Hours Cost
Administrative Labor (\$28/hr x 1/4 hr)	\$7.00	Administrative Labor (\$28/hr x 1/4 hr)	\$7.00
Field Labor (\$30.42/hr x 1/3 hr)	\$10.14	Field Labor (45.63/hr x 1/3 hr)	\$15.21
Transportation (\$0.535/mile x 26 miles-to/from)	\$13.91	Transportation (\$0.535/mile x 26 miles-to/from)	\$13.91
Total	\$31.05	Total	\$36.12

Source: Staff Analysis

Normal Reconnection Charge

A normal reconnection charge is levied for the reconnection of service subsequent to a customer requested disconnection. A normal reconnection requires two trips, which includes one to turn service off and the other to turn service on. Based on labor and transportation to and from the service territory, staff recommends normal reconnection charges for Country Walk's water system of \$57.10 for normal hours and \$64.70 for after hours. Staff's calculations are shown in Table 11-2.

**Table 11-2
Normal Reconnection Charge Calculation**

Activity	Normal Hours Cost	Activity	After Hours Cost
Administrative Labor (\$28/hr x 1/4hr x 2)	\$14.00	Administrative Labor (\$28/hr x 1/4hr)	\$14.00
Field Labor (\$30.42/hr x 1/4 hr x 2)	\$15.21	Field Labor (\$45.63/hr x 1/4hr x 2)	\$22.82
Transportation (\$0.535/mile x 26 miles-to/from x 2)	\$27.82	Transportation (\$0.535/mile x 26 miles-to/from x 2)	\$27.82
Total	\$57.03	Total	\$64.64

Source: Staff Analysis

Violation Reconnection Charge

The violation reconnection charge is levied prior to reconnection of an existing customer after discontinuance of service for cause. The service performed for violation reconnection requires two trips, which includes one trip to turn off service and a subsequent trip to turn on service once the violation has been remedied. Based on labor and transportation to and from the service territory, staff recommends violation reconnection charges for Country Walk's water system of \$57.10 for normal hours and \$64.70 for after hours. Staff's calculations are shown in Table 11-3.

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Table 11-3
Violation Reconnection Charge Calculation

Activity	Normal Hours Cost	Activity	After Hours Cost
Administrative Labor (\$28/hr x 1/4hr x 2)	\$14.00	Administrative Labor (\$28/hr x 1/4hr x 2)	\$14.00
Field Labor (\$30.42/hr x 1/4 hr x 2)	\$15.21	Field Labor (\$45.63hr x 1/4 hr x 2)	\$22.82
Transportation (\$0.535/mile x 26 miles-to/from) x 2	\$27.82	Transportation (\$0.535/mile x 26 miles-to/from) x 2	\$27.82
Total	\$57.03	Total	\$64.64

Source: Staff Analysis

Premises Visit Charge

The premises visit charge is levied when a service representative visits a premises at the customer's request for complaint resolution and the problem is found to be the customer's responsibility. In addition, the premises visit charge can be levied when a service representative visits premises for the purpose of discontinuing service for nonpayment of a due and collectible bill and does not discontinue service because the customer pays the service representative or otherwise makes satisfactory arrangements to pay the bill. A premises visit requires one trip. Based on labor and transportation to and from the service territory, staff recommends a premises visit charge of \$31.10 for normal hours and \$36.20 for after hours. Staff's calculations are shown in Table 11-4.

Table 11-4
Premises Visit Charge Calculation

Activity	Normal Hours Cost	Activity	After Hours Cost
Administrative Labor (\$28.00/hr x 1/4hr)	\$7.00	Administrative Labor (\$28.00/hr x 1/4hr)	\$7.00
Field Labor (\$30.42/hr x 1/3 hr)	\$10.14	Field Labor (\$45.63/hr x 1/3 hr)	\$15.21
Transportation (\$0.535/mile x 26 miles-to/from)	\$13.91	Transportation (\$0.535/mile x 26 miles-to/from)	\$13.91
Total	\$31.05	Total	\$36.12

Source: Staff Analysis

Conclusion

Based on the aforementioned, the miscellaneous service charges identified in Table 11-5 are appropriate and should be approved. The charges should be effective on or after the stamped approval date on the tariff pursuant to Rule 25-30.475, F.A.C. In addition, the approved charges should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The Utility should provide proof of the date notice was given within 10 days of the date of the notice.

Table 11-5
Miscellaneous Service Charges

	Current	Staff Recommended	
	Normal and After Hours	Normal Hours	After Hours
Initial Connection Charge	\$15.00	\$31.10	\$36.20
Normal Reconnection Charge	\$15.00	\$57.10	\$64.70
Violation Reconnection Charge	\$15.00	\$57.10	\$64.70
Premises Visit Charge	\$10.00	\$31.10	\$36.20

Source: Staff Analysis

Date: October 18, 2018

Issue 12: What is the appropriate amount by which rates should be reduced in four years after the published effective date to reflect the removal of the amortized rate case expense as required by Section 367.0816, F.S.?

Recommendation: The water rates should be reduced, as shown on Schedule No. 4-A, to remove rate case expense grossed-up for RAFs and amortized over a 4-year period. The decrease in rates should become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.081, F.S. Country Walk should be required to 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 should 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. (Sibley, L. Smith) (Final Agency Action)

Staff Analysis: Section 367.081(8), F.S., requires that the rates 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 will reflect the removal of revenue associated with the amortization of rate case expense, the associated return in working capital, and the gross-up for RAFs. This results in a reduction of \$420.

The water rates should be reduced, as shown on Schedule No. 4-A, to remove rate case expense grossed-up for RAFs and amortized over a 4-year period. The decrease in rates should become effective immediately following the expiration of the 4-year rate case expense recovery period, pursuant to Section 367.0816(8), F.S. Country Walk should be required to 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 should 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.

Date: October 18, 2018

Issue 13: Should the recommended rates be approved for the Utility on a temporary basis subject to refund with interest, in the event of a protest filed by a party other than the Utility?

Recommendation: Yes. Pursuant to Section 367.0814(7), F.S., the recommended rates should be approved for the Utility on a temporary basis, subject to refund with interest, in the event of a protest filed by a party other than the Utility. Country Walk should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should 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 should not be implemented until staff has approved the proposed notice, and the notice has been received by the customers. Prior to implementation of any temporary rates, the Utility should provide appropriate security. If the recommended rates are approved on a temporary basis, the rates collected by the Utility should be subject to the refund provisions discussed below in the staff analysis. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., the Utility should file reports with the Commission's Office of Commission Clerk no later than the 20th of each month indicating the monthly and total amount of money subject to refund at the end of the preceding month. The report filed should also indicate the status of the security being used to guarantee repayment of any potential refund. (L. Smith) (Final Agency Action)

Staff Analysis: This recommendation proposes an increase in water 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, staff recommends that the recommended rates be approved as temporary rates. Country Walk should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should 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 should not be implemented until staff has approved the proposed notice, and the notice has been received by the customers. The recommended rates collected by the Utility should be subject to the refund provisions discussed below.

The Utility should be authorized to collect the temporary rates upon staff's approval of an appropriate security for the potential refund and the proposed customer notice. The security should be in the form of a bond or letter of credit in the amount of \$18,640. Alternatively, the Utility could establish an escrow agreement with an independent financial institution.

If the Utility chooses a bond as security, the bond should 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 should contain the following conditions:

- 1) The letter of credit is irrevocable for the period it is in effect, and,
- 2) The letter of credit will be in effect until a final Commission order is rendered, either approving or denying the rate increase.

Date: October 18, 2018

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

- 1) The Commission Clerk, or his or her designee, must be a signatory to the escrow agreement; and,
- 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 *Consenting 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 should the maintenance and administrative costs associated with the refund be borne by the customers. These costs are the responsibility of, and should 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 should be maintained by the Utility. If a refund is ultimately required, it should be paid with interest calculated pursuant to Rule 25-30.360(4), F.A.C.

The Utility should maintain a record of the amount of the security, 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 should file reports with the Commission's Office of Commission Clerk no later than the 20th of each month indicating the monthly and total amount of money subject to refund at the end of the preceding month. The report filed should also indicate the status of the security being used to guarantee repayment of any potential refund.

Date: October 18, 2018

Issue 14: Should the Utility be required to notify the Commission within 90 days of an effective order finalizing this docket, that it has adjusted its books consistent with the applicable National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts (USOA) for all Commission-approved adjustments?

Recommendation: Yes. The Utility should be required to notify the Commission, in writing, that it has adjusted its books in accordance with the Commission's decision. Country Walk should submit a letter within 90 days of the final order in this docket, confirming that the adjustments to all the applicable NARUC USOA accounts have been made to the Utility's books and records. In the event the Utility needs additional time to complete the adjustments, notice should be provided within seven days prior to deadline. Upon providing good cause, staff should be given administrative authority to grant an extension of up to 60 days. (L. Smith) (Final Agency Action)

Staff Analysis: The Utility should be required to notify the Commission, in writing, that it has adjusted its books in accordance with the Commission's decision. Country Walk should submit a letter within 90 days of the final order in this docket, confirming that the adjustments to all the applicable NARUC USOA accounts have been made to the Utility's books and records. In the event the Utility needs additional time to complete the adjustments, notice should be provided within seven days prior to deadline. Upon providing good cause, staff should be given administrative authority to grant an extension of up to 60 days.

Date: October 18, 2018

Issue 15: Should this docket be closed?

Recommendation: No. If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, a consummating order should be issued. The docket should remain open for staff's verification that the revised tariff sheets and customer notice have been filed by the Utility and approved by staff, and the Utility has submitted a letter to staff confirming that the adjustments to all the applicable NARUC USOA primary accounts as shown on Attachment A have been made to the Utility's books and records. Once these actions are complete, this docket should be closed administratively. (Murphy)

Staff Analysis: If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, a consummating order should be issued. The docket should remain open for staff's verification that the revised tariff sheets and customer notice have been filed by the Utility and approved by staff, and the Utility has submitted a letter to staff confirming that the adjustments to all the applicable NARUC USOA primary accounts as shown on Attachment A have been made to the Utility's books and records. Once these actions are complete, this docket should be closed administratively.

COUNTRY WALK UTILITIES, INC		SCHEDULE NO. 1-A	
TEST YEAR ENDED 12/31/17		DOCKET NO. 20180021-WU	
SCHEDULE OF WATER RATE BASE			
DESCRIPTION	BALANCE PER UTILITY	STAFF ADJUSTMENTS TO UTIL. BAL.	BALANCE PER STAFF
UTILITY PLANT IN SERVICE	\$230,541	\$808	\$231,349
LAND & LAND RIGHTS	1,495	0	1,495
CIAC	(23,950)	0	(23,950)
ACCUMULATED DEPRECIATION	(64,064)	13,335	(50,729)
ACCUMULATED AMORTIZATION OF CIAC	17,421	508	17,929
ACQUISITION ADJUSTMENT	(20,064)	0	(20,064)
ACCUMULATED AMORTIZATION OF ACQ ADJ	10,127	(2,337)	7,790
WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>3,956</u>	<u>3,956</u>
WATER RATE BASE	<u>\$151,506</u>	<u>\$16,270</u>	<u>\$167,776</u>

COUNTRY WALK UTILITIES, INC		SCHEDULE NO. 1-B
TEST YEAR ENDED 12/31/17		DOCKET NO. 20180021-WU
ADJUSTMENTS TO RATE BASE		
		<u>WATER</u>
<u>UTILITY PLANT IN SERVICE</u>		
1. To reflect well retirement		(\$16,306)
2. To reflect pro forma plant additions.		<u>17,114</u>
Total		<u>\$808</u>
<u>ACCUMULATED DEPRECIATION</u>		
1. To reflect the appropriate balance.		(\$2,451)
2. To reflect well retirement		16,306
3. To reflect pro forma plant additions.		<u>(520)</u>
Total		<u>\$13,335</u>
<u>ACCUMULATED AMORTIZATION OF CIAC (AA of CIAC)</u>		
To reflect the appropriate balance.		<u>\$508</u>
<u>ACCUMULATED AMORTIZATION OF ACQ ADJ (AA of AA)</u>		
To reflect the appropriate balance. AF3		<u>(\$2,337)</u>
<u>WORKING CAPITAL ALLOWANCE</u>		
To reflect 1/8 of test year O & M expenses.		<u>\$3,956</u>

COUNTRY WALK UTILITIES, INC						SCHEDULE NO. 2		
TEST YEAR ENDED 12/31/17						DOCKET NO. 20180021-WU		
SCHEDULE OF CAPITAL STRUCTURE								
CAPITAL COMPONENT	PER UTILITY	SPECIFIC ADJUST-MENTS	BALANCE BEFORE PRO RATA ADJUSTMENTS	PRO RATA ADJUST-MENTS	BALANCE PER STAFF	PERCENT OF TOTAL	COST	WEIGHTED COST
1. COMMON STOCK	\$250	\$0	\$250					
2. RETAINED EARNINGS	21,704	0	21,704					
3. PAID IN CAPITAL	13,894	0	13,894					
4. OTHER COMMON EQUITY	<u>0</u>	<u>0</u>	<u>0</u>					
TOTAL COMMON EQUITY	\$35,848	\$0	\$35,848	\$131,184	\$167,032	99.56%	8.11%	8.07%
5. LONG TERM DEBT	\$0	\$0	\$0	\$0	\$0	0.00%	0.00%	0.00%
6. SHORT-TERM DEBT	0	0	0	0	0	0.00%	0.00%	0.00%
7. PREFERRED STOCK	<u>0</u>	<u>0</u>	0	<u>0</u>	<u>0</u>	<u>0.00%</u>	0.00%	0.00%
TOTAL LONG TERM DEBT	\$0	\$0	\$0	\$0	\$0	0.00%		
8. CUSTOMER DEPOSITS	<u>\$744</u>	<u>\$0</u>	<u>\$744</u>	<u>\$0</u>	<u>\$744</u>	<u>0.44%</u>	2.00%	<u>0.01%</u>
9. TOTAL	<u>\$36,592</u>	<u>\$0</u>	<u>\$36,592</u>	<u>\$131,184</u>	<u>\$167,776</u>	<u>100.00%</u>		<u>8.08%</u>
RANGE OF REASONABLENESS						LOW	HIGH	
RETURN ON EQUITY						<u>7.11%</u>	<u>9.11%</u>	
OVERALL RATE OF RETURN						<u>7.08%</u>	<u>9.08%</u>	

COUNTRY WALK UTILITIES, INC				SCHEDULE NO. 3-A	
TEST YEAR ENDED 12/31/17				DOCKET NO. 20180021-WU	
SCHEDULE OF WATER OPERATING INCOME					
	TEST YEAR PER UTILITY	STAFF ADJUSTMENTS	STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. OPERATING REVENUES	<u>\$28,552</u>	<u>\$812</u>	<u>\$29,364</u>	<u>\$27,596</u> 93.98%	<u>\$56,960</u>
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	\$25,022	\$7,028	\$32,050	\$0	\$32,050
3. DEPRECIATION (NET)	3,549	7,078	10,627	0	10,627
5. AMORTIZATION OF ACQ ADJ	(2,337)	0	(2,337)	0	(2,337)
6. TAXES OTHER THAN INCOME	<u>1,570</u>	<u>253</u>	<u>1,823</u>	<u>1,242</u>	<u>3,065</u>
7. TOTAL OPERATING EXPENSES	<u>\$27,804</u>	<u>\$14,359</u>	<u>\$42,163</u>	<u>\$1,242</u>	<u>\$43,405</u>
8. OPERATING INCOME/(LOSS)	<u>\$748</u>		<u>(\$12,799)</u>		<u>\$13,555</u>
9. WATER RATE BASE	<u>\$151,506</u>		<u>\$167,776</u>		<u>\$167,776</u>
10. RATE OF RETURN	<u>0.49%</u>		<u>-7.63%</u>		<u>8.08%</u>

COUNTRY WALK UTILITIES, INC		Schedule No. 3-B
TEST YEAR ENDED 12/31/17		DOCKET NO. 20180021-WU
ADJUSTMENTS TO OPERATING INCOME		Page 1 of 1
		<u>WATER</u>
OPERATING REVENUES		
1. To reflect the appropriate test year services revenues.		\$807
2. To reflect the appropriate test year miscellaneous service revenues.		<u>5</u>
Subtotal		<u>\$812</u>
OPERATION AND MAINTENANCE EXPENSES		
1. Purchased Power (615)		
To reflect actual chemicals expense .		<u>(\$72)</u>
2. Chemicals (618)		
To reflect actual chemicals expense .		<u>(\$150)</u>
3. Contractual Services - Other (636)		
b. To reflect the new US Water contract amount.		\$5,396
a. To reflect amortization of water tank sandblasting and coating.		<u>1,000</u>
Subtotal		<u>\$6,396</u>
4. Regulatory Commission Expense		
Allowance for rate case expense amortized over 4 years.		<u>\$401</u>
5. Bad Debt Expense (670)		
To reflect increase in bad debt expense.		<u>\$453</u>
TOTAL OPERATION & MAINTENANCE ADJUSTMENTS		<u>\$7,028</u>
DEPRECIATION EXPENSE		
1. To reflect the appropriate going-forward depreciation expense.		\$7,084
2. To reflect well retirement		(\$604)
4. To reflect pro forma additions.		520
5. To reflect the appropriate CIAC expense.		<u>78</u>
Total		<u>\$7,078</u>
TAXES OTHER THAN INCOME		
To reflect the appropriate property taxes.		<u>\$253</u>

Date: October 18, 2018

COUNTRY WALK UTILITIES, INC		SCHEDULE NO. 3-C	
TEST YEAR ENDED 12/31/17		DOCKET NO. 20180021-WU	
ANALYSIS OF WATER OPERATION AND MAINTENANCE EXPENSE			
	TOTAL PER UTILITY	STAFF ADJUST- MENT	TOTAL PER STAFF
(603) SALARIES AND WAGES - OFFICERS	\$3,000	\$0	\$3,000
(615) PURCHASED POWER	1,224	(72)	1,152
(618) CHEMICALS	2,969	(150)	2,819
(632) CONTRACTUAL SERVICES - ACCOUNTING	350	0	350
(633) CONTRACTUAL SERVICES - LEGAL	530	0	530
(636) CONTRACTUAL SERVICES - OTHER	15,432	6,396	21,828
(657) INSURANCE EXPENSE - GENERAL LIABILITY	1,300	0	1,300
(665) REGULATORY COMMISSION EXPENSE	0	401	401
(670) BAD DEBT EXPENSE	117	453	570
(675) MISCELLANEOUS EXPENSE	<u>100</u>	<u>0</u>	<u>100</u>
	<u>\$25,022</u>	<u>\$7,028</u>	<u>\$32,050</u>

COUNTRY WALK UTILITIES, INC		SCHEDULE NO. 4	
TEST YEAR ENDED DECEMBER 30, 2017		DOCKET NO. 180021-WU	
MONTHLY WATER RATES			
	UTILITY CURRENT RATES	STAFF RECOMMENDED RATES	4 YEAR RATE REDUCTION
Residential and General Service			
Base Facility Charge by Meter Size			
5/8"X3/4"	\$16.45	\$29.16	\$0.24
3/4"	\$24.67	\$43.74	\$0.37
1"	\$41.10	\$72.90	\$0.61
1-1/2"	\$82.19	\$145.80	\$1.22
2"	\$131.48	\$233.28	\$1.96
3"	\$262.99	\$466.56	\$3.92
4"	\$410.93	\$729.00	\$6.12
6"	\$821.88	\$1,458.00	\$12.25
Charge per 1,000 gallons - Residential			
0 - 10,000 gallons	\$6.17	N/A	N/A
Over 10,000 gallons	\$7.72	N/A	N/A
0 - 3,000 gallons	N/A	\$13.07	\$0.11
Over 3,000 gallons	N/A	\$23.74	\$0.20
Charge per 1,000 gallons - General Service	\$6.17	\$15.19	\$0.13
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
3,000 Gallons	\$34.96	\$68.37	
6,000 Gallons	\$53.47	\$139.59	
10,000 Gallons	\$78.15	\$234.55	

Country Walk Utilities, Inc.			Attachment A
Plant & Accumulated Depreciation Balances			
Docket No. 20180021-WU			
Water			
Test Year Ended 12/31/17			
Account			Accumulated
No.	Description	UPIS	Depreciation
301	Organization	\$2,389	\$239
302	Franchises	750	65
303	Land and Land Rights	1,495	0
304	Structures & Improvements	11,980	9,902
307	Wells & Springs	22,107	5,400
311	Pumping Equip.	4,736	3,351
320	Water Treatment Equip.	144,882	11,580
330	Dist. Reservoirs & Standpipes	6,701	5,653
331	T&D Mains	11,863	5,830
333	Services	17,542	481
334	Meters & Meter Installations	8,399	8,229
		<u>\$232,844</u>	<u>\$50,729</u>

Item 7

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: October 18, 2018

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Engineering (Mtenga, Ellis, King) *MM*
Division of Economics (Guffey, Draper) *TS*
Office of the General Counsel (Crawford, Davis, Nieves) *ED*
JS *JDH* *IN* *gsc*

RE: Docket No. 20180149-EI – Petition for a limited proceeding to approve first solar base rate adjustment, by Duke Energy Florida, LLC.

AGENDA: 10/30/18 – Regular Agenda – Tariff Filing - Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Fay

CRITICAL DATES: 60-Day clock waived by Utility until 10/30/2018

SPECIAL INSTRUCTIONS: None

Case Background

Duke Energy Florida, LLC's (DEF) petition for a limited proceeding to approve its 2017 Second Revised and Restated Settlement Agreement (2017 Settlement) was approved by the Florida Public Service Commission (Commission) on November 20, 2017, by Order No. PSC-2017-0451-AS-EU.¹ Paragraph 12 of the 2017 Settlement allows DEF to implement an increase to base rates effective January 2019, and paragraph 15 of the 2017 Settlement allows DEF to petition the Commission for cost recovery of up to 350 megawatts (MW) of solar generation in 2019. According to paragraph 15 of the 2017 Settlement, the cost of the solar projects shall be reasonable and cost-effective.

¹ Order No. PSC-2017-0451-AS-EU, issued November 20, 2017, in Docket No. 20170183-EI, *In re: Application for limited proceeding to approve 2017 second revised and restated settlement agreement, including certain rate adjustments, by Duke Energy Florida, LLC.*

On July 31, 2018, DEF filed a petition for a limited proceeding to approve its first solar base rate adjustment, which includes both the Hamilton Solar Power Plant (Hamilton Project) and the Columbia Solar Power Plant (Columbia Project). The Hamilton Project is expected to go into service in late 2018 and the Columbia Project is expected to go into service in early 2020. Each project has a rating of 74.9 MW.

On August 24, 2018, DEF filed a petition, also in Docket No. 20180149-EI, for approval of tariff changes to implement the 2019 base rate increase approved in the 2017 Settlement and the proposed base rate adjustment for the Hamilton Project. The tariffs filed with this petition also include the base rate increase for the second Citrus County Combined Cycle Power Block (Citrus Unit 2) which was approved for inclusion in base rates by Order No. PSC-2018-0367-TRF-EI (Citrus Order).² The decisions to increase rates for the Citrus Unit 2 and the step increase authorized by paragraph 12 of the 2017 Settlement Agreement are final. The recommendation below combines these previously approved increases with the solar base rate adjustment increase for administrative efficiency.

DEF requests that the tariffs filed on August 24, 2018, go into effect with the first billing cycle in January 2019; however, Duke acknowledges the tariff increases for the Hamilton Project and Citrus Unit 2 are contingent on DEF placing the units into service before the first billing cycle of January 2019. DEF has also requested that the rates for the Hamilton Project be subject to refund to allow the Commission to render a decision on the solar base rate adjustment petition. A hearing for the Hamilton and Columbia Projects is currently scheduled to be held in April 2019. A copy of the tariff to be approved is shown in Legislative format appended to this recommendation as Attachment A.

This recommendation addresses the tariffs DEF filed in its August 24, 2018, petition. DEF waived the 60-day file and suspend provision of Section 366.06(3), Florida Statutes (F.S.), until the October 30, 2018 Commission Conference. The Commission has jurisdiction pursuant to Sections 366.06 and 366.076, F.S.

² Order No. PSC-2018-0367-TRF-EI, issued July 25, 2018, in Docket No. 20180084-EI, *In re: Petition for limited proceeding for approval to include in base rates the revenue requirement for the Citrus combined cycle project, by Duke Energy Florida, LLC.*

Discussion of Issues

Issue 1: Should the Commission approve DEF's tariffs filed on August 24, 2018?

Recommendation: Yes. The Commission should approve DEF's tariffs filed on August 24, 2018, appended to this recommendation as Attachment A. The tariffs should go into effect with the first billing cycle in January 2019. The base rate increase associated with the Hamilton Project should be subject to refund, pending the Commissions' final determination regarding the Hamilton and Columbia Projects following the April administrative hearing. If the in-service date of the Hamilton Project is delayed, then the tariffs reflecting the Hamilton Project should become effective, subject to refund, with the first billing cycle after the Hamilton Project is placed in commercial service and the Commission should provide staff authority to administratively approve the tariffs at the appropriate time. If the in-service date of the Hamilton Project and/or Citrus Unit 2 is delayed, DEF should notify staff of the delay(s) and file revised tariffs, for administrative approval by staff, effective with the first billing cycle of January 2019 to remove the portion of the base rate increase associated with those units. (Draper, Guffey)

Staff Analysis: On August 24, 2018, DEF filed a petition and supplemental direct testimony of Marcia Olivier to support the calculations and proposed tariffs to go into effect with the first billing cycle in January 2019. The proposed tariffs reflect three base rate increases: (1) the Hamilton Project; (2) the base rate increase approved in the 2017 Settlement; and (3) the base rate increase to reflect Citrus Unit 2 approved in the Citrus Order. DEF explained that combining several rate increases into one tariff sheet filing smooths out the rate impact to customers and avoids the potential confusion of multiple tariff sheets. The three base rate changes are discussed in more detail below.

Hamilton Project

The proposed Hamilton Project is a 74.9 MW solar facility being constructed in Hamilton County and is at issue in the instant docket. DEF states that the Hamilton Project is expected to be in-service in December 2018. DEF requested to implement the base rate increase for the Hamilton Project with the first billing cycle in January 2019, subject to refund, pending the final Commission decision in this docket. DEF further stated that if the commercial in-service date of the Hamilton Project is delayed, then the tariff should become effective with the first billing cycle after the Hamilton Project is placed in commercial service and the Commission should provide staff authority to administratively approve the tariff sheets at the appropriate time.

The proposed annualized revenue requirement for the Hamilton Project is \$15.2 million. Exhibit MO-2 of the supplemental direct testimony of Marcia Olivier shows the allocation of the \$15.2 million revenue requirement to all rate classes. The uniform percentage increase to all rate classes is 0.69 percent. The residential base rate impact of the Hamilton Project is \$0.46 on a 1,000 kWh bill.

Base Rate Increase approved in 2017 Settlement

Paragraph 12(b) of the 2017 Settlement provides for a \$67 million base rate increase effective with the first billing cycle in January 2019. Paragraph 12(c) of the 2017 Settlement provides that if the applicable federal or state income tax rate for DEF changes, DEF will adjust the amount of the base increase to reflect the new tax rate before the implementation of such increase. DEF explained in the supplemental direct testimony of Marcia Oliver that DEF recalculated the base rate increase, in accordance with the 2017 Settlement, to reflect the new lower federal income tax rate resulting from the 2017 Tax Cuts and Jobs Act. Staff reviewed the calculation of the revised base rate increase and confirmed that DEF applied the tax changes in accordance with the 2017 settlement. The revised base rate increase is \$55.1 million. The residential base rate impact of the 2017 Settlement is \$1.84 on a 1,000 kWh bill.

Citrus Unit 2 Increase approved in Citrus Unit Order

The Citrus Order gave staff the administrative authority to approve tariffs and associated charges that implement the Commission's approval regarding base rate inclusion of DEF's Citrus Combined Cycle Project. As stated above, DEF's tariff sheets filed on August 24, 2018, also reflect the Citrus Unit 2 increase. Citrus Unit 2 is scheduled to be placed in-service in December 2018. As provided for in the Citrus Order, in the event that Citrus Unit 2 is delayed, then the tariff should become effective with the first billing cycle after Citrus Unit 2 is placed in commercial service and staff has authority to administratively approve the tariff sheets at the appropriate time. The residential base rate impact of Citrus Unit 2 is \$2.25 on a 1,000 kWh bill.

Conclusion

The impact on a residential 1,000 kWh bill of the three base rate changes discussed above effective with the first billing cycle in January 2019 is an increase of \$4.55. Duke will notify its customers of the rate changes in their December bills.

The Commission should approve DEF's tariffs filed on August 24, 2018, appended to this recommendation as Attachment A. The tariffs should go into effect with the first billing cycle in January 2019. The base rate increase associated with the Hamilton Project should be subject to refund, pending the Commission's final determination regarding the Hamilton and Columbia Projects following the April administrative hearing. If the in-service date of the Hamilton Project is delayed, then the tariffs reflecting the Hamilton Project should become effective, subject to refund, with the first billing cycle after the Hamilton Project is placed in commercial service and the Commission should provide staff authority to administratively approve the tariffs at the appropriate time. If the in-service date of the Hamilton Project and/or Citrus Unit 2 is delayed, DEF should notify staff of the delay(s) and file revised tariffs, for administrative approval by staff, effective with the first billing cycle of January 2019 to remove the portion of the base rate increase reflected with those units.

Issue 2: Should this docket be closed?

Recommendation: No. The docket should remain open pending the Commission's final decision on DEF's petition. (Crawford, Davis, Nieves)

Staff Analysis: The docket should remain open pending the Commission's final decision on DEF's petition for limited proceeding with respect to the Hamilton and Columbia Projects.



SECTION NO. VI
THIRTY-~~THIRD~~-FOURTH REVISED SHEET NO. 6.120
CANCELS THIRTY-~~SECOND~~-THIRD REVISED SHEET NO. 6.120

RATE SCHEDULE RS-1
RESIDENTIAL SERVICE

Page 1 of 2

Availability:

Available throughout the entire territory served by the Company.

Applicable:

To residential customers in a single dwelling house, a mobile home, or individually metered single apartment unit or other unit having housekeeping facilities, occupied by one family or household as a residence. The premises of such single dwelling may include an additional apartment with separate housekeeping facilities, as well as a garage and other separate structures where they are occupied or used solely by the members or servants of such family or household. Also, for energy used in commonly-owned facilities in condominium and cooperative apartment buildings subject to the following criteria:

1. 100% of the energy is used exclusively for the co-owner's benefit.
2. None of the energy is used in any endeavor which sells or rents a commodity or provides service for a fee.
3. Each point of delivery is separately metered and billed.
4. A responsible legal entity is established as the customer to whom the Company can render its bill(s) for said service.

Character of Service:

Continuous service, alternating current, 60 cycles per second, single-phase or three-phase, at the Company's standard available distribution voltage. Three-phase service, if available, will be supplied only under the conditions set forth in the Company's booklet "Requirements for Electric Service and Meter Installations."

Limitation of Service:

Standby or resale service not permitted hereunder. Service under this rate is subject to the Company's currently effective and filed "General Rules and Regulations for Electric Service."

Rate Per Month:

Customer Charge: \$ ~~8.829~~ 66

Demand and Energy Charges:

Non-Fuel Energy Charges:

First 1,000 kWh ~~5.9455~~ 673¢ per kWh
All additional kWh ~~7.5717~~ 098¢ per kWh

Plus the Cost Recovery Factors listed in
Rate Schedule BA-1, *Billing Adjustments*,
except the Fuel Cost Recovery Factor and
Asset Securitization Charge Factor:

See Sheet No. 6.105 and 6.106

Additional Charges:

Fuel Cost Recovery Factor:	See Sheet No. 6.105
Asset Securitization Charge Factor:	See Sheet No. 6.105
Gross Receipts Tax Factor:	See Sheet No. 6.106
Right-of-Way Utilization Fee:	See Sheet No. 6.106
Municipal Tax:	See Sheet No. 6.106
Sales Tax:	See Sheet No. 6.106

(Continued on Page No. 2)

ISSUED BY: Javier J. Portuondo, Managing Director Rates & Regulatory Strategy – FL

EFFECTIVE: January 1, 2019~~October 4, 2018~~



SECTION NO. VI
~~SEVENTH~~^{EIGHTH} REVISED SHEET NO. 6.121
CANCELS ~~SIXTH~~^{SEVENTH} REVISED SHEET NO. 6.121

Page 2 of 2

RATE SCHEDULE RS-1
RESIDENTIAL SERVICE
(Continued from Page No. 1)

Minimum Monthly Bill:

The Minimum Monthly Bill shall be the Customer Charge.

Terms of Payment:

Bills rendered hereunder are payable within the time limit specified on bill at company-designated locations.

Term of Service:

From billing period to billing period, until receipt of notice by the Company from the customer to disconnect, or upon disconnect by the Company under Florida Public Service Commission or Company rules.

Budget Billing Plan (Optional):

A customer may elect to be billed for service hereunder by an alternative billing plan called the "Budget Billing Plan." This billing plan provides for payments on an averaged monthly installment basis rather than payments on an actual monthly usage basis.

Under the Budget Billing Plan, the monthly billing is determined as follows:

1. The Annual Base Amount is calculated using the most recent twelve (12) months' billings for the premise and then averaged and rounded to the nearest whole dollar (Monthly Budget Billing Amount); if the customer has not resided at the premise for twelve (12) months, the Annual Base Amount will be determined by the customer's available monthly billings plus the previous occupant's billings. If the premise is new, a twelve (12) month estimated billing would be used.

2. The Monthly Budget Billing Amount is recalculated every third month using the most recent Annual Base Amount plus any deferred balances (the difference in prior billings made under the Budget Billing Plan and that of actual charges).

$$\text{Monthly Budget Billing Amount} = \frac{\text{12-Month Summation Actual or Est. Annual Base} + \text{Deferred Balance}}{12}$$

— If the difference between the newly calculated Monthly Budget Billing Amount and the current Monthly Budget Billing Amount is greater than \$5 or 10%, then the Monthly Billing Amount will be re-established at the newly calculated amount (rounded to the nearest whole dollar).

3. At the customer's option (in lieu of carrying the deferred balance forward in the recalculation of the Monthly Budget Billing Amount) any deferred balance that is outstanding at the customer's annual review may be settled either through being applied to the customer's next bill (if a credit balance) or direct payment to the Company (if a debit balance).

A customer may request termination of the Budget Billing Plan at any time. The Company may terminate application of the Plan to any Customer whose balance due becomes sixty (60) days delinquent. Upon termination of the Plan or disconnection of service, the Customer must settle the account in full. Once the Customer has terminated, he or she may not rejoin the plan for twelve (12) months.

ISSUED BY: Javier J. Portuondo, Managing Director Rates & Regulatory Strategy – FL

EFFECTIVE: January 1, 2019 April 29, 2013



SECTION NO. VI
THIRTY-~~SIXTH~~^{FIFTH} REVISED SHEET NO. 6.130
CANCELS THIRTY-~~FIFTH~~^{FOURTH} REVISED SHEET NO. 6.130

Page 1 of 3

RATE SCHEDULE RSL-1
RESIDENTIAL LOAD MANAGEMENT

Availability:

Available only within the range of the Company's Load Management System.
Available to customers whose premises have active load management devices installed prior to June 30, 2007.
Available to customers whose premises have load management devices installed after June 30, 2007 that have and are willing to submit to load control of, at a minimum, central electric cooling and heating systems.

Applicable:

To customers eligible for Residential Service under Rate Schedule RS-1 or RSS-1 having a minimum average monthly usage of 600 kWh (based on the most recent 12 months, or, where not available, a projection for 12 months), and utilizing any of the following electrical equipment:

1. Water Heater
2. Central Electric Heating System
3. Central Electric Cooling System
4. Swimming Pool Pump

Character of Service:

Continuous service, alternating current, 60 cycle, single-phase, at the Company's standard distribution secondary voltage available. Three-phase service, if available, will be supplied only under the conditions set forth in the Company's booklet "Requirements for Electric Service and Meter Installations."

Limitation of Service:

Service to the electrical equipment specified above may be interrupted at the option of the Company by means of load management devices installed on the customer's premises.

For new service requests after June 30, 2007 customers with a central electric heating system that is a heat pump will be installed on Interruption Schedule S. All other new service requests will be installed on Interruption Schedule B. Interruption Schedule C shall be at the option of the customer.

For new service requests after April 1, 1995, and before June 30, 2007, customers who select the swimming pool pump schedule must also select at least one other schedule.

An installation of an alternative thermal storage heating system under Special Provision No. 7 of this rate schedule is not available after April 1, 1995.

Standby or resale service not permitted hereunder. Service under this rate is subject to the Company's currently effective and filed "General Rules and Regulations for Electric Service."

Rate Per Month:

Customer Charge: \$ 9,668.82

Energy and Demand Charges:

Non-Fuel Energy Charges:

First 1,000 kWh 5,945.57¢ per kWh
All additional kWh 7,571.09¢ per kWh

Plus the Cost Recovery Factors listed in Rate Schedule BA-1, *Billing Adjustments*, except the Fuel Cost Recovery Factor and Asset Securitization Charge Factor:

See Sheet No. 6.105 and 6.106

Additional Charges:

Fuel Cost Recovery Factor: See Sheet No. 6.105
Asset Securitization Charge Factor: See Sheet No. 6.105
Gross Receipts Tax Factor: See Sheet No. 6.106
Right-of-Way Utilization Fee: See Sheet No. 6.106
Municipal Tax: See Sheet No. 6.106
Sales Tax: See Sheet No. 6.106

Load Management Monthly Credit Amounts:^{1,2}

Interruptible Equipment

	Interruption Schedule				
	A	B	C	D	S
Water Heater	-	-	\$3.50	-	-
Central Heating System ³	\$2.00	\$8.00	-	-	\$8.00
Central Heating System w/Thermal Storage ³	-	-	-	\$8.00	-
Central Cooling System ⁴	\$1.00	\$5.00	-	-	\$5.00
Swimming Pool Pump	-	-	\$2.50	-	-

(Continued on Page No. 2)

ISSUED BY: Javier J. Portuondo, Managing Director Rates & Regulatory Strategy – FL

EFFECTIVE: January 1, 2019~~October 1, 2018~~



6.135

SECTION NO. VI
TWENTY-~~SECOND~~^{FIRST} REVISED SHEET NO. 6.135
CANCELS ~~TWENTY-FIRST~~^{TWENTIETH} REVISED SHEET NO.

Page 1 of 2

RATE SCHEDULE RSL-2
RESIDENTIAL LOAD MANAGEMENT – WINTER ONLY

Availability:

Available only within the range of the Company's Load Management System.

Applicable:

To customers eligible for Residential Service under Rate Schedule RS-1 or RSS-1 having a minimum average monthly usage of 600 kWh for the months of November through March (based on the most recent billings, where not available, a projection for those months) and utilizing both electric water heater and central electric heating systems.

Character of Service:

Continuous service, alternating current, 60 cycle, single-phase, at the Company's standard distribution secondary voltage available. Three-phase service, if available, will be supplied only under the conditions set forth in the Company's booklet "Requirements for Electric Service and Meter Installations."

Limitation of Service:

Service to the electrical equipment specified above may be interrupted at the option of the Company by means of load management devices installed on the customer's premises.

Standby or resale service not permitted hereunder. Service under this rate is subject to the Company's currently effective and filed "General Rules and Regulations for Electric Service."

Rate Per Month:

Customer Charge: \$ 9,668.82

Energy and Demand Charges:

Non-Fuel Energy Charges:

First 1,000 kWh 5,945.573¢ per kWh
All additional kWh 7,571.7098¢ per kWh

Plus the Cost Recovery Factors listed in Rate Schedule BA-1, *Billing Adjustments*, except the Fuel Cost Recovery Factor and Asset Securitization Charge Factor:

See Sheet No. 6.105 and 6.106

Additional Charges:

Fuel Cost Recovery Factor: See Sheet No. 6.105
Asset Securitization Charge Factor: See Sheet No. 6.105
Gross Receipts Tax Factor: See Sheet No. 6.106
Right-of-Way Utilization Fee: See Sheet No. 6.106
Municipal Tax: See Sheet No. 6.106
Sales Tax: See Sheet No. 6.106

Load Management Credit Amount:¹

Interruptible Equipment Monthly Credit²
Water Heater and Central Heating System \$11.50

Notes: (1) Load management credit shall not exceed 40% of the Non-Fuel Energy Charge associated with kWh billed in excess of 600 kWh/month.

(2) For billing months of November through March only.

Appliance Interruption Schedule:

Heating Equipment interruptions to achieve an effective equipment duty cycle of approximately 45% during control periods within the Company's designated Peak Periods. Heat pump back-up strip may be interrupted continuously, not to exceed 300 minutes, during the Company's designated Peak. When the heat pump back-up strip is being interrupted, the heat pump will not be interrupted.

Water Heater Equipment may be interrupted continuously, not to exceed 300 minutes, and during the Company's designated Peak Periods.

(Continued on Page No. 2)

ISSUED BY: Javier J. Portuondo, Managing Director Rates & Regulatory Strategy – FL

EFFECTIVE: January 1, 2019~~October 4, 2018~~



SECTION NO. VI
TWENTY-~~EIGHTH~~^{SEVENTH} REVISED SHEET NO. 6.140
CANCELS TWENTY-~~SEVENTH~~^{SIXTH} REVISED SHEET NO. 6.140

Page 1 of 2

**RATE SCHEDULE RST-1
RESIDENTIAL SERVICE
OPTIONAL TIME OF USE RATE
(Closed to New Customers as of 02/10/10)**

Availability:

Available throughout the entire territory served by the Company.

Applicable:

At the option of residential customers otherwise eligible for service under Rate Schedule RS-1, provided that all of the electric load requirements on the customer's premises are metered through one point of delivery.

Character of Service:

Continuous service, alternating current, 60 cycle, single phase, at the Company's standard distribution secondary voltage available. Three-phase service, if available, will be supplied only under the conditions set forth in the Company's booklet "Requirements for Electric Service and Meter Installations."

Limitation of Service:

Standby or resale service not permitted hereunder. Service under this rate is subject to the Company's currently effective and filed "General Rules and Regulations Governing Electric Service."

Rate Per Month:

Customer Charge: \$ ~~17.86~~^{17.30}

Energy and Demand Charges:

Non-Fuel Energy Charges: ~~18.35~~^{18.35}¢ per On-Peak kWh
~~1.02~~^{1.02}¢ per Off-Peak kWh

Plus the Cost Recovery Factors listed in
Rate Schedule BA-1, *Billing Adjustments*,
except the Fuel Cost Recovery Factor and
Asset Securitization Charge Factor.

See Sheet No. 6.105 and 6.106

The On-Peak rate shall apply to energy used during designated On-Peak Periods. The Off-Peak rate shall apply to all other energy use.

Rating Periods:

(a) **On-Peak Periods** - The designated On-Peak Periods expressed in terms of prevailing clock time shall be as follows:

- (1) For the calendar months of November through March,
Monday through Friday *: 6:00 a.m. to 10:00 a.m. and
6:00 p.m. to 10:00 p.m.
- (2) For the calendar months of April through October,
Monday through Friday *: 12:00 Noon to 9:00 p.m.

* The following general holidays shall be excluded from the On-Peak Periods: New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas. In the event the holiday occurs on a Saturday or Sunday, the adjacent weekday shall be excluded from the On-Peak Periods.

(b) **Off-Peak Periods** - The designated Off-Peak Periods shall be all periods other than the designated On-Peak Periods set forth in (a) above.

(Continued on Page No. 2)

ISSUED BY: Javier J. Portuondo, Managing Director Rates & Regulatory Strategy – FL

EFFECTIVE: ~~January 1, 2019~~^{October 1, 2018}



SECTION NO. VI
THIRTY-~~FIFTH~~~~FOURTH~~ REVISED SHEET NO. 6.150
CANCELS THIRTY-~~FOURTH~~~~THIRD~~ REVISED SHEET NO. 6.150

Page 1 of 2

RATE SCHEDULE GS-1
GENERAL SERVICE – NON-DEMAND

Availability:

Available throughout the entire territory served by the Company.

Applicable:

To any customer, other than residential, for light and power purposes for which no other rate schedule is specifically applicable.

Character of Service:

Continuous service, alternating current, 60 cycle, single-phase or three-phase, at the Company's standard distribution voltage available.

Limitation of Service:

Standby or resale service not permitted hereunder. Service under this rate is subject to the Company's currently effective and filed "General Rules and Regulations for Electric Service."

Rate Per Month:

Customer Charge:

Unmetered Account:	\$ 7,226.58
Secondary Metering Voltage:	\$ 12,784.67
Primary Metering Voltage:	\$ 161,654.75
Transmission Metering Voltage:	\$ 797,347.27

Energy and Demand Charges:

Non-Fuel Energy Charge: ~~6.4576~~ 0.53¢ per kWh

Plus the Cost Recovery Factors listed in
Rate Schedule BA-1, *Billing Adjustments*,
except the Fuel Cost Recovery Factor and
Asset Securitization Charge Factor:

See Sheet No. 6.105 and 6.106

Premium Distribution Service Charge:

Where Premium Distribution Service has been established after 12/15/98 in accordance with Subpart 2.05, General Rules and Regulations Governing Electric Service, the customer shall pay a monthly charge determined under Special Provision No. 2 of this rate schedule for the costs of all additional equipment, or the customer's allocated share thereof, installed to accomplish automatic delivery transfer including all line costs necessary to connect to an alternate distribution circuit.

In addition, the Non-Fuel Energy Charge included in the Rate per Month section of this rate schedule shall be increased by ~~0.8819-826¢~~ per kWh for the cost of reserving capacity in the alternate distribution circuit.

Metering Voltage Adjustment:

Metering voltage will be at the option of the Company. When the Company meters at a voltage above standard distribution secondary, the applicable following reduction factor shall apply to the Non-Fuel Energy Charge hereunder:

<u>Metering Voltage</u>	<u>Reduction Factor</u>
Distribution Primary	1.0%
Transmission	2.0%

Additional Charges:

Fuel Cost Recovery Factor:	See Sheet No. 6.105
Asset Securitization Charge Factor:	See Sheet No. 6.105
Gross Receipts Tax Factor:	See Sheet No. 6.106
Right-of-Way Utilization Fee:	See Sheet No. 6.106
Municipal Tax:	See Sheet No. 6.106
Sales Tax:	See Sheet No. 6.106

(Continued on Page No. 2)

ISSUED BY: Javier J. Portuondo, Managing Director Rates & Regulatory Strategy – FL

EFFECTIVE: ~~January 1, 2019~~ October 4, 2018



SECTION NO. VI
~~THIRTY-FIRST THIRTIETH~~ REVISED SHEET NO. 6.160
CANCELS ~~THIRTIETH TWENTY-NINTH~~ REVISED SHEET NO. 6.160

Page 1 of 2

RATE SCHEDULE GST-1
GENERAL SERVICE – NON-DEMAND
OPTIONAL TIME OF USE RATE

Availability:

Available throughout the entire territory served by the Company.

Applicable:

At the option of non-residential customers otherwise eligible for service under Rate Schedule GS-1, provided that all of the electric load requirements on the Customer's premises are metered through one point of delivery.

Character of Service:

Continuous service, alternating current, 60 cycle, single-phase or three-phase, at the Company's standard distribution voltage available.

Limitation of Service:

Standby or Resale service not permitted hereunder. Service under this rate is subject to the Company's currently effective and filed "General Rules and Regulations for Electric Service."

Rate per Month:

Customer Charge:

Secondary Metering Voltage:	\$ 20,974.43
Primary Metering Voltage:	\$ 169,854.55
Transmission Metering Voltage:	\$ 805,527.36

Energy and Demand Charge:

Non-Fuel Energy Charge:	18,326.47 ¢ per On-Peak kWh
	0.9940.934 ¢ per Off-Peak kWh

Plus the Cost Recovery Factors listed in Rate Schedule BA-1, *Billing Adjustments*, except the Fuel Cost Recovery Factor and Asset Securitization Charge Factor:

See Sheet No. 6.105 and 6.106

The On-Peak rate shall apply to energy use during designated On-Peak Periods. The Off-Peak rate shall apply to all other energy use.

Premium Distribution Service Charge:

Where Premium Distribution Service has been established after 12/15/98 in accordance with Subpart 2.05, General Rules and Regulations Governing Electric Service, the customer shall pay a monthly charge determined under Special Provision No. 2 of this rate schedule for the costs of all additional equipment, or the customer's allocated share thereof, installed to accomplish automatic delivery transfer including all line costs necessary to connect to an alternate distribution circuit.

In addition, the Non-Fuel Charges included in the Rate per Month section of this rate schedule shall be increased by ~~0.8810.826~~¢ per kWh for the cost of reserving capacity in the alternate distribution circuit.

Rating Periods:

(a) **On-Peak Periods** - The designated On-Peak Periods expressed in terms of prevailing clock time shall be as follows:

- (1) For the calendar months of November through March,
Monday through Friday*: 6:00 a.m. to 10:00 a.m. and
6:00 p.m. to 10:00 p.m.
- (2) For the calendar months of April through October,
Monday through Friday*: 12:00 Noon to 9:00 p.m.

* The following general holidays shall be excluded from the On-Peak Periods: New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas. In the event the holiday occurs on a Saturday or Sunday, the adjacent weekday shall be excluded from the On-Peak Periods.

(Continued on Page No. 2)

ISSUED BY: Javier J. Portuondo, Managing Director Rates & Regulatory Strategy – FL

EFFECTIVE: January 1, 2019~~October 4, 2018~~



SECTION NO. VI
THIRTY-~~FOURTH~~^{THIRD} REVISED SHEET NO. 6.165
CANCELS THIRTY-~~THIRD~~^{SECOND} REVISED SHEET NO. 6.165

Page 1 of 2

RATE SCHEDULE GS-2
GENERAL SERVICE – NON-DEMAND
100% LOAD FACTOR USAGE

Availability:

Available throughout the entire territory served by the Company.

Applicable:

To any customer, other than residential, with fixed wattage loads operating continuously throughout the billing period (such as traffic signals, cable TV amplifiers and gas transmission substations).

Character of Service:

Continuous service, alternating current, 60 cycle, single-phase or three-phase, at the Company's standard distribution voltage available.

Limitation of Service:

Standby or resale service not permitted hereunder. Service under this rate is subject to the Company's currently effective and filed "General Rules and Regulations for Electric Service."

Rate per Month:

Customer Charge:

Unmetered Account: \$ ~~7,226.58~~
Metered Account: \$ ~~12,784.67~~

Energy and Demand Charges:

Non-Fuel Energy Charge: ~~2,448.295¢~~ per kWh

Plus the Cost Recovery Factors listed in
Rate Schedule BA-1, *Billing Adjustments*,
except the Fuel Cost Recovery Factor and
Asset Securitization Charge Factor.

See Sheet No. 6.105 and 6.106

Premium Distribution Service Charge:

Where Premium Distribution Service has been established after 12/15/98 in accordance with Subpart 2.05, General Rules and Regulations Governing Electric Service, the customer shall pay a monthly charge determined under Special Provision No. 2 of this rate schedule for the costs of all additional equipment, or the customer's allocated share thereof, installed to accomplish automatic delivery transfer including all line costs necessary to connect to an alternate distribution circuit.

In addition, the Non-Fuel Energy Charge included in the Rate per Month section of this rate schedule shall be increased by ~~0.1780-167¢~~ per kWh for the cost of reserving capacity in the alternate distribution circuit.

Additional Charges:

Fuel Cost Recovery Factor:	See Sheet No. 6.105
Asset Securitization Charge Factor:	See Sheet No. 6.105
Gross Receipts Tax Factor:	See Sheet No. 6.106
Right-of-Way Utilization Fee:	See Sheet No. 6.106
Municipal Tax:	See Sheet No. 6.106
Sales Tax:	See Sheet No. 6.106

(Continued on Page No. 2)

ISSUED BY: Javier J. Portuondo, Managing Director Rates & Regulatory Strategy – FL

EFFECTIVE: January 1, 2019~~October 1, 2018~~



SECTION NO. VI
~~THIRTY-FIRST~~~~THIRTIETH~~ REVISED SHEET NO. 6.170
CANCELS ~~THIRTIETH~~~~TWENTY-NINTH~~ REVISED SHEET NO. 6.170

Page 1 of 3

RATE SCHEDULE GSD-1
GENERAL SERVICE - DEMAND

Availability:

Available throughout the entire territory served by the Company.

Applicable:

To any customer, other than residential, for light and power purposes for which no other rate schedule is specifically applicable with a measured annual kWh consumption of 24,000 kWh or greater per year.

Character of Service:

Continuous service, alternating current, 60 cycle, single-phase or three-phase, at the Company's standard distribution voltage available.

Limitation of Service:

Standby or resale service not permitted hereunder. Service under this rate is subject to the Company's currently effective and filed "General Rules and Regulations for Electric Service."

Rate Per Month:

Customer Charge:

Secondary Metering Voltage:	\$ 12,784.67
Primary Metering Voltage:	\$ 161,654.47
Transmission Metering Voltage:	\$ 797,347.27

Demand Charge:

\$ ~~6,045.66~~ per kW of Billing Demand

Plus the Cost Recovery Factors on a \$/kW basis
in Rate Schedule BA-1, *Billing Adjustments*:

See Sheet No. 6.105 and 6.106

Energy Charge:

Non-Fuel Energy Charge: ~~2,697.25~~¢ per kWh

Plus the Cost Recovery Factors on a ¢/kWh basis
in Rate Schedule BA-1, *Billing Adjustments*,
except for the Fuel Cost Recovery Factor and
Asset Securitization Charge Factor:

See Sheet No. 6.105 and 6.106

Premium Distribution Service Charge:

Where Premium Distribution Service has been established after 12/15/98 in accordance with Subpart 2.05, General Rules and Regulations Governing Electric Service, the customer shall pay a monthly charge determined under Special Provision No. 2 of this rate schedule for the costs of all additional equipment, or the customer's allocated share thereof, installed to accomplish automatic delivery transfer including all line costs necessary to connect to an alternate distribution circuit.

In addition, the Demand Charge included in the Rate per Month section of this rate schedule shall be increased by ~~\$1,304.22~~ per kW for the cost of reserving capacity in the alternate distribution circuit.

Determination of Billing Demand:

The billing demand shall be the maximum 30-minute kW demand established during the current billing period.

(Continued on Page No. 2)

ISSUED BY: Javier J. Portuondo, Managing Director Rates & Regulatory Strategy – FL

EFFECTIVE: January 1, 2019~~October 4, 2018~~



SECTION NO. VI
TWENTY-~~FIFTH~~^{FOURTH} REVISED SHEET NO. 6.171
CANCELS TWENTY-~~FOURTH~~^{THIRD} REVISED SHEET NO. 6.171

Page 2 of 3

RATE SCHEDULE GSD-1
GENERAL SERVICE - DEMAND
(Continued from Page No. 1)

Delivery Voltage Credit:

When a customer takes service under this rate at a delivery voltage above standard distribution secondary voltage, the Demand Charge hereunder shall be subject to the following credits:

For Distribution Primary Delivery Voltage:	\$1.19 per kW of Billing Demand
For Transmission Delivery Voltage:	\$5.95 per kW of Billing Demand

Metering Voltage Adjustment:

Metering voltage will be at the option of the Company. When the Company meters at a voltage above distribution secondary, the applicable following reduction factor shall apply to the Non-Fuel Energy Charge, Demand Charge and Delivery Voltage Credit hereunder:

<u>Metering Voltage</u>	<u>Reduction Factor</u>
Distribution Primary	1.0%
Transmission	2.0%

Power Factor:

For customers with measured demands of 1,000 kW or more for three (3) or more months out of the twelve (12) consecutive months ending with the current billing period, bills computed under the above rate per month charges will be increased ~~3432¢~~ for each KVAR by which the reactive demand exceeds, numerically, .62 times the measured kW demand, and will be decreased ~~3432¢~~ for each KVAR by which the reactive demand is less than, numerically, .62 times the measured kW demand.

Additional Charges:

Fuel Cost Recovery Factor:	See Sheet No. 6.105
Asset Securitization Charge Factor:	See Sheet No. 6.105
Gross Receipts Tax Factor:	See Sheet No. 6.106
Right-of-Way Utilization Fee:	See Sheet No. 6.106
Municipal Tax:	See Sheet No. 6.106
Sales Tax:	See Sheet No. 6.106

Minimum Monthly Bill:

The minimum monthly bill shall be the Customer Charge. Where special equipment to serve the customer is required, the Company may require a specified minimum charge.

Terms of Payment:

Bills rendered hereunder are payable within the time limit specified on the bill at Company-designated locations.

Term of Service:

Service under this rate shall be for a minimum initial term of twelve (12) months from commencement of service and shall continue thereafter until receipt of notice by the Company from the customer to disconnect, or upon disconnect by the Company under Florida Public Service Commission or Company Rules.

Customers taking service under another Company rate schedule who elect to transfer to this rate must remain on this rate for a minimum term of twelve (12) months.

(Continued on Page No. 3)

ISSUED BY: Javier J. Portuondo, Managing Director Rates & Regulatory Strategy – FL

EFFECTIVE: ~~January 1, 2019~~^{October 1, 2018}



SECTION NO. VI
THIRTY-~~SECOND~~^{FIRST} REVISED SHEET NO. 6.180
CANCELS ~~THIRTY-FIRST~~^{THIRTIETH} REVISED SHEET NO. 6.180

Page 1 of 3

RATE SCHEDULE GSDT-1
GENERAL SERVICE - DEMAND
OPTIONAL TIME OF USE RATE

Availability:

Available throughout the entire territory served by the Company.

Applicable:

At the option of the customer, otherwise eligible for service under Rate Schedule GSD-1, provided that all of the electric load requirements on the customer's premises are metered through one point of delivery.

Character of Service:

Continuous service, alternating current, 60 cycle, single-phase or three-phase, at the Company's standard distribution voltage available.

Limitation of Service:

Standby or Resale service not permitted hereunder. Service under this rate is subject to the Company's currently effective and filed "General Rules and Regulations for Electric Service."

Rate per Month:

Customer Charge:

Secondary Metering Voltage:	\$ 20,974.13
Primary Metering Voltage:	\$ 169,854.66
Transmission Metering Voltage:	\$ 805,527.36

Demand Charges:

Base Demand Charge: \$ ~~1,494.39~~ per kW of Base Demand

Plus the Cost Recovery Factors on a \$/kW basis
in Rate Schedule BA-1, *Billing Adjustments*:

See Sheet No. 6.105 and 6.106

On-Peak Demand Charge:

\$ ~~4,494.21~~ per kW of On-Peak Demand

Energy Charges:

Non-Fuel Energy Charge:	5.8695-502¢ per On-Peak kWh
	0.9840-922¢ per Off-Peak kWh

Plus the Cost Recovery Factors on a ¢/kWh basis
in Rate Schedule BA-1, *Billing Adjustments*,
except for the Fuel Cost Recovery Factor and
Asset Securitization Charge Factor:

See Sheet No. 6.105 and 6.106

The On-Peak rate shall apply to energy use during designated On-Peak Periods. The Off-Peak rate shall apply to all other energy use.

Premium Distribution Service Charge:

Where Premium Distribution Service has been established after 12/15/98 in accordance with Subpart 2.05, General Rules and Regulations Governing Electric Service, the customer shall pay a monthly charge determined under Special Provision No. 2 of this rate schedule for the costs of all additional equipment, or the customer's allocated share thereof, installed to accomplish automatic delivery transfer including all line costs necessary to connect to an alternate distribution circuit.

In addition, the Base Demand Charge included in the Rate per Month section of this rate schedule shall be increased by ~~\$1,304.22~~ per kW for the cost of reserving capacity in the alternate distribution circuit.

(Continued on Page No. 2)

ISSUED BY: Javier J. Portuondo, Managing Director Rates & Regulatory Strategy – FL

EFFECTIVE: ~~January 1, 2019~~^{October 4, 2018}



SECTION NO. VI
TWENTY-~~FIFTH~~^{FOURTH} REVISED SHEET NO. 6.181
CANCELS TWENTY-~~FOURTH~~^{THIRD} REVISED SHEET NO. 6.181

Page 2 of 3

RATE SCHEDULE GSDT-1
GENERAL SERVICE DEMAND
OPTIONAL TIME OF USE RATE
(Continued from Page No. 1)

Rating Periods:

(a) **On-Peak Periods** - The designated On-Peak Periods expressed in terms of prevailing clock time shall be as follows:

- (1) For the calendar months of November through March,
Monday through Friday *: 6:00 a.m. to 10:00 a.m. and
6:00 p.m. to 10:00 p.m.
- (2) For the calendar months of April through October,
Monday through Friday *: 12:00 Noon to 9:00 p.m.

* The following general holidays shall be excluded from the On-Peak Periods: New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas. In the event the holiday occurs on a Saturday or Sunday, the adjacent weekday shall be excluded from the On-Peak Periods.

(b) **Off-Peak Periods** - The designated Off-Peak Periods shall be all periods other than the designated On-Peak Periods set forth in (a) above.

Determination of Billing Demands:

The billing demands shall be the following:

- (a) The Base Demand shall be the maximum 30-minute kW demand established during the current billing period.
- (b) The On-Peak Demand shall be the maximum 30-minute kW demand established during designated On-Peak Periods during the current billing period.

Delivery Voltage Credit:

When a customer takes service under this rate schedule at a delivery voltage above standard distribution secondary voltage, the Base Demand Charge hereunder shall be subject to the following credits:

For Distribution Primary Delivery Voltage:	\$1.19 per kW of Billing Demand
For Transmission Delivery Voltage:	\$5.95 per kW of Billing Demand

Note: In no event shall the total of the Demand Charges hereunder, after application of the above credit, be an amount less than zero.

Metering Voltage Adjustment:

Metering voltage will be at the option of the Company. When the Company meters at a voltage above distribution secondary, the applicable following reduction factor shall apply to the Non-Fuel Energy Charge, Demand Charges and Delivery Voltage Credit hereunder:

<u>Metering Voltage</u>	<u>Reduction Factor</u>
Distribution Primary	1.0%
Transmission	2.0%

Power Factor:

For customers with metered demands of 1,000 kW or more for three (3) or more months out of the twelve (12) consecutive months ending with the current billing period, bills computed under the above rate per month charges will be increased ~~3432¢~~ for each KVAR by which the reactive demand exceeds numerically .62 times the measured kW demand, and will be decreased ~~3432¢~~ for each KVAR by which the reactive demand is less than, numerically, .62 times the measured kW demand.

(Continued on Page No. 3)

ISSUED BY: Javier J. Portuondo, Managing Director Rates & Regulatory Strategy – FL

EFFECTIVE: January 1, 2019~~October 1, 2018~~



SECTION NO. VI
THIRTY- ~~SIXTH~~^{FIFTH} REVISED SHEET NO. 6.230
CANCELS THIRTY-~~FIFTH~~^{FOURTH} REVISED SHEET NO. 6.230

Page 1 of 4

RATE SCHEDULE CS-1
CURTAILABLE GENERAL SERVICE
(Closed to New Customers as of 04/16/96)

Availability:

Available throughout the entire territory served by the Company.

Applicable:

To any customer, other than residential, for light and power purposes where the customer agrees during a period of requested curtailment to curtail as a minimum the greater of: (a) 25 kW or (b) 25% of their average monthly billing demand (based on the most recent twelve (12) months or, where not available, a projection for twelve (12) months).

Character of Service:

Alternating current, 60 cycle, single-phase or three-phase, at the Company's standard voltage available.

Limitation of Service:

Standby or resale service not permitted hereunder. Curtailable service under this rate schedule is not subject to curtailment during any time period for economic reasons. Curtailable service under this rate schedule is subject to curtailment during any time period that electric power and energy delivered hereunder from the Company's available generating resources is required to a) maintain service to the Company's firm power customers and firm power sales commitments or b) supply emergency interchange service to another utility for its firm load obligations only. The Company will not make off-system purchases during such periods to maintain service to curtailable loads except under the conditions set forth in Special Provision No. 6 of this rate schedule.

Service under this rate is subject to the Company's currently effective and filed "General Rules and Regulations for Electric Service."

Rate Per Month:

Customer Charge:

Secondary Metering Voltage:	\$ 78,476.46
Primary Metering Voltage:	\$ 217,902.34
Transmission Metering Voltage:	\$ 813,257.44

Demand Charge:

\$ ~~9,709.40~~ per kW of Billing Demand

Plus the Cost Recovery Factors on a \$/kW basis
in Rate Schedule BA-1, *Billing Adjustments*:

See Sheet No. 6.105 and 6.106

Curtailable Demand Credit:

\$ 5.03 per kW of Curtailable Demand

Energy Charge:

Non-Fuel Energy Charge: 1.7724-664¢ per kWh

Plus the Cost Recovery Factors on a ¢/kWh basis
in Rate Schedule BA-1, *Billing Adjustments*,
except for the Fuel Cost Recovery Factor and
Asset Securitization Charge Factor:

See Sheet No. 6.105 and 6.106

Premium Distribution Service Charge:

Where Premium Distribution Service has been established after 12/15/98 in accordance with Subpart 2.05, General Rules and Regulations Governing Electric Service, the customer shall pay a monthly charge determined under Special Provision No. 8 of this rate schedule for the costs of all additional equipment, or the customer's allocated share thereof, installed to accomplish automatic delivery transfer including all line costs necessary to connect to an alternate distribution circuit.

In addition, the Demand Charge included in the Rate per Month section of this rate schedule shall be increased by \$1,304.22 per kW for the cost of reserving capacity in the alternate distribution circuit.

(Continued on Page No. 2)

ISSUED BY: Javier J. Portuondo, Managing Director Rates & Regulatory Strategy – FL

EFFECTIVE: January 1, 2019~~October 4, 2018~~



SECTION NO. VI
~~THIRTIETH~~~~TWENTY-NINTH~~ REVISED SHEET NO. 6.231
CANCELS ~~TWENTY-NINTH~~~~EIGHTH~~ REVISED SHEET NO. 6.231

Page 2 of 4

RATE SCHEDULE CS-1
CURTAILABLE GENERAL SERVICE
(Closed to New Customers as of 04/18/96)
(Continued from Page No. 1)

Determination of Billing Demand:

The billing demand shall be the maximum 30-minute kW demand established during the current billing period.

Determination of Curtailable Demand:

The Curtailable Demand shall be the difference, if any, between the current Billing Demand and the contract Non-Curtailable Demand determined in accordance with Special Provision No. 2 of this rate. In no event shall the Curtailable Demand be less than zero.

Delivery Voltage Credit:

When a customer takes service under this rate at a delivery voltage above standard distribution secondary voltage, the Demand Charge hereunder shall be subject to the following credit:

For Distribution Primary Delivery Voltage:	\$1.19 per kW of Billing Demand
For Transmission Delivery Voltage:	\$5.95 per kW of Billing Demand

Metering Voltage Adjustment:

Metering voltage will be at the option of the Company. When the Company meters at a voltage above distribution secondary, the appropriate following reduction factor shall apply to the Non-Fuel Energy Charge, Demand Charge, Curtailable Demand Credit and Delivery Voltage Credit hereunder:

<u>Metering Voltage</u>	<u>Reduction Factor</u>
Distribution Primary	1.0%
Transmission	2.0%

Power Factor:

For customers with measured demands of 1,000 kW or more for three (3) or more months out of the twelve (12) consecutive months ending with the current billing period, bills computed under the above rate per month charges will be increased ~~34.32¢~~ for each KVAR by which the reactive demand exceeds, numerically, .62 times the measured demand, and will be decreased ~~34.32¢~~ for each KVAR by which the reactive demand is less than, numerically, .62 times the measured kV demand.

Additional Charges:

Fuel Cost Recovery Factor:	See Sheet No. 6.105
Asset Securitization Charge Factor:	See Sheet No. 6.105
Gross Receipts Tax Factor:	See Sheet No. 6.106
Right-of-Way Utilization:	See Sheet No. 6.106
Municipal Tax:	See Sheet No. 6.106
Sales Tax:	See Sheet No. 6.106

Minimum Monthly Bill:

The minimum monthly bill shall be the Customer Charge. Where special equipment to serve the customer is required, the Company may require a specified minimum charge.

Terms of Payment:

Bills rendered hereunder are payable within the time limit specified on bill at Company-designated locations.

Term of Service:

Service under this rate schedule shall be for a minimum initial term of two (2) years from the commencement of service and shall continue thereafter until terminated by either party by written notice sixty (60) days prior to termination.

(Continued on Page No. 3)

ISSUED BY: Javier J. Portuondo, Managing Director Rates & Regulatory Strategy – FL

EFFECTIVE: ~~January 1, 2019~~ October 4, 2018



SECTION NO. VI
~~TWENTY-FIRST TWENTIETH~~ REVISED SHEET NO. 6.235
CANCELS ~~TWENTIETH NINETEENTH~~ REVISED SHEET NO. 6.235

Page 1 of 4

**RATE SCHEDULE CS-2
CURTAILABLE GENERAL SERVICE**

Availability:

Available throughout the entire territory served by the Company.

Applicable:

To any customer, other than residential, for light and power purposes where the billing demand is 500 kW or more, and where the customer agrees to curtail 25% of their average monthly billing demand (based on the most recent twelve (12) months or, where not available, a projection for twelve (12) months).

Character of Service:

Alternating current, 60 cycle, single-phase or three-phase, at the Company's standard voltage available.

Limitation of Service:

Standby or resale service is not permitted hereunder. Curtailable service under this rate schedule is not subject to curtailment during any time period for economic reasons. Curtailable service under this rate schedule is subject to curtailment during any time period that electric power and energy delivered hereunder from the Company's available generating resources is required to a) maintain service to the Company's firm power customers and firm power sales commitments or b) supply emergency interchange service to another utility for its firm load obligations only. The Company will not make off-system purchases during such periods to maintain service to curtailable loads except under the conditions set forth in Special Provision No. 6 of this rate schedule.

Service under this rate is subject to the Company's currently effective and filed "General Rules and Regulations for Electric Service."

Rate Per Month:

Customer Charge:

Secondary Metering Voltage:	\$ 78.47 76.46
Primary Metering Voltage:	\$ 217.90 242.34
Transmission Metering Voltage:	\$ 813.25 792.44

Demand Charge:

\$ ~~9.70~~~~9.40~~ per kW of Billing Demand

Plus the Cost Recovery Factors on a \$/kW basis
in Rate Schedule BA-1, *Billing Adjustments*:

See Sheet No. 6.105 and 6.106

Curtailable Demand Credit:

\$ 8.77 per kW of Load Factor Adjusted Demand

Energy Charge:

Non-Fuel Energy Charge: ~~1.77~~~~2.66~~¢ per kWh

Plus the Cost Recovery Factors on a ¢/kWh basis
in Rate Schedule BA-1, *Billing Adjustments*,
except for the Fuel Cost Recovery Factor and
Asset Securitization Charge Factor:

See Sheet No. 6.105 and 6.106

Premium Distribution Service Charge:

Where Premium Distribution Service has been established after 12/15/98 in accordance with Subpart 2.05, General Rules and Regulations Governing Electric Service, the customer shall pay a monthly charge determined under Special Provision No. 8 of this rate schedule for the costs of all additional equipment, or the customer's allocated share thereof, installed to accomplish automatic delivery transfer including all line costs necessary to connect to an alternate distribution circuit.

In addition, the Demand Charge included in the Rate per Month section of this rate schedule shall be increased by ~~\$1.30~~~~4.22~~ per kW for the cost of reserving capacity in the alternate distribution circuit.

(Continued on Page No. 2)

ISSUED BY: Javier J. Portuondo, Managing Director Rates & Regulatory Strategy – FL

EFFECTIVE: January 1, 2019~~October 1, 2018~~



NO. 6.236

SECTION NO. VI
~~SIXTEENTH~~~~FIFTEENTH~~ REVISED SHEET NO. 6.236
CANCELS ~~FIFTEENTH~~~~FOURTEENTH~~ REVISED SHEET

Page 2 of 4

**RATE SCHEDULE CS-2
CURTAILABLE GENERAL SERVICE**
(Continued from Page No. 1)

Determination of Billing Demand:

The billing demand shall be the maximum 30-minute kW demand established during the current billing period, but not less than 500 kW.

Determination of Load Factor Adjusted Demand:

The Load Factor Adjusted Demand shall be the difference, if any, between the maximum 30-minute kW demand established during the current billing period and the contract Non-Curtailable Demand determined in accordance with Special Provision No. 2 of this rate, multiplied by the customer's billing load factor (ratio of billing kWh to maximum 30-minute kW demand, multiplied by the number of hours in the billing period). In no event shall the Curtailable Demand be less than zero.

Delivery Voltage Credit:

When a customer takes service under this rate at a delivery voltage above standard distribution secondary voltage, the Demand Charge hereunder shall be subject to the following credit:

For Distribution Primary Delivery Voltage:	\$1.19 per kW of Billing Demand
For Transmission Delivery Voltage:	\$5.95 per kW of Billing Demand

Metering Voltage Adjustment:

Metering voltage will be at the option of the Company. When the Company meters at a voltage above distribution secondary, the appropriate following reduction factor shall apply to the Non-Fuel Energy Charge, Demand Charge, Curtailable Demand Credit and Delivery Voltage Credit hereunder:

<u>Metering Voltage</u>	<u>Reduction Factor</u>
Distribution Primary	1.0%
Transmission	2.0%

Power Factor:

Bills computed under the above rate per month charges will be increased ~~34.32%~~ for each KVAR by which the reactive demand exceeds, numerically, .62 times the measured demand, and will be decreased ~~34.32%~~ for each KVAR by which the reactive demand is less than, numerically, .62 times the measured kW demand.

Additional Charges:

Fuel Cost Recovery Factor:	See Sheet No. 6.105
Asset Securitization Charge Factor:	See Sheet No. 6.105
Gross Receipts Tax Factor:	See Sheet No. 6.106
Right-of-Way Utilization:	See Sheet No. 6.106
Municipal Tax:	See Sheet No. 6.106
Sales Tax:	See Sheet No. 6.106

Minimum Monthly Bill:

The minimum monthly bill shall be the Customer Charge and the Demand Charge for the current billing period. Where special equipment to serve the customer is required, the Company may require a specified minimum charge.

Terms of Payment:

Bills rendered hereunder are payable within the time limit specified on bill at Company-designated locations.

Term of Service:

Service under this rate shall be for a minimum initial term of two (2) years from the commencement of service, and shall continue thereafter until terminated by either party by written notice sixty (60) days prior to termination.

(Continued on Page No. 3)

ISSUED BY: Javier J. Portuondo, Managing Director Rates & Regulatory Strategy – FL

EFFECTIVE: ~~January 1, 2019~~ October 4, 2018



6.2390

SECTION NO. VI
~~EIGHTEENTH~~~~SEVENTEENTH~~ REVISED SHEET NO. 6.2390
CANCELS ~~SEVENTEENTH~~~~SIXTEENTH~~ REVISED SHEET NO.

Page 1 of 3

**RATE SCHEDULE CS-3
CURTAILABLE GENERAL SERVICE – FIXED CURTAILABLE DEMAND**

Availability:

Available throughout the entire territory served by the Company.

Applicable:

To any customer, other than residential, for light and power purposes where the billing demand is 2,000 kW or more (based on most recent twelve (12) months or, where not available, projected billing demand for twelve (12) months), and where the customer agrees to curtail its demand by a fixed contractual amount of not less than 2,000 kW upon request of the Company in accordance with the provisions of this rate schedule.

Character of Service:

Alternating current, 60 cycle, single-phase or three-phase, at the Company's standard voltage available.

Limitation of Service:

Standby or resale service is not permitted hereunder. Service under this rate schedule is subject to curtailment during any time period that electric power and energy delivered hereunder from the Company's available generating resources is required to a) maintain service to the Company's firm power customers and firm power sales commitments or b) supply emergency interchange service to another utility for its firm load obligations only. Service under this rate schedule is not subject to curtailment for economic reasons. The Company will not make off-system purchases during such curtailment periods to maintain service hereunder except as set forth in Special Provision No. 6 below. Service under this rate is subject to the "General Rules and Regulations Governing Electric Service" contained in Section IV of the Company's currently effective and filed retail tariff.

Rate Per Month:

Customer Charge:

Secondary Metering Voltage: \$ ~~78,476.46~~
Primary Metering Voltage: \$ ~~217,902.42~~
Transmission Metering Voltage: \$ ~~813,257.92~~

Demand Charge:

\$ ~~9,709.49~~ per kW of Billing Demand

Plus the Cost Recovery Factors on a \$/kW basis
in Rate Schedule BA-1, *Billing Adjustments*:

See Sheet No. 6.105 and 6.106

Curtable Demand Credit:

\$ 8.77 per kW of Fixed Curtable Demand

Energy Charge:

Non-Fuel Energy Charge:

~~1,7724.664~~¢ per kWh

Plus the Cost Recovery Factors on a ¢/kWh basis
in Rate Schedule BA-1, *Billing Adjustments*,
except for the Fuel Cost Recovery Factor and
Asset Securitization Charge Factor:

See Sheet No. 6.105 and 6.106

Premium Distribution Service Charge:

Where the customer receives Premium Distribution Service, the customer shall pay a monthly charge determined under Special Provision No. 8 of this rate schedule for the costs of all additional equipment, or the customer's allocated share thereof, installed to accomplish automatic delivery transfer, including, all line costs necessary to connect to an alternate distribution circuit.

In addition, the Demand Charge included in the Rate per Month section of this rate schedule shall be increased by ~~\$1,304.22~~ per kW for the cost of reserving capacity in the alternate distribution circuit.

Determination of Billing Demand:

The billing demand shall be the maximum 30-minute kW demand established during the current billing period, but not less than 2,000 kW.

Delivery Voltage Credit:

When a customer takes service under this rate schedule at a delivery voltage above standard distribution secondary voltage, the Demand Charge hereunder shall be subject to the following credit:

For Distribution Primary Delivery Voltage: \$1.19 per kW of Billing Demand
For Transmission Delivery Voltage: \$5.95 per kW of Billing Demand

(Continued on Page No. 2)

ISSUED BY: Javier J. Portuondo, Managing Director Rates & Regulatory Strategy – FL

EFFECTIVE: ~~January 1, 2019~~ ~~October 4, 2018~~



SECTION NO. VI
~~ELEVENTH~~ REVISED SHEET NO. 6.2391
CANCELS ~~TENTH~~ REVISED SHEET NO. 6.2391

Page 2 of 3

RATE SCHEDULE CS-3
CURTAILABLE GENERAL SERVICE – FIXED CURTAILABLE DEMAND
(Continued from Page No. 1)

Metering Voltage Adjustment:

Metering voltage will be at the option of the Company. When the Company meters at a voltage above distribution secondary, the appropriate following reduction factor shall apply to the Non-Fuel Energy Charge, Demand Charge, Curtailable Demand Credit and Delivery Voltage Credit hereunder:

<u>Metering Voltage</u>	<u>Reduction Factor</u>
Distribution Primary	1.0%
Transmission	2.0%

Power Factor Adjustment:

Bills computed under the above rate per month charges will be increased ~~3432%~~ for each KVAR by which the reactive demand exceeds, numerically, .62 times the measured demand, and will be decreased ~~3432%~~ for each KVAR by which the reactive demand is less than, numerically, .62 times the measured kW demand.

Additional Charges:

Fuel Cost Recovery Factor:	See Sheet No. 6.105
Asset Securitization Charge Factor:	See Sheet No. 6.105
Gross Receipts Tax Factor:	See Sheet No. 6.106
Right-of-Way Utilization:	See Sheet No. 6.106
Municipal Tax:	See Sheet No. 6.106
Sales Tax:	See Sheet No. 6.106

Minimum Monthly Bill:

The minimum monthly bill shall be the Customer Charge and the Demand Charge for the current billing period. Where special equipment to serve the customer is required, the Company may require a specified minimum charge.

Terms of Payment:

Bills rendered hereunder are payable within the time limit specified on bill at Company-designated locations.

Term of Service:

Service under this rate schedule shall be for a minimum initial term of two (2) years from the commencement of service and shall continue thereafter until terminated by either party by written notice sixty (60) days prior to termination.

Special Provisions:

- As used in this rate schedule, the term "period of requested curtailment" shall mean a period for which the Company has requested curtailment and for which energy purchased from sources outside the Company's system, pursuant to Special Provision No. 6, is not available. If such energy can be purchased, the terms of Special Provision No. 6 will apply and a period of requested curtailment will not be deemed to exist while such energy remains available.
- As a condition for service under this rate schedule, a customer is required to enter into a contract with the Company on the Company's filed standard contract Form No. 2. An initial Fixed Curtailable Demand of at least 2,000 kW shall be specified in the contract, which may be re-established under the following conditions:
 - If a change in the customer's power requirements occurs, the Company and the customer may establish a new Fixed Curtailable Demand.
 - If the customer fails to reduce load by the Fixed Curtailable Demand for the duration of any period of requested curtailment, the lowest measured load reduction achieved during such period shall become the Fixed Curtailable Demand effective with the next billing period following the period of requested curtailment. In addition, Special Provision No. 5 is applicable.
 - If the customer establishes a demand reduction larger than the Fixed Curtailable Demand for the duration of each period of requested curtailment occurring within a billing period, upon request by the customer, the lowest of the demand reductions achieved during each such period shall become the Fixed Curtailable Demand effective with the next billing period.
- As an essential requirement for receiving the Curtailable Demand Credit provided under this rate schedule, a customer shall be strictly responsible for the curtailment of its load by at least the Fixed Curtailable Demand upon each curtailment request from the Company. Such requests will be made during those periods specified under Limitation of Service above. The Company shall also have the right to request at least one additional curtailment each calendar year irrespective of such limitations.

(Continued on Page No. 3)

ISSUED BY: Javier J. Portuondo, Managing Director Rates & Regulatory Strategy – FL

EFFECTIVE: ~~January 1, 2019~~ ~~October 1, 2018~~



SECTION NO. VI
THIRTY-~~FIFTH~~^{FOURTH} REVISED SHEET NO. 6.240
CANCELS THIRTY-~~FOURTH~~^{THIRD} REVISED SHEET NO. 6.240

Page 1 of 5

RATE SCHEDULE CST-1
CURTAILABLE GENERAL SERVICE
OPTIONAL TIME OF USE RATE
(Closed to New Customers as of 04/16/96)

Availability:

Available throughout the entire territory served by the Company.

Applicable:

At the option of customers otherwise eligible for service under Rate Schedule CS-1, provided that all of the electric load requirements on the customer's premises are metered through one point of delivery.

Character of Service:

Alternating current, 60 cycle, single-phase or three-phase, at the Company's standard voltage available.

Limitation of Service:

Standby or resale service not permitted hereunder. Curtailable Service under this rate schedule is not subject to curtailment during any time period for economic reasons. Curtailable Service under this rate schedule is subject to curtailment during any time period that electric power and energy delivered hereunder from the Company's available generating resources is required to a) maintain service to the Company's firm power customers and firm power sales commitments or b) supply emergency interchange service to another utility for its firm load obligations only. The Company will not make off-system purchases during such periods to maintain service to curtailable loads except under the conditions set forth in Special Provision No. 6 of this rate schedule.

Service under this rate is subject to the Company's currently effective and filed "General Rules and Regulations for Electric Service."

Rate per Month:

Customer Charge:

Secondary Metering Voltage:	\$ 78,476.46
Primary Metering Voltage:	\$ 217,902.34
Transmission Metering Voltage:	\$ 813,257.44

Demand Charges:

Base Demand Charge: \$ ~~1,444.35~~ per kW of Base Demand

Plus the Cost Recovery Factors on a \$/kW basis
in Rate Schedule BA-1, *Billing Adjustments*: See Sheet No. 6.105 and 6.106

On-Peak Demand Charge: \$ ~~8,187.67~~ per kW of On-Peak Demand

Curtailable Demand Credit: \$ 5.03 per kW of Curtailable Demand

Energy Charge:

Non-Fuel Energy Charge:	3,2523.048¢ per On-Peak kWh
	0,9780.946¢ per Off-Peak kWh

Plus the Cost Recovery Factors on a ¢/kWh basis
in Rate Schedule BA-1, *Billing Adjustments*,
except for the Fuel Cost Recovery Factor and
Asset Securitization Charge Factor: See Sheet No. 6.105 and 6.106

The On-Peak rate shall apply to energy use during On-Peak Periods. The Off-Peak rate shall apply to all other energy use.

Premium Distribution Service Charge:

Where Premium Distribution Service has been established after 12/15/98 in accordance with Subpart 2.05, General Rules and Regulations Governing Electric Service, the customer shall pay a monthly charge determined under Special Provision No. 8 of this rate schedule for the costs of all additional equipment, or the customer's allocated share thereof, installed to accomplish automatic delivery transfer including all line costs necessary to connect to an alternate distribution circuit.

In addition, the Base Demand Charge included in the Rate per Month section of this rate schedule shall be increased by \$ ~~1,304.22~~ per kW for the cost of reserving capacity in the alternate distribution circuit.

(Continued on Page No. 2)

ISSUED BY: Javier J. Portuondo, Managing Director Rates & Regulatory Strategy – FL

EFFECTIVE: January 1, 2019~~October 1, 2018~~



SECTION NO. VI
TWENTY-~~EIGHTH~~ ~~SEVENTH~~ REVISED SHEET NO. 6.241
CANCELS TWENTY-~~SEVENTH~~ ~~SIXTH~~ REVISED SHEET NO. 6.241

Page 2 of 5

RATE SCHEDULE CST-1
CURTAILABLE GENERAL SERVICE
OPTIONAL TIME OF USE RATE
(Closed to New Customers as of 04/16/96)
(Continued from Page No. 1)

Rating Periods:

(a) **On-Peak Periods** - The designated On-Peak Periods expressed in terms of prevailing clock time shall be as follows:

- (1) For the calendar months of November through March,
Monday through Friday *: 6:00 a.m. to 10:00 a.m. and
6:00 p.m. to 10:00 p.m.
- (2) For the calendar months of April through October,
Monday through Friday*: 12:00 Noon to 9:00 p.m.

* The following general holidays shall be excluded from the On-Peak Periods: New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas. In the event the holiday occurs on a Saturday or Sunday, the adjacent weekday shall be excluded from the On-Peak Periods.

(b) **Off-Peak Periods** - The designated Off-Peak Periods shall be all periods other than the designated On-Peak Periods set forth in (a) above.

Determination of Billing Demands:

The billing demands shall be the following:

- (a) The Base Demand shall be the maximum 30-minute kW demand established during the current billing period.
- (b) The On-Peak Demand shall be the maximum 30-minute kW demand established during designated On-Peak Periods during the current billing period.

Determination of Curtailable Demand:

The Curtailable Demand shall be the difference, if any, between the current On-Peak Demand and the contract Non-Curtailable Demand determined in accordance with Special Provision No. 2 of this rate. In no event shall the Curtailable Demand be less than zero.

Delivery Voltage Credit:

When a customer takes service under this rate at a delivery voltage above standard distribution secondary voltage, the Base Demand Charge hereunder shall be subject to the following credit:

For Distribution Primary Delivery Voltage:	\$1.19 per kW of Billing Demand
For Transmission Delivery Voltage:	\$5.95 per kW of Billing Demand

Note: In no event shall the total of the Demand Charges hereunder, after application of the above credit, be an amount less than zero.

Metering Voltage Adjustment:

Metering voltage will be at the option of the Company. When the Company meters at a voltage above distribution secondary, the appropriate following reduction factor shall apply to the Non-Fuel Energy Charge, Demand Charges, Curtailable Demand Credit and Delivery Voltage Credit hereunder:

<u>Metering Voltage</u>	<u>Reduction Factor</u>
Distribution Primary	1.0%
Transmission	2.0%

Power Factor:

Bills computed under the above rate per month charges will be increased ~~3432¢~~ for each KVAR by which the reactive demand exceeds, numerically, .62 times the measured kW demand, and will be decreased ~~3432¢~~ for each KVAR by which the reactive demand is less than, numerically, .62 times the measured kW demand.

Additional Charges:

Fuel Cost Recovery Factor:	See Sheet No. 6.105
Asset Securitization Charge Factor:	See Sheet No. 6.105
Gross Receipts Tax Factor:	See Sheet No. 6.105

(Continued on Page No. 3)

ISSUED BY: Javier J. Portuondo, Managing Director Rates & Regulatory Strategy – FL

EFFECTIVE: January 1, 2019~~October 1, 2018~~



NO. 6.245

SECTION NO. VI

~~TWENTIETH NINETEENTH~~ REVISED SHEET NO. 6.245
CANCELS ~~NINETEENTH EIGHTEENTH~~ REVISED SHEET

Page 1 of 4

RATE SCHEDULE CST-2
CURTAILABLE GENERAL SERVICE
OPTIONAL TIME OF USE RATE

Availability:

Available throughout the entire territory served by the Company.

Applicable:

At the option of customers otherwise eligible for service under Rate Schedule CS-2, provided that all of the electric load requirements on the customer's premises are metered through one point of delivery.

Character of Service:

Alternating current, 60 cycle, single-phase or three-phase, at the Company's standard voltage available.

Limitation of Service:

Standby or resale service is not permitted hereunder. Curtailable service under this rate schedule is not subject to curtailment during any time period for economic reasons. Curtailable service under this rate schedule is subject to curtailment during any time period that electric power and energy delivered hereunder from the Company's available generating resources is required to a) maintain service to the Company's firm power customers and firm power sales commitments or b) supply emergency interchange service to another utility for its firm load obligations only. The Company will not make off-system purchases during such periods to maintain service to curtailable loads except under the conditions set forth in Special Provision No. 6 of this rate schedule.

Service under this rate is subject to the Company's currently effective and filed "General Rules and Regulations for Electric Service."

Rate Per Month:

Customer Charge:

Secondary Metering Voltage: \$ ~~78,476.46~~
Primary Metering Voltage: \$ ~~217,902.34~~
Transmission Metering Voltage: \$ ~~813,257.92.44~~

Demand Charges:

Base Demand Charge: \$ ~~1,444.35~~ per kW of Base Demand

Plus the Cost Recovery Factors on a \$/kW basis
in Rate Schedule BA-1, *Billing Adjustments*:

See Sheet No. 6.105 and 6.106

On-Peak Demand Charge: \$ ~~8,187.67~~ per kW of On-Peak Demand

Curtailable Demand Credit:

\$ 8.77 per kW of Load Factor Adjusted Demand

Energy Charge:

Non-Fuel Energy Charge: ~~3,2523.048¢~~ per On-Peak kWh
~~0.9780.946¢~~ per Off-Peak kWh

Plus the Cost Recovery Factors on a ¢/kWh basis
in Rate Schedule BA-1, *Billing Adjustments*,
except for the Fuel Cost Recovery Factor and
Asset Securitization Charge Factor:

See Sheet No. 6.105 and 6.106

The On-Peak rate shall apply to energy use during On-Peak Periods. The Off-Peak rate shall apply to all other energy use.

Premium Distribution Service Charge:

Where Premium Distribution Service has been established after 12/15/98 in accordance with Subpart 2.05, General Rules and Regulations Governing Electric Service, the customer shall pay a monthly charge determined under Special Provision No. 8 of this rate schedule for the costs of all additional equipment, or the customer's allocated share thereof, installed to accomplish automatic delivery transfer including all line costs necessary to connect to an alternate distribution circuit.

In addition, the Base Demand Charge included in the Rate per Month section of this rate schedule shall be increased by \$ ~~1,304.22~~ per kW for the cost of reserving capacity in the alternate distribution circuit.

(Continued on Page No. 2)

ISSUED BY: Javier J. Portuondo, Managing Director Rates & Regulatory Strategy – FL

EFFECTIVE: ~~January 1, 2019~~ ~~October 1, 2018~~



SECTION NO. VI
~~SIXTEENTH~~~~FIFTEENTH~~ REVISED SHEET NO. 6.246
CANCELS ~~FIFTEENTH~~~~FOURTEENTH~~ REVISED SHEET

~~NO. 6.246~~

Page 2 of 4

**RATE SCHEDULE CST-2
CURTAILABLE GENERAL SERVICE
OPTIONAL TIME OF USE RATE**
(Continued from Page No. 1)

Rating Periods:

- (a) **On-Peak Periods** - The designated On-Peak Periods expressed in terms of prevailing dock time shall be as follows:

- (1) For the calendar months of November through March,
Monday through Friday *: 6:00 a.m. to 10:00 a.m. and
6:00 p.m. to 10:00 p.m.
- (2) For the calendar months of April through October,
Monday through Friday*: 12:00 Noon to 9:00 p.m.

* The following general holidays shall be excluded from the On-Peak Periods: New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas. In the event the holiday occurs on a Saturday or Sunday, the adjacent weekday shall be excluded from the On-Peak Periods.

- (b) **Off-Peak Periods** - The designated Off-Peak Periods shall be all periods other than the designated On-Peak Periods set forth in (a) above.

Determination of Billing Demands:

The billing demands shall be the following:

- (a) The Base Demand shall be the maximum 30-minute kW demand established during the current billing period, but not less than 500 kW.
- (b) The On-Peak Demand shall be the maximum 30-minute kW demand established during designated On-Peak Periods during the current billing period.

Determination of Load Factor Adjusted Demand:

The Load Factor Adjusted Demand shall be the difference, if any, between the maximum 30-minute kW demand established during the current billing period and the contract Non-Curtailable Demand determined in accordance with Special Provision No. 2 of this rate, multiplied by the customer's billing load factor (ratio of billing kWh to maximum 30-minute kW demand, multiplied by the number of hours in the billing period). In no event shall the Curtailable Demand be less than zero.

Delivery Voltage Credit:

When a customer takes service under this rate at a delivery voltage above standard distribution secondary voltage, the Base Demand Charge hereunder shall be subject to the following credit:

For Distribution Primary Delivery Voltage:	\$1.19 per kW of Billing Demand
For Transmission Delivery Voltage:	\$5.95 per kW of Billing Demand

Note: In no event shall the total of the Demand Charges hereunder, after application of the above credit, be an amount less than zero.

Metering Voltage Adjustment:

Metering voltage will be at the option of the Company. When the Company meters at a voltage above distribution secondary, the appropriate following reduction factor shall apply to the Non-Fuel Energy Charge, Demand Charges, Curtailable Demand Credit and Delivery Voltage Credit hereunder:

<u>Metering Voltage</u>	<u>Reduction Factor</u>
Distribution Primary	1.0%
Transmission	2.0%

Power Factor:

Bills computed under the above rate per month charges will be increased ~~3.43%~~ for each KVAR by which the reactive demand exceeds, numerically, .62 times the measured kW demand, and will be decreased ~~3.43%~~ for each KVAR by which the reactive demand is less than, numerically, .62 times the measured kW demand.

Additional Charges:

Fuel Cost Recovery Factor:	See Sheet No. 6.105
Asset Securitization Charge Factor:	See Sheet No. 6.105
Gross Receipts Tax Factor:	See Sheet No. 6.106

(Continued on Page No. 3)

ISSUED BY: Javier J. Portuondo, Managing Director Rates & Regulatory Strategy – FL

EFFECTIVE: January 1, 2019~~October 1, 2018~~



SECTION NO. VI
~~EIGHTEENTH~~~~SEVENTEENTH~~ REVISED SHEET NO.

~~CANCELS SEVENTEENTH~~~~SIXTEENTH~~ REVISED SHEET

NO. 6.2490

Page 1 of 4

RATE SCHEDULE CST-3
CURTAILABLE GENERAL SERVICE – FIXED CURTAILABLE DEMAND
OPTIONAL TIME OF USE RATE

Availability:

Available throughout the entire territory served by the Company.

Applicable:

To any customer otherwise eligible for service under Rate Schedule CS-3, provided that all of the electric load requirements on the customer's premises are metered through one point of delivery.

Character of Service:

Alternating current, 60 cycle, single-phase or three-phase, at the Company's standard voltage available.

Limitation of Service:

Standby or resale service is not permitted hereunder. Service under this rate schedule is subject to curtailment during any time period that electric power and energy delivered hereunder from the Company's available generating resources is required to a) maintain service to the Company's firm power customers and firm power sales commitments, or b) supply emergency interchange service to another utility for its firm load obligations only. Service under this rate schedule is not subject to curtailment for economic reasons. The Company will not make off-system purchases during such curtailment periods to maintain service hereunder except as set forth in Special Provision No. 6 below.

Service under this rate is subject to the "General Rules and Regulations Governing Electric Service" contained in Section IV of the Company's currently effective and filed retail tariff.

Rate Per Month:

Customer Charge:

Secondary Metering Voltage:	\$ 78,477.46
Primary Metering Voltage:	\$ 217,902.42
Transmission Metering Voltage:	\$ 813,257.92

Demand Charges:

Base Demand Charge:	\$ 1,444.35 per kW of Base Demand
Plus the Cost Recovery Factors on a \$/kW basis in Rate Schedule BA-1, <i>Billing Adjustments</i> :	See Sheet No. 6.105 and 6.106
On-Peak Demand Charge:	\$ 8,187.67 per kW of On-Peak Demand
Curtailable Demand Credit:	\$ 8.77 per kW of Fixed Curtailable Demand

Energy Charge:

Non-Fuel Energy Charge:	3.2523-048¢ per On-Peak kWh
	0.9789-946¢ per Off-Peak kWh

Plus the Cost Recovery Factors on a ¢/kWh basis in Rate Schedule BA-1, *Billing Adjustments*, except for the Fuel Cost Recovery Factor and Asset Securitization Charge Factor:

See Sheet No. 6.105 and 6.106

The On-Peak rate shall apply to energy use during On-Peak Periods. The Off-Peak rate shall apply to all other energy use.

Premium Distribution Service Charge:

Where the customer receives Premium Distribution Service, the customer shall pay a monthly charge determined under Special Provision No. 8 of this rate schedule for the costs of all additional equipment, or the customer's allocated share thereof, installed to accomplish automatic delivery transfer including, all line costs necessary to connect to an alternate distribution circuit.

In addition, the Base Demand Charge included in the Rate per Month section of this rate schedule shall be increased by ~~\$1,304.22~~ per kW for the cost of reserving capacity in the alternate distribution circuit.

Rating Periods:

On-Peak Periods - The designated On-Peak Periods expressed in terms of prevailing clock time shall be as follows:

For the calendar months of November through March, Monday through Friday*:	6:00 a.m. to 10:00 a.m. and 6:00 p.m. to 10:00 p.m.
For the calendar months of April through October, Monday through Friday*:	12:00 Noon to 9:00 p.m.

* The following general holidays shall be excluded from the On-Peak Periods: New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas. In the event the holiday occurs on a Saturday or Sunday, the following Monday shall be excluded from the On-Peak Periods.

Off-Peak Periods - The designated Off-Peak Periods shall be all periods other than the designated On-Peak Periods set forth in (a) above.

(Continued on Page No. 2)

ISSUED BY: Javier J. Portuondo, Managing Director Rates & Regulatory Strategy – FL

EFFECTIVE: January 1, 2019~~October 1, 2018~~



SECTION NO. VI
~~FOURTEENTH~~~~THIRTEENTH~~ REVISED SHEET NO. 6.2491
CANCELS ~~THIRTEENTH~~~~TWELFTH~~ REVISED SHEET NO.

6.2484

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**RATE SCHEDULE CST-3
CURTAILABLE GENERAL SERVICE – FIXED CURTAILABLE DEMAND
OPTIONAL TIME OF USE RATE
(Continued from Page No. 1)**

Determination of Billing Demand:

The Base Demand for billing purposes shall be the maximum 30-minute kW demand established during the current billing period, but not less than 2,000 kW.

The On-Peak Demand for billing purposes shall be the maximum 30-minute kW demand established during designated On-Peak Periods during the current billing period.

Delivery Voltage Credit:

When a customer takes service under this rate schedule at a delivery voltage above standard distribution secondary voltage, the Base Demand Charge hereunder shall be subject to the following credit:

For Distribution Primary Delivery Voltage:	\$ 1.19 per kW of Billing Demand
For Transmission Delivery Voltage:	\$ 5.95 per kW of Billing Demand

Note: In no event shall the total of the Demand Charges hereunder, after application of the above credit, be an amount less than zero.

Metering Voltage Adjustment:

Metering voltage will be at the option of the Company. When the Company meters at a voltage above distribution secondary, the appropriate following reduction factor shall apply to the Non-Fuel Energy Charge, Demand Charge, Curtailable Demand Credit, and Delivery Voltage Credit hereunder:

<u>Metering Voltage</u>	<u>Reduction Factor</u>
Distribution Primary	1.0%
Transmission	2.0%

Power Factor Adjustment:

Bills computed under the above rate per month charges will be increased ~~3432%~~ for each KVAR by which the reactive demand exceeds, numerically, .62 times the measured demand, and will be decreased ~~3432%~~ for each KVAR by which the reactive demand is less than, numerically, .62 times the measured kW demand.

Additional Charges:

Fuel Cost Recovery Factor:	See Sheet No. 6.105
Asset Securitization Charge Factor:	See Sheet No. 6.105
Gross Receipts Tax Factor:	See Sheet No. 6.106
Right-of-Way Utilization:	See Sheet No. 6.106
Municipal Tax:	See Sheet No. 6.106
Sales Tax:	See Sheet No. 6.106

Minimum Monthly Bill:

The minimum monthly bill shall be the Customer Charge and the Demand Charge for the current billing period. Where special equipment to serve the customer is required, the Company may require a specified minimum charge.

Terms of Payment:

Bills rendered hereunder are payable within the time limit specified on bill at Company-designated locations.

Term of Service:

Service under this rate schedule shall be for a minimum initial term of two (2) years from the commencement of service, and shall continue thereafter until terminated by either party by written notice sixty (60) days prior to termination.

Special Provisions:

1. As used in this rate schedule, the term "period of requested curtailment" shall mean a period for which the Company has requested curtailment and for which energy purchased from sources outside the Company's system, pursuant to Special Provision No. 6, is not available. If such energy can be purchased, the terms of Special Provision No. 6 will apply and a period of requested curtailment will not be deemed to exist while such energy remains available.

(Continued on Page No. 3)

ISSUED BY: Javier J. Portuondo, Managing Director Rates & Regulatory Strategy – FL

EFFECTIVE: January 1, 2019~~October 1, 2018~~



SECTION NO. VI
THIRTY-~~SIXTH~~^{FIFTH} REVISED SHEET NO. 6.250
CANCELS THIRTY-~~FIFTH~~^{FOURTH} REVISED SHEET NO. 6.250

Page 1 of 3

RATE SCHEDULE IS-1
INTERRUPTIBLE GENERAL SERVICE
(Closed to New Customers as of 04/16/96)

Availability:

Available throughout the entire territory served by the Company.

Applicable:

To any customer, other than residential, for light and power purposes where service may be interrupted by the Company.

Character of Service:

Alternating current, 60 cycle, single-phase or three-phase, at the Company's standard voltage available.

Limitation of Service:

Standby or resale service not permitted hereunder. Interruptible service under this rate schedule is not subject to interruption during any time period for economic reasons. Interruptible service under this rate schedule is subject to interruption during any time period that electric power and energy delivered hereunder from the Company's available generating resources is required to a) maintain service to the Company's firm power customers and firm power sales commitments or b) supply emergency interchange service to another utility for its firm load obligations only. The Company will not make off-system purchases during such periods to maintain service to interruptible loads except under the conditions set forth in Special Provision No. 4 of this rate schedule.

Service under this rate is subject to the Company's currently effective and filed "General Rules and Regulations for Electric Service."

Rate Per Month:

Customer Charge:

Secondary Metering Voltage:	\$ 288.16280.78
Primary Metering Voltage:	\$ 427.61446.65
Transmission Metering Voltage:	\$ 1,022.96896.74

Demand Charge:

\$ ~~8.217.70~~ per kW of Billing Demand

Plus the Cost Recovery Factors on a \$/kW basis
in Rate Schedule BA-1, *Billing Adjustments*:

See Sheet No. 6.105 and 6.106

Interruptible Demand Credit:

\$ 6.71 per kW of Billing Demand

Energy Charge:

Non-Fuel Energy Charge: ~~1.1874.443~~¢ per kWh

Plus the Cost Recovery Factors on a ¢/kWh basis
in Rate Schedule BA-1, *Billing Adjustments*,
except for the Fuel Cost Recovery Factor and
Asset Securitization Charge Factor:

See Sheet No. 6.105 and 6.106

Premium Distribution Service Charge:

Where Premium Distribution Service has been established after 12/15/98 in accordance with Subpart 2.05, General Rules and Regulations Governing Electric Service, the customer shall pay a monthly charge determined under Special Provision No. 5 of this rate schedule for the costs of all additional equipment, or the customer's allocated share thereof, installed to accomplish automatic delivery transfer including all line costs necessary to connect to an alternate distribution circuit.

In addition, the Demand Charge included in the Rate per Month section of this rate schedule shall be increased by ~~\$1.304.22~~ per kW for the cost of reserving capacity in the alternate distribution circuit.

Determination of Billing Demand:

The Billing Demand shall be the maximum 30-minute kW demand established during the billing period.

Delivery Voltage Credit:

When a customer takes service under this rate schedule at a delivery voltage above standard distribution secondary voltage, the Demand Charge hereunder shall be subject to the following credit:

For Distribution Primary Delivery Voltage:	\$1.19 per kW of Billing Demand
For Transmission Delivery Voltage:	\$5.95 per kW of Billing Demand

(Continued on Page No. 2)

ISSUED BY: Javier J. Portuondo, Managing Director Rates & Regulatory Strategy – FL

EFFECTIVE: January 1, 2019~~October 4, 2018~~



SECTION NO. VI
TWENTY-~~FIFTH~~^{FOURTH} REVISED SHEET NO. 6.251
CANCELS TWENTY-~~FOURTH~~^{THIRD} REVISED SHEET NO. 6.251

Page 2 of 3

**RATE SCHEDULE IS-1
INTERRUPTIBLE GENERAL SERVICE**
(Closed to New Customers as of 04/16/96)
(Continued from Page No. 1)

Metering Voltage Adjustment:

Metering voltage will be at the option of the Company. When the Company meters at a voltage above distribution secondary, the appropriate following reduction factor shall apply to the Non-Fuel Energy Charge, Demand Charge, Interruptible Demand Credit and Delivery Voltage Credit hereunder:

<u>Metering Voltage</u>	<u>Reduction Factor</u>
Distribution Primary	1.0%
Transmission	2.0%

Power Factor:

For customers with measured demands of 1,000 kW or more for three (3) of more months out of the twelve (12) consecutive months ending with the current billing period, bills computed under the above rate per month charges will be increased ~~3432¢~~ for each KVAR by which the reactive demand exceeds, numerically, .62 times the measured kW demand, and will be decreased ~~3432¢~~ for each KVAR by which the reactive demand is less than, numerically, .62 times the measured kW demand.

Additional Charges:

Fuel Cost Recovery Factor:	See Sheet No. 6.105
Asset Securitization Charge Factor:	See Sheet No. 6.105
Gross Receipts Tax Factor:	See Sheet No. 6.106
Right-of-Way Utilization Fee:	See Sheet No. 6.106
Municipal Tax:	See Sheet No. 6.106
Sales Tax:	See Sheet No. 6.106

Minimum Monthly Bill:

The minimum monthly bill shall be the Customer Charge and the Demand Charge for the current billing period. Where special equipment to serve the customer is required, the Company may require a specified minimum charge.

Terms of Payment:

Bills rendered hereunder are payable within the time limit specified on bill at Company-designated locations.

Term of Service:

Service under this rate schedule shall be for a minimum initial term of five (5) years from the commencement of service, and shall continue thereafter until terminated by either party by written notice sixty (60) days prior to termination.

Special Provisions:

1. When the customer increases the electrical load, which increase requires the Company to increase facilities installed for the specific use of the customer, a new Term of Service may be required under this rate at the option of the Company.
2. Customers taking service under another Company rate schedule who elect to transfer to this rate will be accepted by the Company on a first-come, first-served basis. Required equipment (metering, under-frequency relay, etc.) will be installed accordingly, subject to availability. Service under this rate schedule shall commence with the first full billing period following the date of equipment installation.
3. The Company may, under the provisions of this rate, at its option, require a special contract with the customer upon the Company's filed contract form.
4. The Company will attempt to minimize interruption hereunder by purchasing power and energy from other sources during periods of normal interruption. The Company will also attempt to notify any customer, desirous of such notice, in advance when such purchases are imminent or as soon as practical thereafter where advance notice is not feasible. Similar notification will be provided upon termination of such purchases. When the Company is successful in making such purchases, the customer will be required to pay an additional charge, in lieu of the otherwise applicable energy charges (Non-Fuel Energy Charge, Capacity Cost Recovery Factor and Fuel Cost Recovery Factor), provided hereunder based on the customer's proportionate share of the higher cost of such purchased energy, plus 3.0 mills per kWh. The cost of such purchased energy shall be based on the average cost of all purchased power and energy provided under this rate schedule and under similar provisions in Rate Schedules IST-1, CS-1, CST-1, IS-2, IST-2, CS-2, CST-2, CS-3, CST-3, SS-2 and SS-3 during the corresponding calendar month.

(Continued on Page No. 3)

ISSUED BY: Javier J. Portuondo, Managing Director Rates & Regulatory Strategy – FL

EFFECTIVE: ~~January 1, 2019~~^{October 1, 2018}



NO. 6.255

SECTION NO. VI
TWENTY-~~SECOND~~^{FIRST} REVISED SHEET NO. 6.255
CANCELS ~~TWENTY-FIRST~~^{TWENTIETH} REVISED SHEET

Page 1 of 3

**RATE SCHEDULE IS-2
INTERRUPTIBLE GENERAL SERVICE**

Availability:

Available throughout the entire territory served by the Company.

Applicability:

Applicable to customers, other than residential, for light and power purposes where the billing demand is 500 kW or more, and where service may be interrupted by the Company. For customer accounts established under this rate schedule after June 3, 2003, service is limited to premises at which an interruption of electric service will primarily affect only the customer, its employees, agents, lessees, tenants or business guests, and will not significantly affect members of the general public, nor interfere with functions performed for the protection of public health or safety. Examples of premises at which service under this rate schedule may not be provided, unless adequate on-site backup generation is available, include, but are not limited to: retail businesses, offices, and governmental facilities open to members of the general public, stores, hotels, motels, convention centers, theme parks, schools, hospitals and health care facilities, designated public shelters, detention and correctional facilities, police and fire stations, and other similar facilities.

Character of Service:

Alternating current, 60 cycle, single-phase or three-phase, at the Company's standard voltage available.

Limitation of Service:

Standby or resale service not permitted hereunder. Interruptible service under this rate schedule is not subject to interruption during any time period for economic reasons. Interruptible service under this rate schedule is subject to interruption during any time period that electric power and energy delivered hereunder from the Company's available generating resources is required to a) maintain service to the Company's firm power customers and firm power sales commitments or b) supply emergency interchange service to another utility for its firm load obligations only. The Company will not make off-system purchases during such periods to maintain service to interruptible loads except under the conditions set forth in Special Provision No. 4 of this rate schedule.

Service under this rate is subject to the Company's currently effective and filed "General Rules and Regulations for Electric Service."

Rate Per Month:

Customer Charge:

Secondary Metering Voltage:	\$ 288.16 ^{280.78}
Primary Metering Voltage:	\$ 427.61 ^{416.65}
Transmission Metering Voltage:	\$ 1,022.96 ^{996.74}

Demand Charge:

Plus the Cost Recovery Factors on a \$/kW basis in Rate Schedule BA-1, <i>Billing Adjustments</i> :	\$ 8.217 ^{7.70} per kW of Billing Demand
---	--

See Sheet No. 6.105 and 6.106

Interruptible Demand Credit:

\$ 11.70 per kW of Load Factor Adjusted Demand

Energy Charge:

Non-Fuel Energy Charge:	1.1874 ^{1.143} per kWh
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Plus the Cost Recovery Factors on a \$/kWh basis in Rate Schedule BA-1, *Billing Adjustments*, except for the Fuel Cost Recovery Factor and Asset Securitization Charge Factor:

See Sheet No. 6.105 and 6.106

Premium Distribution Service Charge:

Where Premium Distribution Service has been established after 12/15/98 in accordance with Subpart 2.05, General Rules and Regulations Governing Electric Service, the customer shall pay a monthly charge determined under Special Provision No. 5 of this rate schedule for the costs of all additional equipment, or the customer's allocated share thereof, installed to accomplish automatic delivery transfer including all line costs necessary to connect to an alternate distribution circuit.

In addition, the Demand Charge included in the Rate per Month section of this rate schedule shall be increased by ~~\$1.304~~²² per kW for the cost of reserving capacity in the alternate distribution circuit.

Determination of Billing Demand:

The Billing Demand shall be the maximum 30-minute kW demand established during the billing period, but not less than 500 kW.

Determination of Load Factor Adjusted Demand:

The Load Factor Adjusted Demand shall be the product of the maximum 30-minute kW demand established during the current billing period and the customer's billing load factor (ratio of billing kWh to maximum 30-minute kW demand times the number of hours in the billing period).

Delivery Voltage Credit:

When a customer takes service under this rate at a delivery voltage above standard distribution secondary voltage, the Demand charge hereunder shall be subject to the following credit:

For Distribution Primary Delivery Voltage:	\$1.19 per kW of Billing Demand
For Transmission Delivery Voltage:	\$5.95 per kW of Billing Demand

(Continued on Page No. 2)

ISSUED BY: Javier J. Portuondo, Managing Director Rates & Regulatory Strategy – FL

EFFECTIVE: ~~January 1, 2019~~^{October 1, 2018}



SECTION NO. VI
~~THIRTEENTH~~ ~~TWELFTH~~ REVISED SHEET NO. 6.256
CANCELS ~~TWELFTH~~ ~~ELEVENTH~~ REVISED SHEET NO.

6.266

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**RATE SCHEDULE IS-2
INTERRUPTIBLE GENERAL SERVICE**
(Continued from Page No. 1)

Metering Voltage Adjustment:

Metering voltage will be at the option of the Company. When the Company meters at a voltage above distribution secondary, the appropriate following reduction factor shall apply to the Non-Fuel Energy Charge, Demand Charge, Interruptible Demand Credit, and Delivery Voltage Credit hereunder:

<u>Metering Voltage</u>	<u>Reduction Factor</u>
Distribution Primary	1.0%
Transmission	2.0%

Power Factor:

Bills computed under the above rate per month charges will be increased ~~3.43%~~ for each KVAR by which the reactive demand exceeds, numerically, .62 times the measured kW demand, and will be decreased ~~3.43%~~ for each KVAR by which the reactive demand is less than, numerically, .62 times the measured kW demand.

Additional Charges:

Fuel Cost Recovery Factor:	See Sheet No. 6.105
Asset Securitization Charge Factor:	See Sheet No. 6.105
Gross Receipts Tax Factor:	See Sheet No. 6.106
Right-of-Way Utilization Fee:	See Sheet No. 6.106
Municipal Tax:	See Sheet No. 6.106
Sales Tax:	See Sheet No. 6.106

Minimum Monthly Bill:

The minimum monthly bill shall be the Customer Charge and the Demand Charge for the current billing period. Where special equipment to serve the customer is required, the Company may require a specified minimum charge.

Terms of Payment:

Bills rendered hereunder are payable within the time limit specified on bill at Company-designated locations.

Term of Service:

Service under this rate schedule shall be for a minimum initial term of five (5) years from the commencement of service, and shall continue thereafter until terminated by either party by written notice sixty (60) days prior to termination.

Special Provisions:

1. When the customer increases the electrical load, which increase requires the Company to increase facilities installed for the specific use of the customer, a new Term of Service may be required under this rate at the option of the Company.
2. Customers taking service under another Company rate schedule who elect to transfer to this rate will be accepted by the Company on a first-come, first-served basis. Required equipment (metering, under-frequency relay, etc.) will be installed accordingly, subject to availability. Service under this rate schedule shall commence with the first full billing period following the date of equipment installation. Before commencement of service under this rate, the Company shall exercise an interruption for purposes of testing its equipment. The Company shall also have the right to exercise at least one additional interruption each calendar year irrespective of capacity availability or operating conditions. The Company will give the customer notice of the test.
3. The Company may, under the provisions of this rate, at its option, require a special contract with the customer upon the Company's filed contract form.
4. The Company will attempt to minimize interruption hereunder by purchasing power and energy from other sources during periods of normal interruption. The Company will also attempt to notify any customer, desirous of such notice, in advance when such purchases are imminent or as soon as practical thereafter where advance notice is not feasible. Similar notification will be provided upon termination of such purchases. When the Company is successful in making such purchases, the customer will be required to pay an additional charge, in lieu of the otherwise applicable energy charges (Non-Fuel Energy Charge, Capacity Cost Recovery Factor, and Fuel Cost Recovery Factor), provided hereunder based on the customer's proportionate share of the higher cost of such purchased energy, plus 3.0 mills per kWh. The cost of such purchased energy shall be based on the average cost of all purchased power and energy provided under this rate schedule and under similar provisions in Rate Schedules IS-1, IST-1, CS-1, CST-1, IST-2, CS-2, CST-2, CS-3, CST-3, SS-2 and SS-3 during the corresponding calendar month.

(Continued on Page No. 3)

ISSUED BY: Javier J. Portuondo, Managing Director Rates & Regulatory Strategy – FL

EFFECTIVE: ~~January 1, 2019~~ ~~October 1, 2018~~



SECTION NO. VI
THIRTY-~~SIXTH~~^{FIFTH} REVISED SHEET NO. 6.260
CANCELS THIRTY-~~FIFTH~~^{FOURTH} REVISED SHEET NO. 6.260

Page 1 of 3

RATE SCHEDULE IST-1
INTERRUPTIBLE GENERAL SERVICE
OPTIONAL TIME OF USE RATE
(Closed to New Customers as of 04/16/96)

Availability:

Available throughout the entire territory served by the Company.

Applicable:

At the option of customers otherwise eligible for service under Rate Schedule IS-1, provided that the total electric load requirements at each point of delivery are measured through one meter.

Character of Service:

Alternating current, 60 cycle, single-phase or three-phase, at the Company's standard voltage available.

Limitation of Service:

Standby or resale service not permitted hereunder. Interruptible service under this rate schedule is not subject to interruption during any time period for economic reasons. Interruptible service under this rate schedule is subject to interruption during any time period that electric power and energy delivered hereunder from the Company's available generating resources is required to a) maintain service to the Company's firm power customers and firm power sales commitments or b) supply emergency interchange service to another utility for its firm load obligations only. The Company will not make off-system purchases during periods to maintain service to interruptible loads except under the conditions set forth in Special Provision No. 4 of this rate schedule.

Service under this rate is subject to the Company's currently effective and filed "General Rules and Regulations for Electric Service."

Rate Per Month:

Customer Charge:

Secondary Metering Voltage:	\$ 288.16280.78
Primary Metering Voltage:	\$ 427.61446.65
Transmission Metering Voltage:	\$ 1,022.96996.74

Demand Charge:

Base Demand Charge:	\$ 1,304.22 per kW of Base Demand
Plus the Cost Recovery Factors on a \$/kW basis in Rate Schedule BA-1, <i>Billing Adjustments</i> :	See Sheet No. 6.105 and 6.106

On-Peak Demand Charge:	\$ 7,186.73 per kW of On-Peak Demand
------------------------	---

Interruptible Demand Credit:	\$ 6.71 per kW of On-Peak Demand
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Energy Charge:

Non-Fuel Energy Charge:	1.6624-558¢ per On-Peak kWh 0.9700-940¢ per Off-Peak kWh
-------------------------	---

Plus the Cost Recovery Factors on a ¢/kWh basis in Rate Schedule BA-1, *Billing Adjustments*, except for the Fuel Cost Recovery Factor and Asset Securitization Charge Factor:

See Sheet No. 6.105 and 6.106

The On-Peak rate shall apply to energy used during designated On-Peak Periods. The Off-Peak rate shall apply to all other energy use.

Premium Distribution Service Charge:

Where Premium Distribution Service has been established after 12/15/98 in accordance with Subpart 2.05, General Rules and Regulations Governing Electric Service, the customer shall pay a monthly charge determined under Special Provision No. 5 of this rate schedule for the costs of all additional equipment, or the customer's allocated share thereof, installed to accomplish automatic delivery transfer including all line costs necessary to connect to an alternate distribution circuit.

In addition, the Base Demand Charge included in the Rate per Month section of this rate schedule shall be increased by \$ ~~1,304.22~~ per kW for the cost of reserving capacity in the alternate distribution circuit.

Rating Periods:

(a) **On-Peak Periods** - The designated On-Peak Periods expressed in terms of prevailing clock time shall be as follows:

- | | |
|--|---|
| (1) For the calendar months of November through March, Monday through Friday*: | 6:00 a.m. to 10:00 a.m. and 6:00 p.m. to 10:00 p.m. |
| (2) For the calendar months of April through October, Monday through Friday*: | 12:00 Noon to 9:00 p.m. |

(Continued on Page No. 2)

ISSUED BY: Javier J. Portuondo, Managing Director Rates & Regulatory Strategy – FL

EFFECTIVE: ~~January 1, 2019~~^{October 4, 2018}



SECTION NO. VI
TWENTY-~~NINTH~~^{EIGHTH} REVISED SHEET NO. 6.261
CANCELS TWENTY-~~EIGHTH~~^{SEVENTH} REVISED SHEET NO. 6.261

Page 2 of 3

**RATE SCHEDULE IST-1
INTERRUPTIBLE GENERAL SERVICE
OPTIONAL TIME OF USE RATE**
(Closed to New Customers as of 04/16/96)
(Continued from Page No. 1)

Rating Periods: (Continued)

- * The following general holidays shall be excluded from the On-Peak Periods: New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas. In the event the holiday occurs on a Saturday or Sunday, the adjacent weekday shall be excluded from the On-Peak Period.
- (b) **Off-Peak Periods** - The designated Off-Peak Periods shall be all periods other than the designated On-Peak Periods set forth in (a) above.

Determination of Billing Demands:

The billing demands shall be the following:

- (a) The Base Demand shall be the maximum 30-minute kW demand established during the current billing period.
- (b) The On-Peak Demand shall be the maximum 30-minute kW demand established during designated On-Peak Periods during the current billing period.

Delivery Voltage Credit:

When a customer takes service under this rate at a delivery voltage above standard distribution secondary voltage, the Base Demand charge hereunder shall be subject to the following credit:

For Distribution Primary Delivery Voltage:	\$1.19 per kW of Billing Demand
For Transmission Delivery Voltage:	\$5.95 per kW of Billing Demand

Note: In no event shall the total of the Demand Charges hereunder, after application of the above credit, be an amount less than zero.

Metering Voltage Adjustment:

Metering voltage will be at the option of the Company. When the Company meters at a voltage above distribution secondary, the appropriate following reduction factor shall apply to the Non-Fuel Energy Charge, Demand Charge, Interruptible Demand Credit and Delivery Voltage Credit hereunder:

<u>Metering Voltage</u>	<u>Reduction Factor</u>
Distribution Primary	1.0%
Transmission	2.0%

Power Factor:

For customers with measured demands of 1,000 kW or more for three (3) or more months out of the twelve (12) consecutive months ending with the current billing period, bills computed under the above rate per month charges will be increased ~~3432¢~~ for each KVAR by which the reactive demand exceeds numerically, .62 times the measured kW demand, and will be decreased ~~3432¢~~ for each KVAR by which the reactive demand is less than, numerically, .62 times the measured kW demand.

Additional Charges:

Fuel Cost Recovery Factor:	See Sheet No. 6.105
Asset Securitization Charge Factor:	See Sheet No. 6.105
Gross Receipts Tax Factor:	See Sheet No. 6.106
Right-of-Way Utilization Fee:	See Sheet No. 6.106
Municipal Tax:	See Sheet No. 6.106
Sales Tax:	See Sheet No. 6.106

Minimum Monthly Bill:

The minimum monthly bill shall be the Customer Charge.

Terms of Payment:

Bills rendered hereunder are payable within the time limit specified on bill at Company-designated locations.

(Continued on Page No. 3)

ISSUED BY: Javier J. Portuondo, Managing Director Rates & Regulatory Strategy – FL

EFFECTIVE: January 1, 2019~~October 4, 2018~~



SECTION NO. VI
~~TWENTY-FIRST TWENTIETH~~ REVISED SHEET NO. 6.265
CANCELS ~~TWENTY-NINETEENTH~~ REVISED SHEET NO. 6.265

Page 1 of 3

**RATE SCHEDULE IST-2
INTERRUPTIBLE GENERAL SERVICE
OPTIONAL TIME OF USE RATE**

Availability:

Available throughout the entire territory served by the Company.

Applicability:

At the option of the customer, applicable to customers otherwise eligible for service under Rate Schedule IS-2, where the billing demand is 500 kW or more, provided that the total electric requirements at each point of delivery are measured through one meter. For customer accounts established under this rate schedule after June 3, 2003, service is limited to premises at which an interruption of electric service will primarily affect only the customer, its employees, agents, lessees, tenants, or business guests, and will not significantly affect members of the general public, nor interfere with functions performed for the protection of public health or safety. Examples of premises at which service under this rate schedule may not be provided, unless adequate on-site backup generation is available, include, but are not limited to: retail businesses, offices, and governmental facilities open to members of the general public, stores, hotels, motels, convention centers, theme parks, schools, hospitals and health care facilities, designated public shelters, detention and correctional facilities, police and fire stations, and other similar facilities.

Character of Service:

Alternating current, 60 cycle, single-phase or three-phase, at the Company's standard voltage available.

Limitation of Service:

Standby or resale service not permitted hereunder. Interruptible service under this rate schedule is not subject to interruption during any time period for economic reasons. Interruptible service under this rate schedule is subject to interruption during any time period that electric power and energy delivered hereunder from the Company's available generating resources is required to a) maintain service to the Company's firm power customers and firm power sales commitments, or b) supply emergency interchange service to another utility for its firm load obligations only. The Company will not make off-system purchases during periods to maintain service to interruptible loads except under the conditions set forth in Special Provision No. 4 of this rate schedule.

Service under this rate is subject to the Company's currently effective and filed "General Rules and Regulations for Electric Service."

Rate Per Month:

Customer Charge:

Secondary Metering Voltage:	\$ 288.16 280.78
Primary Metering Voltage:	\$ 427.61 446.65
Transmission Metering Voltage:	\$ 1,022.96 996.74

Demand Charge:

Base Demand Charge:	\$ <u>1,304.22</u> per kW of Base Demand
Plus the Cost Recovery Factors on a \$/kW basis in Rate Schedule BA-1, <i>Billing Adjustments</i> :	See Sheet No. 6.105 and 6.106
On-Peak Demand Charge:	\$ 7.186 .73 per kW of On-Peak Demand
Interruptible Demand Credit:	\$ 11.70 per kW of Load Factor Adjusted Demand

Energy Charge:

Non-Fuel Energy Charge:	<u>1.6624</u> .558 ¢ per On-Peak kWh <u>0.9709</u> .940 ¢ per Off-Peak kWh
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Plus the Cost Recovery Factors on a ¢/kWh basis in Rate Schedule BA-1, *Billing Adjustments*, except for the Fuel Cost Recovery Factor and Asset Securitization Charge Factor.

See Sheet No. 6.105 and 6.106

The On-Peak rate shall apply to energy used during designated On-Peak Periods. The Off-Peak rate shall apply to all other energy use.

Premium Distribution Service Charge:

Where Premium Distribution Service has been established after 12/15/98 in accordance with Subpart 2.05, General Rules and Regulations Governing Electric Service, the customer shall pay a monthly charge determined under Special Provision No. 5 of this rate schedule for the costs of all additional equipment, or the customer's allocated share thereof, installed to accomplish automatic delivery transfer including all line costs necessary to connect to an alternate distribution circuit. In addition, the Base Demand Charge included in the Rate per Month section of this rate schedule shall be increased by \$1,304.22 per kW for the cost of reserving capacity in the alternate distribution circuit.

Rating Periods:

(a) **On-Peak Periods** - The designated On-Peak Periods expressed in terms of prevailing clock time shall be as follows:

- | | |
|--|---|
| (1) For the calendar months of November through March, Monday through Friday*: | 6:00 a.m. to 10:00 a.m. and 6:00 p.m. to 10:00 p.m. |
| (2) For the calendar months of April through October, Monday through Friday*: | 12:00 Noon to 9:00 p.m. |

* The following general holidays shall be excluded from the On-Peak Periods: New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas. In the event the holiday occurs on a Saturday or Sunday, the adjacent weekday shall be excluded from the On-Peak Periods.

(Continued on Page No. 2)

ISSUED BY: Javier J. Portuondo, Managing Director Rates & Regulatory Strategy – FL

EFFECTIVE: January 1, 2019~~October 1, 2018~~



NO. 6.266

SECTION NO. VI
~~FIFTEENTH~~~~FOURTEENTH~~ REVISED SHEET NO. 6.266
CANCELS ~~FOURTEENTH~~~~THIRTEENTH~~ REVISED SHEET

Page 2 of 3

**RATE SCHEDULE IST-2
INTERRUPTIBLE GENERAL SERVICE
OPTIONAL TIME OF USE RATE
(Continued from Page No. 1)**

Rating Periods: (Continued)

- (b) **Off-Peak Periods** - The designated Off-Peak Periods shall be all periods other than the designated On-Peak Periods set forth in (a) above.

Determination of Billing Demands:

The billing demands shall be the following:

- (a) The Base Demand shall be the maximum 30-minute kW demand established during the current billing period, but not less than 500 kW.
(b) The On-Peak Demand shall be the maximum 30-minute kW demand established during designated On-Peak Periods during the current billing period.

Determination of Load Factor Adjusted Demand:

The Load Factor Adjusted Demand shall be the product of the maximum 30-minute kW demand established during the current billing period and the customer's billing load factor (ratio of billing kWh to maximum 30-minute kW demand times the number of hours in the billing period).

Delivery Voltage Credit:

When a customer takes service under this rate at a delivery voltage above standard distribution secondary voltage, the Base Demand charge hereunder shall be subject to the following credit:

For Distribution Primary Delivery Voltage:	\$1.19 per kW of Billing Demand
For Transmission Delivery Voltage:	\$5.95 per kW of Billing Demand

Note: In no event shall the total of the Demand Charges hereunder, after application of the above credit, be an amount less than zero.

Metering Voltage Adjustment:

Metering voltage will be at the option of the Company. When the Company meters at a voltage above distribution secondary, the appropriate following reduction factor shall apply to the Non-Fuel Energy Charge, Demand Charges, Interruptible Demand Credit and Delivery Voltage Credit hereunder:

<u>Metering Voltage</u>	<u>Reduction Factor</u>
Distribution Primary	1.0%
Transmission	2.0%

Power Factor:

For customers with measured demands of 1,000 kW or more for three (3) or more months out of the twelve (12) consecutive months ending with the current billing period, bills computed under the above rate per month charges will be increased ~~3432¢~~ for each KVAR by which the reactive demand exceeds numerically, .62 times the measured kW demand, and will be decreased ~~3432¢~~ for each KVAR by which the reactive demand is less than, numerically, .62 times the measured kW demand.

Additional Charges:

Fuel Cost Recovery Factor:	See Sheet No. 6.105
Asset Securitization Charge Factor:	See Sheet No. 6.105
Gross Receipts Tax Factor:	See Sheet No. 6.106
Right-of-Way Utilization Fee:	See Sheet No. 6.106
Municipal Tax:	See Sheet No. 6.106
Sales Tax:	See Sheet No. 6.106

Minimum Monthly Bill:

The minimum monthly bill shall be the Customer Charge and the Demand Charge for the current billing period. Where special equipment to serve the customer is required, the Company may require a specified minimum charge.

Terms of Payment:

Bills rendered hereunder are payable within the time limit specified on bill at Company-designated locations.

(Continued on Page No. 3)

ISSUED BY: Javier J. Portuondo, Managing Director Rates & Regulatory Strategy – FL

EFFECTIVE: January 1, 2019~~October 1, 2018~~



SECTION NO. VI
THIRTY-~~SECOND~~~~FIRST~~ REVISED SHEET NO. 6.280
CANCELS ~~THIRTY-FIRST~~~~THIRTIETH~~ REVISED SHEET NO.

6.280

Page 1 of 6

**RATE SCHEDULE LS-1
LIGHTING SERVICE**

Availability:

Available throughout the entire territory served by the Company.

Applicable:

To any customer for the sole purpose of lighting roadways or other outdoor land use areas; served from either Company or customer owned fixtures of the type available under this rate schedule. Service hereunder is provided for the sole and exclusive benefit of the customer, and nothing herein or in the contract executed hereunder is intended to benefit any third party or to impose any obligation on the Company to any such third party.

Character of Service:

Continuous dusk to dawn automatically controlled lighting service (i.e. photoelectric cell); alternating current, 60 cycle, single phase, at the Company's standard voltage available.

Limitation of Service:

Availability of certain fixture or pole types at a location may be restricted due to accessibility.

Standby or resale service not permitted hereunder. Service under this rate is subject to the Company's currently effective and filed "General Rules and Regulations Governing Electric Service."

Rate Per Month:

Customer Charge:

Unmetered: \$ ~~1,314.20~~ per line of billing
Metered: \$ ~~3,773.44~~ per line of billing

Energy and Demand Charge:

Non-Fuel Energy Charge: ~~2,5472.388¢~~ per kWh

Plus the Cost Recovery Factors listed in
Rate Schedule BA-1, *Billing Adjustments*,
except the Fuel Cost Recovery Factor and
Asset Securitization Charge Factor:

See Sheet No. 6.105 and 6.106

Per Unit Charges:

I. Fixtures:

BILLING TYPE	DESCRIPTION	LAMP SIZE ²			CHARGES PER UNIT		
		INITIAL LUMENS OUTPUT	LAMP WATTAGE	kWh	FIXTURE	MAINTENANCE	NON-FUEL ENERGY ³
Incandescent: ¹							
110	Roadway	1,000	105	32	\$1.03	\$4.07	\$0.760.82
115	Roadway	2,500	205	66	1.61	3.67	4.581.68
170	Post Top	2,500	205	72	20.39	3.67	4.721.83
Mercury Vapor: ¹							
205	Open Bottom	4,000	100	44	\$2.55	\$1.80	\$4.051.12
210	Roadway	4,000	100	44	2.95	1.80	4.051.12
215	Post Top	4,000	100	44	3.47	1.80	4.051.12
220	Roadway	8,000	175	71	3.34	1.77	4.791.81
225	Open Bottom	8,000	175	71	2.50	1.77	4.791.81
235	Roadway	21,000	400	158	4.04	1.81	9.774.02
240	Roadway	62,000	1,000	386	5.29	1.78	9.229.83
245	Flood	21,000	400	158	5.29	1.81	3.774.02
250	Flood	62,000	1,000	386	6.20	1.78	9.229.83

(Continued on Page No. 2)

ISSUED BY: Javier J. Portuondo, Managing Director Rates & Regulatory Strategy – FL

EFFECTIVE: ~~January 1, 2019~~ ~~October 1, 2018~~



SECTION NO. VI
TWENTY-NINTH REVISED SHEET NO. 6.281
CANCELS TWENTY-EIGHTH REVISED SHEET

NO. 6.281

Page 2 of 6

RATE SCHEDULE LS-1
LIGHTING SERVICE
(Continued from Page No. 1)

I. Fixtures: (Continued)

BILLING TYPE	DESCRIPTION	LAMP SIZE ²			CHARGES PER UNIT		
		INITIAL LUMENS OUTPUT	LAMP WATTAGE	kWh	FIXTURE	MAINTENANCE	NON-FUEL ENERGY ³
	Sodium Vapor:						
300	HPS Deco Rdwy White	50,000	400	168	\$14.73	\$1.61	\$4,044.28
301	Sandpiper HPS Deco Roadway	27,500	250	104	13.81	1.72	2,482.65
302	Sandpiper HPS Deco Rdwy B k	9,500	100	42	14.73	1.58	4,001.07
305	Open Bottom ¹	4,000	50	21	2.54	2.04	0,500.53
310	Roadway ¹	4,000	50	21	3.12	2.04	0,500.53
313	Open Bottom ¹	6,500	70	29	4.19	2.05	0,690.74
314	Hometown II	9,500	100	42	4.08	1.72	4,001.07
315	Post Top - Colonial/Contemp ¹	4,000	50	21	5.04	2.04	0,500.53
316	Colonial Post Top ¹	4,000	50	34	4.05	2.04	0,840.87
318	Post Top ¹	9,500	100	42	2.50	1.72	4,001.07
320	Roadway-Overhead Only	9,500	100	42	3.64	1.72	4,001.07
321	Deco Post Top - Monticello	9,500	100	49	12.17	1.72	4,471.25
322	Deco Post Top - Flagler	9,500	100	49	16.48	1.72	4,471.25
323	Roadway-Turtle OH Only	9,500	100	42	4.32	1.72	4,001.07
325	Roadway-Overhead Only	16,000	150	65	3.78	1.75	4,551.66
326	Deco Post Top - Sanibel	9,500	100	49	18.16	1.72	4,471.25
330	Roadway-Overhead Only	22,000	200	87	3.64	1.83	2,082.22
335	Roadway-Overhead Only	27,500	250	104	4.16	1.72	2,482.65
336	Roadway-Bridge ¹	27,500	250	104	6.74	1.72	2,482.65
337	Roadway-DOT ¹	27,500	250	104	5.87	1.72	2,482.65
338	Deco Roadway-Maitland	27,500	250	104	9.62	1.72	2,482.65
340	Roadway-Overhead Only	50,000	400	169	5.03	1.76	4,044.30
341	HPS Flood-City of Sebring only ¹	16,000	150	65	4.06	1.75	4,551.66
342	Roadway-Tumpike ¹	50,000	400	168	8.95	1.76	4,044.28
343	Roadway-Tumpike ¹	27,500	250	108	9.12	1.72	2,582.75
345	Flood-Overhead Only	27,500	250	103	5.21	1.72	2,462.62
347	Clermont	9,500	100	49	20.65	1.72	4,471.25
348	Clermont	27,500	250	104	22.65	1.72	2,482.65
350	Flood-Overhead Only	50,000	400	170	5.19	1.76	4,064.33
351	Underground Roadway	9,500	100	42	6.22	1.72	4,001.07
352	Underground Roadway	16,000	150	65	7.58	1.75	4,551.66
354	Underground Roadway	27,500	250	108	8.10	1.72	2,582.75
356	Underground Roadway	50,000	400	168	8.69	1.76	4,044.28
357	Underground Flood	27,500	250	108	9.36	1.72	2,582.75
358	Underground Flood ¹	50,000	400	168	9.49	1.76	4,044.28
359	Underground Turtle Roadway	9,500	100	42	6.09	1.72	4,001.07
360	Deco Roadway Rectangular ¹	9,500	100	47	12.53	1.72	4,421.20
365	Deco Roadway Rectangular	27,500	250	108	11.89	1.72	2,582.75
366	Deco Roadway Rectangular	50,000	400	168	12.00	1.76	4,044.28
370	Deco Roadway Round ¹	27,500	250	108	15.41	1.72	2,582.75
375	Deco Roadway Round ¹	50,000	400	168	15.42	1.76	4,044.28
380	Deco Post Top - Ocala	9,500	100	49	8.78	1.72	4,471.25
381	Deco Post Top ¹	9,500	100	49	4.05	1.72	4,471.25
383	Deco Post Top-Biscayne	9,500	100	49	14.17	1.72	4,471.25
385	Deco Post Top - Sebring	9,500	100	49	6.75	1.72	4,471.25
393	Deco Post Top ¹	4,000	50	21	8.72	2.04	0,500.53
394	Deco Post Top ¹	9,500	100	49	18.16	1.72	4,471.25

(Continued on Page No. 3)

ISSUED BY: Javier J. Portuondo, Managing Director Rates & Regulatory Strategy - FL

EFFECTIVE: January 1, 2019 October 1, 2018



6.2841

SECTION NO. VI
~~NINTHEIGHTH~~ REVISED SHEET NO. 6.2811
CANCELS ~~EIGHTHSEVENTH~~ REVISED SHEET NO.

Page 3 of 6

RATE SCHEDULE LS-1
LIGHTING SERVICE
(Continued from Page No. 2)

I. Fixtures: (Continued)

		LAMP SIZE ²			CHARGES PER UNIT		
BILLING TYPE	DESCRIPTION	INITIAL LUMENS OUTPUT	LAMP WATTAGE	kWh	FIXTURE	MAINTENANCE	NON-FUEL ENERGY ³
Metal Halide:							
307	Deco Post Top-MH San bel P	11,600	150	65	\$16.85	\$2.68	\$4,551.66
308	Clemonst Tear Drop P	11,600	150	65	19.91	2.68	4,551.66
309	MH Deco Rectangular P	36,000	320	126	13.07	2.74	3,043.21
311	MH Deco Cube P	36,000	320	126	15.98	2.74	3,043.21
312	MH Flood P	36,000	320	126	10.55	2.74	3,043.21
319	MH Post Top Biscayne P	11,600	150	65	15.24	2.68	4,551.66
327	Deco Post Top-MH San bel ¹	12,000	175	74	18.39	2.72	4,771.88
349	Clemonst Tear Drop ¹	12,000	175	74	21.73	2.72	4,771.88
371	MH Deco Rectangular ¹	38,000	400	159	14.26	2.84	3,804.05
372	MH Deco Circular ¹	38,000	400	159	16.70	2.84	3,804.05
373	MH Deco Rectangular ^{1,5}	110,000	1,000	378	15.30	2.96	9,039.63
386	MH Flood ^{1,5}	110,000	1,000	378	13.17	2.96	9,039.63
389	MH Flood-Sportslighter ^{1,5}	110,000	1,000	378	13.01	2.96	9,039.63
390	MH Deco Cube ¹	38,000	400	159	17.44	2.84	3,804.05
396	Deco PT MH Sanibel Dual ⁵	24,000	350	148	33.73	5.43	3,533.77
397	MH Post Top-Biscayne ¹	12,000	175	74	14.98	2.72	4,771.88
398	MH Deco Cube ^{1,5}	110,000	1,000	378	20.34	2.96	9,039.63
399	MH Flood	38,000	400	159	11.51	2.84	3,804.05
Light Emitting Diode (LED):							
106	Underground San bel	5,500	70	25	\$20.80	\$1.39	\$0,600.64
107	Underground Traditional Open	3,908	49	17	13.57	1.39	0,440.43
108	Underground Traditional w/Lens	3,230	49	17	13.57	1.39	0,440.43
109	Underground Acom	4,332	70	25	20.16	1.39	0,600.64
111	Underground Mini Bell	2,889	50	18	17.88	1.39	0,430.46
133	ATBO Roadway	4,521	48	17	6.22	1.39	0,440.43
134	Underground ATBO Roadway	4,521	48	17	7.71	1.39	0,440.43
136	Roadway	9,233	108	38	7.05	1.39	0,940.97
137	Underground Roadway	9,233	108	38	8.55	1.39	0,940.97
138, 176	Roadway	18,642	216	76	11.61	1.39	1,841.94
139	Underground Roadway	18,642	216	76	13.11	1.39	1,841.94
141, 177	Roadway	24,191	284	99	14.08	1.39	2,362.52
142, 162	Underground Roadway	24,191	284	99	15.58	1.39	2,362.52
147, 174	Roadway	12,642	150	53	9.74	1.39	1,271.35
148	Underground Roadway	12,642	150	53	11.24	1.39	1,271.35
151	ATBS Roadway	4,500	49	17	5.07	1.39	0,440.43
167	Underground Mitchell	5,186	50	18	21.44	1.39	0,430.46
168	Underground Mitchell w/Top Hat	4,336	50	18	21.44	1.39	0,430.46
361	Roadway ¹	6,000	95	33	16.93	2.43	0,790.84
362	Roadway ¹	9,600	157	55	20.07	2.43	1,341.40
363	Shoebox Type 3 ¹	20,664	309	108	41.08	2.84	2,582.75
364	Shoebox Type 4 ¹	14,421	206	72	32.59	2.84	1,721.83
367	Shoebox Type 5 ¹	14,421	206	72	31.65	2.84	1,721.83
369	Underground Biscayne	6,500	80	28	18.60	1.39	0,670.71

(Continued on Page No. 4)

ISSUED BY: Javier J. Portuondo, Managing Director Rates & Regulatory Strategy – FL

EFFECTIVE: January 1, 2019~~October 1, 2018~~



SECTION NO. VI
TWENTY-~~FOURTH~~THIRD REVISED SHEET NO. 6.312
CANCELS TWENTY-~~THIRD~~SECOND REVISED SHEET NO. 6.312

Page 3 of 5

RATE SCHEDULE SS-1
FIRM STANDBY SERVICE
(Continued from Page No. 2)

Determination of Specified Standby Capacity:

- Initially, the customer and the Company shall mutually agree upon a maximum amount of standby capacity in kW to be supplied by the Company. This shall be termed for billing purposes as the "Specified Standby Capacity".
- Where a bona fide change in the customer's standby capacity requirement occurs, the Company and the customer shall establish a new Specified Standby Capacity.
- The Specified Standby Capacity for the current billing period shall be the greater of: (1) the mutually agreed upon Specified Standby Capacity, (2) the maximum 30-minute kW standby power requirement established in the current billing month, or (3) the maximum 30-minute kW standby power requirement established in any of the twenty-three (23) preceding billing months.

Rate Per Month:

1. Customer Charge:

Secondary Metering Voltage:	\$ 111,094 101.37
Primary Metering Voltage:	\$ 259,952 37.23
Transmission Metering Voltage:	\$ 895,628 47.33

Note: Where the Customer has paid the costs of metering equipment pursuant to a Cogeneration Agreement, the Customer Charge shall be \$~~89,578~~4.74.

2. Supplemental Service Charges:

All supplemental power requirements shall be billed in accordance with the demand and energy charges of the otherwise applicable rate schedule.

3. Standby Service Charges:

A. Distribution Capacity:

\$~~2,382~~.23 per kW times the Specified Standby Capacity.

Note: No charge is applicable to a customer who has provided all the facilities for interconnection to the Company's transmission system.

B. Generation & Transmission Capacity:

The charge shall be the greater of:

- \$~~1,326~~4.243 per kW times the Specified Standby Capacity or
- The sum of the daily maximum 30-minute kW demand of actual standby use occurring during On-Peak Periods times \$~~0,6310~~.692/kW times the appropriate following monthly factor:

Billing Month	Factor
March, April, May, October	0.80
June, September, November, December	1.00
January, February, July, August	1.20

Plus the Cost Recovery Factors on a \$/kW basis in Rate Schedule BA-1, *Billing Adjustments*:

See Sheet No. 6.105 and 6.106

C. Energy Charges

Non-Fuel Energy Charge:

1.1734.100¢ per kWh

Plus the Cost Recovery Factors on a ¢/kWh basis in Rate Schedule BA-1, *Billing Adjustments*, except for the Fuel Cost Recovery Factor and Asset Securitization Charge Factor:

See Sheet No. 6.105 and 6.106

(Continued on Page No. 4)

ISSUED BY: Javier J. Portuondo, Managing Director Rates & Regulatory Strategy – FL

EFFECTIVE: January 1, 2019~~October 1, 2018~~



SECTION NO. VI
TWENTY-~~THIRD~~~~SECOND~~ REVISED SHEET NO. 6.313
CANCELS TWENTY-~~SECOND~~~~FIRST~~ REVISED SHEET NO. 6.313

Page 4 of 5

RATE SCHEDULE SS-1
FIRM STANDBY SERVICE
(Continued from Page No. 3)

Rate Per Month: (Continued)

3. Standby Service Charges: (Continued)

D. Delivery Voltage Credit:

When a customer takes service under this rate at a distribution primary delivery voltage, the Distribution Capacity Charge hereunder will be reduced by 1.19¢ per kW.

E. Metering Voltage Adjustment:

Metering voltage will be at the option of the Company. When the Company meters at a voltage above distribution secondary, the appropriate following reduction factor shall apply to the Distribution Capacity Charge, Generation & Transmission Capacity Charge, Non-Fuel Energy Charge, and Delivery Voltage Credit hereunder:

<u>Metering Voltage</u>	<u>Reduction Factor</u>
Distribution Primary	1.0%
Transmission	2.0%

F. Fuel Cost Recovery Factor:

Time of Use Fuel Charges of applicable metering voltage provided on Tariff Sheet No. 6.105.

G. Asset Securitization Charge Factor: See Sheet No. 6.105

H. Gross Receipts Tax Factor: See Sheet No. 6.106

I. Right-of-Way Utilization Fee: See Sheet No. 6.106

J. Municipal Tax: See Sheet No. 6.106

K. Sales Tax: See Sheet No. 6.106

Premium Distribution Service Charge:

Where Premium Distribution Service has been established after 12/15/98 in accordance with Subpart 2.05, General Rules and Regulations Governing Electric Service, the customer shall pay a monthly charge determined under Special Provision No. 3 of this rate schedule for the costs of all additional equipment, or the customer's allocated share thereof, installed to accomplish automatic delivery transfer including all line costs necessary to connect to an alternate distribution circuit.

In addition the Distribution Capacity Charge included in the Rate per Month section of this rate schedule shall be increased by \$1,214.43 per kW for the cost of reserving capacity in the alternate distribution circuit.

Rating Periods:

1. On-Peak Periods - The designated On-Peak Periods expressed in terms of prevailing clock time shall be as follows:

- A. For the calendar months of November through March,
Monday through Friday*: 6:00 a.m. to 10:00 a.m. and
6:00 p.m. to 10:00 p.m.
- B. For the calendar months of April through October,
Monday through Friday*: 12:00 Noon to 9:00 p.m.

* The following general holidays shall be excluded from the On-Peak Periods: New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas. In the event the holiday occurs on a Saturday or Sunday, the adjacent weekday shall be excluded from the On-Peak Periods.

2. Off-Peak Periods - The designated Off-Peak Periods shall be all periods other than the designated On-Peak Periods set forth above.

Minimum Monthly Bill:

The minimum monthly bill shall be the Customer Charge and the Capacity Charges for Standby Service. Where Special Equipment to service the customer is required, the Company may require a specified minimum charge.

(Continued on Page No. 5)

ISSUED BY: Javier J. Portuondo, Managing Director Rates & Regulatory Strategy - FL

EFFECTIVE: January 1, 2019~~October 4, 2018~~



SECTION NO. VI
TWENTY-~~EIGHTH~~^{SEVENTH} REVISED SHEET NO. 6.317
CANCELS TWENTY-~~SEVENTH~~^{SIXTH} REVISED SHEET NO. 6.317

Page 3 of 5

RATE SCHEDULE SS-2
INTERRUPTIBLE STANDBY SERVICE
(Continued from Page No. 2)

Determination of Specified Standby Capacity:

- Initially, the customer and the Company shall mutually agree upon a maximum amount of standby capacity in kW to be supplied by the Company. This shall be termed for billing purposes as the "Specified Standby Capacity".
- Where a bona fide change in the customer's standby capacity requirement occurs, the Company and the customer shall establish a new Specified Standby Capacity.
- The Specified Standby Capacity for the current billing period shall be the greater of: (1) the mutually agreed upon Specified Standby Capacity, (2) the maximum 30-minute kW standby power requirement established in the current billing month, or (3) the maximum 30-minute kW standby power requirement established in any of the twenty-three (23) preceding billing months.

Rate Per Month:

1. Customer Charge:

Secondary Metering Voltage:	\$ 313,743 06.70
Primary Metering Voltage:	\$ 453,174 44.55
Transmission Metering Voltage:	\$ 1,048,534,024 .66

Note: Where the customer has paid the costs of metering equipment pursuant to a Cogeneration Agreement, the Customer Charge shall be \$293,582~~86.06~~.

2. Supplemental Service Charges:

All supplemental power requirements shall be billed in accordance with the demand and energy charges of the otherwise applicable rate schedule.

3. Standby Service Charges:

A. Distribution Capacity:

\$2,372~~.22~~ per kW times the Specified Standby Capacity.

Note: No charge is applicable to a Customer who has provided all the facilities for interconnection to the Company's transmission system.

B. Generation & Transmission Capacity:

The charge shall be the greater of:

- \$1,324~~1.244~~ per kW times the Specified Standby Capacity or
- The sum of the daily maximum 30-minute kW demand of actual standby use occurring during On-Peak Periods times \$0,630~~0.594~~ kW times the appropriate following monthly factor:

Billing Month	Factor
March, April, May, October	0.80
June, September, November, December	1.00
January, February, July, August	1.20

Plus the Cost Recovery Factors on a \$/kW basis

in Rate Schedule BA-1, *Billing Adjustments*: See Sheet No. 6.105 and 6.106

C. Interruptible Capacity Credit:

The credit shall be the greater of:

- \$1.17 per kW times the Specified Standby Capacity, or
- The sum of the daily maximum 30-minute kW demand of actual standby use occurring during On-peak periods times \$0.557/kW times the appropriate Billing Month Factor shown in part 3.B. above.

D. Energy Charges:

Non-Fuel Energy Charge: 1,159~~1.086~~¢ per kWh

Plus the Cost Recovery Factors on a ¢/kWh basis

in Rate Schedule BA-1, *Billing Adjustments*, except for the Fuel Cost Recovery Factor and Asset Securitization Charge Factor: See Sheet No. 6.105 and 6.106

E. Delivery Voltage Credit:

When a customer takes service under this rate at a distribution primary delivery voltage, the Distribution Capacity Charge hereunder will be reduced by 1.19¢ per kW.

(Continued on Page No. 4)

ISSUED BY: Javier J. Portuondo, Managing Director Rates & Regulatory Strategy – FL

EFFECTIVE: January 1, 2019~~October 4, 2018~~



SECTION NO. VI
TWENTY-~~SECOND~~^{FIRST} REVISED SHEET NO. 6.318
CANCELS ~~TWENTY-FIRST~~^{TWENTIETH} REVISED SHEET NO.

6.318

Page 4 of 5

RATE SCHEDULE SS-2
INTERRUPTIBLE STANDBY SERVICE
(Continued from Page No. 3)

Rate Per Month: (Continued)

3. Standby Service Charges: (Continued)

F. Metering Voltage Adjustment:

Metering voltage will be at the option of the Company. When the Company meters at a voltage above distribution secondary, the appropriate following reduction factor shall apply to the Distribution Capacity Charge, Generation & Transmission Capacity Charge, Interruptible Capacity Credit, Non-Fuel Energy Charge and Delivery Voltage Credit hereunder:

<u>Metering Voltage</u>	<u>Reduction Factor</u>
Distribution Primary	1.0%
Transmission	2.0%

G. Fuel Cost Recovery Factor:

Time of Use Fuel Charges of applicable metering voltage provided on Tariff Sheet No. 6.105.

H. Asset Securitization Charge Factor:

See Sheet No. 6.105

I. Gross Receipts Tax Factor:

See Sheet No. 6.106

J. Right-of-Way Utilization Fee:

See Sheet No. 6.106

K. Municipal Tax:

See Sheet No. 6.106

L. Sales Tax:

See Sheet No. 6.106

Premium Distribution Service Charge:

Where Premium Distribution Service has been established after 12/15/98 in accordance with Subpart 2.05, General Rules and Regulations Governing Electric Service, the customer shall pay a monthly charge determined under Special Provision No. 4 of this rate schedule for the costs of all additional equipment, or the customer's allocated share thereof, installed to accomplish automatic delivery transfer including all line costs necessary to connect to an alternate distribution circuit.

In addition the Distribution Capacity Charge included in the Rate per Month section of this rate schedule shall be increased by ~~\$1.204-42~~ per kW for the cost of reserving capacity in the alternate distribution circuit.

Rating Periods:

1. On-Peak Periods - The designated On-Peak Periods expressed in terms of prevailing clock time shall be as follows:

- A. For the calendar months of November through March,
Monday through Friday*: 6:00 a.m. to 10:00 a.m. and
6:00 p.m. to 10:00 p.m.
- B. For the calendar months of April through October,
Monday through Friday*: 12:00 Noon to 9:00 p.m.

* The following general holidays shall be excluded from the On-Peak Periods: New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas. In the event the holiday occurs on a Saturday or Sunday, the adjacent weekday shall be excluded from the On-Peak Periods.

2. Off-Peak Periods - The designated Off-Peak Periods shall be all periods other than the designated On-Peak Periods set forth above.

Minimum Monthly Bill:

The minimum monthly bill shall be the Customer Charge and the Capacity Charges for Standby Service. Where Special Equipment to service the customer is required, the Company may require a specified minimum charge.

Terms of Payment:

Bills rendered hereunder are payable within the time limit specified on bill at company-designated locations.

Term of Service:

Service under this rate schedule shall be under the same terms as that specified in the otherwise applicable rate schedule.

Special Provisions:

- When the customer increases the electrical load, which increase requires the Company to increase facilities installed for the specific use of the customer, a new Term of Service may be required under this rate at the option of the Company.
- Customers taking service under another Company rate schedule who elect to transfer to this rate will be accepted by the Company on a first-come, first-served basis. Required interruptible equipment will be installed accordingly, subject to availability. Service under this rate schedule shall commence with the first full billing period following the date of equipment installation.

(Continued on Page No. 5)

ISSUED BY: Javier J. Portuondo, Managing Director Rates & Regulatory Strategy - FL

EFFECTIVE: January 1, 2019~~October 1, 2018~~



SECTION NO. VI
TWENTY-~~FOURTH~~THIRD REVISED SHEET NO. 6.322
CANCELS TWENTY-~~THIRD~~SECOND REVISED SHEET NO.

6.322

Page 3 of 6

**RATE SCHEDULE SS-3
CURTAILABLE STANDBY SERVICE**
(Continued from Page No. 2)

Determination of Specified Standby Capacity:

- Initially, the customer and the Company shall mutually agree upon a maximum amount of standby capacity in kW to be supplied by the Company. This shall be termed for billing purposes as the "Specified Standby Capacity".
- Where a bona fide change in the customer's standby capacity requirement occurs, the Company and the customer shall establish a new Specified Standby Capacity.
- The Specified Standby Capacity for the current billing period shall be the greater of: (1) the mutually agreed upon Specified Standby Capacity, (2) the maximum 30-minute kW standby power requirement established in the current billing month or (3) the maximum 30-minute kW standby power requirement established in any of the twenty-three (23) preceding billing months.

Rate Per Month:

1. Customer Charge:

Secondary Metering Voltage:	\$ 104,041.37
Primary Metering Voltage:	\$ 243,462.33
Transmission Metering Voltage:	\$ 838,828.73

Note: Where the customer has paid the costs of metering equipment pursuant to a Cogeneration Agreement, the Customer Charge shall be \$83,898.74.

2. Supplemental Service Charges:

All supplemental power requirements shall be billed in accordance with the demand and energy charges of the otherwise applicable rate schedule.

3. Standby Service Charges:

A. Distribution Capacity:

\$2,372.22 per kW times the Specified Standby Capacity.

Note: No charge is applicable to a customer who has provided all the facilities for interconnection to the Company's transmission system.

B. Generation & Transmission Capacity:

The charge shall be the greater of:

- \$1,324.24 per kW times the Specified Standby Capacity or
- The sum of the daily maximum 30-minute kW demand of actual standby use occurring during On-Peak Periods times \$0.6300-594/kW times the appropriate following monthly factor:

Billing Month	Factor
March, April, May, October	0.80
June, September, November, December	1.00
January, February, July, August	1.20

Plus the Cost Recovery Factors on a \$/kW basis
in Rate Schedule BA-1, *Billing Adjustments*:

See Sheet No. 6.105 and 6.106

C. Curtailable Capacity Credit:

The credit shall be the greater of:

- \$0.877 per kW times the Specified Standby Capacity, or
- The sum of the daily maximum 30-minute kW demand of actual standby use occurring during On-peak periods times \$0.418/kW times the appropriate Billing Month Factor shown in part 3.B. above.

D. Energy Charges:

Non-Fuel Energy Charge: 1.1634,000¢ per kWh

Plus the Cost Recovery Factors on a ¢/kWh basis
listed in Rate Schedule BA-1, *Billing Adjustments*,
except for the Fuel Cost Recovery Factor and
Asset Securitization Charge Factor:

See Sheet No. 6.105 and 6.106

E. Delivery Voltage Credit:

When a customer takes service under this rate at a distribution primary delivery voltage, the Distribution Capacity Charge hereunder will be reduced by 1.19¢ per kW.

(Continued on Page No. 4)

ISSUED BY: Javier J. Portuondo, Managing Director Rates & Regulatory Strategy – FL

EFFECTIVE: January 1, 2019~~October 4, 2018~~



NO. 6.323

SECTION NO. VI
~~NINETEENTH~~~~EIGHTEENTH~~ REVISED SHEET NO. 6.323
CANCELS ~~EIGHTEENTH~~~~SEVENTEENTH~~ REVISED SHEET

Page 4 of 6

**RATE SCHEDULE SS-3
CURTAILABLE STANDBY SERVICE
(Continued from Page No. 3)**

Rate Per Month: (Continued)

3. Standby Service Charges: (Continued)

F. Metering Voltage Adjustment:

Metering voltage will be at the option of the Company. When the Company meters at a voltage above distribution secondary, the appropriate following reduction factor shall apply to the Distribution Capacity Charge, Generation & Transmission Capacity Charge, Interruptible Capacity Credit, Non-Fuel Energy Charge and Delivery Voltage Credit hereunder:

<u>Metering Voltage</u>	<u>Reduction Factor</u>
Distribution Primary	1.0%
Transmission	2.0%

G. Fuel Cost Recovery Factor:

Time of Use Fuel Charges of applicable metering voltage provided on Tariff Sheet No. 6.105.

H. Asset Securitization Charge Factor:

See Sheet No. 6.105

I. Gross Receipts Tax Factor:

See Sheet No. 6.106

J. Right-of-Way Utilization Fee:

See Sheet No. 6.106

K. Municipal Tax:

See Sheet No. 6.106

L. Sales Tax:

See Sheet No. 6.106

Premium Distribution Service Charge:

Where Premium Distribution Service has been established after 12/15/98 in accordance with Subpart 2.05, General Rules and Regulations Governing Electric Service, the customer shall pay a monthly charge determined under Special Provision No. 2 of this rate schedule for the costs of all additional equipment, or the customer's allocated share thereof, installed to accomplish automatic delivery transfer including all line costs necessary to connect to an alternate distribution circuit.

In addition the Distribution Capacity Charge included in the Rate per Month section of this rate schedule shall be increased by \$1,204.42 per kW for the cost of reserving capacity in the alternate distribution circuit.

Rating Periods:

1. On-Peak Periods - The designated On-Peak Periods expressed in terms of prevailing clock time shall be as follows:

- A. For the calendar months of November through March,
Monday through Friday*: 6:00 a.m. to 10:00 a.m. and
6:00 p.m. to 10:00 p.m.
- B. For the calendar months of April through October,
Monday through Friday*: 12:00 Noon to 9:00 p.m.

* The following general holidays shall be excluded from the On-Peak Periods: New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas. In the event the holiday occurs on a Saturday or Sunday, the adjacent weekday shall be excluded from the On-Peak Periods.

2. Off-Peak Periods - The designated Off-Peak Periods shall be all periods other than the designated On-Peak Periods set forth above.

Minimum Monthly Bill:

The minimum monthly bill shall be the Customer Charge and the Capacity Charges for Standby Service. Where Special Equipment to service the customer is required, the Company may require a specified minimum charge.

Terms of Payment:

Bills rendered hereunder are payable within the time limit specified on bill at Company-designated locations.

Term of Service:

Service under this rate schedule shall be under the same terms as that specified in the otherwise applicable rate schedule.

(Continued on Page No. 5)

ISSUED BY: Javier J. Portuondo, Managing Director Rates & Regulatory Strategy - FL

EFFECTIVE: January 1, 2019~~October 4, 2018~~

Item 8

State of Florida



FILED 10/18/2018
DOCUMENT NO. 06649-2018
FPSC - COMMISSION CLERK

Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: October 18, 2018

TO: Docket No. 20180152-EQ – Petition for approval to terminate qualifying facility power purchase agreement with Ridge Generating Station, L.P., by Duke Energy Florida, LLC.

FROM: *CS* Carlotta S. Stauffer, Commission Clerk, Office of Commission Clerk

RE: Rescheduled Commission Conference Agenda Item

Staff's memorandum assigned DN 06291-2018 was filed on September 28, 2018, for the October 11, 2018 Commission Conference.

Due to the approach of Hurricane Michael and its potential threat to areas throughout the State of Florida, the Commission's Conference set for Thursday, October 11, 2018, was cancelled. Dockets scheduled for consideration at that conference were deferred to the October 30, 2018, Commission Conference.

Accordingly, this item has been placed on the agenda for the October 30, 2018 Commission Conference, and staff's previously filed memorandum is attached.

/css

Attachment

State of Florida



FILED 9/28/2018
DOCUMENT NO. 06291-2018
FPSC - COMMISSION CLERK

Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: September 28, 2018

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Engineering (Lee) *POE*
Division of Accounting and Finance (Andrews) *MAD*
Division of Economics (Higgins) *du*
Office of the General Counsel (DuVal) *MS* *ALM*

RE: Docket No. 20180152-EQ – Petition for approval to terminate qualifying facility power purchase agreement with Ridge Generating Station, L.P., by Duke Energy Florida, LLC.

AGENDA: 10/11/18 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Clark

CRITICAL DATES: December 31, 2018 (Termination Agreement Closing Date)

SPECIAL INSTRUCTIONS: None

Case Background

On August 3, 2018, Duke Energy Florida, LLC (DEF or Company) filed a petition for approval of a Termination Agreement (Termination Agreement) and for approval of the regulatory treatment of the termination payment of \$34.5 million to Ridge Generating Station, L.P. (Ridge). DEF and Ridge entered into the Termination Agreement to terminate a power purchase agreement (PPA) between DEF and Ridge on August 1, 2018.

Docket No. 20180152-EQ
Date: September 28, 2018

The PPA was approved by the Florida Public Service Commission (Commission) in 1991.¹ The Ridge facility, located in Auburndale, Florida, is a qualifying facility converting waste, such as scrap tires, into electric power. Since the facility came online in May 1994, DEF has been purchasing firm energy and capacity from Ridge pursuant to the PPA, with a 39.6 megawatt (MW) committed capacity expiring in December 2023.

DEF's proposed regulatory treatment is to establish a regulatory asset for the \$34.5 million termination payment that DEF will recover through the Capacity Cost Recovery Clause (Capacity Clause) by amortizing the regulatory asset through the expiration of the original PPA term. The Termination Agreement has a requirement that the transaction be approved by the Commission as one of the conditions to be satisfied prior to the expected closing date of December 31, 2018.

On August 27, 2018, the Office of Public Counsel (OPC) filed a notice of intervention. Order No. PSC-2018-0436-PCO-EQ acknowledged the intervention by OPC on August 28, 2018.

The Commission has jurisdiction over this matter pursuant to Sections 366.051, 366.81, and 366.91, Florida Statutes (F.S.).

¹ Order No. 24734, issued July 1, 1991, in Docket No. 19910401-EQ, *In re: Petition for approval of contracts for purchase of firm capacity and energy by Florida Power Corporation.*

Discussion of Issues

Issue 1: Should the Commission approve the Termination Agreement and the requested regulatory treatment of the termination payment?

Recommendation: Yes. Based on staff's review, the Termination Agreement is expected to save DEF and its customers between \$30 and \$35 million in net present value (NPV) and should be approved. Recovery of the termination payment as a regulatory asset through the Capacity Clause should also be approved. (Lee, Andrews, Higgins)

Staff Analysis: DEF is obligated to purchase firm energy and capacity from Ridge until the expiration of the PPA in December 2023. While the PPA was cost-effective based on the avoided generating unit at the time of approval, it is no longer cost-effective compared to the avoided costs under current and projected market conditions.

DEF negotiated a \$34.5 million payment to Ridge to terminate the PPA. Pursuant to the Termination Agreement, Ridge will terminate its qualifying facility status, permanently shut down the Ridge facility and terminate any interconnection agreements for the facility. By terminating the PPA without acquiring the facility, DEF believes its customers will benefit from lower projected fuel prices and avoid risks associated with the cleanup and dismantlement of the Ridge facility.

DEF argued that the \$34.5 million termination payment is a prudent investment that will result in a reduction of CO₂ emissions as well as economic benefits. Below is a summary of DEF's analysis of the economic benefits, followed by staff's review of key factors underlying the analysis, including the Ridge energy output scenarios, fuel forecasts, production cost comparison, and the regulatory treatment of the termination payment.

Summary of DEF's Analysis

DEF witness Borsch assessed the economic impact of the Termination Agreement based on his Cumulative Present Value Revenue Requirement (CPVRR) analysis. This is conducted by comparing the revenue requirements under the current PPA structure to those under the Termination Agreement. The analysis is over the remaining five-year term from January 2019 through December 2023 based on the expected closing date of December 31, 2018.

Using the 2018 Ten-Year Site Plan fuel price forecast as the base case for fuel prices, DEF witness Borsch provided a demonstration of projected net benefits. The cost of the Termination Agreement was calculated based on the proposed regulatory treatment of the termination payment as a regulatory asset. The revenue requirements totaled \$41.3 million over the five-year term, with a NPV of \$34 million.² This cost is compared with the benefit of a lower production cost without the PPA, estimated to be between \$64 and \$69 million in NPV.³ The benefit over cost is between \$30 and \$35 million of net savings in NPV.

² Exhibit BMHB-3, pp. 1-3, Row E, direct testimony of DEF witness Borsch.

³ Exhibit BMHB-3, pp. 1-3, Row H, direct testimony of DEF witness Borsch.

In addition, DEF used a high fuel case scenario to test the sensitivity of the estimated savings to fuel prices. Estimated savings under this high fuel case scenario are between \$23 and \$27 million in NPV, demonstrating the robustness of the economic benefits of the Termination Agreement. DEF assigned no savings attributable to reduced CO₂ emissions. Therefore, no test for carbon pricing sensitivity is needed. Table 1-1 shows the estimated savings under the base case in comparison with those under the high fuel case for three energy output scenarios discussed below.

Table 1-1
Estimated Net DEF System Savings \$ Millions NPV (2019)

	Base Case Fuel	High Fuel
Upper Energy Output Band (260 GWh)	35	27
Middle Energy Output Band (246 GWh)	34	25
Lower Energy Output Band (222 GWh)	30	23

Ridge Energy Output Scenarios

DEF estimated the system impact to fuel cost for three energy output scenarios of the future energy output of the Ridge facility. The three energy output scenarios are based on review of Ridge's performance over the last 24 years with an emphasis on recent generation performance trends. In the lower band scenario, DEF assumed approximately 222 gigawatt hours (GWh) of annual output based on an average 64 percent capacity factor performance. In the middle band scenario, DEF assumed approximately 246 GWh of annual output, or 71 percent capacity factor. In the upper band scenario, DEF assumed approximately 260 GWh of annual output, or 75 percent capacity factor.

To evaluate whether these output assumptions are too high and may result in unrealistic estimated savings, staff reviewed the underlying data for Ridge's capacity factor performance and payment under the PPA. That information appears to support Ridge's ability to meet the minimum requirement of a 12-month rolling average on-peak capacity factor of 85 percent for full capacity payment.⁴ In comparison, DEF's energy output assumptions using an average capacity factor range between 64 percent and 75 percent are reasonable considering factors such as planned outages that reduce output. Based on staff's review, this data set supports DEF's energy output assumptions.

Production Cost Comparison

As discussed earlier, DEF's estimated savings due to a lower production cost without the PPA are between \$64 and \$69 million in NPV, depending on the energy output. These lower production costs can be attributed to the PPA energy and capacity payment that can be avoided after terminating the PPA.

Pursuant to the Ridge PPA, the energy payment rate is currently based on the delivered price of coal to DEF's Crystal River Units 1 and 2 until those units are retired later this year; then, the energy payment rate is based on a coal price proxy index and a 1991 avoided coal unit variable operation and maintenance charge. Under the forecasted base fuel price scenario, the PPA energy

⁴ Document No. 05683-2018, DEF's response to Staff's Second Data Request, No. 4.

payment is unfavorable to DEF and its customers, compared with DEF's energy production cost without the PPA. The energy savings without the PPA are estimated to be between \$25 million to \$30 million in NPV, depending on the energy output.⁵

In addition, staff reviewed the data underlying DEF's assumption for full capacity payment of \$9.6 million per year. The 12-month rolling average on-peak capacity factor used to set the monthly capacity payment showed an improving performance in 2017 and 2018. The performance has exceeded the minimum requirement of 85 percent for full capacity payment since March 2018.⁶ Based on staff's review, DEF's assumption for full capacity payment is reasonable. The avoided capacity payment totals \$48.1 million over the five-year term, with a NPV of approximately \$39 million. Adding this to the \$25 million to \$30 million in energy savings, the total estimated production cost savings are between \$64 and \$69 million in NPV.

Fuel Forecast

DEF's CPVRR evaluations included assumptions related to forecasted fuel prices. However, since the remaining term of DEF's contract with Ridge is relatively limited, running through December 2023, much of the information used to value future fuel costs is observable. Specifically, DEF relied primarily on New York Mercantile Exchange contract pricing to prepare its short term natural gas and oil price forecasts appearing in its base case fuel price scenario. Similarly, DEF relied upon its existing coal contracts to project its coal prices for the early years of its base case fuel price scenario. Further, DEF performed a high (price) case sensitivity analysis around its base forecast. The high case sensitivity analysis reflects forecasted fuel prices approximately 33 percent greater than the base case forecast. DEF stated it did not perform a low case fuel price sensitivity because both base and high case forecasted price levels resulted in positive customer savings, and because a low case fuel price sensitivity would only increase the customer savings.

Staff considers the relevant forecast period (2018-2023) to be on the shorter end of forecast durations that the Commission is generally tasked with reviewing. Typically, a shorter forecast period will result in a greater degree of reliability concerning accuracy. In addition, much of the near-term pricing is based on actual executed contracts. For these reasons, staff believes the forecasted fuel prices used in DEF's economic evaluations of the Termination Agreement are reasonable.

Reliability Impact (Reserve Margin)

If the loss of the Ridge capacity causes a need to replace the capacity or accelerate any generating units, then the cost to replace the Ridge capacity must be evaluated. DEF argued that the 39.6 MW capacity from Ridge is not a material contributor to DEF's reliability reserve margin. In response to Staff's First Data Request, DEF provided an update of its Ten-Year Site Plan schedules for reliability reserve margin. The updated schedules reflect both the termination of the Ridge capacity and the capacity from the termination of the Florida Power Development,

⁵ Exhibit BMHB-3, p. 1, Row F, direct testimony of DEF witness Borsch.

⁶ Document No. 05683-2018, DEF's response to Staff's Second Data Request, No. 4.

LLC (FPD) contract approved by the Commission in May 2018.⁷ The impact of the loss of the Ridge capacity is less than 1 percent, resulting in a projected range of summer reserve margin during 2019-2023 that is still 8 to 11 percent above the 20 percent reserve margin approved by the Commission. Based on staff's review, the provided information supports a finding that reliability considerations will not cause a need to replace the Ridge capacity or accelerate any generating units.

Regulatory Asset Treatment

Staff has reviewed DEF's proposed regulatory treatment to establish a regulatory asset for the \$34.5 million termination payment and to amortize it over the remaining five-year term for recovery through December 2023. The regulatory asset treatment is consistent with the Commission's decision on a similar regulatory treatment for the termination of the FPD contract in Order No. PSC-2018-0240-PAA-EQ.⁸ Staff has calculated the revenue requirement based on the projected capital structure provided by DEF. Based on DEF's projected capital structure and rate of return, staff recommends no adjustments to the proposed revenue requirement for the regulatory asset.

Conclusion

Based on staff's review, the Termination Agreement is expected to save DEF and its customers between \$30 and \$35 million in NPV and should be approved. Recovery of the termination payment as a regulatory asset through the Capacity Clause should also be approved.

⁷ Order No. PSC-2018-0240-PAA-EQ, issued May 8, 2018, in Docket No. 20170274-EQ, *In re: Petition for approval to terminate qualifying facility power purchase agreement with Florida Power Development, LLC, by Duke Energy Florida, LLC.*

⁸ *Id.*

Issue 2: Should this docket be closed?

Recommendation: Yes. This docket should be closed upon issuance of a Consummating Order unless a person whose substantial interests are affected by the Commission's decision files a protest within 21 days of the issuance of the proposed agency action. (DuVal)

Staff Analysis: This docket should be closed upon issuance of a Consummating Order unless a person whose substantial interests are affected by the Commission's decision files a protest within 21 days of the issuance of the proposed agency action.

Item 9

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: October 18, 2018

TO: Docket No. 20180134-WU – Application for quick-take amendment of Certificate No. 450-W in Lake County by Pine Harbour Waterworks, Inc.

FROM: Carlotta S. Stauffer, ^{cm}Commission Clerk, Office of Commission Clerk

RE: Rescheduled Commission Conference Agenda Item

Staff's memorandum assigned DN 06286-2018 was filed on September 28, 2018, for the October 11, 2018 Commission Conference.

Due to the approach of Hurricane Michael and its potential threat to areas throughout the State of Florida, the Commission's Conference set for Thursday, October 11, 2018, was cancelled. Dockets scheduled for consideration at that conference were deferred to the October 30, 2018, Commission Conference.

Accordingly, this item has been placed on the agenda for the October 30, 2018 Commission Conference, and staff's previously filed memorandum is attached.

/css

Attachment

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: September 28, 2018

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Engineering (Salvador, M. Watts)
Office of the General Counsel (Schrader) *HL LSH MT*
KS Met for JBB

RE: Docket No. 20180134-WU – Application for quick-take amendment of Certificate No. 450-W in Lake County by Pine Harbour Waterworks, Inc.

AGENDA: 10/11/18 – Regular Agenda – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Polmann

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: This item should precede Docket No. 20180022-WU - Application for staff-assisted rate case in Lake County by Pine Harbour Waterworks, Inc.

Case Background

On July 10, 2018, Pine Harbour Waterworks, Inc. (Pine Harbour or Utility) filed an application to amend Certificate No. 450-W, in order to expand its existing territory to include seven current customers that are located outside of, and adjacent to, its certificated area in Lake County. Pine Harbour provides water service to approximately 65 customers. When Pine Harbour acquired the water system in 2016, the previous owner was serving six of the seven customers located outside of the certificated territory. In 2017 Pine Harbour added the seventh customer located outside of its certificated territory.

Docket No. 20180134-WU

Date: September 28, 2018

The Utility has been under Florida Public Service Commission (Commission) jurisdiction since October 22, 1985.¹ The Commission granted Certificate No. 450-W to Mr. Earl W. Stockwell in 1990 and this certificate was subsequently transferred to Mr. Jim C. Branham in 1991.² Upon Mr. Branham's death on April 14, 2007, the Utility became a part of his estate. On May 11, 2007, the Circuit Court for Lake County, Florida appointed Ms. Sandra Wesson as personal representative of the Estate of Jim C. Branham. During the probate of Mr. Branham's Estate, the Court granted Ms. Wesson authority to manage and operate the Utility. The Commission subsequently transferred the certificate to Pine Harbour Water Utilities, LLC on October 6, 2008.³

The Commission approved the transfer of the water system and Certificate No. 450-W to Pine Harbour Waterworks, Inc. on February 2, 2017.⁴ On January 23, 2018, Pine Harbour filed an application for staff-assisted rate case.⁵ During Commission staff's review of the submitted application, supporting documentation, and the legal territory description in that docket, staff discovered that the Utility is serving seven customers outside of its certificated territory.

The Commission has jurisdiction pursuant to Section 367.045, Florida Statutes (F.S.)

¹ Order No. 15285, issued October 22, 1985, in Docket No. 19850417-WU, *In re: Application of Earl W. Stockwell for a certificate to provide water service to the Pine Harbour Subdivision in Lake County, Florida pursuant to the provisions of Section 367.041, Florida Statutes.*

² Order No. 24273, issued March 21, 1991, in Docket No. 19900525-WU, *In re: Application for transfer of Certificate No. 450-W from Mr. Earl W. Stockwell to Pine Harbour Water Utilities, Inc. in Lake County.*

³ Order PSC-08-0645-FOF-WU, issued October 6, 2008, in Docket No. 20080269-WU, *In re: Application for authority to transfer water Certificate No. 450-W, held by Pine Harbour Water Utilities, from Jim C. Branham to Pine Harbour Water Utilities, LLC, in Lake County.*

⁴ Order No. PSC-17-0043-PAA-WU, issued February, 2, 2017, in Docket No. 20160169-WU, *In re: Application for authority to transfer water system and Certificate No. 450-W from Pine Harbour Water Utilities, LLC to Pine Harbour Waterworks, Inc. in Lake County.*

⁵ Docket No. 20180022-WU, *In re: Application for staff-assisted rate case in Lake County by Pine Harbour Waterworks, Inc.*

Discussion of Issues

Issue 1: Should Pine Harbour be required to show cause why it should not be fined for an apparent violation of Section 367.045(2), F.S., for serving customers outside of its Commission approved territory

Recommendation: No. A show cause proceeding for Pine Harbour's potential violation of Section 367.045, F.S., should not be initiated as it appears that the Utility unknowingly serviced of customers outside of its certificated territory. Such conduct would not be a willful violation of Chapter 367, F.S., or a lawful rule or order of the Commission, and thus, would not be subject to penalties pursuant to Section 367.161, F.S. (Schrader)

Staff Analysis: Pursuant to Section 367.045(2), F.S., a utility may not delete or extend its service outside the area described in its certificate of authorization until it has obtained an amended certificate of authorization from the Commission. Section 367.161(1), F.S., authorizes the Commission to assess a penalty of not more than \$5,000 for each offense, if a utility is found to have knowingly refused to comply with, or to have willfully violated, any provision of Chapter 367, F.S. By serving customers outside of its certificated territory without obtaining an amended certificate of authorization, the Utility's act may have been "willful" within the meaning of Section 367.161, F.S. Willfulness is a question of fact. *Fugate v. Fla. Elections Comm'n*, 924 So. 2d 74, 76 (Fla. 1st DCA 2006). Utilities are charged with the knowledge of the Commission's statutes and rules; however a mere technical violation of a statute or rule, even when the underlying act is intentional in nature, may not rise to the level of a "willful" violation.

The term "willful" is not defined in Chapter 367, F.S. The plain meaning of "willful" typically applied by Florida courts, in the absence of a statutory definition, is that an act or omission must be "voluntarily and intentionally performed with specific intent and bad purpose to violate or disregard the requirements of the law." *Fugate* at 76. With this standard in mind, an important distinction can be drawn between a water or wastewater utility intentionally providing service to customers that are located outside of its certificated territory, but, not knowing those customers to be so located; and a water or wastewater utility providing service to customers it knows are outside of its service territory.

Pine Harbour asserts that its service of customers outside of its certificated territory was unknowing,⁶ and, given the totality of facts in this docket and Docket 20180022-WU, staff finds this assertion to be credible. When Pine Harbour acquired the utility, 6 of the 7 homes currently being serviced outside of the certificated territory were already being served by the previous owner. Furthermore, during staff's evaluation of Pine Harbour's legal territory description in its staff-assisted rate case, Docket No. 20180022-WU, when Commission Staff notified the Utility that it was serving customers outside of its certificated territory, Pine Harbour immediately filed the instant application to correct its oversight by requesting the territory be added to its service area.

⁶ Response to staff's third data request, page 1, in docket No. 20180022-WU, *In re: Application for staff-assisted rate case in Lake County by Pine Harbour Waterworks, Inc.*

Docket No. 20180134-WU
Date: September 28, 2018

Issue 1

Based on the foregoing, staff recommends that the Pine Harbour's apparent violation of Section 367.045(2), F.S., does not rise to the level which warrants the initiation of a show cause proceeding. Therefore, Pine Harbour should not be required to show cause for failure to obtain an amended certificate of authorization prior to serving outside of its certificated territory.

Issue 2: Should the Commission acknowledge Pine Harbour Waterworks, Inc.'s quick-take application to amend Certificate No. 450-W to extend its service territory in Lake County?

Recommendation: Yes. The Commission should acknowledge Pine Harbour's application to extend its service territory. The rates and charges approved by the Commission for Pine Harbour's service area should be applied to the customers in the new service territory. The resultant order should serve as Pine Harbour's amended certificate and it should be retained by the Utility. (Salvador)

Staff Analysis: On July 10, 2018, Pine Harbour filed an application to amend Certificate No. 450-W in Lake County, pursuant to Rule 25-30.036, Florida Administrative Code (F.A.C.). Pine Harbour completed the application on September 16, 2018. The requested territory is contiguous to the Utility's existing service territory and is limited to the area occupied by the seven customers currently located outside of its certificated territory. Beyond these seven specified customers, additional customers are not being added pursuant to this amendment.

The application complies with the governing statute, Section 367.045(2), F.S. The Utility has provided an adequate territory description and service territory maps as prescribed by Rule 25-30.036(2)(f) and (h), F.A.C. The territory description is appended to this recommendation as Attachment A. The Utility has submitted an affidavit, consistent with Section 367.045(2)(d), F.S., that it has tariffs and annual reports on file with the Commission.

Staff recommends that the rates and charges approved by the Commission for Pine Harbour's service area should be applied to the customers in the new service territory. The Utility has filed a revised tariff sheet incorporating this additional territory into its tariff.

The Utility has satisfied all of the conditions required by Rule 25-30.036(3) F.A.C. No protests have been filed in this docket, and the time for doing so has expired. Therefore, the Commission should approve the request for a quick-take amendment to extend the service territory.

Conclusion

Based on the above information, the Commission should acknowledge Pine Harbour's application to extend its service territory. The rates and charges approved by the Commission for Pine Harbour's service area should be applied to the customers in the new service territory. The resultant order should serve as Pine Harbour's amended certificate and it should be retained by the Utility.

Issue 3: Should this docket be closed?

Recommendation: Yes. No further action is necessary in this docket; it should be closed upon issuance of a Final Order. (Schrader)

Staff Analysis: No further action is necessary in this docket; it should be closed upon issuance of a Final Order.

**Pine Harbour Waterworks, Inc.
Lake County**

Territory to be added: A, B and C

Pine Harbour Waterworks, Inc. - Water System Service Territory (A)

A Utility Service Territory located within Section 31, Township 18 South, Range 26 East, Lake County, Florida. From the Southeast corner of Section 31, run North 89° 39' 9.17" West, 3,217.54 feet to the Point of Beginning "A". From said Point of Beginning run North 0° 23' 48.20" West, 347.51 feet; thence South 54° 50' 1.11" West, 590.59 feet; thence South 89° 7' 56.32" East, 485.26 feet to the Point of Beginning "A".

Pine Harbour Waterworks, Inc. - Water System Service Territory (B)

A Utility Service Territory located within Section 6, Township 19 South, Range 26 East, Lake County, Florida. From the Northeast corner of Section 6, run South 75° 12' 5.73" West, 3,883.18 feet to the Point of Beginning "B". From said Point of Beginning run South 0° 57' 41.79" West, 136.79 feet; thence South 39° 50' 55.58" East, 32.61 feet; thence South 89° 36' 33.95" East, 63.72 feet; thence North 0° 28' 13.82" East, 138.73 feet; thence North 74° 13' 53.21" West, 86.71 feet to the Point of Beginning "B".

Pine Harbour Waterworks, Inc. - Water System Service Territory (C)

A Utility Service Territory located within Section 6, Township 19 South, Range 26 East, Lake County, Florida. From the Northeast corner of Section 6, run South 68° 39' 41.22" West, 2,814.06 feet to the Point of Beginning "C". From said Point of Beginning run South 0° 23' 25.65" West, 137.58 feet; thence South 89° 36' 34.04" East, 425 feet; thence North 1° 9' 3.43" East, 133.63 feet; thence North 89° 4' 37.80" West, 426.79 feet to the Point of Beginning "C".

Resulting Water Territory

A Utility Service Territory located within Section 6, Township 19 South, Range 26 East, and Section 31, Township 18 South, Range 26 East, Lake County, Florida. From the Northeast corner of Section 6, run North 89° 44' 52" West 2,720 feet to the Point of Beginning. From said Point of Beginning run North 89° 7' 24" West 487.87 feet; thence North 0° 23' 48" West 347.51 feet; thence South 55° 14' 42" West 640 feet; thence South 0° 57' 42" West 1,129.22 feet; thence South 39° 50' 56" East 32.61 feet; thence South 89° 19' 46" East 63.72 feet; thence North 0° 23' 26" East 139.05 feet; thence South 89° 31' 46" East 1,050 feet; thence South 0° 23' 26" West 137.58 feet; thence South 89° 36' 34" East 425 feet; thence North 1° 9' 3" East 347 feet; thence North 27° 19' 14" West 541.61 feet; thence North 62° 15' 52" West 297.75 feet; thence North 6° 29' 36" West 211.13 feet to the Point of Beginning.

FLORIDA PUBLIC SERVICE COMMISSION

**Authorizes
Pine Harbour Waterworks, Inc.
Pursuant to
Certificate Number 450-W**

To provide water service in Lake County in accordance with the provisions of Chapter 367, Florida Statutes, and the Rule, regulations, and Orders of this Commission in the territory described by the Orders of this Commission. This authorization shall remain in force and effect until superseded, suspended, cancelled or revoked by Order of this Commission.

<u>Order Number</u>	<u>Date Issued</u>	<u>Docket Number</u>	<u>Filing Type</u>
Order No. 15285	10/22/1985	850417-WU	Original Certificate
Order No. 24273	03/21/1991	900525-WU	Transfer of Certificate
PSC-08-0645-FOF-WU	10/06/2008	080269-WU	Transfer of Certificate
PSC-17-0043-PAA-WU	02/02/2017	160169-WU	Transfer of Certificate
*	*	20180134-WU	Amendment

*** Order Numbers and dates to be provided at time of issuance**

Item 10

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: October 18, 2018

TO: Docket No. 20180022-WU – Application for staff-assisted rate case in Lake County by Pine Harbour Waterworks, Inc.

FROM: Carlotta S. Stauffer, ^{CS}Commission Clerk, Office of Commission Clerk

RE: Rescheduled Commission Conference Agenda Item

Staff's memorandum assigned DN 06299-2018 was filed on September 28, 2018, for the October 11, 2018 Commission Conference.

Due to the approach of Hurricane Michael and its potential threat to areas throughout the State of Florida, the Commission's Conference set for Thursday, October 11, 2018, was cancelled. Dockets scheduled for consideration at that conference were deferred to the October 30, 2018, Commission Conference.

Accordingly, this item has been placed on the agenda for the October 30, 2018 Commission Conference, and staff's previously filed memorandum is attached.

/css

Attachment

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: September 28, 2018

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Accounting and Finance (Golden, Wilson)
Division of Economics (Friedrich) *SHPO*
Division of Engineering (Lewis, Salvador) *dy*
Office of the General Counsel (DuVal) *MD*

ALM MC KW
COAR
MAN for TLT

RE: Docket No. 20180022-WU – Application for staff-assisted rate case in Lake County by Pine Harbour Waterworks, Inc.

AGENDA: 10/11/18 – Regular Agenda - Proposed Agency Action - Except for Issue Nos. 10, 11, and 12 - Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Clark

CRITICAL DATES: 06/19/19 (15-Month Effective Date (SARC))

SPECIAL INSTRUCTIONS: Place after Docket No. 20180134-WU.

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Case Background

Pine Harbour Waterworks, Inc. (Pine Harbour or Utility) is a Class C utility serving approximately 62 residential and 2 general service water customers in Lake County. Wastewater service is provided by septic tanks. The service area is located in the St. Johns River Water Management District (SJRWMD), which has enacted district-wide irrigation restrictions. According to the Utility's 2017 Annual Report, total gross revenues were \$23,286, and total operating expenses were \$26,383, resulting in a net operating loss of \$3,097.

The Utility has been under Florida Public Service Commission (Commission) jurisdiction since 1985, when it was granted Certificate No. 450-W.¹ The Utility's ownership subsequently changed in 1991, 2008, and 2016.² The Utility has never had a rate case, but received approval to charge miscellaneous service charges in a 2009 tariff filing and in the 2016 transfer docket.³ On January 23, 2018, Pine Harbour filed an application for a staff-assisted rate case (SARC). Staff selected the 12-month period ended December 31, 2017, as the test year for the instant case. A customer meeting was held in Eustis, Florida on July 26, 2018.

The Commission has jurisdiction in this case pursuant to Sections 367.011, 367.081, 367.0812, 367.0814, and 367.121, Florida Statutes (F.S.).

¹Water certificate issued pursuant to Order No. 15285, issued October 22, 1985, in Docket No. 19850417-WU, *In re: Application of Earl W. Stockwell for a certificate to provide water service to the Pine Harbour Subdivision in Lake County, Florida pursuant to the provisions of Section 367.041, Florida Statutes.*

²Order No. 24273, issued March 21, 1991, in Docket No. 19900525-WU, *In Re: Application for transfer of Certificate No. 450-W from Mr. Earl W. Stockwell (Pine Harbour) to Pine Harbour Water Utilities in Lake County.*; Order No. PSC-08-0645-FOF-WU, issued October 6, 2008, in Docket No. 20080269-WU, *In re: Application for authority to transfer water Certificate No. 450-W, held by Pine Harbour Water Utilities, from Jim C. Branham to Pine Harbour Water Utilities, LLC, in Lake County.*; Order No. PSC-17-0043-PAA-WU, issued February 2, 2017, in Docket No. 20160169-WU, *In re: Application for authority to transfer water system and Certificate No. 450-W from Pine Harbour Water Utilities, LLC to Pine Harbour Waterworks, Inc. in Lake County.*

³Order No. PSC-10-0328-CO-WU, issued May 21, 2010, in Docket No. 20090429-WU, *In re: Request for approval of imposition of miscellaneous service charges, delinquent payment charge and meter tampering charge in Lake County, by Pine Harbour Water Utilities, LLC.*; and Order No. PSC-17-0043-PAA-WU, issued February 2, 2017, in Docket No. 20160169-WU, *In re: Application for authority to transfer water system and Certificate No. 450-W from Pine Harbour Water Utilities, LLC to Pine Harbour Waterworks, Inc. in Lake County.*

Discussion of Issues

Issue 1: Is the quality of service provided by Pine Harbour satisfactory?

Recommendation: Yes. Pine Harbour is in compliance with the Department of Environmental Protection (DEP) rules and regulations. Additionally, the Utility appears to be responding adequately to the water quality concerns of its customers. Therefore, staff recommends that the overall quality of service provided by Pine Harbour be considered satisfactory. (Salvador)

Staff Analysis: Pursuant to Section 367.081(2)(a)1., F.S., in water and wastewater rate cases, the Commission shall consider the overall quality of service provided by a utility. Rule 25-30.433(1), Florida Administrative Code (F.A.C.), provides for the consideration of three separate components of the utility's operations.⁴ The components are: (1) the quality of the utility's product; (2) the utility's attempt to address customer satisfaction; and (3) the operating conditions of the utility's plant and facilities. The Rule further states that sanitary surveys, outstanding citations, violations, and consent orders on file with DEP and the county health department over the preceding three-year period shall be considered. Additionally, Section 367.0812(1), F.S., requires the Commission to consider the extent to which the utility provides water service that meets secondary water quality standards as established by DEP.

Quality of the Utility's Product

In the evaluation of Pine Harbour's product quality, staff reviewed the Utility's compliance with the DEP's primary and secondary drinking water standards. Primary standards protect public health, while secondary standards regulate contaminants that may impact the taste, odor, and color of drinking water. In January 2018, the Utility tested its water for compliance with primary and secondary water standards. The results of the test indicate that all contaminants (primary and secondary) and disinfectants were below the DEP established maximum contaminant levels. Therefore, staff recommends that the quality of Pine Harbour's product is satisfactory.

The Utility's Attempt to Address Customer Satisfaction

Staff reviewed the Commission's customer complaint records dating back to January 1, 2013, and no complaints were found. The DEP found no complaints in their database record for the test year and four years prior.

A customer meeting was held on July 26, 2018, at the American Legion Building in Eustis, Florida. Two persons attended the customer meeting, neither of whom chose to speak. As of September 20, 2018, no written comments have been filed in the docket.

In response to a staff data request, the Utility provided its record of customer communications including service complaints, during the test year and four years prior to the test year. Staff reviewed those communications and it appears the majority of the service complaints were related to four specific events: Hurricane Irma, a loss of water due to a power failure, a malfunction in the air compressor at the water plant, and low water pressure/water quality issues

⁴Rule 25-30.433(1), F.A.C., was amended on July 11, 2018. Staff's analysis is based on the Rule at the time of the Utility's filing.

related to hydrant flushing. Staff also notes that many of those communications were from the same customers. For example, two customers contacted the Utility eight times each; with several of those contacts being informational. It appears that the Utility responded to customers' concerns in a timely manner and to the satisfaction of its customers. Therefore, staff believes the Utility is adequately attempting to address customer satisfaction. Table 1-1 below summarizes customer complaints by source and subject.

Table 1-1
Number of Complaints by Source and Subject

Subject of Complaint	PSC Records	DEP Records	Utility Records
Color / smell / taste	-	-	13
Low water pressure	-	-	6
Excessive gallonage / Leak / Billing Errors	-	-	8
Others	-	-	5
Total*	-	-	32

*A single customer complaint may be counted multiple times if it meets multiple categories.

Operating Condition of the Utility's Plant and Facilities

The Utility's water treatment plant is served by a single well, where raw water is pumped from a well rated at 600 gallons per minute. The Utility's water system has an aeration concrete tank and a steel hydropneumatic tank. Staff reviewed the most recent DEP sanitary survey report conducted on September 16, 2015. The sanitary survey stated that there were no significant deficiencies at the Utility's facilities; however, one minor deficiency was identified. The deficiency, which was related to the calibration of the water plant distribution flow meter, was corrected on October 6, 2015. The next sanitary survey report is due to be completed by the end of 2018. Based on the Utility's compliance with DEP, staff recommends the operating condition of Pine Harbour's plant and facilities is satisfactory.

Conclusion

Pine Harbour is currently in compliance with DEP rules and regulations. Additionally the Utility appears to be responding adequately to the concerns of its customers. Therefore, staff recommends the overall quality of service provided by Pine Harbour be considered satisfactory.

Issue 2: What is the used and useful (U&U) percentage of Pine Harbour's water treatment plant, storage, and distribution system?

Recommendation: Pine Harbour's water treatment plant, storage and water distribution system should be considered 100 percent U&U. Staff recommends that a 10.1 percent adjustment to operating expenses for chemicals and purchased power should be made for excessive unaccounted for water (EUW). (Salvador)

Staff Analysis: The Utility's water treatment plant is served by a single well, where raw water is pumped from a well rated at 600 gallons per minute. The Utility's water system has one 10,000 gallon concrete ground storage tank and one 6,000 gallon steel hydropneumatic tank. Pine Harbour's distribution system is composed of 2,170 linear feet of 6-inch polyvinyl chloride (PVC) pipe, 200 linear feet of 4-inch PVC pipe and 930 linear feet of 2-inch PVC pipe.

Water Treatment Plant Used and Useful

Pursuant to Rule 25-30.4325, F.A.C., a water treatment system is considered 100 percent U&U if the service territory the system is designed to serve is built out and there is no apparent potential for expansion of the service territory, or the system is served by a single well. As stated earlier, a single well serves the Utility, therefore, the water treatment system should be considered 100 percent U&U.

Excessive Unaccounted for Water

Rule 25-30.4325, F.A.C., additionally provides factors to be considered in determining whether adjustments to operating expenses are necessary for EUW. EUW is defined as "unaccounted for water in excess of 10 percent of the amount produced." Unaccounted for water is all water that is produced that is not sold, metered or accounted for in the records of the Utility. Unaccounted for water is calculated by subtracting both the gallons used for other purposes, such as flushing, and the gallons sold to customers from the total gallons pumped for the test year.

Based on the Utility's monthly operation reports, Pine Harbour treated 5,238,641 gallons of water from January 1, 2017, to December 31, 2017, the test year. In response to a staff data request, the Utility stated that 42,000 gallons were used for flushing during the test year, 100,000 gallons were lost in December 2017 due to a water line leak and 4,641,000 gallons of finished water were sold throughout the test year.

On May 23, 2018, the drinking-water flow meter was tested by the Florida Rural Water Association and it was revealed that the meter was under-registering by approximately 14.3 percent. Considering the inaccuracy of the meter, staff believes that the amount of produced water should be adjusted to 5,987,767 gallons ($5,238,641 \times 1.143$). The Utility replaced the drinking-water flow meter on September 4, 2018.

Based on the values discussed above, the unaccounted for water for Pine Harbour is calculated to be 20.1 percent $[(5,987,767 - 100,000 - 4,641,000 - 42,000) / 5,987,767]$, which yields an EUW amount of 10.1 percent. Therefore, staff believes that a corresponding adjustment to operating expenses for chemicals and purchased power should be made.

Water Storage Used and Useful

Pursuant to Rule 25-30.4325(8), F.A.C., the used and useful calculation of storage is made by dividing the peak demand by the usable storage of the storage tank. Usable storage capacity less than or equal to the peak day demand shall be considered 100 percent U&U. Pursuant to Rule 25-30.4325(1)(d), F.A.C., peak demand for storage includes the utility's maximum day demand, excluding excessive unaccounted for water, plus a growth allowance based on the requirements of Rule 25-30.431, F.A.C., and, where provided, a minimum of either the fire flow required by the local governmental authority or two hours at 500 gallons per minute.

The maximum day demand is the single maximum day in the test year where there is no unusual occurrence. Based on information provided to staff, the maximum day demand (24,000 gallons) occurred on April 28, 2017. The ground storage tank capacity is 10,000 gallons. The EUW amount is 2,424 gallons ($24,000 \times 10.1\%$). The Utility indicated in its SARC application that Lake County requires 500 gallons per minute for fire flow. Consequently the fire flow requirement is 60,000 gallons ($500 \times 60 \times 2$). The maximum usable storage capacity of 10,000 gallons is less than the peak demand of 81,576 gallons ($24,000 - 2,424 + 60,000$). Therefore, the storage should be considered 100 percent U&U.

Water Distribution System Used and Useful

In past Commission decisions regarding distribution system U&U, consideration has been given to potential future growth and whether or not the distribution system is built-out. Based on a review of Pine Harbour's service territory map as well as staff's observation during a site visit, the Utility's service territory appears to be built-out. Therefore, the water distribution system should be considered 100 percent U&U.

Conclusion

Staff recommends that Pine Harbour's water treatment plant, storage and water distribution system should be considered 100 percent U&U. Staff recommends that a 10.1 percent adjustment to operating expenses for chemicals and purchased power should be made for EUW.

Issue 3: What is the appropriate average test year rate base for Pine Harbour?

Recommendation: The appropriate average test year rate base for Pine Harbour is \$36,616. (Golden, Wilson, Salvador)

Staff Analysis: The appropriate components of the Utility's rate base include utility plant in service, land, contributions-in-aid-of-construction (CIAC), accumulated depreciation, amortization of CIAC, and working capital. The Utility has never had a rate case and rate base has never been established. Pine Harbour's net book value for transfer purposes was last determined by Order No. PSC-17-0043-PAA-WU in the 2016 certificate transfer docket.⁵ Staff selected the test year ended December 31, 2017 for the instant case. Commission audit staff determined that the Utility's books and records are in compliance with the National Association of Regulatory Utility Commissioners' Uniform System of Accounts (NARUC USOA). A summary of each component of rate base and staff's recommended adjustments are discussed below.

Utility Plant in Service (UPIS)

The Utility recorded \$93,021 in UPIS. During 2016, the Utility installed a new water line and meter for a new customer connection. The Utility correctly recorded the CIAC received from the new customer, but did not record the associated plant additions. Therefore, staff increased UPIS by \$5,475 and \$82 to reflect the new water line installation and new meter installation, respectively. During the test year, the Utility experienced hurricane damage to a shed roof. Staff increased Account No. 304 by \$1,077 and decreased Account No. 320 by \$1,077 to reclassify the shed roof repair to the appropriate account. The reclassification has no effect on the UPIS balance, but is necessary to depreciate the repair at the correct depreciation rate. Subsequent to the test year, the Utility replaced 44 residential water meters due to age. Staff increased UPIS by \$1,930 to reflect the pro forma meter replacements and decreased UPIS by \$1,448 to reflect the associated retirement of the replaced meters.

In addition, Pine Harbour requested consideration of one pro forma project in this rate case to replace the water plant distribution flow meter (flow meter). Based on communications with the Florida Rural Water Association (FRWA), an error within five percent is considered acceptable for flow meters. Pine Harbour's flow meter was tested on May 23, 2018, by the FRWA, and it was found to be running erratically with an accuracy of 85.7 percent. Giving consideration to the test results discussed above, staff considers the meter replacement appropriate.

Based on an estimate received from the Utility, the cost to replace the flow meter is \$2,370, which includes \$2,023 for the meter and \$347 for labor. The Utility also provided a second proposal that quoted a cost of \$2,779 for the new flow meter.⁶ Estimating the same labor cost of \$347 results in a cost of \$3,126. Accordingly, staff increased UPIS by \$2,370 to reflect the pro forma flow meter replacement and decreased UPIS by \$1,778 to reflect the associated retirement of the replaced flow meter.

⁵Order No. PSC-17-0043-PAA-WU, issued February 2, 2017, in Docket No. 20160169-WU, *In re: Application for authority to transfer water system and Certificate No. 450-W from Pine Harbour Water Utilities, LLC to Pine Harbour Waterworks, Inc. in Lake County.*

⁶Document No. 04347-2018, filed on June 22, 2018.

At the customer meeting, a customer provided comments after the conclusion of the meeting concerning the exterior lighting at the water treatment plant (WTP). The next day both Utility representatives and Commission staff conducted an onsite review of the WTP. At that time, it was discovered that although the WTP had existing exterior lighting and a timer, they were inoperable. The Utility replaced the lighting and timer in early August.⁷ Staff believes that lighting improves security and safety. Also, if Utility employees needed to make any necessary repairs at night, lights would assist in the repair work. The exterior lights and timer were inspected and repaired/replaced by U.S. Water Services Corporation whom the Utility has an existing agreement with. For the reasons above, staff believes that the exterior lighting and timer replacement is appropriate. Staff increased UPIS by \$927 to reflect the pro forma lighting and timer replacements and decreased UPIS by \$695 to reflect the associated retirement of the replaced lighting and timer.

The Utility also requested recovery to replace the fence at the WTP. The existing fence is in disrepair and is in need of replacement for security reasons. The Utility indicated to staff that the existing fence needs to be replaced with a six foot security fence as soon as possible. Pine Harbour provided two quotes, one from Fritz Fence for \$5,200, and another from Hercules Fence Company for \$3,200.⁸ Staff believes that the fence replacement is appropriate and recommends pro forma cost of \$3,200. Given the current state of the fence, staff anticipates that this repair will take place as soon as possible. Staff increased UPIS by \$3,200 to reflect the pro forma fence replacement and decreased UPIS by \$2,400 to reflect the associated retirement of the replaced fence.

Finally, staff decreased UPIS by \$3,230 to reflect an averaging adjustment for additions made during the test year. Consistent with Commission practice, no averaging adjustments are applied to pro forma additions. Staff's adjustments to UPIS reflect a net increase of \$4,434. Therefore, staff recommends a UPIS balance of \$97,455.

Land and Land Rights

The Commission approved a land balance of \$5,000 in the Utility's 2016 transfer docket. Audit staff determined that there have been no additions to land since the transfer; therefore, no adjustments are necessary. Staff recommends a land and land rights balance of \$5,000.

Non-Used and Useful Plant

As discussed in Issue 2, Pine Harbour's WTP, storage and water distribution system should be considered 100 percent U&U. Therefore, a U&U adjustment is not necessary.

Contribution in Aid of Construction

The Utility recorded test year CIAC of \$62,440. Audit staff determined that no adjustments are necessary. Staff recommends a CIAC balance of \$62,440.

⁷Document No. 05703-2018, filed August 30, 2018.

⁸Document Nos. 05550-2018, filed August 27, 2018 and 05650-2018, filed August 28, 2018.

Accumulated Depreciation

The Utility recorded \$70,927 in accumulated depreciation. In order to reflect the appropriate test year balance as of December 31, 2017, staff calculated accumulated depreciation using the prescribed rates set forth in Rule 25-30.140, F.A.C. Staff increased accumulated depreciation by \$135 to reflect the appropriate test year balance. In addition, staff recommends adjustments associated with the pro forma plant projects discussed above. Staff increased this account by \$28 to reflect the incremental increase in accumulated depreciation associated with the new residential water meters, and decreased this account by \$1,448 to remove the accumulated depreciation associated with the retired meters. Staff also increased this account by \$19 to reflect the increase in accumulated depreciation associated with the new flow meter, and decreased this account by \$1,778 to remove the accumulated depreciation associated with the replaced flow meter. Staff increased this account by \$9 to reflect the incremental increase in accumulated depreciation associated with the new exterior lighting and timer, and decreased this account by \$695 to remove the accumulated depreciation associated with the retired exterior lighting and timer. Staff increased this account by \$30 to reflect the incremental increase in accumulated depreciation associated with the new WTP fence and decreased this account by \$2,400 to remove the accumulated depreciation associated with the retired fence. Finally, staff decreased the test year total accumulated depreciation by \$1,102 to reflect an averaging adjustment. Staff's adjustments to this account result in a net decrease of \$7,202. Therefore, staff recommends an accumulated depreciation balance of \$63,725.

Accumulated Amortization of CIAC

Pine Harbour recorded an amortization of CIAC balance of \$57,037. Staff increased this account by \$7 to reflect the appropriate amortization of CIAC. Staff also decreased this account by \$74 to reflect an averaging adjustment for the test year. Staff's adjustment is a net decrease of \$67. Therefore, staff recommends an accumulated amortization of CIAC balance of \$56,970.

Working Capital Allowance

Working capital is defined as the short-term investor-supplied funds that are necessary to meet operating expenses of the Utility. Consistent with Rule 25-30.433(2), F.A.C., staff used the one-eighth of the operation and maintenance (O&M) expense formula approach for calculating the working capital allowance. Staff also removed the unamortized balance of rate case expense of \$269 pursuant to Section 367.081(9), F.S.⁹ Applying this formula, staff recommends a working capital allowance of \$3,355 (\$26,844/8), based on the adjusted O&M expense of \$26,844 (\$27,113 - \$269).

Rate Base Summary

Based on the foregoing, staff recommends that the appropriate average test year rate base is \$36,616. Rate base is shown on Schedule No. 1-A. The related adjustments are shown on Schedule No. 1-B.

⁹Section 367.081(9), F.S., which became effective July 1, 2016, 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, staff excluded rate case expense from the working capital calculations.

Issue 4: What is the appropriate rate of return on equity and overall rate of return for Pine Harbour?

Recommendation: The appropriate return on equity (ROE) is 8.11 percent with a range of 7.11 percent to 9.11 percent. The appropriate overall rate of return is 8.10 percent. (Golden, Wilson)

Staff Analysis: Pine Harbour's capital structure consists of \$33,018 in common equity and \$56 in customer deposits. Audit staff verified that the Utility has no debt, and that no adjustments are necessary.

The Utility's capital structure has been reconciled with staff's recommended rate base. The appropriate ROE is 8.11 percent based upon the Commission-approved leverage formula currently in effect.¹⁰ Staff recommends an ROE of 8.11 percent, with a range of 7.11 percent to 9.11 percent, and an overall rate of return of 8.10 percent. The ROE and overall rate of return are shown on Schedule No. 2.

¹⁰Order No. PSC-2018-0327-PAA-WS, issued June 26, 2018, in Docket No. 20180006-WS, *In re: Water and wastewater industry annual reestablishment of authorized range of return on common equity for water and wastewater utilities pursuant to Section 367.081(4)(f), F.S.*

Issue 5: What are the appropriate test year revenues for Pine Harbour?

Recommendation: The appropriate test year revenues for Pine Harbour are \$23,887. (Friedrich)

Staff Analysis: Pine Harbour recorded total test year revenues of \$23,286. The Utility's test year revenues included \$22,418 of service revenues and \$868 of miscellaneous revenues. Based on staff's review of the Utility's billing determinants and the service rates that were in effect during the test year, staff determined test year service revenues should be \$23,019. This results in an increase of \$601 ($\$23,019 - \$22,418$) to service revenues. This adjustment to service revenues is due to a timing difference between the billing register and the general ledger. Based on staff's review of the number of miscellaneous service occurrences during the test year and the Utility's approved miscellaneous service charges, staff agrees with the Utility's recorded miscellaneous revenues of \$868. Based on the above, the appropriate test year revenues for Pine Harbour are \$23,887 ($\$23,019 + \868).

Issue 6: What is the appropriate amount of operating expense?

Recommendation: The appropriate amount of operating expense for the Utility is \$31,327. (Golden, Wilson)

Staff Analysis: Pine Harbour recorded operating expense of \$26,383 for the test year ended December 31, 2017. The test year O&M expenses have been reviewed, including invoices, canceled checks, and other supporting documentation. Staff has made several adjustments to the Utility's operating expenses as summarized below.

Operation and Maintenance Expenses

Salaries and Wages - Officers (603)

The Utility recorded \$3,200 in this account for the test year to reflect the president's monthly salary of \$267. According to the Utility's 2017 Annual Report, Pine Harbour's officers also include a vice-president who does not receive a salary. In addition, the Utility indicated in audit work papers that the president only receives compensation through distribution of retained earnings if there are any net operating profits from operations that are not used for continuing operations or capital improvements. While staff compared the amount to Pine Harbour's sister utilities and found it to be below the average, staff believes it is appropriate to reduce salaries by \$200.¹¹ Sister utility Country Walk Utilities, Inc. (Country Walk), which serves 70 residential customers and one general service water customer and has a more complicated system, reflected salaries of \$3,000. Pine Harbour serves 62 residential and 2 general service water customers. As such, staff recommends salaries and wages - officers expense for the test year of \$3,000.

Purchased Power (615)

The Utility recorded purchased power expense of \$939. As discussed in Issue 2, staff recommended an EUW adjustment of 10.1 percent. Therefore, staff decreased this account by \$95 ($\$939 \times .101 = \95) to reflect a 10.1 percent EUW adjustment. Staff recommends purchased power expense of \$844 ($\$939 - \95).

Chemicals (618)

The Utility recorded chemicals expense of \$540. As discussed in Issue 2, staff recommended an EUW adjustment of 10.1 percent. Therefore, staff decreased this account by \$55 ($\$540 \times .101 = \55) to reflect a 10.1 percent EUW adjustment. Staff recommends chemicals expense for the test year of \$485 ($\$540 - \55).

Contractual Services – Professional (631)

The Utility recorded contractual services – professional expense of \$1,395, which was comprised of \$350 for accounting and \$1,045 for various legal fees. Supporting documentation confirming the accounting expense was used for corporate tax preparation was provided. Staff made no adjustments to accounting expense. The Utility also provided support documentation related to legal expenses which reflected \$300 for an annual corporate maintenance fee, \$230 related to the annual report filing and associated fees, and \$515 for work related to shareholder agreements.

¹¹The Commission has approved officer salaries for sister utilities in seven dockets from 2015-2017, resulting in average officer salaries of \$4,427.

Staff believes that a portion of the test year legal fees related to shareholder activities represents non-recurring expenses that should be amortized. This reflects a similar adjustment which was made in a sister utility rate case in 2017.¹² As such, staff decreased this account by \$412 (\$515 - \$103) to reflect the five-year amortization of the non-recurring legal fees. Staff recommends contractual services – professional expense for the test year of \$983 (\$1,395 - \$412).

Contractual Services - Other (636)

The Utility recorded \$15,367 in this account. Pine Harbour receives all of its operational and administrative services under a contract with an affiliated company, U.S. Water Services Corporation (USWSC). In its filing, the Utility advised staff of changes to the USWSC contract effective October 1, 2017, that increased the costs charged to the Utility. The revised USWSC contract takes into consideration similar USWSC agreements approved in prior cases involving seven of Pine Harbour's "sister" utilities during nine rate case proceedings.¹³ Two sister utilities, LP Waterworks, Inc. and Lakeside Waterworks, Inc., have each had two SARCs in which the Commission reviewed and approved expenses related to the USWSC management services contract. The Utility's test year expenses include nine months at the prior fee and three months at the revised fee. Staff believes it is appropriate to reflect the current contract fees in the revenue requirement. Therefore, staff increased this account by \$4,356 to annualize this expense to reflect the current monthly service fee. Staff recommends contractual services – other expense for the test year of \$19,723.

Staff notes that there are significant changes between the current USWSC contract, and the contract as revised on October 1, 2013. The 2017-revised contract removes the addition of 1,000 potential equivalent residential connections (ERC) that were included in the 2013 contract for a growth allowance that is no longer expected to occur. Actual costs for fuel and maintenance utilized in 2016 are included in the management and administrative portion of the 2017-revised contract. Also included in the 2017-revised contract are the allocated costs for in-house customer service and billing as well as necessary operator and maintenance technician positions previously excluded from the 2013 contract. According to USWSC, the 2013 contract did not reflect the full actual cost for other services incurred such as inspections required by DEP or calibrating the

¹²Order No. PSC-2017-0428-PAA-WS, issued November 7, 2017, in Docket No. 20160195-WS, *In re: Application for staff-assisted rate case in Lake County by Lakeside Waterworks, Inc.*

¹³Order No. PSC-14-0413-PAA-WS, issued August 14, 2014, in Docket No. 20130153-WS, *In re: Application for staff-assisted rate case in Highlands County, by L.P. Utilities Corporation c/o LP Waterworks, Inc.*; Order No. PSC-15-0013-PAA-WS, issued January 2, 2015, in Docket No. 20130194-WS, *In re: Application for staff-assisted rate case in Lake County by Lakeside Waterworks, Inc.*; Order No. PSC-15-0282-PAA-WS, issued July 8, 2015, in Docket No. 20140158-WS, *In re: Application for increase in water/wastewater rates in Highlands County by HC Waterworks, Inc.*; Order No. PSC-15-0329-PAA-WU, issued August 14, 2015, in Docket No. 20140186-WU, *In re: Application for staff-assisted rate case in Brevard County by Brevard Waterworks, Inc.*; Order No. PSC-15-0335-PAA-WS, issued August 20, 2015, in Docket No. 20140147-WS, *In re: Application for staff-assisted rate case in Sumter County by Jumper Creek Utility Company.*; Order No. PSC-16-0256-PAA-WU, issued June 30, 2016, in Docket No. 20150199-WU, *In re: Application for staff-assisted rate case in Lake County by Raintree Waterworks, Inc.*; Order No. PSC-16-0305-PAA-WU, issued July 28, 2016, in Docket No. 20150236-WU, *In re: Application for staff-assisted rate case in Lake County, by Lake Idlewild Utility Company.*; Order No. PSC-2017-0334-PAA-WS, issued August 23, 2017, in Docket No. 20160222-WS, *In re: Application for staff-assisted rate case in Highlands County by LP Waterworks, Inc.*; Order No. PSC-2017-0428-PAA-WS, issued November 7, 2017, in Docket No. 20160195-WS, *In re: Application for staff-assisted rate case in Lake County by Lakeside Waterworks, Inc.*

water well meter. The 2017 contract adjusted these costs to reflect the actual costs incurred by the Utility.

In order to analyze the reasonableness of the USWSC service contract, staff compared the total O&M costs recommended in the instant case with the Commission-approved O&M amounts for the similarly sized sister utilities, Lake Idlewild and Charlie Creek.¹⁴ Staff indexed the amounts from those cases using the Commission-approved index factors.¹⁵ This analysis resulted in O&M per ERC of \$418 for Lake Idlewild and \$454 for Charlie Creek. With staff's recommended adjustment to contractual services – other, O&M expense in the instant case equates to \$427 per ERC. Based on this analysis, staff believes the revised USWSC service contract amount is reasonable.

Insurance Expense (655)

The Utility recorded \$1,112 in this account for test year insurance expense. Pine Harbour's actual test year insurance expense was \$1,112, therefore, no adjustments are necessary. The Utility provided documentation supporting this amount.¹⁶ As such, staff recommends insurance expense for the test year of \$1,112.

Regulatory Commission Expense (665)

The Utility did not record any regulatory commission expense in this account. Rule 25-30.433(8), F.A.C., requires that non-recurring expenses be amortized over a five-year period unless a shorter or longer period of time can be justified. Accordingly, staff increased this account by \$150 (\$750/5) to reflect the five-year amortization of the 2016 certificate transfer application filing fee. The remaining unamortized portion of the filing fee should be recorded in Account No. 186 – Miscellaneous Deferred Debits.

Regarding the instant case, the Utility is required by Rule 25-22.0407, F.A.C., to provide notices of the customer meeting and notices of final rates in this case to its customers. For noticing, staff estimated \$96 for postage expense, \$57 for printing expense, and \$10 for envelopes. This results in \$163 for the noticing requirement. The Utility also paid a \$500 rate case filing fee.

The Utility requested travel and lodging expense of \$250 to attend the customer meeting and \$250 to attend the Commission conference. Staff adjusted those amounts based on actual mileage and hotel receipts. Staff further adjusted these amounts in order to share them with Country Walk. Country Walk is a sister utility of Pine Harbour that had its customer meeting the day before Pine Harbour's, and is scheduled to be on the same Commission Conference. Based on these adjustments, staff is recommending \$238 to attend the customer meeting and \$175 to attend the Commission Conference. As such, staff recommends travel expense of \$413 (\$238 + \$175). Staff notes that the Commission previously approved rate case related travel expenses

¹⁴Order No. PSC-16-0305-PAA-WU, issued July 28, 2016, in Docket No. 20150236-WU, *In re: Application for staff-assisted rate case in Lake County, by Lake Idlewild Utility Company*; Order No. PSC-17-0144-PAA-WA, issued April 27, 2017, in Docket No. 20160143-WU, *In re: Application for staff-assisted rate case in Hardee County by Charlie Creek Utilities, LLC*.

¹⁵Order No. PSC-2017-0480-PAA-WS, issued December 21, 2017, in Docket No. 20170005-WS, *In re: Annual reestablishment of price increase or decrease index of major categories of operating costs incurred by water and wastewater utilities pursuant to Section 367.081(4)(a), F.S.*

¹⁶Document No. 03438-2018, filed May 3, 2018.

ranging from \$450 to \$1,570 in the seven most recent dockets for Pine Harbour's sister utilities. Based on staff's review, the requested travel expense appears reasonable.

Based on the information above, staff recommends total rate case expense of \$1,077 (\$163 + \$500 + \$413), which amortized over four years is \$269. Staff's total adjustment to this account is an increase of \$419 (\$150 + \$269). Therefore, staff recommends regulatory commission expense of \$419.

Bad Debt Expense (670)

The Utility recorded \$217 in this account for test year bad debt expense, which equals 0.91 percent of the test year revenues or 0.63 percent of staff's recommended revenue requirement. While current Commission practice is to calculate bad debt expense using a three-year average, three years of records are not yet available for the current owners. Generally, the basis for determining bad debt expense has been whether the amount is representative of the bad debt expense to be incurred by the Utility. As such, staff believes the Utility's recorded bad debt expense is reasonable and is likely to be representative of the Utility's expected bad debt expense going forward. Therefore, staff recommends bad debt expense for the test year of \$217.

Miscellaneous Expense (675)

The Utility recorded \$116 for miscellaneous expense. In response to a staff data request, the Utility provided documentation related to non-recurring ground storage tank repairs that took place in May 2018.¹⁷ Staff believes that these repairs were necessary to ensure the quality of the water the Utility provides to its customers is maintained. Rule 25-30.433(9), F.A.C., requires that non-recurring expenses be amortized over a five-year period unless a shorter or longer period of time can be justified. Accordingly, staff increased this account by \$213 (\$1,065/5) to reflect the five-year amortization of the ground storage tank repair expense. As such, staff recommends miscellaneous expense of \$329 (\$116 + \$213) for the test year.

Operation and Maintenance Expense (O&M Summary)

Based on the above adjustments, O&M expense should be increased by \$4,227, resulting in total O&M expense of \$27,113. Staff's recommended adjustments to O&M expense are shown on Schedule Nos. 3-A, 3-B, and 3-C.

Depreciation Expense (Net of Amortization of CIAC)

The Utility's records reflect test year depreciation of \$2,113 and CIAC amortization of \$133, for a net depreciation expense of \$1,980 (\$2,113 - \$133). Staff calculated depreciation expense using the prescribed rates set forth in Rule 25-30.140, F.A.C., and determined test year depreciation expense to be \$2,237, resulting in an increase to this account of \$124. Staff also increased this account by \$340 to reflect the incremental increases in depreciation expense related to several pro forma projects, and decreased this account by \$256 to reflect the associated retirements. These projects were previously discussed in Issue 3 and the related adjustments to depreciation expense are summarized in Table 6-1 below.

¹⁷Document Nos. 05703-2018, filed August 30, 2018, and 05871-2018, filed September 7, 2018.

Pro Forma Depreciation Expense
Table 6-1

Pro Forma Project	Depreciation Expense (Addition)	Depreciation Expense (Retirement)
Meter Replacement	\$114	(\$85)
Well Meter	74	(56)
Exterior Lighting/Timer	34	(26)
WTP Fence	<u>118</u>	<u>(89)</u>
Total	<u>\$340</u>	<u>(\$256)</u>

Staff's total adjustment to depreciation expense is a net increase of \$208 ($\$124 + \$340 - \256). In addition, staff calculated test year CIAC amortization expense of \$149. Accordingly, staff decreased this account by \$16 ($\$133 - \149). This results in a net depreciation expense of \$2,173 ($\$1,980 + \$208 - \16). Therefore, staff recommends net depreciation expense of \$2,173.

Taxes Other Than Income (TOTI)

Pine Harbour recorded TOTI of \$1,517 for the test year. The Utility recorded \$1,048 for regulatory assessment fees (RAFs). Based on staff's recommended test year revenues of \$23,887, the Utility's RAFs should be \$1,075. Therefore, staff increased this account by \$27 to reflect the appropriate RAFs. Also, the Utility recorded property tax accruals of \$469 during the test year. Staff increased this account by \$29 to reflect the incremental increase in property taxes associated with the pro forma projects discussed in Issue 3. Therefore, staff's total adjustment to test year TOTI is an increase of \$56 ($\$27 + \29).

In addition, as discussed in Issue 7, revenues have been increased by \$10,405 to reflect the change in revenue required to cover expenses and allow the opportunity to earn the recommended rate of return. As a result, TOTI should be increased by \$468 to reflect RAFs of 4.5 percent of the change in revenues. Therefore, staff recommends TOTI of \$2,041.

Operating Expenses Summary

The application of staff's recommended adjustments to Pine Harbour's test year operating expenses result in operating expenses of \$31,327. Operating expenses are shown on Schedule No. 3-A. The adjustments are shown on Schedule No. 3-B.

Issue 7: What is the appropriate revenue requirement?

Recommendation: The appropriate revenue requirement is \$34,292, resulting in an annual increase of \$10,405 (43.56 percent). (Golden, Wilson)

Staff Analysis: Pine Harbour should be allowed an annual increase of \$10,405 (43.56 percent). This will allow the Utility the opportunity to recover its expenses and earn an 8.10 percent return on its investment. The calculations are as follows in Table 7-1 below:

Table 7-1
Water Revenue Requirement

Adjusted Rate Base	\$36,616
Rate of Return	x 8.10%
Return on Rate Base	\$2,966
Adjusted O&M Expense	27,113
Depreciation Expense (Net)	2,173
Taxes Other Than Income	2,041
Income Taxes	0
Revenue Requirement	\$34,292
Less Adjusted Test Year Revenues	23,887
Annual Increase	\$10,405
Percent Increase	43.56%

Issue 8: What are the appropriate rate structure and rates for Pine Harbour?

Recommendation: The recommended rate structure and monthly water rates are shown on Schedule No. 4. The Utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should 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 approved rates should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The Utility should provide proof of the date notice was given within 10 days of the date of the notice. (Friedrich)

Staff Analysis: Pine Harbour is located in Lake County within the SJRWMD and provides water service to approximately 62 residential and 2 general service customers. Approximately 5.23 percent of the residential monthly customer bills during the test year had zero gallons indicating a non-seasonal customer base. The average residential water demand is 5,608 gallons per month. The Utility's current water system rate structure for residential customers consists of a base facility charge (BFC) based on meter size and a gallonage charge of \$2.17 per 1,000 gallons. The Utility currently does not have any general service rates and has been charging its two general service customers its Commission-approved rates for residential service.

Staff performed an analysis of the Utility's billing data in order to evaluate the appropriate rate structure for the residential water customers. The goal of the evaluation was to select the rate design parameters that: (1) produce the recommended revenue requirement; (2) equitably distribute cost recovery among the Utility's customers; (3) establish the appropriate non-discretionary usage threshold for restricting repression; and (4) implement, where appropriate, water conserving rate structures consistent with Commission practice.

In order to design gallonage charges that will send the appropriate pricing signals to target non-discretionary usage, staff believes 43 percent of the revenue requirement should be recovered through the BFC to reflect the non-seasonal customer base and avoid a reduction to the current BFC. The average number of people per household served by the water system is 2.5; therefore, based on the number of persons per household, 50 gallons per day per person, and the number of days per month, the non-discretionary usage threshold should be 4,000 gallons per month. Staff recommends a BFC and a two-tier gallonage charge rate structure for residential customers. The rate tiers should be: (1) 0-4,000 gallons and (2) all usage in excess of 4,000 gallons per month. Staff believes that transitioning the Utility from a uniform gallonage charge to a two-tier gallonage rate structure for residential customers will encourage water conservation and mitigate the impact of the recommended revenue requirement increase for customers using 4,000 gallons of water or less per month. Further, staff recommends a BFC and uniform gallonage charge rate structure for general service customers as shown in Schedule No. 4.

Based on the recommended revenue increase of approximately 43.56 percent, the residential consumption can be expected to decline by 681,000 gallons resulting in anticipated average residential demand of 4,717 gallons per month. Staff recommends a 15.9 percent reduction in total test year residential gallons for rate setting purposes and corresponding reductions of \$133 for purchased power, \$77 for chemicals, and \$10 for RAFs to reflect anticipated repression. These adjustments result in a post repression revenue requirement of \$33,204. As shown in Table

8-1, in comparison to staff's recommended rate structure and rates, Alternative I decreases the Utility's current BFC, reducing the Utility's fixed revenues generated from rates, but does not reflect the appropriate non-discretionary threshold. Alternative II sends less of a pricing signal for targeting discretionary usage.

Table 8-1
Staff's Recommended and Alternative Water Rate Structures and Rates

	RATES AT TIME OF FILING	STAFF RECOMMENDED RATES (43% BFC)	ALTERNATIVE I (40% BFC)	ALTERNATIVE II (50% BFC)
<u>Residential</u>				
5/8" x 3/4" Meter Size	\$17.28	\$17.78	\$16.54	\$20.70
Charge per 1,000 gallons	\$2.17			
0-4,000 gallons		\$4.42		\$3.88
Over 4,000 gallons		\$6.40		\$5.26
0-5,000 gallons			\$4.65	
Over 5,000 gallons			\$7.21	
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>				
4,000 Gallons	\$25.96	\$35.46	\$35.14	\$36.22
6,000 Gallons	\$30.30	\$48.26	\$47.00	\$46.74
8,000 Gallons	\$34.64	\$61.06	\$61.42	\$57.26

Based on the above, the recommended rate structure and monthly water rates are shown on Schedule No. 4. The Utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should 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 approved rates should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The Utility should provide proof of the date notice was given within 10 days of the date of the notice.

Issue 9: What are the appropriate initial customer deposits for Pine Harbour?

Recommendation: The appropriate initial customer deposit is \$80 for the residential 5/8" x 3/4" meter size. The initial customer deposit for all other residential meter sizes and all general service meter sizes should be two times the average estimated bill. The approved initial customer deposits should be effective for service rendered or connections made on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475, F.A.C. The Utility should be required to collect the approved initial customer deposits until authorized to change them by the Commission in a subsequent proceeding. (Friedrich)

Staff Analysis: Rule 25-30.311, F.A.C., provides the criteria for collecting, administering, and refunding customer deposits. Customer deposits are designed to minimize the exposure of bad debt expense for the utility and, ultimately, the general body of ratepayers. An initial customer deposit ensures that the cost of providing service is recovered from the cost causer. Historically, the Commission has set initial customer deposits equal to two times the average estimated bill.¹⁸ Currently, the Utility has an initial customer deposit of \$56. However, this amount does not cover two months' average bills based on staff's recommended rates. The post-repression average monthly residential usage is approximately 4,703 gallons per customer. Therefore, the average residential monthly bill based on staff's recommended rates is approximately \$40.25.

Staff recommends the appropriate initial customer deposits should be \$80 for the residential 5/8 inch x 3/4 inch meter size. The initial customer deposits for all other residential meter sizes and all general service meter sizes should be two times the average estimated monthly bill. The approved initial customer deposits should be effective for service rendered or connections made on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475, F.A.C. The Utility should be required to collect the approved deposits until authorized to change them by the Commission in a subsequent proceeding.

¹⁸Order No. PSC-2018-0446-FOF-SU, issued September 4, 2018, in Docket No. 20170141-SU, *In re: Application for increase in wastewater rates in Monroe County by K W Resort Utilities Corp.*

Issue 10: What is the appropriate amount by which rates should be reduced four years after the published effective date to reflect the removal of the amortized rate case expense?

Recommendation: The water rates should be reduced as shown on Schedule No. 4, to remove rate case expense grossed-up for RAFs and amortized over a four-year period. The decrease in rates should become effective immediately following the expiration of the four-year rate case expense recovery period. The Utility should be required to 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 Pine Harbour files this reduction in conjunction with a price index or pass-through rate adjustment, separate data should 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. (Friedrich, Golden, Wilson) (Final Agency Action)

Staff Analysis: Pine Harbour's water rates should be reduced immediately following the expiration of the four-year rate case expense recovery period by the amount of the rate case expense previously included in the rates, pursuant to Section 367.081(8), F.S. The reduction will reflect the removal of revenues associated with the amortization of rate case expense and the gross-up for RAFs which is \$282 for water. Using the Utility's current revenues, expenses, and customer base, the reduction in revenues will result in the rate decrease shown on Schedule No. 4.

Pine Harbour should be required to file revised tariff sheets no later than one month prior to the actual date of the required rate reduction. The Utility also should be required to file a proposed customer notice setting forth the lower rates and the reason for the reduction. If Pine Harbour files this reduction in conjunction with a price index or pass-through rate adjustment, separate data should 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.

Issue 11: Should the recommended rates be approved for Pine Harbour on a temporary basis, subject to refund, in the event of a protest filed by a party other than the Utility?

Recommendation: Yes. Pursuant to Section 367.0814(7), F.S., the recommended rates should be approved for the Utility on a temporary basis, subject to refund, in the event of a protest filed by a party other than the Utility. The Utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should 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 should not be implemented until staff has approved the proposed notice, and the notice has been received by the customers. Prior to implementation of any temporary rates, the Utility should provide appropriate security. If the recommended rates are approved on a temporary basis, the rates collected by the Utility should be subject to the refund provisions discussed below in the staff analysis. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., the Utility should 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 should also indicate the status of the security being used to guarantee repayment of any potential refund. (Golden, Wilson) (Final Agency Action)

Staff Analysis: This recommendation proposes 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, staff recommends that the recommended rates be approved as temporary rates. The Utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should 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 should not be implemented until staff has approved the proposed notice, and the notice has been received by the customers. The recommended rates collected by the Utility should be subject to the refund provisions discussed below.

The Utility should be authorized to collect the temporary rates upon staff's approval of an appropriate security for the potential refund and the proposed customer notice. Security should be in the form of a bond or letter of credit in the amount of \$7,028. Alternatively, the Utility could establish an escrow agreement with an independent financial institution.

If the Utility chooses a bond as security, the bond should 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 should 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 should 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 should the maintenance and administrative costs associated with the refund be borne by the customers. These costs are the responsibility of, and should 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 should be maintained by the Utility. If a refund is ultimately required, it should be paid with interest calculated pursuant to Rule 25-30.360(4), F.A.C.

The Utility should 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 should 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 should also indicate the status of the security being used to guarantee repayment of any potential refund.

Issue 12: Should Pine Harbour be required to notify the Commission, in writing, that it has adjusted its books in accordance with the Commission's decision?

Recommendation: Yes. The Utility should be required to notify the Commission, in writing, that it has adjusted its books in accordance with the Commission's decision. Pine Harbour should submit a letter within 90 days of the final order in this docket, confirming that the adjustments to all the applicable National Association of Regulatory Commissioners (NARUC) Uniform System of Accounts (USOA) primary accounts as shown on Schedule No. 5 have been made to the Utility's books and records. In the event the Utility needs additional time to complete the adjustments, notice should be provided within seven days prior to the deadline. Upon providing good cause, staff should be given administrative authority to grant an extension of up to 60 days. (Golden, Wilson) (Final Agency Action)

Staff Analysis: The Utility should be required to notify the Commission, in writing that it has adjusted its books in accordance with the Commission's decision. Schedule No. 5 reflects the accumulated plant, depreciation, CIAC, and amortization of CIAC balances as of December 31, 2017. Pine Harbour should submit a letter within 90 days of the final order in this docket, confirming that the adjustments to all the applicable NARUC USOA primary accounts, as shown on Schedule No. 5, have been made to the Utility's books and records. In the event the Utility needs additional time to complete the adjustments, notice should be provided within seven days prior to the deadline. Upon providing good cause, staff should be given administrative authority to grant an extension of up to 60 days.

Issue 13: Should this docket be closed?

Recommendation: No. If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, a consummating order should be issued. The docket should remain open for staff's verification that the revised tariff sheets and customer notice have been filed by the Utility and approved by staff, and the Utility has submitted a letter to staff confirming that the adjustments to all the applicable NARUC USOA primary accounts as shown on Schedule No. 5 have been made to the Utility's books and records. Once these actions are complete, this docket should be closed administratively. (DuVal)

Staff Analysis: If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, a consummating order should be issued. The docket should remain open for staff's verification that the revised tariff sheets and customer notice have been filed by the Utility and approved by staff, and the Utility has submitted a letter to staff confirming that the adjustments to all the applicable NARUC USOA primary accounts as shown on Schedule No. 5 have been made to the Utility's books and records. Once these actions are complete, this docket should be closed administratively.

Docket No. 20180022-WU
Date: September 28, 2018

Schedule No. 1-A Water Rate Base

PINE HARBOUR WATERWORKS, INC.		SCHEDULE NO. 1-A	
TEST YEAR ENDED 12/31/17		DOCKET NO. 20180022-WU	
SCHEDULE OF WATER RATE BASE			
DESCRIPTION	BALANCE PER UTILITY	STAFF ADJUSTMENTS TO UTILITY BALANCE	BALANCE PER STAFF
1. UTILITY PLANT IN SERVICE	\$93,021	\$4,434	\$97,455
2. LAND & LAND RIGHTS	5,000	0	5,000
3. NON-USED AND USEFUL COMPONENTS	0	0	0
4. CIAC	(62,440)	0	(62,440)
5. ACCUMULATED DEPRECIATION	(70,927)	7,202	(63,725)
6. AMORTIZATION OF CIAC	57,037	(67)	56,970
7. WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>3,355</u>	<u>3,355</u>
8. WATER RATE BASE	<u>\$21,691</u>	<u>\$14,925</u>	<u>\$36,616</u>

PINE HARBOUR WATERWORKS, INC. TEST YEAR ENDED 12/31/17 ADJUSTMENTS TO RATE BASE		SCHEDULE NO. 1-B DOCKET NO. 120180022-WU
		<u>WATER</u>
<u>UTILITY PLANT IN SERVICE</u>		
1.	To reflect water line installation for new customer to Acct. No. 331.	\$5,475
2.	To reflect meter installation for new customer to Acct. No.	82
3.	To reclassify shed roof repair from Acct. No. 320 to Acct. No. 304.	1,077
4.	To reclassify shed roof repair to Acct. No. 304 from Acct. No. 320.	(1,077)
5.	To reflect pro forma meter replacements to Acct. No. 334.	1,930
6.	To reflect retirement of replaced meters.	(1,448)
7.	To reflect pro forma well meter replacement to Acct. No. 309.	2,370
8.	To reflect retirement of replaced well meter.	(1,778)
9.	To reflect pro forma exterior lighting/timer replacement to Acct. No. 304.	927
10.	To reflect retirement of replaced exterior lighting/timer.	(695)
11.	To reflect pro forma fence replacement to Acct. No. 307.	3,200
12.	To reflect retirement of replaced fence.	(2,400)
13.	To reflect an averaging adjustment.	<u>(3,230)</u>
	Total	<u>\$4,434</u>
<u>ACCUMULATED DEPRECIATION</u>		
1.	To reflect accumulated depreciation per Rule 25-30.140, F.A.C.	(\$135)
2.	To reflect pro forma meter replacements.	(28)
3.	To reflect retirement of replaced meters.	1,448
4.	To reflect pro forma well meter replacement.	(19)
5.	To reflect retirement of replaced well meter.	1,778
6.	To reflect pro forma exterior lighting/timer replacement.	(9)
7.	To reflect retirement of replaced exterior lighting/timer.	695
8.	To reflect pro forma fence replacement.	(30)
9.	To reflect retirement of replaced fence.	2,400
10.	To reflect an averaging adjustment.	<u>1,102</u>
	Total	<u>\$7,202</u>
<u>AMORTIZATION OF CIAC</u>		
1.	To reflect appropriate amortization of CIAC	\$7
2.	To reflect an averaging adjustment	<u>(74)</u>
	Total	<u>(\$67)</u>
<u>WORKING CAPITAL ALLOWANCE</u>		
	To reflect 1/8 of test year O&M expenses.	<u>\$3,355</u>

PINE HARBOUR WATERWORKS, INC. TEST YEAR ENDED 12/31/17 SCHEDULE OF CAPITAL STRUCTURE						SCHEDULE NO. 2 DOCKET NO. 20180022-WU		
CAPITAL COMPONENT	PER UTILITY	SPECIFIC ADJUST- MENTS	BALANCE BEFORE RECONCILE TO RATE BASE	ADJUST- MENTS	BALANCE PER STAFF	PERCENT OF TOTAL	COST	WEIGHTED COST
1. COMMON STOCK	\$0	\$0	\$0					
2. RETAINED EARNINGS	0	0	0					
3. PAID IN CAPITAL	0	0	0					
4. OTHER COMMON EQUITY	<u>33,018</u>	<u>0</u>	<u>33,018</u>					
TOTAL COMMON EQUITY	\$33,018	\$0	\$33,018	\$3,542	\$36,560	99.85%	8.11%	8.10%
5. LONG TERM DEBT	\$0	\$0	\$0	\$0	\$0	0.00%	0.00%	0.00%
6. SHORT-TERM DEBT	0	0	0	0	0	0.00%	0.00%	0.00%
7. PREFERRED STOCK	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>	0.00%	0.00%
TOTAL DEBT	\$0	\$0	\$0	\$0	\$0	0.00%		
8. CUSTOMER DEPOSITS	<u>\$56</u>	<u>\$0</u>	<u>\$56</u>	<u>\$0</u>	<u>\$56</u>	<u>0.15%</u>	2.00%	<u>0.003%</u>
9. TOTAL	<u>\$33,074</u>	<u>\$0</u>	<u>\$33,074</u>	<u>\$3,542</u>	<u>\$36,616</u>	<u>100.00%</u>		<u>8.10%</u>
RANGE OF REASONABLENESS						<u>LOW</u>	<u>HIGH</u>	
RETURN ON EQUITY						<u>7.11%</u>	<u>9.11%</u>	
OVERALL RATE OF RETURN						<u>7.10%</u>	<u>9.10%</u>	

PINE HARBOUR WATERWORKS, INC. TEST YEAR ENDED 12/31/17 SCHEDULE OF WATER OPERATING INCOME			SCHEDULE NO. 3-A DOCKET NO. 20180022-WU		
	TEST YEAR PER UTILITY	STAFF ADJUSTMENTS	STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. OPERATING REVENUES	<u>\$23,286</u>	<u>\$601</u>	<u>\$23,887</u>	<u>\$10,405</u> 43.56%	<u>\$34,292</u>
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	<u>\$22,886</u>	<u>\$4,227</u>	<u>\$27,113</u>	<u>\$0</u>	<u>\$27,113</u>
3. DEPRECIATION (NET)	<u>1,980</u>	<u>193</u>	<u>2,173</u>	<u>0</u>	<u>2,173</u>
4. TAXES OTHER THAN INCOME	<u>1,517</u>	<u>56</u>	<u>1,573</u>	<u>468</u>	<u>2,041</u>
5. INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
6. TOTAL OPERATING EXPENSES	<u>\$26,383</u>	<u>\$4,476</u>	<u>\$30,858</u>	<u>\$468</u>	<u>\$31,327</u>
7. OPERATING INCOME/(LOSS)	<u>(\$3,097)</u>		<u>(\$6,971)</u>		<u>\$2,966</u>
8. WATER RATE BASE	<u>\$21,691</u>		<u>\$36,616</u>		<u>\$36,616</u>
9. RATE OF RETURN	<u>(14.28%)</u>		<u>(19.04%)</u>		<u>8.10%</u>

PINE HARBOUR WATERWORKS, INC. TEST YEAR ENDED 12/31/17 ADJUSTMENTS TO OPERATING INCOME		SCHEDULE NO. 3-B DOCKET NO. 20180022-WU
OPERATING REVENUES		<u>WATER</u>
To reflect test year revenues.		<u>\$601</u>
OPERATION AND MAINTENANCE EXPENSES		
1. Salaries and Wages – Officers (603)		
To reflect appropriate salaries.		<u>(\$200)</u>
2. Purchased Power (615)		
To reflect 10.1% excessive unaccounted for water adjustment.		<u>(\$95)</u>
3. Chemicals (618)		
To reflect 10.1% excessive unaccounted for water adjustment.		<u>(\$55)</u>
4. Contractual Services – Professional (631)		
To reflect 5-year amortization of non-recurring legal fees.		<u>(\$412)</u>
5. Contractual Services - Other (636)		
To annualize operations and maintenance service fees.		<u>\$4,356</u>
6. Regulatory Commission Expense (665)		
a. To reflect 5-year amortization of transfer filing fee (Docket No. 20160169-WU).		\$150
b. To reflect 4-year amortization of rate case expense (\$1,041/4).		<u>269</u>
Subtotal		<u>\$419</u>
7. Miscellaneous Expense (675)		
To reflect 5-year amortization of repair expense (\$1,065/5).		<u>\$213</u>
TOTAL OPERATION & MAINTENANCE ADJUSTMENTS		<u>\$4,227</u>
DEPRECIATION EXPENSE		
1. To reflect appropriate depreciation calculated per Rule 25-30.140, F.A.C.		\$124
2. To reflect pro forma meter replacements.		114
3. To reflect retirement of replaced meters.		(85)
4. To reflect pro forma well meter replacement.		74
5. To reflect retirement of replaced well meter.		(56)
6. To reflect pro forma exterior lighting/timer replacement.		34
7. To reflect retirement of replaced exterior lighting/timer.		(26)
8. To reflect pro forma fence replacement.		118
9. To reflect retirement of replaced fence.		(89)
10. To reflect appropriate amortization of CIAC.		<u>(16)</u>
Total		<u>\$193</u>
TAXES OTHER THAN INCOME		
1. To reflect appropriate test year RAFs.		\$27
2. To reflect pro forma increase in Utility property taxes.		29
Total		<u>\$56</u>

PINE HARBOUR WATERWORKS, INC.		SCHEDULE NO. 3-C	
TEST YEAR ENDED 12/31/17		DOCKET NO. 20180022-WU	
ANALYSIS OF WATER OPERATION AND MAINTENANCE EXPENSE			
	TOTAL PER UTILITY	STAFF ADJUST- MENTS	TOTAL PER STAFF
(601) SALARIES AND WAGES - EMPLOYEES	\$0	\$0	\$0
(603) SALARIES AND WAGES - OFFICERS	3,200	(200)	3,000
(604) EMPLOYEE PENSIONS AND BENEFITS	0	0	0
(610) PURCHASED WATER	0	0	0
(615) PURCHASED POWER	939	(95)	844
(616) FUEL FOR POWER PRODUCTION	0	0	0
(618) CHEMICALS	540	(55)	485
(620) MATERIALS AND SUPPLIES	0	0	0
(630) CONTRACTUAL SERVICES - BILLING	0	0	0
(631) CONTRACTUAL SERVICES - PROFESSIONAL	1,395	(412)	983
(635) CONTRACTUAL SERVICES - TESTING	0	0	0
(636) CONTRACTUAL SERVICES - OTHER	15,367	4,356	19,723
(640) RENTS	0	0	0
(650) TRANSPORTATION EXPENSE	0	0	0
(655) INSURANCE EXPENSE	1,112	0	1,112
(665) REGULATORY COMMISSION EXPENSE	0	419	419
(670) BAD DEBT EXPENSE	217	0	217
(675) MISCELLANEOUS EXPENSE	<u>116</u>	<u>213</u>	<u>329</u>
	<u>\$22,886</u>	<u>\$4,227</u>	<u>\$27,113</u>

PINE HARBOUR WATERWORKS, INC. TEST YEAR ENDED DECEMBER 31, 2017 MONTHLY WATER RATES		SCHEDULE NO. 4 DOCKET NO. 20180022-WU	
	UTILITY CURRENT RATES	STAFF RECOMMENDED RATES	4 YEAR RATE REDUCTION
<u>Residential and General Service</u>			
Base Facility Charge by Meter Size			
5/8" x 3/4"	\$17.28	\$17.78	\$0.15
3/4"	\$25.92	\$26.67	\$0.23
1"	\$43.22	\$44.45	\$0.38
1-1/2"	\$86.41	\$88.90	\$0.76
2"	\$138.27	\$142.24	\$1.21
3"	\$276.51	\$284.48	\$2.42
4"	\$432.04	\$444.50	\$3.78
Charge per 1,000 gallons - Residential	\$2.17	N/A	
0 - 4,000 gallons	N/A	\$4.42	\$0.04
All Over 4,000 gallons	N/A	\$6.40	\$0.05
Charge per 1,000 gallons - General Service		\$5.22	\$0.04
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
4,000 Gallons	\$25.96	\$35.46	
6,000 Gallons	\$30.30	\$48.26	
8,000 Gallons	\$34.64	\$61.06	

Docket No. 20180022-WU
Date: September 28, 2018

Schedule No. 5 Water Plant, Depreciation,
CIAC, & CIAC Amortization Balances

PINE HARBOUR WATERWORKS, INC.			SCHEDULE NO. 5	
TEST YEAR ENDED 12/31/2017			DOCKET NO. 20180022-WU	
SCHEDULE OF WATER PLANT, DEPRECIATION, CIAC, & CIAC AMORTIZATION BALANCES				
ACCT NO.	DEPR. RATE PER RULE 25-30.140, F.A.C.	DESCRIPTION	UPIS 12/31/2017 (DEBIT)*	ACCUM. DEPR. 12/31/2017 (CREDIT)*
301	2.50%	Organization	\$500	\$400
303	N/A	Land and Land Rights	5,000	N/A
304	3.70%	Structures and Improvements	9,318	863
307	3.70%	Wells and Springs	7,763	7,044
309	3.13%	Supply Mains	6,885	3,013
311	5.88%	Pumping Equipment	16,314	16,314
320	5.88%	Water Treatment Equipment	350	350
330	3.03%	Distribution Reservoirs and Standpipes	15,811	12,047
331	2.63%	Transmission and Distribution Mains	27,943	18,946
333	2.86%	Services	5,692	5,115
334	5.88%	Meters and Meters Installations	3,455	3,335
335	2.50%	Hydrants	<u>4,547</u>	<u>3,637</u>
		Total Including Land	<u>\$103,578</u>	<u>\$71,063</u>
			CIAC AMORT. 12/31/2017 (DEBIT)*	CIAC 12/31/2017 (CREDIT)
			<u>\$57,044</u>	<u>\$62,440</u>

* The plant and accumulated depreciation balances exclude the pro forma meter replacements, well meter replacement, exterior lighting and timer replacement, and fence replacement. Also, the plant, accumulated depreciation, and accumulated amortization of CIAC balances exclude the staff-recommended averaging adjustments that are used only for rate setting purposes and should not be reflected on the Utility's books.

Item 11

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: October 18, 2018

TO: Docket No. 20170151-WS – Application for authority to transfer water and wastewater Certificate Nos. 577-W and 498-S in Manatee County, from Heather Hills Estates Utilities, LLC to Heather Hills Utilities, LLC.

FROM: Carlotta S. Stauffer, ^{css}Commission Clerk, Office of Commission Clerk

RE: Rescheduled Commission Conference Agenda Item

Staff's memorandum assigned DN 06287-2018 was filed on September 28, 2018, for the October 11, 2018 Commission Conference.

Due to the approach of Hurricane Michael and its potential threat to areas throughout the State of Florida, the Commission's Conference set for Thursday, October 11, 2018, was cancelled. Dockets scheduled for consideration at that conference were deferred to the October 30, 2018, Commission Conference.

Accordingly, this item has been placed on the agenda for the October 30, 2018 Commission Conference, and staff's previously filed memorandum is attached.

/css

Attachment

FILED 9/28/2018
DOCUMENT NO. 06287-2018
FPSC - COMMISSION CLERK

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: September 28, 2018

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Engineering (M. Watts, O. Wooten) *WJ*
Division of Accounting and Finance (Sewards) *BE*
Division of Economics (Sibley) *ALM*
Office of the General Counsel (Trierweiler) *WR* *Must for JSB*

RE: Docket No. 20170151-WS – Application for authority to transfer water and wastewater Certificate Nos. 577-W and 498-S in Manatee County, from Heather Hills Estates Utilities, LLC to Heather Hills Utilities, LLC.

AGENDA: 10/11/18 – Regular Agenda – Proposed Agency Action for Issues 2 and 3 – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Brown

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Case Background

On July 5, 2017, an application was filed on behalf of Heather Hills Estates Utilities, LLC (HHEU or Seller) for the transfer of Certificate Nos. 577-W and 498-S to Heather Hills Utilities, LLC (Heather Hills, Utility, or Buyer). Heather Hills is a Class C utility which purchases water and wastewater treatment services from Manatee County. It is located in an area of Manatee County which is considered by the Southwest Florida Water Management District to be in one of the Southern Water Use Caution Area's most impacted areas. In its 2017 Annual Report on file with the Commission, the Utility reported annual gross revenues of \$157,765 and a net operating loss of (\$8,391).

Prior to the Commission's jurisdiction over privately-owned water and wastewater utilities in Manatee County, Florida, the Utility was established in 1967 to serve water and wastewater customers within the Heather Hills Estates (HHE) community in Bradenton, Florida. It served 353 single family residential customers, as well as a park clubhouse and a golf course clubhouse/restaurant.

In 1995, Manatee County declared the privately-owned water and wastewater utilities in Manatee County subject to the provisions of Chapter 367, Florida Statutes (F.S.).¹ Certificate Nos. 577-W and 498-S were granted to Keith & Clara Starkey d/b/a Heather Hills Estates in 1996 by Commission order.² In 2008, Docket No. 080428-WS, *In re: Joint application for transfer of water and wastewater systems from Keith & Clara Starkey d/b/a Heather Hills Estates to Ni Florida, Inc., in Manatee County*, was withdrawn by request of the joint applicants on October 13, 2008, and the Docket was voluntarily dismissed by the Commission on October 14, 2008. In 2009, Certificate Nos. 577-W and 498-S were transferred to HHEU.³

As part of this transfer case, a concern was raised regarding the territory description. In a November 18, 2017 email⁴ addressed to the Commission's consumer contact address and to the Office of Public Counsel (OPC), an HHE homeowners association (HOA) representative stated that the territory description provided in the notice included a golf course clubhouse/restaurant, which is located in Section 12, Township 35 South, Range 17 East in Manatee County, Florida. The HOA representative stated this establishment is not currently served by the Utility. HHE, which is served by the Utility, is located entirely within the adjacent section, Section 11. Staff investigated the matter, and addresses it in Issue 4.

This recommendation concerns the application to transfer filed pursuant to Section 367.071, F.S., and Rule 25-30.037, Florida Administrative Code (F.A.C.), and correction of the Utility's service territory. The Commission has jurisdiction to consider this matter pursuant to Sections 367.071 and 367.045, F.S.

¹ Order No. PSC-95-1393-FOF-WS, issued November 9, 1995, in Docket No. 19951235-WS, *In re: Resolution of the Board of County Commissioners of Manatee County declaring Manatee County subject to the provisions of Chapter 367, F.S.*

² Order No. PSC-96-0434-FOF-WS, issued March 28, 1996, in Docket No. 19951533-WS, *In re: Application for certificates to provide water and wastewater service in Manatee County by Keith & Clara Starkey d/b/a Heather Hills Estates.*

³ Order No. PSC-10-0519-FOF-WS, issued August 16, 2010, in Docket No. 20090093-WS, *In re: Application for approval of transfer of Keith & Clara Starkey d/b/a Heather Hills Estates' water and wastewater utility, holder of Certificates 577-W and 498-S, to Heather Hills Estates Utilities, LLC, in Manatee County.*

⁴ Document No. 06167-2018, filed September 20, 2018, in Docket No. 20170151-WS, *In re: Application for authority to transfer water and wastewater Certificate Nos. 577-W and 498-S in Manatee County, from Heather Hills Estates Utilities, LLC to Heather Hills Utilities, LLC.*

Discussion of Issues

Issue 1: Should the application for transfer of Certificate Nos. 577-W and 498-S in Manatee County, from Heather Hills Estate Utilities, LLC to Heather Hills Utilities, LLC be approved?

Recommendation: Yes. The transfer of the water and wastewater systems and Certificate Nos. 577-W and 498-S is in the public interest and should be approved effective the date of the Commission's vote. The resultant order should serve as the Buyer's certificate and should be retained by the Buyer. The existing rates and charges should remain in effect until a change is authorized by the Commission in a subsequent proceeding. The tariffs reflecting the transfer should be effective for services rendered or connections made on or after the stamped approval date on the tariffs, pursuant to Rule 25-30.475, F.A.C. The Seller paid all Regulatory Assessment Fees (RAFs) through December 31, 2017. The Buyer should be responsible for paying RAFs after December 31, 2017, and all future years. The Buyer has filed the 2017 Annual Report, and should be responsible for filing all future annual reports. (M. Watts, Sibley, Sowards)

Staff Analysis: On July 5, 2017, Heather Hills filed an application for the transfer of Certificate Nos. 577-W and 498-S from HHEU to Heather Hills in Manatee County. The application is in compliance with Section 367.071, F.S., and Commission rules concerning applications for transfer of certificates. The sale to Heather Hills occurred on April 7, 2017, contingent upon Commission approval, pursuant to Section 367.071(1), F.S.

Noticing, Territory, and Land Ownership

The application contains the description of the water and wastewater service territory which was approved when the Commission originally granted Certificate Nos. 577-W and 498-S to Keith & Clara Starkey d/b/a Heather Hills Estates in 1996. As discussed in Issue 4, the territory description originally approved inadvertently included water service territory served by Manatee County, and the corrected service territory description is appended to this recommendation as Attachment A. The systems are consecutive, meaning bulk water service and bulk wastewater treatment is purchased, in this instance, from Manatee County. Thus, no proof that the Utility owns or has access to the land on which the treatment facilities are located is required.

Heather Hills provided notice of the application pursuant to Section 367.071, F.S., and Rule 25-30.030, F.A.C. In its notice published on November 19, 2017, and in its notice mailed to customers and other required entities, on November 21, 2017, the Utility incorrectly stated the issuance date. Therefore, the Utility was required to reissue the notices with the issuance date corrected. The second notice was issued on December 5, 2017, and published in a local newspaper on December 6, 2017. Thus, the protest period expired January 5, 2018. No requests for an administrative hearing were made; however, several objections were filed, as discussed below.

One customer, having read the draft notice filed with the application, contacted OPC via email with objections to the transfer on October 24, 2017. OPC forwarded the email to staff on October 25, 2017. Subsequently, two additional customers filed objections to the transfer in October, 2017, prior to the issuance of the first notice. Between the issuance of the first notice and the expiration date of the protest period of the second notice, three more customers filed objections.

The first three customers objected primarily on the basis of the inclusion of a copy of a 1967 document entitled, "Heather Hills Rules & Regulations, Restrictions, Reservations, Easements, Rules And Regulations Of Heather Hills Estates, As Per Plat Thereof, Recorded Among The Public Records Of Manatee County, Florida," (the 1967 Restrictions) in the application. The other three objected based on "new customer deposit" charges that were included in the notice. Staff explained that the requested administrative charges, which were actually initial customer deposits, would only apply to customers who applied for new service, not for existing customers, thus addressing their concerns.

The primary basis for objection was the aforementioned 1967 Restrictions. According to information provided by two of the customers, the HHE residents had long had issues with the deed restrictions and other aspects of the 1967 Restrictions in disputes with the previous utility owners, each of whom also had an interest in the property. The customers stated that, although the terms of the 1967 Restrictions expired in 2000, the previous owners still tried to assess charges and file liens against properties. The customers also stated that they pursued litigation that resulted in the judge in the case finding in their favor in 2014, declaring the document null and void.

The Buyer included the 1967 Restrictions in its application for transfer in an effort to comply with Rule 25-30.037(2)(s), F.A.C., which requires the utility to provide proof of access to the land under which the treatment facilities are located. The language in the 1967 Restrictions regarding utility easements was highlighted in the application. Because the systems are consecutive, with no treatment facilities involved in the transaction, this was unnecessary. The Buyer, unlike the previous owners, does not have an interest in the HHE property itself, and is not attempting to resurrect the terms of the 1967 Restrictions.

On December 4, 2017, OPC filed a letter in the instant docket file outlining its concerns arising from its communications with the customers.⁵ OPC's concerns were:

1. failure to include a copy of an "Exhibit A" referenced in the "Contract for Sale" in the application for transfer;
2. the impact of the litigation regarding the 1967 Restrictions and the Utility's right to access the land where its facilities are located; and
3. the possibility that customers may be made responsible for fees and/or assessments relating to the Utility's right to access and continued use of the land that may be the subject of any future proceeding.

The Utility engaged in discussions with OPC, and filed a response on February 9, 2018, that explained the matter of the "missing" Exhibit A to its Contract for Sale (it was unnecessary because it referred to real property, of which there was none because there are no water or wastewater treatment facilities), and provided a copy of the deed restrictions and recorded plat

⁵ Document No. 10298-2017, filed December 4, 2017, in Docket No. 20170151-WS, *In re: Application for authority to transfer water and wastewater Certificate Nos. 577-W and 498-S in Manatee County, from Heather Hills Estates Utilities, LLC to Heather Hills Utilities, LLC.*

maps for Heather Hills Estates. On February 14, 2018, OPC filed a letter⁶ with the Commission stating that the Utility's February 9, 2018 filing⁷ alleviated its primary concerns regarding the Utility's "Right to Access." However, it also stated that because this issue is one of continued dispute and the subject of litigation, it maintains its objection to any attempt to make the customers responsible for costs, legal fees, and/or assessments that relate to the Utility's right to access in future proceedings before the Commission. It appears that the disputes and litigation regarding the 1967 Restrictions are governed by Chapter 712, F.S., Marketable Record Titles To Real Property, over which the Commission does not have jurisdiction and can provide no relief. Thus, approval of the transfer of Certificate Nos. 577-W and 498-S has no effect on the status of the 1967 Restrictions.

Purchase Agreement and Financing

Pursuant to Rule 25-30.037(2)(i), and (j), F.A.C., the application contains a statement regarding financing and a copy of the Purchase Agreement, which includes the purchase price, terms of payment, and a list of the assets purchased. Customer advances were credited to the customers' accounts. There are no customer deposits, guaranteed revenue contracts, developer agreements, leases, or debt of Heather Hills that must be disposed of with regard to the transfer. According to the Purchase Agreement, the total purchase price for the assets is \$141,900. According to the Buyer, the sale took place on April 7, 2017, subject to Commission approval, pursuant to Section 367.071(1), F.S.

Facility Description and Compliance

Heather Hills is a consecutive system that purchases bulk water and wastewater service from Manatee County Utilities for resale to its customers. The Utility does not own or operate any treatment facilities. Heather Hills maintains and operates the water distribution and wastewater collection systems and files monthly operating reports with the Florida Department of Environmental Protection (DEP). DEP conducts periodic inspections of the water distribution system. The most recent inspection report from DEP, dated July 24, 2018, indicated that the Utility was substantially compliant with its regulations and requirements with the exception of on-site operation and maintenance procedures, manuals, and logs. The Utility provided a response to DEP's inspection report on September 17, 2018, and is working with DEP on a resolution.

Technical and Financial Ability

Pursuant to Rule 25-30.037(2)(i), F.A.C., the application contains statements describing the technical and financial ability of the Buyer to provide service to the proposed service area. As referenced in the transfer application, the Buyer was appointed to the Citrus County Water and Wastewater Authority, the local regulatory body for Citrus County, where he served for seven years. The Buyer also served as the "Class C" representative for the Legislative Study Committee for Investor-Owned Water and Wastewater Utility Systems in 2013. He attends

⁶ Document No. 01201-2018, filed February 14, 2018, in Docket No. 20170151-WS, *In re: Application for authority to transfer water and wastewater Certificate Nos. 577-W and 498-S in Manatee County, from Heather Hills Estates Utilities, LLC to Heather Hills Utilities, LLC.*

⁷ Document No. 01091-2018, filed February 9, 2018, in Docket No. 20170151-WS, *In re: Application for authority to transfer water and wastewater Certificate Nos. 577-W and 498-S in Manatee County, from Heather Hills Estates Utilities, LLC to Heather Hills Utilities, LLC.*

yearly training classes through the Florida Rural Water Association and completed the NARUC Utility Rate School in 2001. The Buyer is the owner and manager of a total of 10 Class C water and wastewater facilities that are regulated by the Commission.

Staff reviewed the personal financial statements of the Buyer, as well as the financial statements of Florida Utility Services 1, LLC.⁸ Based on the above, the Buyer has demonstrated the technical and financial ability to provide service to the existing service territory.

Rates and Charges

The Utility's rates and charges were approved in a staff assisted rate case in 2011.⁹ The rates were subsequently amended through six price index and pass through rate adjustments. The Utility's late payment charge was approved in 2009¹⁰ and miscellaneous service charges were approved in 2010.¹¹ The Utility is built out and has no approved service availability charges. The Utility's existing rates and charges are shown on Schedule No. 3. Rule 25-9.044(1), F.A.C., provides that, in the case of a change of ownership or control of a Utility, the rates, classifications, and regulations of the former owner must continue unless authorized to change by this Commission. Therefore, staff recommends that the Utility's existing rates and charges remain in effect until a change is authorized by this Commission in a subsequent proceeding.

Regulatory Assessment Fees and Annual Reports

Staff has verified that the Utility is current with respect to annual reports and RAFs through December 31, 2017. The Buyer will be responsible for filing annual reports and paying RAFs for 2018 and all future years.

Conclusion

Based on the foregoing, staff recommends that the transfer of the water and wastewater systems and Certificate Nos. 577-W and 498-S is in the public interest and should be approved effective the date of the Commission vote. The resultant order should serve as the Buyer's certificate and should be retained by the Buyer. The existing rates and charges should remain in effect until a change is authorized by the Commission in a subsequent proceeding. The tariffs reflecting the transfer should be effective for services rendered or connections made on or after the stamped approval date on the tariffs, pursuant to Rule 25-30.475, F.A.C. The Buyer should be responsible for paying RAFs after December 31, 2017, and all future years. The Buyer should also be responsible for filing all future annual reports.

⁸ Document No. 08737-2017.

⁹ Order No. PSC-11-0436-PAA-WS, issued August 29, 2011, in Docket No. 20100472-WS, *In re: Application for staff-assisted rate case in Manatee County by Heather Hills Estates Utilities LLC.*

¹⁰ Order No. PSC-10-0014-TRF-WS, issued January 4, 2010, in Docket No. 20090500-WS, *In re: Request for approval of late payment charge by Heather Hills Estates Utilities, LLC, in Manatee County.*

¹¹ Order No. PSC-10-0699-TRF-WS, issued November 29, 2010, in Docket No. 20100396-WS, *In re: Request for approval of increase in miscellaneous service charges by Heather Hills Estates Utilities, LLC.*

Issue 2: What is the appropriate net book value for the Heather Hills Utilities, LLC water and wastewater systems for transfer purposes and should an acquisition adjustment be approved?

Recommendation: For transfer purposes, the net book value (NBV) of the water system for is \$40,553, and for the wastewater system is \$389, as of April 7, 2017. An acquisition adjustment should not be included in rate base. Within 90 days of the date of the final order, Heather Hills should be required to notify the Commission in writing, that it has adjusted its books in accordance with the Commission's decision. The adjustments should be reflected in the 2018 Annual Report when filed. (Sewards)

Staff Analysis: Rate base was last established as of September 29, 2011.¹² The purpose of establishing net book value for both the water and wastewater systems for transfers is to determine whether an acquisition adjustment should be approved. The NBV does not include normal ratemaking adjustments for non-used and useful plant and working capital. The NBV has been updated to reflect balances as of April 7, 2017. Staff's recommended NBV, as described below, is shown on Schedule No. 1.

Utility Plant in Service (UPIS)

The Utility's general ledger reflected water and wastewater UPIS balances of \$94,196 and \$72,152, respectively, as of April 7, 2017. Staff reviewed UPIS additions since the last rate case proceeding and as a result, has decreased UPIS for water by \$4,332. Staff notes, in response to the staff audit report, Heather Hills stated that \$1,106 was recorded incorrectly in Account 331 – Hydrants, and should be reclassified to Account 335 – Transmission and Distribution Mains. Staff agrees with this reclassification. There were no adjustments to wastewater UPIS. Therefore, staff recommends that the Utility's water and wastewater UPIS balances as of April 7, 2017, should be \$89,864 and \$72,512, respectively.

Land

In Order No. PSC-11-0436-PAA-WS, the Commission established the value of the land to be \$389 for water and \$389 for wastewater. The Utility's general ledger reflected a land balance of \$389 for water and \$389 for wastewater. There have been no additions to land purchased since that order was issued. Therefore, staff recommends a land balance of \$389 for water and \$389 for wastewater, as of April 7, 2017.

Accumulated Depreciation

The Utility's general ledger reflected water and wastewater accumulated depreciation balances of \$48,443 and \$72,262, respectively, as of April 7, 2017. Staff auditors reviewed UPIS additions since the last rate case proceeding and calculated an accumulated depreciation balance of \$51,895 for water and \$72,512 for wastewater. In response to the staff audit report, Heather Hills stated that accumulated depreciation incorrectly reflected a full year of depreciation expense for 2017. After recalculating accumulated depreciation for 2017, staff agrees with the Utility. However, staff believes Heather Hills did not correctly calculate accumulated depreciation for 2017. As such, accumulated depreciation should be adjusted based on the reclassification in UPIS discussed earlier, as well as to reflect the correct accumulated

¹² Order No. PSC-11-0436-PAA-WS, issued September 29, 2011, in Docket No. 20100472-WS, *In re: Application for staff-assisted rate case in Manatee County by Heather Hills Estates Utilities LLC*.

depreciation for 2017. The Utility agreed with the staff auditor's adjustment to increase wastewater accumulated depreciation by \$250. Staff calculated the appropriate accumulated depreciation balance to be \$49,700 for water and \$72,512 for wastewater. As a result, accumulated depreciation should be increased by \$1,257 for water and \$250 for wastewater to reflect accumulated depreciation balances of \$49,700 for water and \$72,512 for wastewater, as of April 7, 2017.

Contributions-in-Aid-of-Construction (CIAC) and Accumulated Amortization of CIAC

As of April 7, 2017, the Utility's general ledger reflected a fully amortized CIAC balance of \$26,625 for the water plant. No CIAC was recorded for the wastewater plant. Staff reviewed the CIAC balances and has no adjustments. Therefore, staff recommends a CIAC balance of \$26,625 for water and \$0 for wastewater and accumulated amortization of CIAC balance of \$26,625 for water and \$0 for wastewater, as of April 7, 2017.

Net Book Value

The Utility's general ledger reflected NBV of \$46,142 for water and \$639 for wastewater. Based on the adjustments described above, staff recommends that the NBV as of April 7, 2017, for the Utility's water system is \$40,553, and for the wastewater system is \$389, for a total NBV of \$40,942. Staff's recommended NBV and the National Association of Regulatory Utility Commissioners, Uniform System of Accounts (NARUC USOA) balances for UPIS and accumulated depreciation are shown on Schedule Nos. 1 and 2, as of April 7, 2017.

Acquisition Adjustment

An acquisition adjustment results when the purchase price differs from the NBV of the assets at the time of the acquisition. The Utility and its assets were purchased for \$141,900. As stated above, staff has determined the appropriate NBV total to be \$40,942. Pursuant to Rule 25-30.0371, F.A.C., a positive acquisition adjustment may be appropriate when the purchase price is greater than the NBV, and a negative acquisition adjustment may be appropriate when the purchase price is less than NBV. However, pursuant to Rule 25-30.0371(2), F.A.C., a positive acquisition adjustment shall not be included in rate base unless there is proof of extraordinary circumstances. The Buyer did not request a positive acquisition adjustment. As such, staff recommends that no positive acquisition adjustment be approved.

Conclusion

Based on the above, staff recommends that the NBV for transfer purposes is \$40,553 for the water system and for the wastewater system is \$389, as of April 7, 2017. No acquisition adjustment should be included in rate base. Within 90 days of the date of the final order, the Buyer should be required to notify the Commission in writing, that it has adjusted its books in accordance with the Commission's decision. The adjustments should be reflected in the Utility's 2018 Annual Report when filed.

Issue 3: Should the requested initial customer deposits for Heather Hills Utilities, LLC be approved?

Recommendation: Yes. The appropriate initial customer deposits for the residential 5/8 inch x 3/4 inch meter size are approximately \$78 for water and \$124 for wastewater. The initial customer deposit for all other residential meter sizes and all general service meter sizes should be two times the average estimated quarterly bill for water and wastewater. The approved initial customer deposits should be effective for connections made on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475, F.A.C. The Utility should be required to collect the approved initial customer deposits until authorized to change them by the Commission in a subsequent proceeding. (Sibley)

Staff Analysis: Rule 25-30.311, F.A.C., contains criteria for collecting, administering, and refunding customer deposits. Rule 25-30.311(1), F.A.C., requires that each company's tariff shall contain its specific criteria for determining the amount of initial deposits. Currently, Heather Hills is not authorized to collect initial customer deposits. Customer deposits are designed to minimize the exposure of bad debt expense for the Utility and, ultimately, the general body of rate payers. In addition, collection of customer deposits is consistent with one of the fundamental principles of rate making—ensuring that the cost of providing service is recovered from the cost causer.

Rule 25-30.311(7), F.A.C., authorizes utilities to collect new or additional deposits from existing customers not to exceed an amount equal to the average actual charge for water and/or wastewater service for two billing periods for the 12-month period immediately prior to the date of notice. The two billing periods reflect the lag time between the customer's usage and the Utility's collection of the revenues associated with that usage. Commission practice has been to set initial customer deposits equal to two billing periods based on the average consumption for a 12-month period for each class of customers.¹³ The Utility's average monthly residential usage is 1,166 gallons per customer. Heather Hills bills on a quarterly basis; therefore, the average residential bill for two billing periods is approximately \$78 for water and \$124 for wastewater.

Based on the above, the appropriate initial customer deposits for the residential 5/8 inch x 3/4 inch meter size are approximately \$78 for water and \$124 for wastewater. The initial customer deposit for all other residential meter sizes and all general service meter sizes should be two times the average estimated quarterly bill for water and wastewater. The approved initial customer deposits should be effective for connections made on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475, F.A.C. The Utility should be required to collect the approved initial customer deposits until authorized to change them by the Commission in a subsequent proceeding.

¹³ Order Nos. PSC-2017-0428-PAA-WS, issued November 7, 2017, in Docket No. 20160195-WS, *In re: Application for staff-assisted rate case in Lake County by Lakeside Waterworks, Inc.* and PSC-17-0113-PAA-WS, issued March 28, 2017, in Docket No. 20130105-WS, *In re: Application for certificates to provide water and wastewater service in Hendry and Collier Counties, by Consolidated Services of Hendry & Collier, LLC.*

Issue 4: Should the corrected legal description of the original Heather Hills water and wastewater service territory shown in Attachment A be approved?

Recommendation: Yes. The corrected legal description of the original Heather Hills water and wastewater service territory shown in Attachment A, which removes the golf course clubhouse/restaurant, should be approved. The resulting order should serve as Certificate Nos. 577-W and 498-S and should be retained by Heather Hills Utilities, LLC. (M. Watts, Trierweiler)

Staff Analysis: The Commission approved the legal description of the Heather Hills water and wastewater service territory in Docket No. 951533-WS¹⁴ (the grandfather docket) in 1996 after Manatee County turned jurisdiction over to the Commission in 1995.¹⁵ While investigating an issue raised by a customer of Heather Hills in the instant docket, staff learned that a portion of the territory description provided by the applicant in the grandfather docket was in error. The original territory description includes the following:

Section 12, Township 35S, Range 17E

From the NW corner of the SW 1/4 of the SW 1/4 of the NW 1/4 run due East 170.0 feet to the Point of Beginning;

thence due North 50.0 feet; thence due East 100.0 feet; thence due South 100.0 feet; thence due West 100.0 feet; thence due North 50.0 feet to the Point of Beginning.

This is a 100-square-foot parcel across the street from the Heather Hills subdivision on which a golf course clubhouse/restaurant is located. The clubhouse is cited in the grandfather docket as one of the applicant's water customers, but is currently served by Manatee County.

Staff contacted Manatee County regarding the matter, and received the following response clarifying the situation from the Manatee County Water Division Manager:

Per the 'grandfather certificate' document from the PSC (Docket No. 951533-WS, Order No. PSC-96-0434-FOF-WS, Issued March 28, 1996) you provided, a copy of which is attached, the questions seem to originate from the description of the 'Heather Hills Utility' as included in the BACKGROUND section of the document. That description (top of second page) states:

"Keith and Clara Starkey d/b/s Heather Hills Estates (Heather Hills or utility) was established in 1967 to serve water and wastewater customers within the Heather Hills Estates in Manatee County, Florida. Heather Hills, a Class C utility serves 353 single family

¹⁴ Order No. PSC-96-0434-FOF-WS, issued March 28, 1996, in Docket No. 19951533-WS, *In re: Application for certificates to provide water and wastewater service in Manatee County by Keith & Clara Starkey d/b/a Heather Hills Estates*

¹⁵ Order No. PSC-95-1393-FOF-WS, issued November 9, 1995, in Docket No. 19951235-WS, *In re: Resolution of the Board of County Commissioners of Manatee County Declaring Manatee County Subject to the Provisions of Chapter 367, F.S.*

residential customers, a club house, and a golf course clubhouse/restaurant for an approximate total of 355 water customers and 354 wastewater customers. The golf course furnishes its own wastewater service."

It appears that this description of the original 1967 configuration of the Heather Hills Utility was erroneously used in the 1996 application to the PSC for a Grandfather Certificate for Heather Hills. In 1967, the Manatee County Utilities System was just being formed and water service was likely not yet available to Heather Hills. There were various privately owned utilities that provided water to area residents at that time. These primarily consisted of groundwater wells, storage systems and chlorination systems. In 1967 Heather Hills Utilities may have received bulk water from one of these or may have had a well system of its own to serve the residences, the clubhouse and the golf course clubhouse restaurant. However, by the time of 1995 application to the PSC the golf course clubhouse/restaurant had been served directly by Manatee County Utilities for over 10 years. The single family residences and the clubhouse were being, and still are, provided bulk water from Manatee County through a separate master meter.¹⁶

Since neither the Utility nor its predecessors has been serving the affected customer since the water certificate for the system was first issued by the Commission in 1996, and since Manatee County has in fact been serving this customer throughout this time period, staff believes that the original territory description submitted in the grandfather docket erroneously included the golf course clubhouse/restaurant.

Based on the above, staff recommends that the corrected legal description of the original Heather Hills water and wastewater service territory shown in Attachment A, which removes the golf course clubhouse/restaurant, should be approved. The resulting order should serve as Certificate Nos. 577-W and 498-S and should be retained by Heather Hills Utilities, LLC.

¹⁶ Document No. 10823-2017, filed on December 21, 2017, in Docket No. 20170155-WS, *In re: Application for authority to transfer water and wastewater Certificate Nos. 577-W and 498-S in Manatee County, from Heather Hills Estates Utilities, LLC to Heather Hills Utilities, LLC.*

Issue 5: Should this docket be closed?

Recommendation: If no protest to the proposed agency action is filed by a substantially affected person within 21 days of the date of the issuance of the order, a consummating order should be issued and the docket should be closed administratively upon Commission staff's verification that the revised tariff sheets have been filed and the Buyer has notified the Commission in writing that it has adjusted its books in accordance with the Commission's decision. (Trierweiler)

Staff Analysis: If no protest to the proposed agency action is filed by a substantially affected person within 21 days of the date of the issuance of the order, a consummating order should be issued and the docket should be closed administratively upon Commission staff's verification that the revised tariff sheets have been filed and the Buyer has notified the Commission in writing that it has adjusted its books in accordance with the Commission's decision.

TERRITORY DESCRIPTION
Heather Hills Utilities, LLC
Manatee County
Water and Wastewater Service

Township 35 South, Range 17 East
Section 11

The NE 1/4 of the SE 1/4 and the South 1/2 of the SE 1/4 of the NE 1/4.

FLORIDA PUBLIC SERVICE COMMISSION
authorizes
Heather Hills Utilities, LLC
pursuant to
Certificate Number 577-W

to provide water service in Manatee County in accordance with the provisions of Chapter 367, Florida Statutes, and the Rules, Regulations, and Orders of this Commission in the territory described by the Orders of this Commission. This authorization shall remain in force and effect until superseded, suspended, cancelled or revoked by Order of this Commission.

<u>Order Number</u>	<u>Date Issued</u>	<u>Docket Number</u>	<u>Filing Type</u>
PSC-96-0434-FOF-WU	04/29/97	951533-WS	Grandfather
PSC-10-0519-FOF-WS	08/16/10	090093-WS	Transfer
*	*	20170151-WS	Transfer

***Order Number and date to be provided at time of issuance**

FLORIDA PUBLIC SERVICE COMMISSION
authorizes
Heather Hills Utilities, LLC
pursuant to
Certificate Number 498-S

to provide wastewater service in Manatee County in accordance with the provisions of Chapter 367, Florida Statutes, and the Rules, Regulations, and Orders of this Commission in the territory described by the Orders of this Commission. This authorization shall remain in force and effect until superseded, suspended, cancelled or revoked by Order of this Commission.

<u>Order Number</u>	<u>Date Issued</u>	<u>Docket Number</u>	<u>Filing Type</u>
PSC-96-0434-FOF-WU	04/29/97	951533-WS	Grandfather
PSC-10-0519-FOF-WS	08/16/10	090093-WS	Transfer
*	*	20170151-WS	Transfer

***Order Number and date to be provided at time of issuance**

Heather Hills Utilities, LLC
Water System
Net Book Value as of April 7, 2017

Description	Balance Per		Staff Recommendation
	Utility	Adjustments	
Utility Plant in Service	\$94,196	(\$4,332)	\$89,864
Land & Land Rights	389	0	389
Accumulated Depreciation	(48,443)	(1,257)	(49,700)
CIAC	(26,625)	0	(26,625)
Amortization of CIAC	<u>26,625</u>	<u>0</u>	<u>26,625</u>
Total	<u>\$46,142</u>	<u>(\$5,589)</u>	<u>\$40,553</u>

**Explanation of Staff's Recommended
Adjustments to Net Book Value as of April 7, 2017
Water System**

Explanation	Amount
A. Utility Plant In Service	
To reflect appropriate amount of utility plant in service.	<u>(\$4,332)</u>
B. Accumulated Depreciation	
To reflect appropriate amount of accumulated depreciation.	<u>(\$1,257)</u>

Heather Hills Utilities, LLC
Water System
Schedule of Staff Recommended Account Balances as of April 7, 2017

Account			Accumulated
No.	Description	UPIS	Depreciation
309	Supply Mains	\$11,188	(\$2,769)
331	Transmission & Distribution Lines	62,663	(40,541)
334	Meters & Meter Installations	<u>16,013</u>	<u>(6,389)</u>
	Total	<u>\$89,864</u>	<u>(\$49,700)</u>

**Heather Hills Utilities, LLC
Wastewater System
Net Book Value as of April 7, 2017**

Description	Balance Per Utility	Adjustments	Staff Recommendation
Utility Plant in Service	\$72,512	\$0	\$72,512
Land & Land Rights	389	0	389
Accumulated Depreciation	(72,262)	(250)	(72,512)
CIAC	0	0	0
Amortization of CIAC	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$639</u>	<u>(\$250)</u>	<u>\$389</u>

**Explanation of Staff's Recommended
Adjustments to Net Book Value as of April 7, 2017
Wastewater System**

Explanation	Amount
A. Accumulated Depreciation To reflect appropriate amount of accumulated depreciation.	<u>(\$250)</u>

Heather Hills Utilities, LLC
Wastewater System
Schedule of Staff Recommended Account Balances as of April 7, 2017

Account			Accumulated
No.	Description	UPIS	Depreciation
361	Collection Sewers - Gravity	<u>\$72,512</u>	<u>(\$72,512)</u>
	Total	<u>\$72,512</u>	<u>(\$72,512)</u>

**Heather Hills Utilities, LLC
Quarterly Water Rates**

Residential & General Service

Base Facility Charge by Meter Size

5/8" x 3/4"	\$27.84
3/4"	\$41.77
1"	\$69.61
1 1/2"	\$139.22
2"	\$222.75
3"	\$445.51
4"	\$696.10
6"	\$1,392.21
Charge Per 1,000 gallons	\$3.19

Miscellaneous Service Charges

	Normal hours	After Hours
Initial Connection Charge	\$26.00	\$40.00
Normal Reconnection Charge	\$26.00	\$40.00
Violation Reconnection Charge	\$31.00	\$42.00
Premises Visit Charge (in lieu of disconnection)	\$14.00	\$27.00
Late Payment Charge	\$5.00	

**Heather Hills Utilities, LLC
Quarterly Wastewater Rates**

Residential Service

Base Facility Charge – All Meter Sizes \$36.79

Charge Per 1,000 gallons \$7.19
6,000 gallon cap

General Service

Base Facility Charge by Meter Size

5/8" x 3/4" \$36.79

1" \$55.18

1 1/2" \$91.97

2" \$183.94

3" \$294.30

4" \$588.60

6" \$919.69

8" \$1,839.38

Charge Per 1,000 gallons \$8.49

Miscellaneous Service Charges

	Normal hours	After Hours
Initial Connection Charge	\$26.00	\$40.00
Normal Reconnection Charge	\$26.00	\$40.00
Violation Reconnection Charge	Actual Cost	Actual Cost
Premises Visit Charge (in lieu of disconnection)	\$14.00	\$27.00

Late Payment Charge \$5.00

Item 12

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: October 18, 2018

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Engineering (M. Watts, Salvador)
Division of Accounting and Finance (Johnson, Norris)
Division of Economics (Sibley) *SH ms*
Office of the General Counsel (Brownless) *JSC*

Handwritten notes and initials:
A, LS, TB, CRB, CAT, B& ALM

RE: Docket No. 20170220-WS – Application for approval of transfer of Lake Yale Treatments Associates, Inc. water and wastewater systems and Certificates Nos. 560-W and 488-S in Lake County to Lake Yale Utilities, LLC.

AGENDA: 10/30/18 – Regular Agenda – Proposed Agency Action for Issues 2 and 3 – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Clark

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Case Background

On October 10, 2017, Lake Yale Utilities, LLC. (Lake Yale, Buyer or Utility) filed an application for the transfer of Certificate Nos. 560-W and 488-S from Lake Yale Treatment Associates, Inc. (LYTA or Seller) in Lake County, Florida. According to the Utility's 2017 Annual Report, Lake Yale is a Class C utility serving 302 water and wastewater customers, with operating losses of (\$11,400) for water and (\$11,718) for wastewater.

By letter dated June 23, 1987, Lake Yale Estates requested that it be found exempt from regulation by the Florida Public Service Commission (Commission) under the landlord-tenant exemption, Section 367.022(5), Florida Statutes (F.S.). An affidavit stating that the cost of utility

services will be included in the rent structure was also submitted. On September 22, 1987, Lake Yale Estates was granted the exemption from regulation by the Commission.¹ Subsequent to the issuance of that order, when the Utility applied to the St. Johns River Water Management District (SJRWMD) for its consumptive use permit, the SJRWMD required Lake Yale Estates to individually meter each lot and implement a conservation rate structure. As a consequence, on February 3, 1993, Lake Yale Corporation filed for certificates of authorization. In 1994, Lake Yale Corporation d/b/a Lake Yale Utility Company was granted Certificate Nos. 560-W and 488-S.² In 1999, the Commission approved the transfer of both certificates to Lake Yale Treatment Associates, Inc.³

This recommendation addresses the transfer of the water and wastewater systems, the net book value (NBV) of the water and wastewater systems at the time of transfer, and appropriateness of an acquisition adjustment. The Commission has jurisdiction pursuant to Sections 367.071 and 367.091, F.S.

¹ Order No. 18193, issued September 22, 1987, in Docket No. 19870758-WS, *In re: Request by Lake Yale Estates Water/Sewer System for Exemption from Florida Public Service Commission jurisdiction in Lake County.*

² Order No. PSC-94-0171-FOF-WS, issued February 10, 1994, in Docket No. 19930133-WS, *In re: Application for Water and Wastewater Certificates in Lake County by Lake Yale Corporation d/b/a Lake Yale Utility Company.*

³ Order No. PSC-99-2190-PAA-WS, issued November 8, 1999, in Docket No. 19990194-WS, *In re: Application for transfer of Certificates Nos. 560-W and 488-S in Lake County from Lake Yale Corporation d/b/a Lake Yale Utility Company to Lake Treatment Associates, Inc.*

Discussion of Issues

Issue 1: Should the application for transfer of Certificate Nos. 560-W and 488-S in Lake County, from Lake Yale Treatments Associates, Inc. to Lake Yale Utilities, LLC be approved?

Recommendation: Yes, the transfer of Certificate Nos. 560-W and 488-S in Lake County is in the public interest and should be approved effective the date of the Commission's vote. The resultant order should serve as the Buyer's certificates and should be retained by the Buyer. The existing rates and charges should remain in effect until a change is authorized by the Commission in a subsequent proceeding. The tariffs reflecting the transfer should be effective for services rendered or connections made on or after the stamped approval date on the tariffs pursuant to Rule 25-30.475, Florida Administrative Code (F.A.C.). The Regulatory Assessment Fees (RAFs) have been paid through December 31, 2017. The Buyer should be responsible for filing the 2018 Annual Report and all future Annual Reports, and RAFs. (M. Watts, Salvador, Sibley, Johnson)

Staff Analysis: On October 10, 2017, Lake Yale filed an application for the transfer of Certificate Nos. 560-W and 488-S from LYTA in Lake County. The application is in compliance with Section 367.071, F.S., and Commission rules concerning applications for transfer of certificates. The sale occurred on June 30, 2017, contingent upon Commission approval, pursuant to Section 367.071(1), F.S.

Noticing, Territory, and Land Ownership

The application contains a description of the water and wastewater service territory, which is appended to this recommendation as Attachment A. The application also contains a copy of the assignment and assumption of agreements that was executed on June 28, 2017, as evidence that the Buyer has access to the land upon which the water treatment facilities are located pursuant to Rule 25-30.037(1)(s), F.A.C.

On December 11, 2017, staff notified Lake Yale that its application was not in compliance with the noticing provisions set forth in Section 367.071, F.S., and Rule 25-30.030, F.A.C. Lake Yale filed a corrected notice on March 19, 2018. No objections to the transfer were filed, and the time for doing so has expired.

Purchase Agreement and Financing

Pursuant to Rule 25-30.037(2)(i), and (j), F.A.C., the application contains a statement regarding financing and a copy of the Purchase Agreement, which includes the purchase price, terms of payment, and a list of the assets purchased. Customer advances were credited to the customers' accounts. There are no customer deposits, guaranteed revenue contracts, developer agreements, or debt of Lake Yale that must be disposed of with regard to the transfer. The Seller and the Buyer entered into an assignment and assumption of agreements as of June 28, 2017. This document includes a 99-year lease dated January 1, 1999, for the land associated with the Utility's water and wastewater treatment plants, its water transmission and distribution system, and its wastewater collection system. According to the Purchase Agreement, the total purchase price for the assets is \$136,000. According to the Buyer, the sale took place on June 30, 2017, subject to Commission approval, pursuant to Section 367.071(1), F.S.

Facility Description and Compliance

The Lake Yale water treatment system consists of two water plants with a combined rated design capacity of 630,000 gallons per day total. The two public water systems, Lake Yale Estates and Sandpiper Mobile Home Manor, are interconnected and work with virtual telemetry to control the lead/lag alternating setup. Both water plants use hypochlorination for disinfection. Lake Yale's permit, issued by the SJRWMD, authorizes the use of 0.045 million gallons per day of groundwater for public supply.

The most recent Sandpiper Mobile Home Manor Sanitary Survey was performed by the Department of Environmental Protection (DEP) on August 30, 2018. Based on the information provided during and following that inspection, the facility was determined to be in compliance with the DEP rules and regulations.

The DEP conducted the Lake Yale Estates' most recent Sanitary Survey on May 3, 2018, and found the water plant changed the disinfection process from gas chlorine to hypochlorite without submitting written notification or a permit application to the DEP, an unpermitted permanent interconnection with Sandpiper Mobile Home Manor, and the check valve on well #1 was leaking at the time of the inspection. Per discussion with the DEP and emails received from the Utility, the valve on well #1 was replaced on October 11, 2018, and Lake Yale is actively working on obtaining the two outstanding permits.

The wastewater treatment system has a permitted capacity of 55,000 gallons per day with an average daily flow of 10,450 gallons per day. The treatment facility consists of influent screening, extended aeration, secondary clarification, chlorination with denitrification, and the effluent is disposed of in three percolation ponds. The collection system consists of four, six, and eight inch polyvinyl chloride collecting mains and three, four, and six inch force mains with four lift stations. The last DEP compliance evaluation inspection was conducted on May 3, 2018. A compliance assistance offer letter was issued after the inspection to help correct the recorded deficiencies. Per discussion with the DEP and emails received from the Utility, the only outstanding issue is the excessive vegetation in the rapid infiltration basins. Lake Yale is currently working on resolving the outstanding violation.

The last primary and secondary water quality standards tests were performed in November 2015. All the primary water quality standards results were below the DEP-established maximum contaminant level (MCL). However, the MCL for iron, a secondary water quality standard, was exceeded. The DEP has not required the Utility to take action to address Sandpiper Mobile Home Manor's iron issue. Staff notes that neither the Utility nor the Commission has received any customer complaints regarding secondary water quality standards within the last five years. The next primary and secondary water quality tests should be performed by December 31, 2018.

Technical and Financial Ability

Pursuant to Rule 25-30.037(2)(l), F.A.C., the application contains statements describing the technical and financial ability of the Buyer to provide service to the proposed service area. The Buyer was once appointed to the Citrus County Water and Wastewater Authority, the local regulatory body for Citrus County, where he served for seven years. The Buyer also served as the "Class C" representative for the Legislative Study Committee for Investor-Owned Water and Wastewater Utility Systems in 2013. He attends yearly training classes through the Florida Rural

Water Association and completed the National Association of Regulatory Utility Commissioners (NARUC) Rate School in 2001. The Buyer is the owner and manager of a total of 10 Class C water and wastewater utilities that are regulated by the Commission.

Staff reviewed the personal financial statements of the Buyer, as well as the financial statements of Florida Utility Services 1, LLC.⁴ Based on the above, the Buyer has demonstrated the technical and financial ability to provide service to the existing service territory.

Rates and Charges

The Utility's rates and charges were last approved when it received water and wastewater certificates in 1994.⁵ The rates were subsequently amended through six price index and pass through rate adjustments. The Utility's existing rates and charges are shown on Schedule No. 3, which is attached to this recommendation. Rule 25-9.044(1), F.A.C., provides that, in the case of a change of ownership or control of a utility, the rates, classifications, and regulations of the former owner must continue unless authorized to change by this Commission. Therefore, staff recommends that the Utility's existing rates and charges remain in effect until a change is authorized by this Commission in a subsequent proceeding.

Regulatory Assessment Fees and Annual Reports

Staff has verified that the Utility is current with respect to annual reports and RAFs through December 31, 2017. The Buyer will be responsible for filing annual reports and paying RAFs for 2018 and all future years.

Conclusion

Based on the foregoing, staff recommends that the transfer of Certificate Nos. 560-W and 488-S in Lake County is in the public interest and should be approved effective the date of the Commission's vote. The resultant order should serve as the Buyer's certificates and should be retained by the Buyer. The existing rates and charges should remain in effect until a change is authorized by the Commission in a subsequent proceeding. The tariffs reflecting the transfer should be effective for services rendered or connections made on or after the stamped approval date on the tariffs pursuant to Rule 25-30.475, F.A.C. The RAFs have been paid through December 31, 2017. The Buyer should be responsible for filing the 2018 Annual Report and all future Annual Reports, and RAFs.

⁴ Document Nos. 08740-2017 and 03513-2018.

⁵ Order No. PSC-94-0171-FOF-WS, issued February 10, 1994, in Docket No. 19930133-WS, *In re: Application for water and wastewater certificates in Lake County by Lake Yale Corporation d/b/a Lake Yale Utility Company*.

Issue 2: What is the appropriate net book value for Lake Yale Utilities, LLC's water and wastewater system for transfer purposes and should an acquisition adjustment be approved?

Recommendation: The net book value of the water and wastewater systems for transfer purposes are \$103,961 and \$19,287, respectively, as of June 30, 2017. An acquisition adjustment should not be included in rate base. Within 90 days of the date of the final order, Lake Yale should be required to notify the Commission in writing that it has adjusted its books in accordance with the Commission's decision. The adjustments should be reflected in the 2018 Annual Report when filed. (Johnson)

Staff Analysis: Rate base was last established as of October 31, 1998.⁶ The purpose of establishing net book value for both the water and wastewater systems is to determine whether an acquisition adjustment should be approved. The NBV does not include normal ratemaking adjustments for non-used and useful plant and working capital. The NBV has been updated to reflect balances as of June 30, 2017. Staff's recommended NBV, as described below, is shown on Schedule No. 1.

Utility Plant in Service (UPIS)

The Utility's general ledger reflected water and wastewater UPIS balances of \$338,248 and \$306,206, respectively, as of June 30, 2017. Staff reviewed UPIS additions since the last rate case proceeding and as a result, has increased UPIS for water and wastewater by \$48,834 and \$132,584, respectively. Therefore, staff recommends that the Utility's water and wastewater UPIS balances as of June 30, 2017, should be \$387,082 and \$438,790, respectively.

Land

Lake Yale does not own any land. However, the Seller and the Buyer entered into an assignment and assumption of agreements as of June 28, 2017. This document includes a 99-year lease dated January 1, 1999, for the land associated with the Utility's water and wastewater treatment plants, its water transmission and distribution system, and its wastewater collection system. Staff recommends a land balance of \$0 as of June 30, 2017.

Accumulated Depreciation

The Utility's general ledger reflected water and wastewater accumulated depreciation balances of \$229,371 and \$259,726, respectively, as of June 30, 2017. Staff reviewed UPIS additions since the last rate case proceeding and calculated the resulting accumulated depreciation balances. As a result, staff has increased the accumulated depreciation balance for water by \$23,043 and increased the balance for wastewater by \$127,383. Therefore, staff recommends that the Utility's water and wastewater accumulated depreciation balances as of June 30, 2017, should be \$252,414 and \$387,109, respectively.

⁶ Order No. PSC-99-2190-PAA-WS, issued November 8, 1999, in Docket No. 19990194-WS, *In re: Application for transfer of Certificates Nos. 560-W and 488-5 in Lake County from Lake Yale Corporation d/b/a Lake Yale Utility Company to Lake Yale Treatment Associates, Inc.*

Contributions-in-Aid-of-Construction (CIAC) and Accumulated Amortization of CIAC

As of June 30, 2017, the Utility's general ledger reflected a CIAC balance of \$52,004 for water and \$42,434 for wastewater. In response to the audit, Lake Yale requested that CIAC be imputed based on the total number of customers times the applicable service availability charges. Staff does not believe recalculating CIAC is necessary based on the detailed books and records documenting collected CIAC. Staff reviewed the CIAC balances since the last rate case proceeding and as a result, has increased CIAC for water and wastewater by \$80,603 and \$78,691, respectively.

As of June 30, 2017, the Utility's general ledger reflected an accumulated amortization of \$32,988 for water and \$27,403 for wastewater. In response to the audit, Lake Yale asserted that two amortization rates should be used to calculate annual water CIAC amortization, one for plant in service, which excludes general service plant, and one for meters. The Utility additionally asserted that wastewater CIAC should be amortized using the composite depreciation rate for plant in service excluding general service plant as well. This method is consistent with Rule 25-30.140(9)(A)(B), F.A.C., and therefore, staff believes it is appropriate. Although staff agrees with Lake Yale's methodology, staff only used the specific accounts listed in Rule 25-30.140(1)(N), F.A.C., to calculate the amortization rates. Staff calculated the accumulated amortization of CIAC balances since the last rate case proceeding using Lake Yale's proposed methodology and as a result, has increased accumulated amortization for water and wastewater by \$68,911 and \$61,327, respectively. Therefore, staff recommends a CIAC balance of \$132,607 for water and \$121,125 for wastewater. In addition, staff recommends an accumulated amortization of CIAC balance of \$101,899 for water and \$88,730 for wastewater, as of June 30, 2017.

Net Book Value

The Utility's general ledger reflected NBV of \$89,861 for water and \$31,449 for wastewater. Based on the adjustments described above, staff recommends that the NBV for the Utility's water and wastewater systems as of June 30, 2017, are \$103,961 and \$19,287, respectively, for a total NBV of \$123,247. Staff's recommended NBV and the National Association of Regulatory Utility Commissioners, Uniform System of Accounts (NARUC USOA) balances for UPIS and accumulated depreciation are shown on Schedule Nos. 1 and 2, as of June 30, 2017.

Acquisition Adjustment

An acquisition adjustment results when the purchase price differs from the NBV of the assets at the time of the acquisition. The Utility and its assets were purchased for \$136,000. As stated above, staff has determined the appropriate NBV on a combined basis is \$123,247. Pursuant to Rule 25-30.0371, F.A.C., a positive acquisition adjustment may be appropriate when the purchase price is greater than the NBV, and a negative acquisition adjustment may be appropriate when the purchase price is less than NBV. However, pursuant to Rule 25-30.0371(2), F.A.C., a positive acquisition adjustment shall not be included in rate base unless there is proof of extraordinary circumstances. The Buyer did not request a positive acquisition adjustment. As such, staff recommends that no positive acquisition adjustment be approved.

Conclusion

Based on the above, staff recommends that the NBV of Lake Yale's water and wastewater systems for transfer purposes are \$103,961 and \$19,287, respectively, as of June 30, 2017. No acquisition adjustment should be included in rate base. Within 90 days of the date of the final order, the Buyer should be required to notify the Commission in writing that it has adjusted its books in accordance with the Commission's decision. The adjustments should be reflected in the Utility's 2018 Annual Report.

Issue 3: Should the requested initial customer deposits for Lake Yale Utilities, LLC be approved?

Recommendation: Yes. The appropriate initial customer deposits for the residential 5/8 inch x 3/4 inch meter size are \$28 for water and \$33 for wastewater. The initial customer deposit for all other residential meter sizes and all general service meter sizes should be two times the average estimated bill for water and wastewater. The approved initial customer deposits should be effective for connections made on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475, F.A.C. The Utility should be required to collect the approved initial customer deposits until authorized to change them by the Commission in a subsequent proceeding. (Sibley)

Staff Analysis: Rule 25-30.311, F.A.C., contains criteria for collecting, administering, and refunding customer deposits. Rule 25-30.311(1), F.A.C., requires that each company's tariff shall contain its specific criteria for determining the amount of initial deposits. Currently, Lake Yale is not authorized to collect initial customer deposits. Customer deposits are designed to minimize the exposure of bad debt expense for the Utility and, ultimately, the general body of rate payers. In addition, collection of customer deposits is consistent with one of the fundamental principles of rate making—ensuring that the cost of providing service is recovered from the cost causer.

Rule 25-30.311(7), F.A.C., authorizes utilities to collect new or additional deposits from existing customers not to exceed an amount equal to the average actual charge for water and/or wastewater service for two billing periods for the 12-month period immediately prior to the date of notice. The two billing periods reflect the lag time between the customer's usage and the Utility's collection of the revenues associated with that usage. Commission practice has been to set initial customer deposits equal to two months' bills based on the average consumption for a 12-month period for each class of customers.⁷ The Utility's average monthly residential usage is 2,206 gallons per customer. Therefore, the average residential bill for two billing periods is approximately \$28 for water and \$33 for wastewater.

Based on the above, the appropriate initial customer deposits for the residential 5/8 inch x 3/4 inch meter size meter size are \$28 for water and \$33 for wastewater. The initial customer deposit for all other residential meter sizes and all general service meter sizes should be two times the average estimated bill for water and wastewater. The approved initial customer deposits should be effective for connections made on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475, F.A.C. The Utility should be required to collect the approved initial customer deposits until authorized to change them by the Commission in a subsequent proceeding.

⁷ Order Nos. PSC-2017-0428-PAA-WS, issued November 7, 2017, in Docket No. 20160195-WS, *In re: Application for staff-assisted rate case in Lake County by Lakeside Waterworks, Inc.*, and PSC-17-0113-PAA-WS, issued March 28, 2017, in Docket No. 20130105-WS, *In re: Application for certificates to provide water and wastewater service in Hendry and Collier Counties, by Consolidated Services of Hendry & Collier, LLC*.

Issue 4: Should this docket be closed?

Recommendation: If no protest to the proposed agency action is filed by a substantially affected person within 21 days of the date of the issuance of the order, a consummating order should be issued and the docket should be closed administratively upon Commission staff's verification that the revised tariff sheets have been filed and the Buyer has notified the Commission in writing that it has adjusted its books in accordance with the Commission's decision. (Brownless)

Staff Analysis: If no protest to the proposed agency action is filed by a substantially affected person within 21 days of the date of the issuance of the order, a consummating order should be issued and the docket should be closed administratively upon Commission staff's verification that the revised tariff sheets have been filed and the Buyer has notified the Commission in writing that it has adjusted its books in accordance with the Commission's decision.

TERRITORY DESCRIPTION
Lake Yale Utilities, LLC
Lake County
Water and Wastewater Service

Township 18 South, Range 25 East
Sections 24 and 25

The following described lands located in portions of Sections 24 and 25, Township 18 South, Range 25 East, Lake County, Florida.

Section 24, Township 18 South, Range 25 East, Lake County, Florida.

Section 25, Township 18 South, Range 25 East, less right-of-way for County Road 452.

Begin 1,802.38 feet north of the SE corner of NE 1/4 of Section 25, Township 18 South, Range 25 East, Lake County, Florida. From said Point of Beginning, run north along the east line of NE 1/4 of Section 25 to the SE corner of Section 24, Township 18 South, Range 25 East;

Thence continue north along the east line of the SE 1/4 of Section 24 to the waters of Lake Yale;

Thence run westerly along and with said waters to the west line of the East 1/2 of the SE 1/4 of the SE 1/4 of Section 24;

Thence run south along said west line to the south line of Section 24;

Thence along said section line run west to the east line of the West 1/2 of the SE 1/4 of Section 24;

Thence along said east line run north to the waters of Lake Yale;

Thence run northwesterly along and with said waters to a line that is 25.00 feet south of the north line of the SE 1/4 of Section 24;

Thence run west to the west line of the SE 1/4;

Thence continue 125.00 feet;

Thence south to a point that is 138.44 feet north of the north line of the SE 1/2 of the SE 1/4 of Section 24;

Thence S 86°47'40" E, a distance of 316.98 feet;

Thence S 00°14'40" E, a distance of 261.54 feet;

Thence S 89°58'06" W, a distance of 191.41 feet to the west line of the SE 1/4 of Section 24;

Thence along said west line run S 00°14'40" E, a distance of 1,176.80 feet to the north 1/4 of aforesaid Section 25;

Thence run south along the mid-section line to the northeasterly right-of-way line of County Road C-452;

Thence southeasterly along said right-of-way line to the east line of the NW 1/4 of the NE 1/4 of Section 25;

Thence run north along said east line to a point that is west of the Point of Beginning;

Thence run east to the Point of Beginning.

FLORIDA PUBLIC SERVICE COMMISSION
authorizes
Lake Yale Utilities, LLC
pursuant to
Certificate Number 560-W

to provide water service in Lake County in accordance with the provisions of Chapter 367, Florida Statutes, and the Rules, Regulations, and Orders of this Commission in the territory described by the Orders of this Commission. This authorization shall remain in force and effect until superseded, suspended, cancelled or revoked by Order of this Commission.

<u>Order Number</u>	<u>Date Issued</u>	<u>Docket Number</u>	<u>Filing Type</u>
18193	09/22/87	870758-WS	Application for Exempt Status
PSC-94-0171-FOF-WS	02/10/94	930133-WS	Original Certificate
PSC-99-2190-FOF-WS	11/08/99	990194-WS	Transfer of Certificate
*	*	20170220-WS	Transfer of Certificate

***Order Number and date to be provided at time of issuance**

FLORIDA PUBLIC SERVICE COMMISSION
authorizes
Lake Yale Utilities, LLC
pursuant to
Certificate Number 488-S

to provide wastewater service in Lake County in accordance with the provisions of Chapter 367, Florida Statutes, and the Rules, Regulations, and Orders of this Commission in the territory described by the Orders of this Commission. This authorization shall remain in force and effect until superseded, suspended, cancelled or revoked by Order of this Commission.

<u>Order Number</u>	<u>Date Issued</u>	<u>Docket Number</u>	<u>Filing Type</u>
18193	09/22/87	870758-WS	Application for Exempt Status
PSC-94-0171-FOF-WS	02/10/94	930133-WS	Original Certificate
PSC-99-2190-FOF-WS	11/08/99	990194-WS	Transfer of Certificate
*	*	20170220-WS	Transfer of Certificate

***Order Number and date to be provided at time of issuance**

Lake Yale Utilities, LLC
Water System
Net Book Value as of June 30, 2017

Description	Balance Per Utility	Adjustments	Staff Recommendation
Utility Plant in Service	\$338,248	\$48,834 A	\$387,082
Land & Land Rights	0	0	0
Accumulated Depreciation	(229,371)	(23,043) B	(252,414)
CIAC	(52,004)	(80,603) C	(132,607)
Amortization of CIAC	<u>32,988</u>	<u>68,91 D</u>	<u>101,899</u>
Total	<u>\$89,861</u>	<u>\$14,100</u>	<u>\$103,961</u>

**Explanation of Staff's Recommended
Water System
Adjustments to Net Book Value as of June 30, 2017**

Explanation	Amount
A. Utility Plant In Service To reflect appropriate amount of utility plant in service.	<u>\$48,834</u>
B. Accumulated Depreciation To reflect appropriate amount of accumulated depreciation.	<u>(\$23,043)</u>
C. Contributions in Aid of Construction To reflect appropriate amount of Contributions in Aid of Construction	<u>(\$80,603)</u>
D. Accumulated Amortization of CIAC To reflect appropriate amount of Accumulated Amortization of CIAC	<u>\$68,911</u>

Lake Yale Utilities, LLC
Water System
Schedule of Staff Recommended Account Balances as of June 30, 2017

Account			Accumulated
No.	Description	UPIS	Depreciation
304	Structures & Improvements	\$18,950	\$1,099
307	Wells & Springs	20,734	(20,734)
309	Supply Mains	15,100	(15,100)
310	Power Generation Equipment	21,195	(19,367)
311	Pumping Equipment	84,444	(84,444)
320	Water Treatment Equipment	5,848	(4,185)
330	Distribution Reservoirs & Standpipes	76,118	(10,695)
331	Transmission & Distribution Lines	20,994	2,846
334	Meters and Meter Installations	101,134	(79,269)
335	Hydrants	12,000	(12,000)
339	Other Plant And Misc.	3,468	(3,468)
340	Office Furniture & Equip.	4,299	(4,299)
343	Tools, Shop and Garage Equip.	<u>2,798</u>	<u>(2,798)</u>
	Total	<u>\$387,082</u>	<u>(\$252,414)</u>

Lake Yale Utilities, LLC
Wastewater System
Net Book Value as of June 30, 2017

Description	Balance Per		Staff
	Utility	Adjustments	Recommendation
Utility Plant in Service	\$306,206	\$132,584 A	\$438,790
Land & Land Rights	0	0	0
Accumulated Depreciation	(259,726)	(127,383) B	(387,109)
CIAC	(42,434)	(78,691) C	(121,125)
Amortization of CIAC	<u>27,403</u>	<u>61,327 D</u>	<u>88,730</u>
Total	<u>\$31,449</u>	<u>(\$12,162)</u>	<u>\$19,287</u>

**Explanation of Staff's Recommended
Wastewater System
Adjustments to Net Book Value as of June 30, 2017**

Explanation	Amount
A. Utility Plant in Service To reflect appropriate amount of Utility Plant in Service.	<u>\$132,584</u>
B. Accumulated Depreciation To reflect appropriate amount of Accumulated Depreciation.	<u>(\$127,383)</u>
C. Contributions in Aid of Construction To reflect appropriate amount of Contributions in Aid of Construction.	<u>(\$78,691)</u>
D. Accumulated Amortization of CIAC To reflect appropriate amount of Accumulated Amortization of CIAC.	<u>\$61,327</u>

Lake Yale Utilities, LLC
Wastewater System
Schedule of Staff Recommended Account Balances as of June 30, 2017

Account			Accumulated
No.	Description	UPIS	Depreciation
354	Structures and Improvements	\$ 60,319	(\$49,460)
362	Special Collecting Structures	253,230	(212,408)
365	Flow Measuring Installations	65,000	(65,000)
380	Treatment and Disposal Equip.	59,498	(59,498)
389	Other Plant and Misc. Equip.	<u>743</u>	<u>(743)</u>
	Total	<u>\$438,790</u>	<u>(\$387,109)</u>

**Lake Yale Utilities, LLC.
Monthly Water Rates**

Residential and General Service

Base Facility Charge by Meter Size

5/8" x 3/4"	\$9.94
3/4"	\$14.91
1"	\$24.85
1 1/2"	\$49.70
2"	\$79.52
3"	\$159.04
4"	\$248.50
6"	\$497.00
8"	\$795.20
Charge Per 1,000 gallons	\$1.82

Miscellaneous Service Charges

Initial Connection Charge	\$15.00
Normal Reconnection Charge	\$15.00
Violation Reconnection Charge	\$15.00
Premises Visit Charge (in lieu of disconnection)	\$10.00
Late Payment Charge	\$4.00

Water Service Availability Charges

Meter Installation Charge 5/8" x 3/4"	\$125.00
Plant Capacity Charge (Per ERC)	\$250.00

**Lake Yale Utilities, LLC.
Monthly Wastewater Rates**

Residential Service

Base Facility Charge – All Meter Sizes	\$10.45
Charge Per 1,000 gallons 10,000 gallon cap	\$2.66

General Service

Base Facility Charge by Meter Size

5/8" x 3/4"	\$10.45
3/4"	\$15.68
1"	\$26.13
1 1/2"	\$52.25
2"	\$83.60
3"	\$167.20
4"	\$261.25
6"	\$522.50
8"	\$836.00
Charge Per 1,000 gallons	\$3.17

Miscellaneous Service Charges

Initial Connection Charge	\$15.00
Normal Reconnection Charge	\$15.00
Violation Reconnection Charge	Actual Cost
Premises Visit Charge (in lieu of disconnection)	\$10.00
Late Payment Charge	\$4.00

Wastewater Service Availability Charges

Plant Capacity Charge (Per ERC)	\$425.00
---------------------------------	----------

Item 13

State of Florida



FILED 10/18/2018
DOCUMENT NO. 06623-2018
FPSC - COMMISSION CLERK

Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: October 18, 2018

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Economics (Doherty) *RD*
Office of the General Counsel (Nieves) *ED* *9/17*
IN *FPSC*

RE: Docket No. 20180158-GU – Joint petition for approval of swing service rider, by Florida Public Utilities Company, Florida Public Utilities Company-Indiantown Division, Florida Public Utilities Company-Fort Meade, and Florida Division of Chesapeake Utilities Corporation.

AGENDA: 10/30/18 – Regular Agenda – Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 10/30/18 (60-Day Suspension Date)

SPECIAL INSTRUCTIONS: None

RECEIVED-FPSC
2018 OCT 18 AM 9:40
COMMISSION
CLERK

Case Background

On August 31, 2018, Florida Public Utilities Company, Florida Public Utilities Company – Indiantown Division, and Florida Public Utilities Company – Fort Meade (jointly, FPUC), as well as the Florida Division of Chesapeake Utilities Corporation (Chesapeake) (jointly, companies), filed a petition for approval of a revised swing service rider tariff for the period January through December 2019. FPUC is a local distribution company (LDC) subject to the regulatory jurisdiction of the Commission pursuant to Chapter 366, Florida Statutes (F.S.). FPUC is a wholly-owned subsidiary of Chesapeake Utilities Corporation, which is headquartered in Dover, Delaware. Chesapeake is also an LDC subject to the Commission's jurisdiction under Chapter 366, F.S., and is an operating division of Chesapeake Utilities Corporation.

The Commission first approved the companies' swing service rider tariff in Order No. PSC-16-0422-TRF-GU (swing service order) and the initial swing service rider rates were in effect for the period March through December 2017.¹ As required in the swing service order, the companies submitted the instant petition with revised 2019 swing service rider rates for Commission approval by September 1, 2018. The swing service rider is a cents per therm charge that is included in the monthly gas bill of transportation customers. This is staff's recommendation on the 2019 swing service rider rates.

During its evaluation of the petition, staff issued two data requests to the companies for which responses were received on September 24, 2018 and October 4, 2018. The proposed revised tariff sheets are shown in Attachment A to the recommendation. The Commission has jurisdiction over this matter pursuant to Sections 366.04, 366.05, and 366.06, F.S.

¹ Order No. PSC-16-0422-TRF-GU, issued October 3, 2016, Docket No. 160085-GU, *In re: Joint petition for approval of swing service rider, by Florida Public Utilities Company, Florida Public Utilities Company-Indiantown Division, Florida Public Utilities Company-Fort Meade, and Florida Division of Chesapeake Utilities Corporation.*

Discussion of Issues

Issue 1: Should the Commission approve FPUC's and Chesapeake's revised swing service rider rates for the period January through December 2019?

Recommendation: Yes. The Commission should approve FPUC's and Chesapeake's swing service rider rates for the period January through December 2019. The costs included are appropriate and the methodology for calculating the swing service rider rates is consistent with the swing service order. (Doherty)

Staff Analysis: The companies incur intrastate capacity costs when they transport natural gas on intrastate pipelines (i.e., pipelines operating within Florida only). The companies have two types of natural gas customers: sales and transportation customers. The swing service rider allows the companies to recover the intrastate capacity costs directly from all transportation customers as intrastate pipeline projects benefit all customers.

Sales customers are primarily residential and small commercial customers that purchase natural gas from an LDC and receive allocations of intrastate capacity costs through the Purchased Gas Adjustment (PGA)² charge. Only Florida Public Utilities Company and Florida Public Utilities Company – Fort Meade have sales customers.

Transportation customers receive natural gas from third party marketers or shippers³ and, therefore, do not pay the PGA charge to the LDC. The companies' transportation customers can be categorized as TTS (Transitional Transportation Service) or non-TTS. TTS program shippers purchase gas for residential and small commercial customers, in aggregated customer pools, who do not contract directly with a shipper for their gas supply. Only Florida Public Utilities Company – Indiantown Division (Indiantown) and Chesapeake have TTS customers.

TTS customers receive allocations of intrastate capacity costs through the swing service rider. Prior to the approval of the swing service rider, TTS customers received allocations of intrastate capacity cost through the Operational Balancing Account (OBA) mechanism. The OBA mechanism allowed Indiantown and Chesapeake to assign intrastate capacity costs to TTS shippers, who then passed the costs on to the TTS customers for whom they purchase gas. With the approval of the swing service rider, TTS customers are now charged directly their allocated portion of the intrastate capacity costs (rather than Indiantown and Chesapeake charging the shippers who then passed the costs on to the TTS customers).

Non-TTS customers are primarily large commercial or industrial customers who contract directly with a shipper for their natural gas supply. Prior to the approval of the swing service rider, non-TTS customers were not paying a share of the intrastate capacity costs. The Commission approved a stepped implementation process for the swing service rider for non-TTS customers because the implementation of the swing service rider could have a significant financial impact on those customers who previously had not been allocated any portion of the intrastate capacity costs.

² The PGA charge is set by the Commission in the annual PGA proceeding.

³ The Commission does not regulate the shippers and their charges for the gas commodity.

Specifically, the swing service order approved a five-year implementation period for non-TTS customers with a 20 percent per year stepped allocation. Accordingly, the 2018 swing service charges included a 40 percent allocation of intrastate capacity costs to the non-TTS customers; the instant petition includes a 60 percent allocation of intrastate capacity costs to the non-TTS customers. Therefore, the proposed 2019 swing service rider rates for the non-TTS transportation customers increased.⁴ The proposed 2019 swing service rider rates for TTS transportation customers, on the other hand, decreased as a result of the increased allocation of costs to the non-TTS customers.

Proposed Swing Service Rider Rates

The proposed 2019 swing service rider rates were calculated based on the same methodology approved in the swing service order. As shown in the companies' petition, the total intrastate capacity costs for the period July 2017 through June 2018 are \$7,396,034. The total intrastate capacity costs reflect payments by FPUC to intrastate pipelines for the transportation of natural gas pursuant to Commission approved transportation agreements. In addition, the intrastate capacity costs include payments for outside contractors FPUC hired to provide expertise on the purchase of commodity and capacity.

Some of these costs (\$3,620,456) will be billed directly to certain large special contract customers. The remaining costs, \$3,775,578 (\$7,396,034 - \$3,620,456), are allocated between sales and transportation customers.

The companies used actual therm usage data for the period July 2017 through June 2018 to allocate the intrastate capacity costs. Based on the usage data, the appropriate split for allocating the cost is 70.16 percent (\$2,648,874) to transportation customers and 29.84 percent (\$1,126,704) to sales customers. The sales customers' share of the cost is embedded in the PGA.

The transportation customers' share is allocated to the various transportation rate schedules in proportion with each rate schedule's share of the companies' total throughput. The cost allocated to each rate schedule is then divided by the rate schedule's number of therms to calculate the swing service rider rates.

As stated earlier, TTS customers are charged their allocated portion of the intrastate capacity costs, while non-TTS customers are subject to a phased implementation. Since non-TTS customers are only allocated 60 percent of the total intrastate capacity costs, the 2019 swing service revenues the companies will receive will total \$1,702,175; the remaining \$946,699 (\$2,648,874 - \$1,702,175) of intrastate capacity costs allocated to transportation customers will be recovered through the PGA cost recovery clause from sales customers.

Credit to the PGA

The total intrastate capacity costs are embedded in the PGA with the projected 2019 swing service rider revenues incorporated as a credit in the calculation of the 2019 PGA. The amount credited to the 2019 PGA is \$1,702,175, plus \$3,620,456 received from special contract

⁴ The proposed swing service rider rates for Chesapeake's non-TTS rate schedules FTS-10 and FTS-11 decreased due to a decline in volumes and allocated costs to those two rate classes.

customers, for a total of \$5,322,631.⁵ At the end of the stepped implementation period in year five, non-TTS customers will no longer receive a reduced allocation of the intrastate capacity cost, the credit to the PGA will increase accordingly, and sales customers will no longer absorb a portion of the non-TTS intrastate capacity costs.

Conclusion

Based on its review of the information provided in the petition and in response to staff's data requests, staff recommends that the companies' proposed swing service rider is reasonable. Staff reviewed the total projected intrastate capacity costs and verified that the costs included are appropriate. The Commission should approve the proposed swing service rider rates for the period January through December 2019. The costs included are appropriate and the methodology for calculating the swing service rider rates is consistent with the swing service order.

⁵ See the Direct Testimony of Geoffrey Wight on behalf of FPUC, filed on August 20, 2018, Document No. 05422-2018, in Docket No. 20180003-GU, Exhibit No. GAW-2, page 1 of 6.

Issue 2: Should this docket be closed?

Recommendation: Yes. If Issue 1 is approved and a protest is filed within 21 days of the issuance of the order, the tariff should remain in effect, with any revenues held subject to refund, pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order. (Nieves)

Staff Analysis: If Issue 1 is approved and a protest is filed within 21 days of the issuance of the order, the tariff should remain in effect, with any revenues held subject to refund, pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order.

Florida Public Utilities Company
F.P.S.C. Gas Tariff
Third Revised Volume No. 1

~~Fifth~~ Sixth Revised Sheet No. 35.6
Cancels ~~Fourth~~ Fifth Revised Sheet No. 35.6

BILLING ADJUSTMENTS

Swing Service Rider

Applicability

The bill for transportation service supplied to a Customer in any Billing Period shall be adjusted as follows:

The Swing Service Rider factors for the period from the first billing cycle for January 2018 ~~9~~ through the last billing cycle for December 2018 ~~9~~ are as follows:

<u>Rate Class</u>	<u>Rates Per Therm</u>
Rate Schedule GSTS-1	\$0.0465 <u>197</u>
Rate Schedule GSTS-2	\$0.0464 <u>191</u>
Rate Schedule LVTS	\$0.0462 <u>183</u>

Definitions

This surcharge allocates a fair portion of intrastate capacity costs to transportation customers in accordance with the PSC approved Swing Service Rider.

Issued by: Jeffry Householder, President

Effective:

Florida Public Utilities Company, Indiantown Division
Original Volume No. 2

~~Second~~ First-Revised Sheet No. 35.2
Cancels ~~Original~~ First Revised Sheet No. 35.2

BILLING ADJUSTMENTS

(Continued)

Swing Service Rider

Applicability

The bill for transportation service supplied to a Customer in any Billing Period shall be adjusted as follows:

The Swing Service factors for the period from the first billing cycle for January 2018~~2~~ through the last billing cycle for December 2018~~2~~ are as follows:

<u>Rate Class</u>	<u>Classification</u>	<u>Rates Per Therm</u>
Transportation Service 1	TS1	\$0.0428 321
Transportation Service 2	TS2	\$0.041 5301
Transportation Service 3	TS3	\$0.048 5322
Transportation Service 4	TS4	\$0.0000

Definitions

This surcharge allocates a fair portion of intrastate capacity costs to transportation customers in accordance with the PSC approved Swing Service Rider.

Issued by: Jeffrey Householder, President

Effective:

Florida Public Utilities Company-Fort Meade
F.P.S.C. Gas Tariff
Original Volume No. 1

~~First~~ Second Revised Sheet No. 64.1
Cancels ~~Original~~ First Revised Sheet No. 64.1

Swing Service Rider

Applicability

The bill for transportation service supplied to a Customer in any Billing Period shall be adjusted as follows:

The Swing Service factors for the period from the first billing cycle for January 2018~~9~~ through the last billing cycle for December 2018~~9~~ are as follows:

<u>Rate Class</u>	<u>Rates Per Therm</u>
Rate Schedule GSTS-1	\$0.04490194

Definitions

This surcharge allocates a fair portion of intrastate capacity costs to transportation customers in accordance with the PSC approved Swing Service Rider.

Issued by: Jeffrey Householder, President

Effective:

Florida Division of Chesapeake Utilities Corporation ~~Second~~ First Revised Sheet No. 105.4
Original Volume No. 4 Cancels ~~Original~~ First Revised Sheet No. 105.4

RATE SCHEDULES
MONTHLY RATE ADJUSTMENTS

Swing Service Rider

Applicability

The bill for transportation service supplied to a Customer in any Billing Period shall be adjusted as follows:

The Swing Service factors for the period from the first billing cycle for January 2018~~9~~ through the last billing cycle for December 2018~~9~~ are as follows:

Rate Class	Classification	Rates Per Therm
Firm Transportation Service A	FTS-A	\$0.0444 348
Firm Transportation Service B	FTS-B	\$0.0429 382
Firm Transportation Service 1	FTS-1	\$0.0459 404
Firm Transportation Service 2	FTS-2	\$0.0478 410
Firm Transportation Service 2.1	FTS-2.1	\$0.0443 392
Firm Transportation Service 3	FTS-3	\$0.0396 311
Firm Transportation Service 3.1	FTS-3.1	\$0.0400 308
Firm Transportation Service 4	FTS-4	\$0.0168 190
Firm Transportation Service 5	FTS-5	\$0.0162 196
Firm Transportation Service 6	FTS-6	\$0.0159 186
Firm Transportation Service 7	FTS-7	\$0.0169 203
Firm Transportation Service 8	FTS-8	\$0.0168 190
Firm Transportation Service 9	FTS-9	\$0.0152 185
Firm Transportation Service 10	FTS-10	\$0.0183 175
Firm Transportation Service 11	FTS-11	\$0.0184 176
Firm Transportation Service 12	FTS-12	\$0.0148 176
<u>Experimental Rate Class</u>	<u>Classification</u>	<u>Rates Per Bill</u>
Firm Transportation Service A	FTS-A	\$0.3819 2989
Firm Transportation Service B	FTS-B	\$0.6527 5807
Firm Transportation Service 1	FTS-1	\$0.9917 8731
Firm Transportation Service 2	FTS-2	\$2.0927 17976
Firm Transportation Service 2.1	FTS-2.1	\$6.7514 59778
Firm Transportation Service 3	FTS-3	\$8.8700 69692
Firm Transportation Service 3.1	FTS-3.1	\$25.2933 194660

Issued by: Michael P. McMasters, President
Chesapeake Utilities Corporation

Effective:

Item 14

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: October 18, 2018

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Economics (Merryday) *HM*
Division of Accounting and Finance (D. Buys, Cicchetti) *DB*
Office of the General Counsel (Davis) *DMC* *CRB* *ALM*

RE: Docket No. 20180163-GU – Joint petition for approval of GRIP cost recovery factors, by Florida Public Utilities Company, Florida Public Utilities Company-Fort Meade, and Florida Division of Chesapeake Utilities Corporation.

AGENDA: 10/30/18 – Regular Agenda – Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 11/5/2018 (60-Day Suspension Date)

SPECIAL INSTRUCTIONS: None

RECEIVED-FPSC
2018 OCT 18 AM 10:34
COMMISSION
CLERK

Case Background

On September 4, 2018, Florida Public Utilities Company (FPUC), Florida Public Utilities Company-Fort Meade (Fort Meade), and Florida Division of Chesapeake Utilities Corporation (Chesapeake), collectively the companies, filed a joint petition for approval of their gas reliability infrastructure program (GRIP or program) cost recovery factors for the period January through December 2019. The GRIP for FPUC and Chesapeake was first approved in Order No. PSC-12-0490-TRF-GU (2012 order) to recover the cost of accelerating the replacement of cast iron and bare steel distribution mains and services, including a return on investment, through a surcharge on customers' bills.¹ Fort Meade's GRIP was originally approved in Order No. PSC-

¹ Order No. PSC-12-0490-TRF-GU, issued September 24, 2012, in Docket No. 120036-GU, *In re: Joint petition for approval of Gas Reliability Infrastructure Program (GRIP) by Florida Public Utilities Company and the Florida Division of Chesapeake Utilities Corporation*.

15-0578-TRF-GU, and allowed Fort Meade to file its annual petition for GRIP factors concurrently with FPUC and Chesapeake.² The current GRIP charges for January through December 2018 were approved in Order No. PSC-2017-0437-TRF-GU.³

On September 28, 2018, the companies filed responses to staff's first data request and on October 8, 2018, the companies filed responses to staff's second data request. The Office of Public Counsel intervened in this docket on September 14, 2018, which was acknowledged by Order No. PSC-2018-0502-PCO-GU, issued October 18, 2018. The proposed tariff sheets are contained in Attachment B (FPUC), Attachment C (Chesapeake), and Attachment D (Fort Meade). The Commission has jurisdiction over this matter pursuant to Sections 366.03, 366.04, 366.05, and 366.06, Florida Statutes.

² Order No. PSC-15-0578-TRF-GU, issued December 21, 2015, in Docket No. 150191-GU, *In re: Joint petition for approval to implement gas reliability infrastructure program (GRIP) for Florida Public Utilities Company-Fort Meade and for approval of GRIP cost recovery factors by Florida Public Utilities Company, Florida Public Utilities Company-Fort Meade and the Florida Division of Chesapeake Utilities Corporation.*

³ Order No. PSC-17-0437-TRF-GU, issued November 16, 2017, in Docket No. 20170190-GU, *In re: Joint petition for approval of gas reliability infrastructure program (GRIP) cost recovery factors by Florida Public Utilities Company, Florida Public Utilities Company-Fort Meade, and Florida Division of Chesapeake Utilities Corporation.*

Discussion of Issues

Issue 1: Should the Commission approve FPUC's, Chesapeake's, and Fort Meade's proposed GRIP surcharges for the period January through December 2019?

Recommendation: Yes, the Commission should approve FPUC's, Chesapeake's, and Fort Meade's proposed GRIP surcharges for the period January through December 2019. (Merryday)

Staff Analysis: The GRIP surcharges have been in place since January 2013 for FPUC and Chesapeake, while Fort Meade's surcharges were first implemented in January 2017. In response to staff's data requests, the companies stated that replacement projects in Winter Haven, Eagle Lake, Lake Wales, West Palm Beach, and Palm Beach were completed in 2018 and additional replacement projects in Winter Haven, Bartow, West Palm Beach, Lake Worth, Haines City, and Fort Meade were projected to continue into 2019. Attachment A provides an update of mains and services replaced and replacement forecasts. The companies stated that they prioritize the potential replacement projects focusing on areas of high consequence and areas more susceptible to corrosion.

The Commission's 2012 order states that FPUC and Chesapeake agreed to report any operations and maintenance and depreciation expense savings in their annual petitions for the GRIP surcharge. In response to staff's second data request, the companies stated that no depreciation or operations and maintenance expense savings were included as a reduction in expenses. The companies further stated that they had determined that if there were any depreciation expense savings, they would be offset by the change in asset life caused by the increased cost of removal.

The impacts of the Tax Cuts and Jobs Act of 2017 on the companies' 2018 GRIP calculations are currently being considered in separate dockets that are scheduled to go to hearing November 27-30, 2018. Specifically, in Docket No. 20180051-GU, FPUC proposed to treat the \$1,040,141 in 2018 tax savings as an over-recovery in the 2019 GRIP projection. In Docket No. 20180054-GU, Chesapeake proposed to treat the \$324,362 in 2018 tax savings as an over-recovery for the 2019 GRIP projection. In Docket No. 20180053-GU, Fort Meade proposed to retain the \$2,376 of 2018 tax savings. In response to staff's second data request, the companies suggested that the GRIP factors should be adjusted after the Commission makes a final decision in those tax dockets. The 2019 GRIP calculations include the lower federal tax rate.

FPUC's True-ups by Year

FPUC's calculation for the 2019 GRIP revenue requirement and surcharges include a final true-up for 2017, an actual/estimated true-up for 2018, and projected costs for 2019. FPUC was authorized to recover \$747,727 of annual GRIP expenses in base rates; therefore, the \$747,727 is excluded from the GRIP surcharge calculation.

Final True-up for 2017

FPUC stated that the revenues collected through the GRIP surcharges for 2017 were \$13,957,004, compared to a revenue requirement of \$10,278,434, resulting in an over-recovery of \$3,678,570. The 2016 under-recovery of \$1,456,443, the 2017 over-recovery of \$3,678,570, and interest of \$9,137 associated with any over- and under-recoveries results in a final 2017 true-up is an over-recovery of \$2,231,264.

Actual/Estimated 2018 True-ups

FPUC provided actual revenues for January through July 2018 and estimated revenues for August through December 2018, totaling \$10,141,296, compared to an actual/estimated revenue requirement for 2018 of \$11,000,516, resulting in an under-recovery of \$859,220. The 2017 over-recovery of \$2,231,264, the 2018 under-recovery of \$859,220, and interest of \$41,848 results in a total 2018 over-recovery of \$1,413,891.

Projected 2019 Costs

FPUC expects capital expenditures of \$12,000,000 for the replacement of cast iron/bare steel infrastructure in 2019. This compares with final 2017 expenditures of \$7,208,720 and actual/estimated 2018 expenditures of \$6,133,092. The return on investment (which includes federal income taxes, regulatory assessment fees, and bad debt), depreciation expense, and property tax and customer notification expense associated with that investment are \$11,414,481. Subtracting the revenue requirement for bare steel replacement included in base rates results in a 2019 revenue requirement of \$10,666,754. After subtracting the total 2018 over-recovery of \$1,413,891, the 2019 revenue requirement is \$9,252,863. Table 1-1 shows FPUC's 2019 revenue requirement calculation.

Table 1-1
FPUC 2019 Revenue Requirement Calculation

2019 Projected Expenditures	\$12,000,000
Return on Investment	\$7,063,378
Depreciation Expense	2,589,547
Property Tax and Customer Notice Expense	1,761,557
2019 Revenue Requirement	\$11,414,481
Less Revenue Requirement in Base Rates	-747,727
2019 GRIP Revenue Requirement	\$10,666,754
Less 2018 Over-recovery	-1,413,891
2019 Total Revenue Requirement	\$9,252,863

Source: Wight testimony page 5 of 5, Schedule C-2 pages 4-5 of 15

Chesapeake's True-ups by Year

Chesapeake's calculation for the 2019 GRIP revenue requirement and surcharges include a final true-up for 2017, an actual/estimated true-up for 2018, and projected costs for 2019. Chesapeake does not have a replacement recovery amount embedded in base rates.

Final True-up for 2017

Chesapeake stated that the revenues collected for 2017 were \$2,919,064, compared to a revenue requirement of \$3,073,570, resulting in an under-recovery of \$154,506. The 2016 under-recovery of \$9,679, 2017 under-recovery of \$154,506, and \$12 for interest associated with any over- and under-recoveries results in a final 2017 under-recovery of \$164,174.

Actual/Estimated 2018 True-up

Chesapeake provided actual GRIP revenues for January through July 2018 and estimated revenues for August through December 2018, totaling \$3,495,194, compared to an

actual/estimated revenue requirement of \$3,630,319, resulting in an under-recovery of \$135,126. The 2017 under-recovery of \$164,174, 2018 under-recovery of \$135,126, and interest of \$2,526 associated with any over- and under-recoveries results in a total 2018 under-recovery of \$301,825.

Projected 2019 Costs

Chesapeake projects capital expenditures of \$3,000,000 for the replacement of cast iron/bare steel infrastructure in 2019. This compares with final 2017 expenditures of \$3,628,451 and actual/estimated 2018 expenditures of \$6,799,478. The return on investment, depreciation expense, and property tax and customer notification expense to be recovered in 2019 totals \$3,868,130. After adding the total 2018 under-recovery of \$301,825, the total 2019 revenue requirement is \$4,169,955. Table 1-2 shows Chesapeake's 2019 revenue requirement calculation.

Table 1-2
Chesapeake 2019 Revenue Requirement Calculation

2019 Projected Expenditures	\$3,000,000
Return on Investment	\$2,353,222
Depreciation Expense	890,826
Property Tax and Customer Notice Expense	<u>624,082</u>
2019 Revenue Requirement	\$3,868,130
Plus 2018 Under-recovery	<u>301,825</u>
2019 Total Revenue Requirement	\$4,169,955

Source: Wight Testimony Schedule C-2 and D-1

Fort Meade's True-ups by Year

Fort Meade started its replacement program in 2016 and first implemented GRIP surcharges in January 2017. Unlike FPUC and Chesapeake, only bare steel services (and no mains) require replacement in Fort Meade. Fort Meade's replacement program was originally scheduled to be completed in 2018. However, the companies explained that as a result of delays in contractor availability and permitting the replacement program will conclude in 2019.

Final True-up for 2017

Fort Meade stated that the revenues collected for 2017 were \$32,852, compared to a revenue requirement of \$16,822, resulting in an over-recovery of \$16,031. Adding the 2016 under-recovery of \$2,582, the 2017 over-recovery of \$16,031, and \$80 for interest associated with any over- and under-recoveries, the final 2017 over-recovery is \$13,528.

Actual/Estimated 2018 True-up

Fort Meade provided actual GRIP revenues for January through July 2018 and estimated revenues for August through December 2018 totaling \$7,414, compared to an actual/estimated revenue requirement of \$27,205, resulting in an under-recovery of \$19,792. Adding the 2017 over-recovery of \$13,528, the 2018 under-recovery of \$19,792, and interest of \$85 associated with any over- and under-recoveries, the resulting total 2018 true-up is an under-recovery of \$6,178.

Projected 2019 Costs

Fort Meade projects capital expenditures of \$20,000 for the replacement of cast iron/bare steel infrastructure in 2019. This compares with 2017 final expenditures of \$117,860 and actual/estimated 2018 expenditures of \$68,079. The return on investment, depreciation expense, and property tax expense to be recovered in 2019 totals \$29,579. After adding the 2018 under-recovery of \$6,178, the total 2019 revenue requirement is \$35,757. Table 1-3 shows Fort Meade's 2019 revenue requirement calculation.

Table 1-3
Fort Meade 2019 Revenue Requirement Calculation

2019 Projected Expenditures	\$20,000
Return on Investment	\$17,699
Depreciation Expense	6,924
Property Tax Expense	4,956
2019 Revenue Requirement	\$29,579
Plus 2018 Under-recovery	6,178
2019 Total Revenue Requirement	\$ 35,757

Source: Wight Testimony Schedules C-1 and D-1

Proposed Surcharges for FPUC, Chesapeake, and Fort Meade

As established in the 2012 order approving the GRIP program, the total 2019 revenue requirement is allocated to the rate classes using the same methodology used for the allocation of mains and services in the cost of service study used in the companies' most recent rate case. The respective percentages were multiplied by the 2019 revenue requirements and divided by each rate class' projected therm sales to provide the GRIP surcharge for each rate class.

The proposed 2019 GRIP surcharge for FPUC's residential customers on the RS schedule is \$0.21356 per therm (compared to the current surcharge of \$0.24395 per therm). The monthly bill impact is \$4.27 for a residential customer using 20 therms per month. The proposed FPUC tariff page is Attachment B.

The proposed 2019 GRIP surcharge for Chesapeake's residential customers on the FTS-1 schedule is \$0.13593 per therm (compared to the current surcharge of \$0.11838). The monthly bill impact is \$2.72 for a residential customer using 20 therms per month. The proposed Chesapeake tariff pages are contained in Attachment C.

The proposed 2019 GRIP surcharge for Fort Meade's residential customers on the RS schedule is \$0.29382 per therm (compared to the current surcharge of \$0.08198). The monthly bill impact is \$5.88 for a residential customer using 20 therms per month. The proposed Fort Meade tariff pages are contained in Attachment D.

Conclusion

Staff believes the calculation of the 2019 GRIP surcharge revenue requirement and the proposed GRIP surcharges for FPUC, Chesapeake, and Fort Meade are reasonable and accurate. Staff recommends approval of FPUC's, Chesapeake's, and Fort Meade's proposed GRIP surcharges for the period January through December 2019.

Issue 2: Should this docket be closed?

Recommendation: Yes. If Issue 1 is approved and a protest is filed within 21 days of the issuance of the order, the tariffs should remain in effect, with any revenues held subject to refund, pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order. (Davis)

Staff Analysis: If Issue 1 is approved and a protest is filed within 21 days of the issuance of the order, the tariffs should remain in effect, with any revenues held subject to refund, pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order.

FPUC, Chesapeake, and Fort Meade Pipe Replacement Programs Progress

Table 1										
FPUC Pipe Replacement Program Progress										
Mains (Miles)						Number of Services				
	Replaced	Replaced	Remaining	Remaining				Remaining	Remaining	
	Cast Iron	Bare Steel	Cast Iron at	Bare Steel at	Total	Replaced	Replaced	Cast Iron at	Bare Steel at	Total
Year	Cast Iron	Bare Steel	Year-End	Year-End	Remaining	Cast Iron	Bare Steel	Year-End	Year-End	Remaining
41091			0.9	197.1	198			0	7980	7980
2012		6	0.9	191.1	192		91	0	7889	7889
2013	0.6	26.4	0.3	164.7	165		2071	0	5818	5818
2014		38	0.3	126.7	127		1275	0	4543	4543
2015		30	0.3	96.7	97		605	0	3938	3938
2016		22.5	0.3	74.2	74.5		555	0	3383	3383
2017		10.3	0.3	63.9	64.2		335	0	3048	3048
2018		9	0.3	54.9	55.2		200	0	2848	2848
2019	0.3	14	0	40.9	40.9		730	0	2118	2118
2020		14	0	26.9	26.9		730	0	1388	1388
2021		14	0	12.9	12.9		730	0	658	658
2022		12.9	0	0	0		658	0	0	0
Table 2										
Chesapeake Pipe Replacement Program Progress										
Mains (Miles)						Number of Services				
	Replaced	Replaced	Remaining	Remaining				Remaining	Remaining	
	Cast Iron	Bare Steel	Cast Iron at	Bare Steel at	Total	Replaced	Replaced	Cast Iron at	Bare Steel at	Total
Year	Cast Iron	Bare Steel	Year-End	Year-End	Remaining	Cast Iron	Bare Steel	Year-End	Year-End	Remaining
41091			0	152	152			0	762	762
2012		5	0	147	147		34	0	728	728
2013		3	0	144	144		139	0	589	589
2014		19	0	125	125		47	0	542	542
2015		34	0	91	91		284	0	258	258
2016		25.1	0	65.9	65.9		-81	0	339	339
2017		22.8	0	43.1	43.1		18	0	321	321
2018		26	0	17.1	17.1		100	0	221	221
2019		6	0	11.1	11.1		75	0	146	146
2020		6	0	5.1	5.1		75	0	71	71
2021		5.1	0	8.88178E-15	8.882E-15		71	0	0	0
2022		0	0	8.88178E-15	8.882E-15		0	0	0	0
** A total of 111 YTD bare steel services were replaced in 2016. Plus a correction to increase total services remaining by 192 (4th Qtr of 20										
Table 3										
Fort Meade Pipe Replacement Program Progress										
Mains (Miles)						Number of Services				
	Replaced	Replaced	Remaining	Remaining				Remaining	Remaining	
	Cast Iron	Steel	Cast Iron at	Steel at	Total	Replaced	Replaced	Cast Iron at	Steel at	Total
Year	Cast Iron	Steel	Year-End	Year-End	Remaining	Cast Iron	Steel	Year-End	Year-End	Remaining
42370			0	0	0			0	250	250
2016		0	0	0	0		29	0	221	221
2017		0	0	0	0		111	0	110	110
2018		0	0	0	0		40	0	70	70
2019		0	0	0	0		70	0	0	0

Florida Public Utilities Company
F.P.S.C. Gas Tariff
Third Revised Volume No. 1

~~Thirteenth~~^{Twelfth} Revised Sheet No. 35.4
Cancels ~~Twelfth~~^{Eleventh} Revised Sheet No. 35.4

BILLING ADJUSTMENTS

(Continued from Sheet No. 35.3)

Gas Reliability Infrastructure Program (GRIP)

Applicability

The bill for gas or transportation service supplied to a Customer in any Billing Period shall be adjusted as follows:

The GRIP factors for the period from the first billing cycle for January 2018~~9~~ through the last billing cycle for December 2019~~8~~ are as follows:

<u>Rate Class</u>	<u>Rates Per Therm</u>
Rate Schedule RS	\$0.24395 ^{\$0.21356}
Schedule GS-1	\$0.16442 ^{\$0.13672}
Rate Schedule GS-2	\$0.16442 ^{\$0.13672}
Rate Schedule GSTS-1	\$0.16442 ^{\$0.13672}
Rate Schedule GSTS-2	\$0.16442 ^{\$0.13672}
Rate Schedule LVS	\$0.09644 ^{\$0.08606}
Schedule LVTS	\$0.09644 ^{\$0.08606}
Schedule IS	\$0.06494 ^{\$0.05830}
Schedule ITS	\$0.06494 ^{\$0.05830}
Schedule GLS	\$0.37921 ^{\$0.37469}
Rate Schedule GLSTS	\$0.37921 ^{\$0.37469}
Rate Schedule NGV	\$0.16442 ^{\$0.13672}
Rate Schedule NGVTS	\$0.16442 ^{\$0.13672}

Issued by: Jeffrey Householder, President

Effective: JAN-01-2018

Florida Division of Chesapeake Utilities Corporation ~~Seventh~~^{Sixth} Revised Sheet No. 105.1
Original Volume No. 4 Cancels ~~Sixth~~^{Fifth} Sheet No. 105.1

RATE SCHEDULES
MONTHLY RATE ADJUSTMENTS

Rate Schedule MRA

7. GAS REPLACEMENT INFRASTRUCTURE PROGRAM (GRIP):

Applicability:

All Customers receiving Transportation Service from the Company and are assigned to or have selected rate schedules FTS-A, FTS-B, FTS-1, FTS-2, FTS-2.1, FTS-3, FTS-3.1, FTS-4, FTS-5, FTS-6, FTS-7, FTS-8, FTS-9, FTS-10, FTS-11, FTS-12, and FTS-13.

The Usage Rate for Transportation Service to each applicable rate classification shall be adjusted by the following recovery factors. The recovery factors for all meters read for the period January 1, 2018 through December 31, 2018 for each rate classification are as follows:

<u>Rate Schedule</u>	<u>Classification of Service</u>	<u>Rate per therm</u>
FTS A	< 130 therms	\$0.55349 <u>\$0.70423</u>
FTS-B	> 130 therms up to 250 therms	\$0.17785 <u>\$0.21886</u>
FTS-1	> 0 up to 500 therms	\$0.11838 <u>\$0.13593</u>
FTS-2	> 500 therms up to 1,000 therms	\$0.12603 <u>\$0.14607</u>
FTS-2.1	> 1,000 therms up to 2,500 therms	\$0.12095 <u>\$0.13888</u>
FTS-3	> 2,500 therms up to 5,000 therms	\$0.05359 <u>\$0.06580</u>
FTS-3.1	> 5,000 therms up to 10,000 therms	\$0.06238 <u>\$0.07337</u>
FTS-4	> 10,000 therms up to 25,000 therms	\$0.07404 <u>\$0.08382</u>
FTS-5	> 25,000 therms up to 50,000 therms	\$0.07777 <u>\$0.08837</u>
FTS-6	> 50,000 therms up to 100,000 therms	\$0.06234 <u>\$0.06666</u>
FTS-7	> 100,000 therms up to 200,000 therms	\$0.07864 <u>\$0.09056</u>
FTS-8	> 200,000 therms up to 400,000 therms	\$0.07326 <u>\$0.08269</u>
FTS-9	> 400,000 therms up to 700,000 therms	\$0.10860 <u>\$0.15897</u>
FTS-10	> 700,000 therms up to 1,000,000 therms	\$0.12848 <u>\$0.11276</u>
FTS-11	> 1,000,000 therms up to 2,500,000	\$0.12575 <u>\$0.15044</u>
FTS-12	> 2,500,000 therms up to 12,500,000	\$0.03277 <u>\$0.03753</u>
FTS-13	> 12,500,000 therms	N/A

(Continued to Sheet No. 105.2)

Issued by: Michael P. McMasters, President
Chesapeake Utilities Corporation

Effective: ~~JAN 01 2018~~

Florida Division of Chesapeake Utilities Corporation ~~Sixth~~^{Seventh} Revised Sheet No. 105.2
Original Volume No. 4 Cancels ~~Sixth~~^{Fifth} Revised Sheet No. 105.2

RATE SCHEDULES
MONTHLY RATE ADJUSTMENTS

Rate Schedule MRA
(Continued from Sheet No. 105.1)

7. GAS INFRASTRUCTURE REPLACEMENT PROGRAM (GRIP) (Experimental):

Applicability:

All Customers, assigned to a TTS Shipper, receiving Transportation Service from the Company and are assigned to or have selected rate schedules FTS-A (Exp), FTS-B (Exp), FTS-1 (Exp), FTS-2 (Exp), FTS-2.1 (Exp), FTS-3 (Exp), and FTS-3.1 (Exp).

The Firm Transportation Charge for Transportation Service to each applicable rate classification shall be adjusted by the following recovery factors. The recovery factors for all meters read for the period January 1, 2018~~2~~ through December 31, 2018~~2~~ for each rate classification are as follows:

Consumer Rate Schedule	Rate per bill
FTS-A (Exp)	\$ 3,394.19
FTS-B (Exp)	\$ 4,882.22
FTS-1 (Exp)	\$ 4,842.04
FTS-2 (Exp)	\$ 7,378.55
FTS-2.1 (Exp)	\$ 43,8215.90
FTS-3 (Exp)	\$ 47,4819.96
FTS-3.1 (Exp)	\$ 37,5943.17

Formatted Table

(Continued to Sheet No. 105.3)

Issued by: Michael P. McMasters, President
Chesapeake Utilities Corporation

Effective: JAN-01-2018

Florida Public Utilities Company-Fort Meade
F.P.S.C. Gas Tariff
Original Volume No. 1

Second First Revised Sheet No. 64
Cancels First Original Sheet No. 64

BILLING ADJUSTMENTS

Gas Reliability Infrastructure Program (GRIP)

Applicability

The bill for gas or transportation service supplied to a Customer in any Billing Period shall be adjusted as follows:

The GRIP factors for the period from the first billing cycle for January 2012 through the last billing cycle for December 2018 are as follows:

<u>Rate Class</u>	<u>Rates Per Therm</u>
Rate Schedule RS	\$0.08198 <u>\$0.29382</u>
Rate Schedule GS-1	\$0.02325 <u>\$0.08883</u>
Rate Schedule GS-2	\$0.02325 <u>\$0.08883</u>
Rate Schedule GSTS-1	\$0.02325 <u>\$0.08883</u>
Rate Schedule GSTS-2	\$0.02325 <u>\$0.08883</u>
Rate Schedule LVS	\$0.00000
Rate Schedule LVTS	\$0.00000
Rate Schedule IS	\$0.00000
Rate Schedule ITS	\$0.00000
Rate Schedule GLS	\$0.00000
Rate Schedule GLSTS	\$0.00000
Rate Schedule NGV	\$0.00000
Rate Schedule NGVTS	\$0.00000

Issued by: Jeffry Householder, President

Effective: JAN-01-2018

Item 15

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: October 18, 2018

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Economics (Merryday) *HM EJD*
Division of Accounting and Finance (D. Buys, Cicchetti, Hightower) *MC*
Office of the General Counsel (Trierweiler) *ALM*

RE: Docket No. 20180173-GU – Petition for approval of 2017 true-up, projected 2018 true-up, and 2019 revenue requirements and surcharges associated with cast iron/bare steel pipe replacement rider, by Peoples Gas System.

AGENDA: 10/30/18 – Regular Agenda – Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 11/13/2018 (60-Day Suspension Date)

SPECIAL INSTRUCTIONS: None

RECEIVED-FPSC
2018 OCT 18 AM 10:34
COMMISSION
CLERK

Case Background

On September 12, 2018, Peoples Gas System (Peoples or company) filed a petition for approval of its final 2017 true-up, projected 2018 true-up, and 2019 revenue requirement and surcharges associated with the cast iron/bare steel replacement rider (Rider CI/BSR or rider). The rider was originally approved in Order No. PSC-12-0476-TRF-GU (2012 order) to recover the cost of accelerating the replacement of cast iron and bare steel distribution pipes through a surcharge on customers' bills.¹ Peoples' current surcharges were approved in Order No. PSC-2017-0433-TRF-

¹ Order No. PSC-12-0476-TRF-GU, issued September 18, 2012, in Docket No. 110320-GU, *In re: Petition for approval of Cast Iron/Bare Steel Pipe Replacement Rider (Rider CI/BSR), by Peoples Gas System.*

GU.² In the 2012 order, the Commission found that “replacement of these types of pipelines is in the public interest to improve the safety of Florida’s natural gas infrastructure, and reduce the possibility of loss of life and destruction of property should an incident occur.”

The Commission approved a comprehensive settlement agreement between Peoples and the Office of Public Counsel (OPC) in Order No. PSC-17-0066-AS-GU.³ The settlement agreement, in part, added problematic plastic pipe (PPP) installed in the company’s distribution system to eligible replacements under the rider. PPP was manufactured before 1983 and has significant safety concerns. In certain areas, the PPP is interspersed with, or connected to, the cast iron/bare steel pipe that is being replaced under the rider. As provided for in the settlement agreement, PPP replacements are included in the calculation of the 2019 rider surcharges.

On September 12, 2018, the Commission approved a settlement agreement between Peoples, OPC, and the Florida Industrial Power Users Group in Docket No. 20180044-GU addressing certain impacts of the Tax Cuts and Jobs Act of 2017 on Peoples.⁴ The settlement agreement provides for a reduction of Peoples’ 2019 depreciation expense of approximately \$10.3 million resulting from extending the lives of certain mains and service assets, which, consequently, reduces the depreciation expense collected through the rider. Additionally, the settlement agreement provides that Peoples’ revenue requirement calculations incorporate the lower federal income tax rate effective February 6, 2018.

Peoples filed a revised petition and tariff sheet on October 17, 2018, to remove the Regulatory Assessment Fee (RAF) adjustment of \$76,118 that Peoples had included in the original petition in the instant docket. The RAF adjustment was intended to correct an error Peoples had made in its rider surcharge calculations for the years 2013 through 2017. Peoples explained that while it remitted the correct RAF amounts to the Commission, it did not include a gross-up for RAF fees in its rider surcharge calculations from 2013 through 2017 (i.e., the rider surcharges for the years 2013 through 2017 did not include \$76,118 in RAF fees paid to the Commission).

Peoples filed its response to staff’s first data request on October 3, 2018. OPC intervened in this docket on September 18, 2018, which was acknowledged by Order No. PSC-2018-0467-PCO-GU, issued September 19, 2018. The proposed revised tariff page is contained in Attachment B. The Commission has jurisdiction over this matter pursuant to Sections 366.03, 366.04, 366.05, and 366.06, Florida Statutes (F.S.).

² Order No. PSC-2017-0433-TRF-GU, issued November 14, 2017, in Docket No. 20170192-GU, *In re: Petition for approval of 2017 true-up, projected 2017 true-up, and 2018 revenue requirements and surcharges associated with cast iron/bare steel pipe replacement rider, by Peoples Gas System.*

³ Order No. PSC-17-0066-AS-GU, issued February 28, 2017, in Docket No. 20160159-GU, *In re: Petition for approval of settlement agreement pertaining to Peoples Gas System’s 2016 depreciation study, environmental reserve account, problematic plastic pipe replacement, and authorized ROE.*

⁴ Joint motion seeking Commission approval of settlement agreement, filed August 8, 2018, in Docket No. 20180044-GU, *In re: Consideration of the tax impacts associated with Tax Cuts and Jobs Act of 2017 for Peoples Gas System.* At the time of the filing of this recommendation, the order on the settlement agreement has not been issued.

Discussion of Issues

Issue 1: Should the Commission approve Peoples' proposed rider surcharges for 2019?

Recommendation: Yes, the Commission should approve Peoples' proposed 2019 rider surcharges as revised on October 17, 2018, for the period January through December 2019. (Merryday)

Staff Analysis: The rider surcharges have been in effect since January 2013. In 2018, Peoples' cast iron and bare steel replacement activity focused in St. Petersburg, Tampa, Miami, Jacksonville, and Sarasota, and Peoples' PPP replacement activity focused in Pompano Beach, Orlando, and Lakeland. In 2019, Peoples states it will focus on replacement projects in Miami, Tampa, St. Petersburg, Orlando, and Sarasota. The original projected completion date for the CI/BSR replacement program was 2022 for mains and services, but Peoples now expects to complete the mains replacement activity in 2021 and services replacement activity in 2022. Replacement of PPP is expected to continue until 2028.

In the company's 2017 Rider CI/BSR filing (Docket No. 20170192-GU), Peoples stated that it planned to secure additional contractors so that the replacement of cast iron and bare steel, as well as PPP, can be accelerated. In response to staff's first data request in the instant docket, Peoples stated that construction costs were higher than estimated due to increased activity in congested urban areas and additional requirements for more extensive post-construction site restoration. This led to higher capital expenditures for replacements than anticipated.

Attachment A contains tables which display the replacement progress and forecasts for Rider CI/BSR (Table 1) and for PPP (Table 2). In addition, Peoples provided a third table which consolidates actual and projected CI/BSR and PPP miles replaced, investment, and revenue requirement for each year of the replacement program, both actual and forecast.

True-ups by Year

Peoples' calculation for the 2019 revenue requirement and surcharges includes a final true-up for 2017, an actual/estimated true-up for 2018, and projected costs for 2019. Pursuant to the 2012 order, the capital expenditures for 2017 through 2019 exclude the first \$1 million of facility replacements each year because that amount is included in rate base and is thus excluded from recovery through the rider. Peoples has included depreciation expense savings as discussed in the 2012 order; however, Peoples has not identified any operations and maintenance savings.

Final True-up for 2017

Peoples stated that the revenues collected for 2017 were \$4,273,612 compared to a revenue requirement of \$6,942,323, resulting in an under-recovery of \$2,668,711. The final 2016 over-recovery of \$1,708,878, 2017 under-recovery of \$2,668,711, and interest of \$5,397 associated with any over- and under-recoveries results in a final 2017 under-recovery of \$954,434.

Actual/Estimated 2018 True-up

Peoples provided actual revenues for January through July and forecast revenues for August through December of 2018, totaling \$11,620,032, compared to an actual/estimated revenue requirement of \$9,242,243, resulting in an over-recovery of \$2,377,789. The 2017 under-recovery of \$954,434, 2018 over-recovery of \$2,377,789, and interest of \$13,809 associated with any over- and under-recoveries results in a total 2018 over-recovery of \$1,437,164.

Projected 2019 Costs

Peoples projects investment or capital expenditures of \$35,630,000 for the replacement of cast iron/bare steel infrastructure and PPP in 2019. As shown in Table 3 of Attachment A, this consists of the CI/BSR investment of \$27,080,000 and the PPP investment of \$8,550,000. The return on investment (which includes federal income taxes, regulatory assessment fees, and bad debt), depreciation expense (less savings), and property tax expense associated with that investment are \$12,317,077. After subtracting the total 2018 over-recovery of \$1,437,164, the total 2019 revenue requirement is \$10,879,912. Table 1-1 displays the 2019 revenue requirement calculation.

Table 1-1
2019 Revenue Requirement

2019 Projected Expenditures	\$35,630,000
Return on Investment	\$8,968,072
Depreciation Expense (less savings)	1,639,999
Property Tax Expense	1,709,005
2018 Revenue Requirement	\$12,317,077
Less 2018 Over-recovery	-1,437,164
Total 2019 Revenue Requirement	\$10,879,912

Source: Exhibit C, page 1 of the Revised Petition.

Proposed Surcharges

As established in the 2012 order, the total 2019 revenue requirement is allocated to rate classes using the same methodology that was used for the allocation of mains and services in the cost of service study used in Peoples' most recent rate case. After calculating the percentage of total plant costs attributed to each rate class, the respective percentages were multiplied by the 2019 revenue requirement resulting in the revenue requirement by rate class. Dividing each rate class's revenue requirement by projected therm sales provides the rider surcharge for each rate class.

The proposed 2019 rider surcharge for residential customers is \$0.05274 per therm (compared to the current surcharge of \$0.05285). The monthly bill impact is \$1.05 for a residential customer who uses 20 therms. The proposed tariff page as revised on October 17, 2018, is provided in Attachment B.

Conclusion

Staff reviewed Peoples' filings and supporting documentation and believes that the calculations are consistent with the methodology approved in the 2012 order and are reasonable and accurate. Staff also reviewed Peoples' calculation of the 2018 true-up and 2019 projected cost calculations

and verified that the calculation includes the 21 percent federal tax rate starting February 6, 2018. Staff also verified that Peoples lowered the depreciation expense effective January 2019. Therefore, staff recommends approval of Peoples' proposed 2019 Rider CI/BSR surcharges as revised on October 17, 2018, effective for the period January through December 2019.

Issue 2: Should this docket be closed?

Recommendation: Yes. If Issue 1 is approved and a protest is filed within 21 days of the issuance of the order, the tariff should remain in effect, with any revenues held subject to refund, pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order. (Trierweiler)

Staff Analysis: If Issue 1 is approved and a protest is filed within 21 days of the issuance of the order, the tariff should remain in effect, with any revenues held subject to refund, pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order.

Table 1
Peoples' CI/BSR Replacement Program Progress

Year	Main Replacement					Service Replacements	
	Replaced Cast Iron (miles)	Replaced Bare Steel (miles)	Remaining Cast Iron at Year End (miles)	Remaining Bare Steel at Year End (miles)	Total Miles Remaining of CI/BS Mains	Replaced Number of Bare Steel Services	Total Number of Remaining Bare Steel Services
2012			100	354	454		14978
2013	13	38	87	316	403	907	14071
2014	2	18	85	298	383	7964	6107
2015	26	60	59	238	297	1019	5088
2016	15	35	44	203	247	1050	6963
2017	15	36*	29	178*	207	1135	4279
2018 **	10	64	19	114	133	1500	4685
2019	9	51	10	63	73	1200	3485
2020	5	45	5	18	23	1200	2285
2021	5	18	0	0	0	1200	1085
2022	0	0	0	0	0	0	0

*13 miles reclassified as Bare Steel and added to 2017 BS remaining total.

**Projected

Table 2
Peoples' PPP Replacement Program Progress

	PPP (miles)	Total Remaining PPP Mains (miles)	Replaced Number of PPP Services	Total Number of Remaining PPP Services
2016	0	551	0	-
2017	*	509	1396	26,841*
2018	51	458	2100	24,741
2019	33	425	Not yet determined	-
2020	50	375	Not yet determined	-
2021	50	325	Not yet determined	-
2022	50	275	Not yet determined	-
2023	50	225	Not yet determined	-
2024	45	180	Not yet determined	-
2025	45	135	Not yet determined	-
2026	45	90	Not yet determined	-
2027	45	45	Not yet determined	-
2028	45	0	Not yet determined	-

*Estimated from any plastic service installed prior to 1983

Table 3
Peoples' CI/BSR Replacement Program Progress

	CI/BS Miles Replaced	PPP Miles Replaced	CI/ BS Investment	PPP Investment	CI/BS Revenue Requirement	PPP Revenue Requirement
2017	51	*	\$17,588,366	\$2,915,802	\$6,868,302	\$74,021
2018	74	51	23,663,223	14,068,995	8,361,137	881,106
2019	60	33	27,080,000	8,550,000	10,175,696	2,141,380
2020	50	50	19,617,274	16,065,338	12,655,856	3,307,722
2021	23	50	9,479,959	16,936,076	14,173,638	4,847,383
2022		50		17,359,478	14,618,848	6,350,953
2023		50		17,793,465	14,452,013	7,778,876
2024		45		16,563,052	14,267,295	9,223,330
2025		45		16,824,833	14,082,002	10,687,428
2026		45		17,245,454	13,896,689	12,171,746
2027		45		17,676,591	13,711,388	13,676,795
2028		45		18,118,505	13,526,075	15,203,100

*2017 investment costs for retiring PPP in early 2018

REVISED: 10/17/2018

Peoples Gas System
a Division of Tampa Electric Company
7.806
Original Volume No. 3

Seventh ~~Eighth~~ Revised Sheet No. 7.806
Cancels ~~Sixth~~ ~~Seventh~~ Revised Sheet No.

**CAST IRON/BARE STEEL REPLACEMENT RIDER
RIDER CI/BSR**

The monthly bill for Gas Service in any Billing Period shall be increased by the CI/BSR Surcharge determined in accordance with this Rider. CI/BSR Surcharges approved by the Commission for bills rendered for meter readings taken on or after January 1, 2017, are as follows with respect to Customers receiving Gas Service under the following rate schedules:

<u>Rate Schedule</u>	<u>CI/BSR Surcharge</u>
Residential/Residential Standby Generator /	
Residential Gas Heat Pump Service	\$0.052850.05274 per therm
Small General Service	\$0.033370.03345 per therm
General Service – 1/ Commercial Standby	
Generator Service /	
Commercial Gas Heat Pump Service	\$0.048490.01765 per therm
General Service – 2	\$0.046050.01708 per therm
General Service – 3	\$0.044650.01465 per therm
General Service – 4	\$0.009240.00892 per therm
General Service – 5	\$0.004700.00500 per therm
Commercial Street Lighting	\$0.023760.02427 per therm
Natural Gas Vehicle Service	\$0.037890.04289 per therm
Wholesale	\$0.006420.00611 per therm

The CI/BSR Surcharges set forth above shall remain in effect until changed pursuant to an order of the Commission.

CI/BSR Surcharges shall be determined in accordance with the provisions of this Rider set forth below.

Definitions

For purposes of this Rider:

"Eligible Replacements" means the following Company plant investments that (i) do not increase revenues by directly connecting new customers to the plant asset, (ii) are in service and used and useful in providing utility service and (iii) were not included in the Company's rate base for purposes of determining the Company's base rates in its most recent general base rate proceeding:

Mains and service lines, as replacements for existing materials recognized/identified by the Pipeline Safety and Hazardous Materials Administration as being obsolete and that present a potential safety threat to operations and the general public, including cast iron, wrought iron, bare steel, and specific polyethylene/plastic facilities, and regulators and other pipeline system components the installation of which is required as a consequence of the replacement of the aforesaid facilities.

"CI/BSR Revenues" means the revenues produced through CI/BSR Surcharges, exclusive of revenues from all other rates and charges.

Issued By: T. J. Szelistowski, President
Issued On: ~~June 26, 2018~~

Effective: August 7, 2018

Item 16

State of Florida



FILED 10/18/2018
DOCUMENT NO. 06622-2018
FPSC - COMMISSION CLERK

Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: October 18, 2018

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Economics (Gulley) *EDJ SKG DB PD MC*
Division of Accounting and Finance (D. Buys, Cicchetti, Hightower) *ALM*
Office of the General Counsel (Davis) *CSB*

RE: Docket No. 20180164-GU – Petition for approval of safety, access, and facility enhancement program true-up and 2019 cost recovery factors, by Florida City Gas.

AGENDA: 10/30/18 – Regular Agenda – Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 11/05/18 (60-day Suspension Date)

SPECIAL INSTRUCTIONS: None

*RECEIVED-FPSC
2018 OCT 18 AM 9:40
COMMISSION CLERK*

Case Background

On September 4, 2018, Florida City Gas (City Gas or company) filed a petition for approval of its safety, access, and facility enhancement program (SAFE program) true-up and 2019 cost recovery factors. The SAFE program was originally approved by the Commission in Order No. PSC-15-0390-TRF-GU (2015 order) to recover the cost of relocating on an expedited basis certain existing gas mains and associated facilities from rear lot easements to the street front.¹ In the 2015 order, the Commission found that the relocation of mains and services to the street front provides for more direct access to the facilities and will enhance the level of service provided to all customers through improved safety and reliability. The SAFE factor is a surcharge on customers' bills. The Commission ordered the company to file an annual petition, beginning in

¹ Order No. PSC-15-0390-TRF-GU, issued September 15, 2015, in Docket No. 150116-GU, *In re: Petition for approval of safety, access, and facility enhancement program and associated cost recovery methodology, by Florida City Gas.*

2016, for review and resetting of the SAFE factors to true-up any prior over- or under-recovery and to set the surcharge for the coming year. The SAFE program is a 10-year program effective from 2015 through 2025.

In City Gas's 2017 rate case, the Commission approved a Stipulation and Settlement Agreement (settlement) among the parties to the rate case.² The settlement included a provision that the \$3.5 million SAFE investment at the time of the rate case be moved into rate base and recovered through base rates (instead of being recovered through a separate SAFE surcharge on customers' bills) and the 2018 SAFE factors were reset to \$0 for the period June through December 2018. Since the SAFE program is a 10-year program projected to continue until 2025, City Gas filed the instant petition for SAFE factors effective January 2019. The settlement further required City Gas to use a 21 percent federal tax rate for the six-month January through May 2018 true-up calculation and for the 12-month 2019 calculation. The federal tax rate is included in the SAFE return on investment calculation.

During the review process of the current petition, staff issued a data request to the company, for which the responses were received on September 28, 2018. The responses included revised tariff Sheet No. 79 to include a minor correction. The revised tariff is shown in Attachment 2 to this recommendation. On October 12, 2018, the company filed an amended response to question 4 of staff's first data request regarding notifications to customers. The Commission has jurisdiction over this matter pursuant to Sections 366.03, 366.04, 366.05, 366.06, and 368, Florida Statutes (F.S.).

² Order No. PSC-2018-0190-FOF-GU, issued April 20, 2018, in Docket No. 20170179-GU, *In re: Petition for rate increase by Florida City Gas*.

Discussion of Issues

Issue 1: Should the Commission approve City Gas's proposed SAFE factors for the period January through December 2019?

Recommendation: Yes. The Commission should approve City Gas's proposed SAFE factors for the period January through December 2019. (Guffey)

Staff Analysis: Under the SAFE program, City Gas will relocate or replace 254.3 miles of mains and 12,462 associated services from rear property easements to the street front over a 10-year period ending in 2025. City Gas began its mains and services replacements at the end of 2015, as provided for in the 2015 order, and the surcharges have been in effect since January 2016. As of 2018, the company has replaced 82.2 miles of mains and 4,667 services as shown in Attachment 1 to this recommendation.

As stated in City Gas's response to staff's data request, the company's current 2018 replacement plans include 10 projects located in Merritt Island in Brevard County, City of Hialeah, City of Miami Gardens, South Miami Heights neighborhood, and Westchester neighborhood in Miami-Dade County. The company's projected 2019 replacement plans include nine additional projects located in the City of Port Saint Lucie in Saint Lucie County, the City of Miami Gardens, the City of Hialeah, Sierra neighborhood, and Westchester neighborhood in Miami-Dade County.

City Gas stated that its replacement projects are generally prioritized based on the risk assessment model in the company's Distribution Integrity Management Program. Prioritization factors include, but are not limited to, location of the pipeline, rear lot pipelines with maintenance access complications and customer encroachments, leak incident rate, material of pipe, age of the pipeline, and operating pressure of the pipeline.

True-ups by Year

As required in the 2015 order, City Gas's calculations for the 2019 revenue requirement and SAFE factors include a final true-up for 2017, an actual/estimated true-up for 2018, and projected costs for 2019. City Gas currently does not include interest on any over- or under-recoveries in its calculations.

Final True-up for 2017

City Gas stated that the revenues collected for 2017 were \$2,018,776 compared to a revenue requirement of \$2,283,402, resulting in an under-recovery of \$264,626. Adding the 2016 final over-recovery of \$182,647, and the \$264,626 under-recovery of 2017, results in a final 2017 under-recovery of \$81,979.

Actual/Estimated 2018 True-up

As stated in the case background, the SAFE factor was reset to \$0 for the period June through December 2018; therefore, the actual/estimated 2018 true-up only includes actual data for January through May 2018. The company collected \$1,450,631 from January to May compared to the revenue requirement of \$1,029,927 for the same period, resulting in an over-recovery of \$420,704. Adding the final 2017 under-recovery of \$81,979 to the 2018 over-recovery of \$420,704, the resulting total 2018 true-up is an over-recovery of \$338,727.

Projected 2019 Costs

The company's projected investment for 2019 is \$10,530,795 for its nine projects located in Saint Lucie and Miami-Dade Counties. The revenue requirement, which includes a return on investment, depreciation, and taxes, is \$629,977. The return on investment calculation includes federal income taxes, regulatory assessment fees, and bad debt. After adding the 2018 over-recovery of \$338,727, the total 2019 revenue requirement is \$291,250. Table 1-1 displays the projected 2019 revenue requirement calculation.

Table 1-1
2019 Revenue Requirement Calculation

2019 Projected Investment	\$10,530,795
Return on Investment	\$427,027
Depreciation Expense	152,868
Property Tax Expense	50,082
2019 Revenue Requirement	\$629,977
Less 2018 Over-recovery	<u>-338,727</u>
Total 2019 Revenue Requirement	\$291,250

Source: Attachment A of the Petition and Attachment 1 (Excel file)
in response to Staff's First Data Request No. 9.

Proposed 2019 SAFE Factors

The SAFE factors are fixed monthly charges. City Gas's cost allocation method was approved in the 2015 order and was used in the instant filing. The approved methodology allocates the current cost of a 2-inch pipe to all customers on a per customer basis and allocates the incremental cost of replacing a pipe larger than 2 inches to customers who use over 6,000 therms per year. For customers who require 4-inch pipes, the cost takes into account that the minimum pipe is insufficient to serve their demand and, therefore, allocates an incremental per foot cost in addition to the all-customer cost. The resulting allocation factors are applied to the 2019 total revenue requirement to develop the monthly SAFE factors.

The proposed fixed monthly SAFE factor is \$0.21 for customers using less than 6,000 therms per year (current factor is \$0). The proposed fixed monthly SAFE factor for customers using more than 6,000 therms per year is \$0.40 (current factor is \$0).

Conclusion

Staff has reviewed City Gas's filings and supporting documentation and believes that the calculations are consistent with the methodology approved in the 2015 order and are reasonable and accurate. Staff also reviewed City Gas's calculation of the 2018 true-up and 2019 projected cost calculations and verified that the calculation includes the 21 percent federal tax rate, as required by the settlement. Therefore, staff recommends approval of City Gas's proposed SAFE factors for the period January through December 2019.

Issue 2: Should this docket be closed?

Recommendation: Yes. If Issue 1 is approved and a protest is filed within 21 days of the issuance of the order, the tariffs should remain in effect, with any revenues held subject to refund, pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order. (Davis)

Staff Analysis: If Issue 1 is approved and a protest is filed within 21 days of the issuance of the order, the tariffs should remain in effect, with any revenues held subject to refund, pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order.

Table 1
Florida City Gas's SAFE Program Progress

Year*	Main Replacements		Service Replacement	
	Replaced Main (miles)	Total Miles Remaining	Replaced Services (number)	Total Remaining Services
2014	0.0	254.3	0	12,462
2015	0.0	254.3	49	12,413
2016	17.1	237.2	1,433	10,980
2017	37.5	199.7	1,551	9,429
2018	27.6	172.1	1,634	7,795
2019	31.2	141.0	1,312	6,483
2020	30.0	111.0	1,200	5,283
2021	25.0	86.0	1,200	4,083
2022	25.0	61.0	1,200	2,883
2023	25.0	36.0	1,200	1,683
2024	25.0	11.0	1,200	483
2025	11.0	0.0	483	0

Source: FCG Response to Staff's First Data Request, Response to Question 3.

*Actuals 2014-July 2018. Projections August 2018-2025.

Florida City Gas
FPSC Natural Gas Tariff
Volume No. 10

Original-First Revised Sheet No. 79

RIDER "D"

SAFETY, ACCESS AND FACILITY ENHANCEMENT (SAFE) PROGRAM
(Continued)

- i. all Customers regarding the implementation of the SAFE Program and the approved surcharge factors;
 - ii. the immediately affected Customers where the eligible infrastructure is being replaced; and
 - iii. the general public through publications (newspapers) covering the geographic areas of the eligible infrastructure replacement activities;
4. Ad valorem taxes; and
 5. Federal and state income taxes.

The Company is utilizing a surcharge mechanism in order to recover the costs associated with the SAFE Program. The Company has developed the revenue requirement for the SAFE Program using the same methodology approved in its most recent rate case. The SAFE revenue requirement will be allocated to each Customer class (Rate Schedule) using allocation factors established by the Florida Public Service Commission for the SAFE Program. The per Customer SAFE surcharge is calculated by dividing the revenue requirement allocated to each Customer class by the number of Customers in the class.

The cost recovery factors including tax multiplier for the twelve month period from ~~June~~ January 1, 2018-2019 through December 31, ~~2018-2019~~ are:

<u>Rate Class</u>	<u>Rates Per Customer</u>
Rate Schedule RS-1	<u>\$0.000.21</u>
Rate Schedule RS-100	<u>\$0.000.21</u>
Rate Schedule RS-600	<u>\$0.000.21</u>
Rate Schedule GS-1	<u>\$0.000.21</u>
Rate Schedule GS-6K	<u>\$0.000.40</u>
Rate Schedule GS-25K	<u>\$0.000.40</u>
Rate Schedule GS-120K	<u>\$0.000.40</u>
Rate Schedule GS-1,250K	<u>\$0.000.40</u>
Rate Schedule GS-11M	<u>\$0.000.40</u>
Rate Schedule GS-25M	<u>\$0.000.40</u>
Rate Schedule GL	<u>\$0.000.21</u>
Rate Schedule RSG	<u>\$0.00NA</u>
Rate Schedule CSG	<u>\$0.00NA</u>

Issued by: Carolyn Bermudez
Vice President, Florida City Gas

Effective:

Item 17

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: October 18, 2018

TO: Docket No. 20170219-WS – Application for staff-assisted rate case in Polk County by River Ranch Water Management, L.L.C.

FROM: Carlotta S. Stauffer, Commission Clerk, Office of Commission Clerk

RE: Rescheduled Commission Conference Agenda Item

Staff's memorandum assigned DN 06297-2018 was filed on September 28, 2018, for the October 11, 2018 Commission Conference.

Due to the approach of Hurricane Michael and its potential threat to areas throughout the State of Florida, the Commission's Conference set for Thursday, October 11, 2018, was cancelled. Dockets scheduled for consideration at that conference were deferred to the October 30, 2018, Commission Conference.

Accordingly, this item has been placed on the agenda for the October 30, 2018 Commission Conference, and staff's previously filed memorandum is attached.

/css

Attachment

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: September 28, 2018

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Economics (Bruce) *Handwritten: SHAD, JAH, ME*
Division of Accounting and Finance (Galloway) *Handwritten: ALM*
Division of Engineering (Mtenga) *Handwritten: MM, NE, POE*
Office of the General Counsel (DuVal, Dziechciarz) *Handwritten: DD, MD, CM, L, Ca, Qy*

RE: Docket No. 20170219-WS – Application for staff-assisted rate case in Polk County by River Ranch Water Management, L.L.C.

AGENDA: 10/11/18 – Regular Agenda – Proposed Agency Action – Except Issue Nos. 13, 14, and 15 – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Clark

CRITICAL DATES: 03/11/19 (15-Month Effective Date (SARC))

SPECIAL INSTRUCTIONS: None

RECEIVED-FPSC
2018 SEP 28 AM 11:04
COMMISSION
CLERK

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Case Background

River Ranch Water Management, L.L.C. (River Ranch or utility) is a Class C water and wastewater utility located in Polk County in the South Florida Water Management District (SFWMD). The utility provides water and wastewater service to a luxury glamping resort which includes single family residential homes, recreational vehicle, condominiums, and other commercial resort properties. According to the utility's 2017 Annual Report, total gross revenues were \$135,440 for water and \$133,626 for wastewater, and total operating expenses were \$151,826 for water and \$221,210 for wastewater.

The utility has been providing service since 1973. In 1996, Polk County transferred its jurisdiction over the privately-owned water and wastewater facilities to the Commission. In September 1997, New River Ranch, L.C. d/b/a River Ranch filed an application for grandfather certificates. Effective February 1999, the utility was granted Certificate Nos. 603-W and 519-S.¹ In 2003, the certificates were transferred to River Ranch.² The utility's last Commission-approved rate increase was in a staff assisted rate case (SARC) in 2003.³ The Commission approved flat water and wastewater rates at that time because not all water usage was metered. In addition, the Commission ordered the utility to install meters for all customers and file a rate restructuring case to implement metered rates. While the utility installed meters and filed for a SARC in 2011, the case was withdrawn without rates being restructured. The utility had two price indexes in 2007 and 2008. The utility filed for the SARC in the instant docket on October 10, 2017. A test year ended September 30, 2017, was selected.

The Commission has jurisdiction in this case pursuant to Sections 367.011, 367.081, 367.0812, 367.0814, and 367.091, Florida Statutes (F.S.).

¹Order No. PSC-99-0254-FOF-WS, issued February 9, 1999, in Docket No. 19971185-WS, *In re: Application for original certificates for an existing utility providing water and wastewater service in Polk County by New River Ranch, L.C. d/b/a River Ranch.*

²Order No. PSC-03-0518-FOF-WS, issued April 18, 2003, in Docket No. 20020382-WS, *In re: Application for transfer of facilities and Certificate Nos. 603-W and 519-S in Polk County from New River Ranch L.C. d/b/a River Ranch to River Ranch Water Management, LLC.*

³Order No. PSC-03-0740-PAA-WS, issued June 23, 2003, in Docket No. 20021067-WS, *In re: Application for staff-assisted rate case in Polk County by River Ranch Water Management, L.L.C.*

Discussion of Issues

Issue 1: Is the quality of service provided by River Ranch satisfactory?

Recommendation: Yes. Staff recommends that the overall quality of service provided by River Ranch is satisfactory. (Mtenga)

Staff Analysis: Pursuant to Section 367.081(2)(a)1., F.S., in water and wastewater rate cases, the Commission shall consider the overall quality of service provided by the utility. Rule 25-30.433(1), Florida Administrative Code (F.A.C.), provides for the evaluation of three separate components of the utility's operations.⁴ The components are: (1) the quality of the utility's product; (2) the operating conditions of the utility's plant and facilities; and (3) the utility's attempt to address customer satisfaction. The Rule further states that sanitary surveys, outstanding citations, violations, and consent orders on file with the Department of Environmental Protection (DEP) and the county health department over the preceding three-year period shall be considered. Additionally, Section 367.0812(1), F.S., requires the Commission to consider the extent to which the utility provides water service that meets secondary water quality standards as established by the DEP.

Quality of the Utility's Product

In the evaluation of River Ranch's product quality, staff reviewed the utility's compliance with the DEP's primary and secondary drinking water standards. Primary standards protect public health, while secondary standards regulate contaminants that may impact the taste, odor, and color of drinking water. On June 21, 2018, testing for the DEP standards were conducted at River Ranch and the utility was deemed in compliance with primary and secondary water standards. Chemical analyses are performed every three years; therefore, the next scheduled analysis should occur in 2021.

The utility's operation of its wastewater treatment system is subject to various environmental requirements such as permitting, testing, and discharge monitoring under the jurisdiction of the DEP. The DEP has no violations or corrective orders pending against River Ranch concerning the treatment and disposal of domestic wastewater.

Operating Conditions of the Utility's Plant and Facilities

River Ranch's service area is located near Lake Wales, Florida, in Polk County, and is within the SFWMD. The raw water source is ground water which is obtained from two wells in the service area and is treated. The utility was issued a notice of violation by the DEP on June 16, 2015. It indicated that after inspection, both of the water tanks were in overall poor condition. The utility replaced the water tanks in 2016. Staff conducted a site visit on June 20, 2018.

The DEP conducted its most recent sanitary survey inspection of the facility on December 12, 2017, and found five deficiencies. These deficiencies included: a cross-connection between the point of entry tap and irrigation system, an unprotected hydropneumatic tank, partial fence down around the water plant, Well No. 2 not properly protected, and threaded raw tap on Well No. 1.

⁴Rule 25-30.433(1), F.A.C., was amended effective July 11, 2018. Staff's analysis is based on the rule at the time of the utility's filing.

The DEP conducted a follow-up inspection at River Ranch's water facility on April 6, 2018, and found that the utility was in compliance with the DEP rules.

River Ranch also operates an activated sludge wastewater treatment plant (WWTP), with a permitted capacity of 95,000 gallons per day (gpd) based on a three-month rolling average daily flow (TMRADF). The plant consists of one surge tank, three aeration basins, two clarifiers, two chlorine contact chambers, and one digester. Treated effluent is discharged into groundwater via a pond. River Ranch's WWTP was inspected by the DEP on March 27, 2018, and the facility was rated as in-compliance.

The Utility's Attempt to Address Customer Satisfaction

A customer meeting was held in Lake Wales, Florida at the River Ranch facility on June 20, 2018, at which approximately 50 customers attended and six customers spoke. Representatives attended from the single family residential homes, Westgate Properties, the Long Hammock Property Owners Association (Long Hammock POA), and the River Ranch RV Park. The primary concern expressed by the customers was that residents would have higher rates because the Westgate Properties' water usage was not properly accounted for. Customers believe that the rates would be lower than proposed in the staff report if Westgate Properties were properly metered. Staff notes that the utility addressed this concern by installing meters to previously unmetered locations within the Westgate Properties as will be discussed in Issue 3.

Staff reviewed the Commission's complaints and correspondence records from October 1, 2012, through August 31, 2018. The Commission received seven letters from customers after the June 7, 2018, staff report was issued, including two letters from the Long Hammock POA.⁵ The letters addressed the same concern as the customers discussed at the customer meeting. Only one letter received indicated that a customer had experienced bad taste and odor in their water. However, staff notes that the utility is passing all of the DEP's primary and secondary water standards. River Ranch indicated in response to staff's second data request that they had not received any complaints in the past five years. The DEP also indicated that they had not received any complaints regarding River Ranch in the past five years as well.

Summary

Staff recommends that the overall quality of service provided by River Ranch is satisfactory.

⁵The staff report was issued on June 7, 2018, Document No. 04115-2018, in Docket No. 20170219-WS.

Issue 2: What are the used and useful (U&U) percentages of River Ranch's water treatment plant (WTP), water distribution system, water storage, WWTP, and wastewater collection system?

Recommendation: Staff recommends that River Ranch's WTP, water distribution system, water storage, WWTP, and wastewater collection system should be considered 100 percent U&U. Staff does not recommend an adjustment to chemicals and purchased power for excessive unaccounted for water (EUW) or excessive inflow and infiltration (I&I). (Mtenga)

Staff Analysis: River Ranch's WTP has two wells rated at 300 gallons per minute (gpm) and 250 gpm. Storage consists of a 200,000 gallon concrete storage tank with aeration and a 1,000 gallon steel hydropneumatic tank. A hypochlorination system is used for disinfection, and water from the tanks is pumped into the water distribution system. The distribution system is a composite network of approximately 16,317 linear feet of 2 inch polyvinyl chloride (PVC) pipe, 5,090 linear feet of 3 inch PVC pipe, 400 linear feet of 4 inch PVC pipe, and 33,330 linear feet of 5 inch PVC pipe. According to the utility, there are 35 fire hydrants in its service area.

The WWTP is a 95,000 gpd extended aeration activated sludge facility. The WWTP consists of one surge tank, three aeration basins, two clarifiers, two chlorine contact chambers, and one digester. The collection system is a composite network of force mains, collecting mains, and six lift stations. The force mains consist of approximately 1,860 linear feet of 3 inch PVC pipe, 17,370 linear feet of 8 inch PVC pipe, and 256 linear feet of 10 inch PVC pipe. The collecting mains consist of approximately 4,330 linear feet of 4 inch PVC pipe, 4,510 linear feet of 6 inch PVC pipe, 13,982 linear feet of 8 inch PVC pipe, and 80 linear feet of 8 inch clay pipe. According to the utility there are 43 manholes.

WTP and WWTP Used & Useful Determination

Based on the utility's annual reports and the staff site visit, the utility appears to be built out and zero growth for the community is expected. Considering there has been minimal growth in the utility's service area in the past five years, and there appears to be no apparent potential for new developments, staff considers the utility built out. Rule 25-30.4325(4), F.A.C., provides that a water treatment system is considered 100 percent U&U if the service territory the system is designed to serve is built out and there is no apparent potential for expansion of the service territory. Rule 25-30.432, F.A.C., requires the Commission to consider the extent to which a service is built out when determining the U&U of a utility's WWTP. Because the utility is built out, staff recommends that River Ranch's WTP, water distribution system, WWTP and wastewater collection system should be considered 100 percent U&U.

Storage Used & Useful

Pursuant to Rule 25-30.4325(8), F.A.C., for water systems with storage, if the storage capacity is less than the peak day demand, the storage system should be considered 100 percent U&U. River Ranch has a 200,000 gallon ground storage tank and one hydropneumatic tank rated at 1,000 gallons. Per the rule, the hydropneumatic tank is not included in the U&U calculation. Since the storage capacity of 200,000 gallons is less than the peak day demand of 301,133 gallons, the storage system should be considered 100 percent U&U.

Excessive Unaccounted for Water

Rule 25-30.4325, F.A.C., describes EUW as unaccounted for water in excess of 10 percent of the amount produced. The Commission recognizes that some uses of the water are readily measurable and others are not. Unaccounted for water is all water that is produced that is not sold, metered, or accounted for in the records of the utility. The Rule provides that to determine whether adjustments to plant and operating expenses, such as purchased electrical power and chemical costs, are necessary, the Commission will consider all relevant factors as to the reason for EUW, solutions implemented to correct the problem, or whether a proposed solution is economically feasible. The unaccounted for water is calculated by subtracting both the gallons used for other purposes, such as flushing, and the gallons sold to customers from the total gallons pumped for the test year.

While staff was able to obtain River Ranch's monthly operation reports to determine the gallons produced, the utility was unable to provide specific gallons sold because some properties were unmetered or did not have properly functioning meters. As such, because of the lack of metered data, staff does not recommend an adjustment to chemicals and purchased power for EUW.

Inflow & Infiltration

Infiltration occurs from groundwater entering a wastewater collection system through broken or defective pipes and joints; whereas inflow results from water entering a wastewater collection system through manholes or lift stations. The allowance for infiltration is 500 gpd, per inch diameter pipe per mile and an additional 10 percent of water sold is allowed for inflow.

As with the EUW determination, staff was able to obtain River Ranch's discharge monitoring reports. However, the utility was unable to provide specific gallons sold because of the lack of metered data. Because of the lack of metered data, staff does not recommend an adjustment to chemicals and purchased power for I&I.

Summary

Staff recommends that River Ranch's WTP, water distribution system, water storage, WWTP and wastewater collection system should be considered 100 percent U&U. Staff does not recommend an adjustment to chemicals and purchased power for EUW or excessive I&I.

Issue 3: What is the appropriate average test year water rate base and wastewater rate base for River Ranch?

Recommendation: The appropriate average test year water rate base for River Ranch is \$639,343 and the appropriate average test year wastewater rate base is \$375,275. (Galloway, Mtenga)

Staff Analysis: The appropriate components of the utility's rate base include utility plant in service (UPIS), land, contributions-in-aid-of-construction (CIAC), accumulated depreciation, amortization of CIAC, and working capital. Rate base was last established for the River Ranch water and wastewater systems as of June 2003.⁶ The test year ending September 30, 2017, was used for the instant case. A summary of each water and wastewater rate base component, and staff's recommended adjustments are discussed below.

Utility Plant in Service

The utility recorded UPIS balances of \$1,824,134 for water and \$1,925,109 for wastewater. Staff reduced water UPIS by \$90,893 and reduced wastewater UPIS by \$398,076 (\$351,311 + \$46,765) to reflect appropriate plant balances as identified in the audit. Most of the adjustments identified in the audit report were made to UPIS due to lack of supporting documentation and unrecorded retirements. However, one adjustment included in the \$398,076 reduction to wastewater plant is \$46,765, which represents plant that was reclassified to property held for future use in the utility's last rate case.⁷

At the time of the utility's last rate case, the utility maintained that it planned to use the old WWTP as part of a future expansion of the wastewater plant. However, during the plant tour for the current docket, the utility's representative stated that the old wastewater plant has been decommissioned and would be disposed of in the future. Staff believes that under this scenario, the old wastewater plant no longer qualifies as property held for future use. This amount was not reflected in the utility's books and records as having been removed from UPIS, nor was it recorded as property held for future use. Therefore, staff reduced wastewater plant and the corresponding accumulated depreciation by \$46,765 to reflect the decommissioned WWTP.

Additionally, the audit identified 24 invoices associated with substantial water plant improvements made by the utility between 2013 and 2016 that totaled \$881,703. All of these invoices were recorded by the utility during the test year and were recorded in one account, Account 330 – Distribution Reservoirs and Standpipes. According to the utility's general ledger, while all of the invoices were recorded, no retirements associated with these additions were made. Staff determined that not all of the additions represented by the invoices should be included in UPIS, and not all of the additions should be recorded in one account.

Of the 24 invoices, eight invoices totaling \$47,980 were associated with a proposed wastewater expansion project. The utility obtained a permit from the DEP but failed to provide documentation that the expansion was a DEP requirement. Based on conversations with the

⁶Order No. PSC-03-0740-PAA-WS, issued June 23, 2003, in Docket No. 20021067-WS, *In re: Application for staff-assisted rate case in Polk County by River Ranch Water Management, LLC*.

⁷Order No. PSC-03-0740-PAA-WS.

utility, it appears the utility elected to expand the wastewater plant on its own. However, the wastewater plant expansion has not begun and in response to staff's data requests the utility indicated that it does not know when or if it will expand the wastewater plant. Therefore, staff recommends that the \$47,980 should be excluded from UPIS at this time.

In the DEP's 2012 sanitary survey report, it was indicated that parts of the water tank were corroding. By 2013 the roof on the water tank had corroded and, as indicated in its permit for construction issued in July 2013, the utility chose to construct a new water tank as the best solution. Preliminary work for the construction of the water tank began in 2013. This included permitting and other site work for approximately \$32,000. The preliminary work, which did not have a bidding process, was conducted by contractors known and previously used by the utility. For the construction of the water tank itself, three bids were received by the utility ranging in cost from \$647,000 to \$663,036. The utility chose Wayne Automatic Fire Sprinklers, Inc., the lowest cost provider at approximately \$647,000 to construct the water tank. During the course of construction, three change orders were submitted that totaled approximately \$113,000. The change orders were for upsizing the tank, fixing leaking pipes, and tying in a tank. The utility provided invoices for the preliminary work, construction of the water tank, and change orders, totaling \$792,267. The water tank construction was required by the DEP. In addition, the utility obtained three bids and chose the lowest cost provider. Therefore, staff recommends that this amount should be included in UPIS.

Also, included in these invoices was one invoice associated with a fire hydrant and fire line. The fire hydrant was installed by Vincent Plumbing between the Skeet House and the newly constructed glamping tents that are farther from the main attractions of the Westgate Properties. Because of the distance from the rest of the Westgate Properties, 760 feet of fire line had to be included in the installation of the fire hydrant. Because of the relatively isolated location of River Ranch, Vincent Plumbing is the utility's preferred provider and has been used by the utility for other projects. The utility recorded \$42,640 to reflect this cost. However, the invoice included a line item for work that was not completed; therefore, staff determined the appropriate amount to be included in Account No. 335, Hydrants, is \$34,140. Based on the above, staff has reduced this account by \$8,500. Therefore, regarding the 24 invoices, staff removed \$56,480 (\$47,980 + \$8,500), as not related to the water plant or fire hydrant.

Finally, regarding the 24 invoices and the above conclusions, staff determined which invoices should include a retirement, and calculated the related retirement in accordance with Commission practice. It is Commission practice to use 75 percent of the cost of the replacement as the retirement value when the original cost is not known. It is also Commission practice to limit the retirement to the account balance if the 75 percent retirement exceeds the plant balance. As such, staff reduced UPIS in the amount of \$424,657 to reflect retirements associated with the water tank project, Account 330, and \$25,605 to reflect the retirement associated with the fire hydrant, Account 335.

Pro Forma

The utility requested \$39,815 for a pro forma meter replacement and installation program. The list of the meters in the meter replacement and installation program is provided in Table 3-1 below.

Table 3-1
Meter Replacement and Installation Program

Size	Number of Meters	Cost of Meter	Total Cost of Meters	Retirement Amount
2"	6	\$1,788.20	\$10,729.20	\$0.00
¾"	3	\$656.40	\$1,969.20	\$0.00
¾"	12	\$656.40	\$7,876.80	\$5,907.60
6"	1	\$19,239.74	\$19,239.74	\$14,429.81
Total	22		39,814.94	\$20,337.41

Source: Utility's Response to Staff's Fifth Data Request

As stated in Issue 2, the utility lacked metering data during the test year. During staff's site visit, the utility noted locations on the Westgate Properties where water was being used but was not being metered, including recently installed recreational areas. The utility has since installed 10 new meters to account for the previously unmetered locations. In addition to the new meters, the utility replaced broken meters at residential sites and the master meter for the RV park that had been struck by lightning. The utility contracted with Vincent Plumbing for the installation of the meters as they are a preferred vendor for the utility. The utility submitted invoices for five of the 2 inch meters and staff was able to extrapolate the cost of the sixth meter. The utility submitted invoices for all the ¾ inch meters and the 6 inch meter. The utility also replaced a 1 inch meter, however, failed to provide an invoice or a bid for the 1 inch meter; therefore, staff recommends that recovery of this cost should not be considered at this time. Based on documentation provided by the utility, staff recommends that \$39,815 be included in UPIS to reflect the pro forma meter replacement and installation program, with a corresponding total retirement of the replaced meters in the amount of \$20,337.

Based on the above, staff recommends adjustments to UPIS that result in a net decrease of \$578,158 (-\$90,893 - \$424,657 - \$25,605 - \$56,480 + \$39,815 - \$20,337) to water UPIS, and a net decrease of \$407,179 (-\$351,311 - \$46,765 - \$9,103) which includes an averaging adjustment of \$9,103, to wastewater UPIS. These adjustments result in staff recommending a UPIS balance of \$1,245,976 for water and \$1,517,930 for wastewater.

Land and Land Rights

The utility recorded land of \$160 for water and \$500 for wastewater. Staff verified that the land is owned by the utility and determined there have been no changes to the utility's cost of land since rate base was last established, therefore, no adjustments are necessary. Staff recommends a land and land rights balance of \$160 for water and \$500 for wastewater.

Contributions In Aid of Construction (CIAC)

The utility recorded test year CIAC of \$524,938 for water and \$665,542 for wastewater. The recorded CIAC is consistent with the utility's prior rate case as well as its approved tariff and customer base. Further, because no activity occurred during the test year, no averaging adjustments are necessary for ratemaking purposes. Therefore, staff recommends CIAC balances of \$524,938 for water, and \$665,542 for wastewater.

Accumulated Depreciation

According to the utility's general ledger, the accumulated depreciation balance for River Ranch's water system was \$718,063, and for the wastewater system was \$1,281,819, as of September 30, 2017. Staff recalculated accumulated depreciation and depreciation expense using the appropriate UPIS balances and the depreciation rates established by Rule 25-30.140(2), F.A.C. Staff increased this account by \$50,085 for water and decreased this account by \$244,793 for wastewater to reflect the appropriate balances. In addition, staff reduced accumulated depreciation by \$171,649 (\$146,044 + \$25,605) to reflect the unrecorded retirements for water, as discussed above in the UPIS section. A further reduction was made to water accumulated depreciation in the amount of \$20,910, to reflect the retirements associated with the pro forma meters. Finally, staff reduced accumulated depreciation to reflect an averaging adjustment of \$20,062 for water and \$17,356 for wastewater. The result of these adjustments is a decrease to accumulated depreciation of \$162,537 (\$50,085 - \$171,649 - \$20,910 - \$20,062) for water, and a decrease of \$262,149 (\$244,793 + \$17,356) for wastewater. Therefore, staff's recommended accumulated depreciation is \$555,526 for water and a balance of \$1,019,670 for wastewater.

Accumulated Amortization of CIAC

River Ranch recorded test year amortization of CIAC balances of \$464,260 for water and \$526,382 for wastewater. Staff calculated amortization of CIAC and the depreciation rates established by Rule 25-30.140(2), F.A.C., and made no adjustments. The recorded amortization of CIAC is consistent with Commission practice. Therefore, staff recommends amortization of CIAC balances of \$464,260 and \$526,382 for water and wastewater, respectively.

Working Capital Allowance

Working capital is defined as the short-term investor-supplied funds that are necessary to meet operating expenses of the utility. Consistent with Rule 25-30.433(2), F.A.C., staff used the one-eighth of the operation and maintenance (O&M) expense formula approach for calculating the working capital allowance. Staff also removed rate case expense of \$784 for water and \$590 for wastewater pursuant to Section 367.081(9), F.S.⁸ Applying this formula, staff recommends a working capital allowance of \$9,410 (\$75,284/8) for water, based on the adjusted O&M expense of \$75,284 (\$76,068 - \$784). Further, staff recommends a working capital allowance of \$15,675 (\$125,398/8) for wastewater, based on the adjusted O&M expense of \$125,398 (\$125,988 - \$590).

⁸Section 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, staff excluded rate case expense from the working capital calculations. The unamortized balance of rate case expense is reflected in Issue 6 and in Schedule Nos. 3-D and 3-E.

Rate Base Summary

Based on the foregoing, staff recommends that the appropriate average test year rate base for water is \$639,343 and the appropriate average test year rate base for wastewater is \$375,275, as shown in Schedule Nos. 1-A and 1-B. The related adjustments are shown on Schedule No. 1-C.

Issue 4: What is the appropriate return on equity and overall rate of return for River Ranch?

Recommendation: The appropriate return on equity (ROE) is 8.11 percent with a range of 7.11 percent to 9.11 percent. The appropriate overall rate of return is 8.11 percent. (Galloway)

Staff Analysis: According to the staff audit report, the River Ranch test year capital structure consisted of additional paid in capital, member's equity, retained earnings, and related-party debt. River Ranch is a subsidiary of Central Florida Investments (CFI) and its operations. Any utility earnings (losses) roll forward to, and are consolidated within, CFI's federal tax return. The utility's capital structure in its 2016 annual report reflects an equity balance of \$578,573 and a long term debt balance of \$244,724, and no customer deposits.

The long term debt balance has existed unchanged since 2004 and is an obligation to CFI, a related party. It is Commission practice that, regarding related-party debt, when no interest or scheduled payments for principal are being made, the debt is considered common equity.⁹ Staff has adjusted the utility's capital structure to reflect the related-party debt as common equity pursuant to Commission practice.

The utility's capital structure has been reconciled with staff's recommended rate base. The appropriate ROE for the utility is 8.11 percent based upon the Commission-approved leverage formula currently in effect.¹⁰ Staff recommends an ROE of 8.11 percent, with a range of 7.11 percent to 9.11 percent, and an overall rate of return of 8.11 percent. The ROE and overall rate of return are shown on Schedule No. 2.

⁹Order Nos. PSC-13-0140-PAA-WU, issued March 25, 2013, in Docket No. 20120183-WU, *In re: Application for staff-assisted rate case in Lake County by TLP Water, Inc.*; PSC-12-0410-PAA-SU, issued August 13, 2012, in Docket No. 110165-SU, *In re: Application for staff-assisted rate case in Highlands County by Utility Corporation of Florida, Inc.*; and PSC-10-0681-PAA-WU, issued November 15, 2010, in Docket No. 20090414-WU, *In re: Application for staff-assisted rate case in Polk County by Pinecrest Ranches, Inc.*

¹⁰Order No. PSC-2018-0327-PAA-WS, issued June 26, 2018, in Docket No. 20180006-WS, *In re: Water and wastewater industry annual reestablishment of authorized range of return on common equity for water and wastewater utilities pursuant to Section 367.081(4)(f), F.S.*

Issue 5: What are the appropriate amounts of test year revenues for the water and wastewater systems?

Recommendation: The appropriate test year revenues are \$137,305 for the water system and \$167,826 for the wastewater system. (Bruce)

Staff Analysis: River Ranch recorded total revenues of \$135,486 for water and \$165,612 for wastewater, which consists of only service revenues. During the test year, the utility did not bill nine residential customers; therefore, staff recommends that the service revenues should be increased by \$1,819 for water and \$2,214 for wastewater to reflect the imputed revenues associated with those customers. Therefore, the appropriate test year revenues are \$137,305 for the water system and \$167,826 for the wastewater system.

Issue 6: What is the appropriate amount of operating expenses for River Ranch?

Recommendation: The appropriate amounts of operating expenses are \$119,229 for water and \$197,694 for wastewater. (Galloway, Mtenga)

Staff Analysis: River Ranch recorded operating expense of \$145,442 for water and \$222,926 for wastewater for the test year ended September 30, 2017. The test year O&M expenses have been reviewed, including invoices, canceled checks, and other supporting documentation. Staff's adjustments to the utility's operating expenses are summarized below.

Salaries and Wages - Employees (601/701)

The utility recorded employee salaries and wages expense of \$24,655 for water and \$24,655 for wastewater for the test year. This amount represents one full-time employee who served as the utility operator. Staff determined that the actual salaries paid during the test year were \$21,561 for water and \$21,561 for wastewater for the test year which is a reduction of \$3,094 for water and \$3,094 for wastewater.

During a conference call with utility representatives in April 2018, and through subsequent data requests, staff learned that the full-time utility employee is no longer with the utility, and no full-time replacement has been hired. However, the duties that were performed by this employee are now being performed by a Westgate Resorts' employee, on an as-needed basis. The utility submitted a list of duties and responsibilities that are presently being performed by the shared employee. Staff reviewed the list of responsibilities and believes that most of the duties are duplicative, especially when compared to the jobs being carried out by various contractors that are retained by the utility. Due to these duplications, staff further reduced this account by \$16,017 for water and \$16,017 for wastewater.

The utility recorded no salary associated with office/administrative work. As stated above, through data requests, etc., staff learned that approximately 10 hours per week are being spent by Westgate Resorts staff who are performing various utility functions such as bookkeeping, data entry, billing, and customer service. While staff is reducing the salaries associated with the operator's position, staff believes an allowance should be included to reflect unrecorded salaries expense associated with the shared office staff. Staff has increased the salaries and wages expense account by \$4,680 for water and \$4,680 for wastewater to reflect an allowance for the office/administrative work done by the Westgate Resorts staff.

The resulting total adjustments are a reduction in the amount of \$14,431 (-\$3,094 - \$16,017 + \$4,680) for the water system, and a reduction in the amount of \$14,431 (-\$3,094 - \$16,017 + \$4,680) for the wastewater system. Therefore, staff recommends salaries and wages - employees' expense in the amount of \$10,224 for water and \$10,224 for wastewater.

Employee Pensions and Benefits (604/704)

The utility recorded employee pensions and benefits expense of \$2,970 for water and \$2,970 for wastewater for the test year. Similar to employee salaries and wages expense, staff reviewed the actual 2016 W-2 form, which reflected an amount of \$3,088 for each system. Staff increased this account by \$118 for each system to reflect the appropriate amount shown on the actual 2016 W-2 form. Staff reduced the account for both water and wastewater each by \$1,401 to reflect the

actual employee pensions and benefits resulting from the adjustments made to the salaries and wages expense account. These adjustments result in a net decrease of \$1,283 (\$118 - \$1,401) for each system. Staff's recommended employee pensions and benefits expense is \$1,687 for water and \$1,687 for wastewater.

Purchased Power (615/715)

River Ranch recorded purchased power expense of \$12,367 for water and \$21,794 for wastewater for the test year. Staff increased this account by \$5,438 for water and decreased this account by \$1,811 for wastewater to reflect the actual purchased power expense incurred during the test year. Staff recommends purchased power expense of \$17,805 for water and \$19,983 for wastewater.

Chemicals (618/718)

The utility recorded chemicals expense of \$33,036 for water and \$32,623 for wastewater for the test year. Staff reduced this account by \$17,691 for water and increased this account by \$19,619 for wastewater. Some chemical expenses had been improperly recorded in water instead of wastewater. A significant portion of the wastewater expenses, \$33,306, can be attributed to enzymes added to reduce the amount of sludge produced. Staff believes these adjustments are appropriate. Therefore, staff recommends chemicals expense of \$15,345 for water and \$52,242 for wastewater.

Materials and Supplies (620/720)

The utility recorded materials and supplies expense of \$236 for water and \$168 for wastewater for the test year. Staff decreased the water and wastewater account by \$168 each to remove Florida Rural Water Association dues. The appropriate account for these dues is miscellaneous expense, Account No. 675/775. Accordingly, staff has reclassified \$168 for both water and wastewater to the appropriate account. Therefore, staff's recommendation for materials and supplies expense is \$68 for water and \$0 for wastewater.

Contractual Services - Professional (631/731)

The utility inadvertently recorded outside accounting fees for water and wastewater in an improper Class B account. Staff reclassified and removed the recorded amount of \$5,700 each for both water and wastewater to the proper Class C account, Contractual Services – Professional, Account No. 631/731. The appropriate amount of outside accounting fees based on invoices provided by the utility is \$3,600 for water and \$3,600 for wastewater. The resulting net adjustment for water and wastewater is a reduction of \$2,100 (\$5,700 - \$3,600) each. Therefore, staff recommends contractual services – professional expense for the test year of \$3,600 for water and \$3,600 for wastewater.

Contractual Services - Testing (635/735)

The utility recorded testing expense of \$1,847 for water and \$2,750 for wastewater in this account. Staff made no adjustments to this account for water and wastewater based on actual invoices provided by the utility. Therefore, staff recommends contractual services – testing expense for the test year of \$1,847 for water and \$2,750 for wastewater.

Contractual Services - Other (636/736)

The utility recorded contractual services – other expense of \$21,554 for water and \$33,883 for wastewater. Included in this account are expenses associated with a monthly operations contractor, a billing and printing contractor, repairs and service calls company, and monthly retention pond services. Staff decreased this account by \$2,508 for water and \$3,433 for wastewater to reflect the invoices provided by the utility. Staff recommends \$19,046 for water and \$30,450 for wastewater for contractual services – other expense.

Rent Expense (640/740)

The utility recorded an out of period equipment rental invoice in the amount of \$4,445 for water and the same amount for wastewater. This amount was inadvertently recorded by the utility in a Class B account. Staff removed this amount from rent expense. Additionally, the Commission approved an allowance for office rent, \$1,800 for water, and \$1,800 for wastewater pursuant to Order No. PSC-03-0740-PAA-WS. Staff believes it is appropriate to apply a composite index factor to the amount approved in 2003. This application results in an increase from \$1,800 to \$2,617. Net adjustments to rent expense are a decrease of \$1,828 ($-\$4,445 + \$2,617$) for both water and wastewater. Therefore, staff's recommendation for rent expense is \$2,617 for water and \$2,617 for wastewater.

Transportation Expense (650/750)

For transportation expense, the utility recorded \$153 for water and the same amount for wastewater. Staff increased this account by \$12 for water and \$12 for wastewater to reflect the invoices provided by the utility. Therefore, staff is recommending transportation expense of \$165 for water and \$165 for wastewater.

Insurance Expense (655/755)

The utility inadvertently recorded insurance expense in improper Class B accounts. Staff reclassified the improper recordings to this account. Staff made adjustments to reflect unrecorded liability insurance allowed in Order No. PSC-03-0740-PAA-WS, vehicle insurance that was improperly recorded in Class B account 656, and a workers compensation fee also improperly recorded in Class B account 658.

Staff believes the appropriate insurance expense for both water and wastewater should include unrecorded liability insurance of \$1,200, reclassified vehicle insurance of \$792, and a workers compensation fee of \$448. The result is total insurance expense of \$2,440 ($\$1,200 + \$792 + \448) for both systems combined, or \$1,220 for each system. Accordingly, staff has increased this account by \$600 for each system. Staff's recommendation for insurance expense is \$1,220 for water, and \$1,220 for wastewater.

Regulatory Commission Expense (665/765)

The utility recorded regulatory commission expense of \$6,095 and \$7,456 for water and wastewater, respectively, for the test year. These amounts actually reflected the 2016 regulatory assessment fees that the utility paid in 2017. Regulatory assessment fees should be recorded as Taxes Other than Income. For that reason, staff reclassified these amounts to the Taxes Other Than Income account.

Generally, the regulatory commission expense account includes expenses incurred by the utility in connection with formal cases before regulatory commissions such as noticing costs and filing fees. The utility is required by Rule 25-22.0407, F.A.C., to provide notices of the customer meeting and notices of final rates in this case to its customers. Staff is recommending that the utility also be required to provide notice of the four-year rate reduction to its customers when the rates are reduced to remove the amortized rate case expense. For noticing, staff estimated \$105 for postage expense, \$70 for printing expense, and \$10 for envelopes. This results in \$185 (\$105 + \$70 + \$10) for the noticing requirement. The utility paid a total of \$2,000 in rate case filing fees (\$1,000 for water and \$1,000 for wastewater). The utility has incurred rate case expense associated with attorney's fees in the amount of \$3,309. Staff has reviewed these costs and determined them to be reasonable. Based on the above, staff recommends total rate case expense of \$5,494 (\$185 + \$2,000 + \$3,309), which amortized over four years is \$1,374. Staff allocated the annual rate case expense to the water and wastewater systems based on equivalent residential connections (ERCs), resulting in annual rate case expense of \$784 for water and \$590 for wastewater.

Bad Debt Expense (670/770)

River Ranch recorded bad debt expense of \$265 for water and \$265 for wastewater in its general ledger for the test year. Staff has calculated bad debt expense by averaging the amount recorded by the utility in its last three Annual Reports. As a result, staff has reduced this account by \$221 each for water and wastewater. Based on this calculation, the appropriate amount of bad debt expense is \$44 for water and \$44 for wastewater.

Miscellaneous Expense (675/775)

The utility recorded test year miscellaneous expense of \$1,532 for water and \$332 for wastewater. Staff increased the water and wastewater accounts by \$85 each to reflect the dues paid to the Florida Rural Water Association. The utility initially recorded the total dues to water and to wastewater in materials and supplies, accounts 620/720. As discussed above, staff reclassified the dues to this account, and split the total amount equally between water and wastewater. As a result, for the test year, staff recommends miscellaneous expense of \$1,617 for water and \$417 for wastewater.

Operation and Maintenance Expense (O&M Summary)

Based on the above adjustments, O&M expense should be decreased by \$39,407 for water and by \$11,826 for wastewater, resulting in total O&M expense of \$76,068 for water and \$125,988 for wastewater. Staff's recommended adjustments to O&M expense are shown on Schedule Nos. 3-A through 3-E.

Depreciation Expense

The utility's records reflect test year water depreciation expense of \$30,269 and test year wastewater depreciation expense of \$86,506. Staff recalculated depreciation expense using the prescribed rates set forth in Rule 25-30.140, F.A.C., and the plant adjustments discussed in Issue 3. As a result, staff increased water depreciation expense by \$9,856 and decreased wastewater depreciation expense by \$15,162 to reflect the appropriate test year depreciation expense. Staff also increased depreciation expense by \$573 for water to reflect the depreciation expense associated with the addition of pro forma meters.

Based on the above, staff's net adjustment to depreciation expense is an increase of \$10,429 (\$9,856 + \$573) for water, and a decrease of \$15,162 for wastewater. Therefore, staff recommends net depreciation expense of \$40,698 for water and \$71,344 for wastewater.

Amortization of CIAC

The utility's records reflect test year CIAC amortization expense of \$8,634 for water and \$10,880 for wastewater. Staff calculated amortization expense using audited CIAC balances and the depreciation rates established by Rule 25-30.140(2), F.A.C. No adjustments were made to amortization of CIAC. Therefore, the appropriate amortization of CIAC is \$8,634 for water and \$10,880 for wastewater.

Taxes Other Than Income (TOTI)

River Ranch recorded TOTI of \$8,330 for water and \$9,486 for wastewater for the test year. The utility recorded property tax accruals of \$387 for water and \$183 for wastewater. Staff decreased these accounts by \$262 for water and \$101 for wastewater to reflect the appropriate test year property taxes.

The utility did not record a tangible tax. However, the utility paid tangible taxes of \$8,616 for water. To reflect the unrecorded retirements associated with the water plant project, staff reduced this amount by \$6,519 resulting in a net increase of \$2,097 (\$8,616 - \$6,519) for water.

The utility recorded \$6,096 for water and \$7,456 for wastewater for regulatory assessment fees (RAFs). Based on staff's recommended test year revenues of \$137,305 for water and \$167,826 for wastewater, the utility's RAFs should be \$6,179 and \$7,552, respectively. Therefore, staff increased this account by \$83 (\$6,179 - \$6,096) for water and \$96 (\$7,552 - \$7,456) for wastewater to reflect the appropriate RAFs.

The utility recorded payroll taxes in the amount of \$1,847 each for water and wastewater. In order to reflect the reductions made to salaries earlier in this issue, and the appropriate payroll taxes for water and wastewater, staff reduced TOTI by \$953 each for water and wastewater.

Staff also increased property tax for water by \$282 to reflect the appropriate taxes associated with pro forma meters. Staff's adjustments result in a net increase of \$1,247 (-\$262 + \$2,097 + \$83 - \$953 + \$282) for water and a decrease of \$958 (-\$101 + \$96 - \$953) to wastewater.

Finally, as discussed in Issue 7, revenues have been increased by \$33,775 for water and \$60,303 for wastewater to reflect the change in revenue required to cover expenses and allow an opportunity to recover the recommended rate of return. As a result, TOTI should be increased by \$1,520 for water and \$2,714 for wastewater to reflect RAFs of 4.5 percent of the change in revenues. Therefore, staff recommends TOTI of \$11,097 for water and \$11,242 for wastewater.

Operating Expenses Summary

The application of staff's recommended adjustments to River Ranch's test year operating expenses results in operating expenses of \$119,229 for water and \$197,694 for wastewater. Operating expenses are shown on Schedule Nos. 3-A and 3-B. The adjustments are shown on Schedule No. 3-C.

Issue 7: What is the appropriate revenue requirement?

Recommendation: The appropriate revenue requirements are \$171,080 for water and \$228,129 for wastewater, resulting in an annual increase of \$33,775 for water (24.60 percent) and \$60,303 for wastewater (35.93 percent). (Galloway)

Staff Analysis: River Ranch should be allowed an annual increase of \$33,775 for water (24.60 percent) and \$60,303 for wastewater (35.93 percent). This will allow the utility the opportunity to recover its expenses and earn an 8.11 percent return on rate base for its water and wastewater systems. The calculations are shown below, in Tables 7-1 and 7-2 for water and wastewater, respectively:

**Table 7-1
Water Revenue Requirement**

Adjusted Rate Base	\$639,343
Allowed Rate of Return (%)	x 8.11%
Return on Rate Base	\$51,851
Adjusted O&M Expense	76,068
Depreciation Expense (Net)	32,064
Taxes Other Than Income	11,097
Revenue Requirement	\$171,080
Less Adjusted Test Year Revenues	137,305
Annual Increase	<u>\$33,775</u>
Percent Increase	24.60%

Table 7-2
Wastewater Revenue Requirement

Adjusted Rate Base	\$375,275
Allowed Rate of Return (%)	x 8.11%
Return on Rate Base	\$30,435
Adjusted O&M Expense	125,988
Depreciation Expense (Net)	60,464
Taxes Other Than Income	11,242
Revenue Requirement	\$228,129
Less Adjusted Test Year Revenues	167,826
Annual Increase	<u>\$60,303</u>
Percent Increase	35.93%

Issue 8: What are the appropriate rate structures and rates for River Ranch's water and wastewater systems?

Recommendation: The recommended rate structures and monthly water and wastewater rates are shown on Schedule Nos. 4-A and 4-B. The utility should file revised tariff sheets and a proposed customer notice to reflect the Commission approved rates. The approved rates should 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 approved rates should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The utility should provide proof of the date notice was given within 10 days of the date of the notice. Furthermore, the utility should provide the additional monthly usage reporting and notification requirements. (Bruce)

Staff Analysis: River Ranch is located in Polk County within the SFWMD. The utility provides water and wastewater service to single family residential homes and several general service customers, including River Ranch Chapel, other Westgate Properties, Long Hammock POA, River Ranch Condominiums, and a recreational vehicle park (River Ranch RV park). The utility also provides irrigation service to two general service customers.

The utility's current water, irrigation, and wastewater rates are flat rates that were approved in 2003.¹¹ The flat rate for Westgate Properties was a bulk rate. The approved rates for Long Hammock POA, River Ranch Condominiums, and River Ranch RV park were per unit or per ERC rates. In addition, flat irrigation rates were approved for Long Hammock POA and the River Ranch RV park. At that time, the Commission also ordered the utility to individually meter all general service customers and file a rate restructuring case to implement metered rates. The utility continued its progress in fulfilling the requirements of the order and installed the meters by the time it filed for a SARC in 2011.

The utility provided metered data to staff for the test year of October 1, 2016, to September 30, 2017. For the preliminary staff report, staff designed rates to reflect the estimated demand the various customers place on the system. This was based on DEP monthly operating reports showing the amount of water pumped and the metered data collected by the utility for those customers that were metered during the test year. However, at the customer meeting and site visit, staff discovered that numerous properties were not metered (approximately 70 percent of the water demand) and the meters that were installed had not all been properly calibrated. Therefore, staff was not able to rely on the metered data for estimating demand.

Due to the lack of customer usage data, staff believes that flat rates should be designed consistent with the methodology used when the rates were designed in 2003, which was based on ERCs. In the utility's 2003 rate case, the water rates were calculated based on .8 of an ERC for each condominium, mobile home, and RV site that existed at that time. The single family homes and other existing facilities were considered one ERC each. For wastewater, all units were considered one ERC. Since the last rate case, there has been significant growth, particularly within the Westgate Properties, and now the service area is built out as discussed in Issue 2.

¹¹Id.

In the instant docket, staff updated the ERCs from the 2003 rate case to include the properties that were subsequently added. As a result, staff calculated 9,132 ERCs for water and 10,098 ERCs for wastewater as shown on Tables 8-1 and 8-2.

Table 8-1
Staff's Calculated ERCs

	Number of	Number of
Water	Units	ERCS
<u>Residential</u>		
Single Family Residential Homes	65	65.0
<u>General Service</u>		
River Ranch Chapel	1	2.5
Westgate Properties	46	88.5
Long Hammock POA	120	96.0
River Ranch Condominiums	204	170.4
River Ranch RV Park	368	298.6
<u>Irrigation Service</u>		
Long Hammock POA		7.0
River Ranch RV Park		33.0
Monthly Total	804.0	761.0
Annual Total	9,648.0	9,132.0

Table 8-2
Staff's Calculated ERCs

	Number of	Number of
Wastewater	Units	ERCs
<u>Residential</u>		
Single Family Residential Homes	65	65.0
<u>General Service</u>		
River Ranch Chapel	1	1.0
Westgate Properties	45	80.5
Long Hammock POA	120	120.0
River Ranch Condominiums	203	203.0
River Ranch RV Park	368	372.0
Monthly Total	802.0	841.5
Annual Total	9,624.0	10,098.0

Staff's recommended flat rates are shown on Schedule Nos. 4-A and 4-B. Because a single bill is sent to Long Hammock POA, River Ranch Condominiums, and River Ranch RV park, staff recommended bulk flat rates for those customers based on their respective ERCs, including the irrigation demand.

Staff believes that it is important to implement metered rates in order to encourage water conservation. Staff recommends that the utility meter all water connections and confirm that all meters have been properly calibrated by December 31, 2018, and provide an affidavit within 10 days of completion. Further, the utility should be ordered to provide actual monthly usage data by customer class and meter size on a quarterly basis for a 12-month period beginning January 1, 2019. The utility should also be required to file the quarterly reports by the 20th day of the month subsequent to the end of the quarter. In addition, the utility should be ordered to provide the monthly meter readings to each customer to make sure they are aware of their usage patterns. Upon completion of the 12 months, staff will evaluate the data for purposes of recommending a base facility charge and gallonage charge rate structure to the Commission at a subsequent agenda.

The recommended rate structures and monthly water and wastewater rates are shown on Schedule Nos. 4-A and 4-B. The utility should file revised tariff sheets and a proposed customer notice to reflect the Commission approved rates. The approved rates should 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 approved rates should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The utility should provide proof of the date notice was given within 10 days of the date of the notice.

Furthermore, the utility should provide the additional monthly usage reporting and notification requirements.

Issue 9: What are the appropriate initial customer deposits for River Ranch's water and wastewater systems?

Recommendation: The appropriate initial customer deposits should be \$37 for the single family residential 5/8 inch x 3/4 inch meter size for water and \$45 for the single family residential 5/8 inch x 3/4 inch meter size for wastewater. The initial customer deposits for all other residential meter sizes and all general service meter sizes should be two times the average estimated bill for water and wastewater. The approved initial customer deposits should be effective for connections made on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475, F.A.C. The utility should be required to collect the approved deposits until authorized to change them by the Commission in a subsequent proceeding. (Bruce)

Staff Analysis: Rule 25-30.311, F.A.C., provides the criteria for collecting, administering, and refunding customer deposits. Customer deposits are designed to minimize the exposure of bad debt expense for the utility and, ultimately, the general body of ratepayers. An initial customer deposit ensures that the cost of providing service is recovered from the cost causer. Historically, the Commission has set initial customer deposits equal to two times the average estimated bill.¹² Currently, the utility's initial deposit for single family residential water customers is \$30.54 for the 5/8 inch x 3/4 inch meter size and two times the average estimated bill for the general service customers. For wastewater, the utility's initial deposit for single family residential service is \$32.60 for the 5/8 inch x 3/4 inch meter size and two times the average estimated bill for the general service customers. However, this amount does not cover two months' average bills based on staff's recommended rates. The average monthly bills based on staff's recommended rates are \$18.73 for water and \$22.59 for wastewater.

Staff recommends the appropriate initial customer deposits should be \$37 for the single family residential 5/8 inch x 3/4 inch meter size for water and \$45 for the single family residential 5/8 inch x 3/4 inch meter size for wastewater. The initial customer deposits for all other residential meter sizes and all general service meter sizes should be two times the average estimated bill for water and wastewater. The approved initial customer deposits should be effective for connections made on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475, F.A.C. The utility should be required to collect the approved deposits until authorized to change them by the Commission in a subsequent proceeding.

¹²Order No. PSC-2018-0446-FOF-SU, issued September 4, 2018, in Docket No. 20170141-SU, *In re: Application for increase in wastewater rates in Monroe County by K W Resort Utilities Corp.*

Issue 10: Should River Ranch be authorized to collect Non-Sufficient Funds (NSF) charges?

Recommendation: Yes. However, River Ranch's request to implement a \$26 NSF charge should be denied. River Ranch should be authorized to collect NSF charges set forth in Section 68.065, F.S. The NSF charges should be effective on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), F.A.C. Furthermore, the charges should not be implemented until staff has approved the proposed customer notice. The utility should provide proof of the date the notice was given within 10 days of the date of the notice. (Bruce)

Staff Analysis: Section 367.091, F.S., requires that rates, charges, and customer service policies be approved by the Commission. The Commission has authority to establish, increase, or change a rate or charge. The utility provided cost justification to implement a \$26 NSF charge. Typically, an NSF charge does not require cost justification because the charges are pursuant to Section 68.065, F.S. Staff believes that River Ranch should be authorized to collect NSF charges consistent with Section 68.065, F.S., which allows for the assessment of charges for the collection of worthless checks, drafts, orders of payment, debit card order, or electronic funds transfer. As currently set forth in Section 68.065(2), F.S., the following NSF charges may be assessed:

1. \$25, if the face value does not exceed \$50,
2. \$30, if the face value exceeds \$50 but does not exceed \$300,
3. \$40, if the face value exceeds \$300,
4. Or 5 percent of the face amount of the payment instrument, whichever is greater.

Approval of NSF charges is consistent with prior Commission decisions.¹³ Furthermore, NSF charges place the cost on the cost causer, rather than allowing the costs associated with returned checks to be spread across the general body of ratepayers.

Staff recommends that River Ranch's request to implement a \$26 NSF charge should be denied. River Ranch should be authorized to collect NSF charges set forth in Section 68.065, F.S. The NSF charges should be effective on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), F.A.C. Furthermore, the charges should not be implemented until staff has approved the proposed customer notice. The utility should provide proof of the date the notice was given within 10 days of the date of the notice.

¹³Order No. PSC-2018-0109-TRF-WS, issued February 27, 2018, in Docket No. 20170255-WS, *In re: Request for approval of amendment to tariff to charge miscellaneous service charges and to collect customer deposits in Polk County, by Deer Creek RV Golf & Country Club, Inc.*

Issue 11: Should River Ranch's request to implement a \$6.00 late payment charge be approved?

Recommendation: Yes. River Ranch's request to implement a \$6.00 late payment charge should be approved. The utility should be required to file a proposed customer notice to reflect the Commission-approved charge. The approved charge should be effective on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved charge should not be implemented until staff has approved the proposed customer notice. The utility should provide proof of the date notice was given within 10 days after the date of the notice. (Bruce)

Staff Analysis: The utility requested a \$6.00 late payment charge to recover the cost of labor, supplies, and RAFs associated with processing late payment notices. River Ranch's request for a late payment charge was accompanied by its reasons for requesting the charge as well as the cost justification required by Section 367.091(6), F.S. The purpose of this charge is not only to provide an incentive for customers to make timely payment, thereby reducing the number of delinquent accounts, but also to place the cost burden of processing delinquent accounts solely upon those who are the cost-causers. Section 367.091, F.S., authorizes the Commission to establish, increase, or change a rate or charge other than monthly rates or service availability charges.

River Ranch calculated the actual costs for its late payment charges to be \$6.00. The utility indicated it will take approximately 15 minutes per account to research, compile, and produce late notices. This is consistent with prior Commission decisions where the Commission has allowed 10-15 minutes per account per month for the administrative labor associated with processing delinquent customer accounts.¹⁴ The delinquent customer accounts will be processed by the administrative employee, which results in labor cost of \$5.00 (\$20.00 x 0.25hr) per account. Additionally, the utility requested recovery of the costs of supplies, postage, and RAFs associated with processing delinquent accounts. The utility's calculation for its requested late payment charge is shown in Table 11-1.

**Table 11-1
Late Payment Charge**

Labor	\$5.00
Supplies	\$0.22
Postage	\$0.49
Markup for RAFs	\$0.29
Total Cost	\$6.00

Source: Utility's Cost Justification

¹⁴Order No. PSC-2018-0109-TRF-WS, issued February 27, 2018, in Docket No. 20170255-WS, *In re: Request for approval of amendment to tariff to charge miscellaneous service charges and to collect customer deposits in Polk County, by Deer Creek RV Golf & Country Club, Inc.*

Based on the above, River Ranch's request to implement a \$6.00 late payment charge should be approved. The utility should be required to file a proposed customer notice to reflect the Commission-approved charge. The approved charge should be effective on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved charge should not be implemented until staff has approved the proposed customer notice. The utility should provide proof of the date notice was given within 10 days after the date of the notice.

Issue 12: What are the appropriate miscellaneous service charges for River Ranch?

Recommendation: The miscellaneous service charges identified in Table 12-5 are appropriate and should be approved. The charges should be effective on or after the stamped approval date on the tariffs pursuant to Rule 25-30.475, F.A.C. In addition, the approved charges should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The utility should provide proof of the date notice was given within 10 days of the date of the notice. (Bruce)

Staff Analysis: River Ranch's current miscellaneous service charges were approved on April 18, 2003.¹⁵ Section 367.091, F.S., authorizes the Commission to change miscellaneous service charges. The utility's request to revise its miscellaneous charges was accompanied by its cost justification as required by Section 367.091(6), F.S. The utility's requested miscellaneous service charges reflect the hourly salaries of the administrative and field employees and the average distance traveled by the field employee to administer miscellaneous services during normal and after hours. In its cost justification, the utility indicated that the administrative cost will not be performed after hours. Therefore, the administrative costs after hours will remain the same as normal hours. The calculations for utility's recommended charges for miscellaneous services are shown in Tables 12-1 through 12-4. Staff's recommended miscellaneous service charges are rounded upward to the nearest ten cents and are summarized in Table 12-5.

Initial Connection Charge

The initial connection charge is levied for service initiation at a location where service did not exist previously. A utility representative makes one trip when performing the service of an initial connection. Based on labor and transportation to and from the service territory, staff recommends initial connection charges of \$13.20 for normal hours and \$15.90 for after hours. The utility's calculations are shown in Table 12-1.

Table 12-1
Initial Connection Charge Calculation

Activity	Normal Hours Cost	Activity	After Hours Cost
Administrative Labor \$20.00/hr x 1/4hr	\$5.00	Administrative Labor \$20.00/hr x 1/4hr	\$5.00
Field Labor \$16.22/hr x 1/3hr	\$5.41	Field Labor \$24.33/hr x 1/3hr	\$8.11
Transportation (\$0.54/mile x 5 miles-to/from)	\$2.70	Transportation \$0.54/mile x 5 miles-to/from	\$2.70
Total	\$13.11	Total	\$15.81

Source: Utility's cost justification documentation

¹⁵Order No. PSC-03-0518-FOF-WS, issued April 18, 2003, in Docket No. 20020382-WS, *In re: Application for transfer of facilities and Certificate Nos. 603-W and 519-S in Polk County from New River Ranch L.C. d/b/a River Ranch to River Ranch Water Management, LLC.*

Normal Reconnection Charge

A normal reconnection charge is levied for the transfer of service subsequent to a customer requested disconnection. A normal reconnection requires two trips, which includes one to turn service off and the other to turn service on. Based on labor and transportation to and from the premises, staff recommends that the normal reconnection charge should be \$23.60 for normal hours and \$27.60 for after hours. The utility's calculations are shown in Table 12-2.

Table 12-2
Normal Reconnection Charge Calculation

Activity	Normal Hours Cost	Activity	After Hours Cost
Administrative Labor \$20.00/hr x 1/4hr x 2	\$10.00	Administrative Labor \$20.00/hr x 1/4hr x 2	\$10.00
Field Labor \$16.22/hr x 1/4hr x 2	\$8.11	Field Labor \$24.33/hr x 1/4hr x 2	\$12.17
Transportation \$0.54/mile x 5 miles-to/from x 2	\$5.40	Transportation \$0.54/mile x 5 miles-to/from x 2	\$5.40
Total	\$23.51	Total	\$27.57

Source: Utility's cost justification documentation

Violation Reconnection Charge Calculation

The violation reconnection charge is levied prior to reconnection of an existing customer after discontinuance of service for cause. The service performed for violation reconnection requires two trips, which includes one trip to turn off service and a subsequent trip to turn on service once the violation has been remedied. Based on labor and transportation to and from the service territory, staff recommends violation reconnection charges for River Ranch's water system of \$23.60 for normal hours and \$27.60 for after hours. The violation reconnection charges for the wastewater system should be actual cost, pursuant to Rule 25-30.460(1)(c), F.A.C. The utility's calculations are shown in Table 12-3.

Table 12-3
Violation Reconnection Charge

Activity	Normal Hours Cost	Activity	After Hours Cost
Administrative Labor \$20.00/hr x 1/4hr x 2	\$10.00	Administrative Labor \$20.00/hr x 1/4hr x 2	\$10.00
Field Labor \$16.22/hr x 1/4hr x 2	\$8.11	Field Labor \$24.33/hr x 1/4hr x 2	\$12.17
Transportation \$0.54/mile x 5 miles-to/from x 2	\$5.40	Transportation \$0.54/mile x 5 miles-to/from x 2	\$5.40
Total	\$23.51	Total	\$27.57

Source: Utility's cost justification documentation

Premises Visit Charge

The premises visit charge is levied when a service representative visits premises at the customer's request for complaint resolution and the problem is found to be the customer's responsibility. In addition, the premises visit charge can be levied when a service representative visits a premise for the purpose of discontinuing service for nonpayment of a due and collectible bill, and does not discontinue service because the customer pays the service representative or otherwise makes satisfactory arrangements for payment of the bill. A premises visit requires one trip. Based on labor and transportation to and from the premises, staff recommends a premises visit charge of \$13.20 for normal hours and \$15.90 for after hours. The utility's calculations are shown in Table 12-4.

Table 12-4
Premises Visit Charge Calculation

Activity	Normal Hours Cost	Activity	After Hours Cost
Administrative Labor \$20.00/hr x 1/4hr	\$5.00	Administrative Labor \$20.00/hr x 1/4hr	\$5.00
Field Labor \$16.22/hr x 1/3hr	\$5.41	Field Labor \$24.33/hr x 1/3hr	\$8.11
Transportation \$0.54/mile x 5 miles-to	\$2.70	Transportation \$0.54/mile x 5 miles-to	\$2.70
Total	\$13.11	Total	\$15.90

Source: Utility's cost justification documentation

Table 12-5
Miscellaneous Service Charges

	Current	Staff Recommended	
	Normal and After Hours	Normal Hours	After Hours
Initial Connection Charge	\$15.00	\$13.20	\$15.90
Normal Reconnection Charge	\$15.00	\$23.60	\$27.60
Violation Reconnection Charge (Water Only)	\$15.00	\$23.60	\$27.60
Violation Reconnection Charge (Wastewater Only)	Actual Cost	Actual Cost	
Premises Visit Charge	\$10.00	\$13.20	\$15.90

Based on the above, the miscellaneous service charges identified in Table 12-5 are appropriate and should be approved. The charges should be effective on or after the stamped approval date on the tariffs pursuant to Rule 25-30.475, F.A.C. In addition, the approved charges should not be implemented until staff has approved the proposed customer notice and the notice has been

received by the customers. The utility should provide proof of the date notice was given within 10 days of the date of the notice.

Issue 13: What is the appropriate amount by which the rates should be reduced four years after the published effective date to reflect the removal of the amortized rate case expense as required by Section 367.081(8), F.S.?

Recommendation: The water and wastewater rates for River Ranch should be reduced, as shown on Schedule Nos. 4-A and 4-B, to remove rate case expense grossed-up for RAFs and amortized over a four-year period. The decrease in rates should become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.081(8), F.S. The utility should be required to file revised tariff sheets 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 River Ranch files this reduction in conjunction with a price index or pass-through rate adjustment, separate data should 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. (Bruce, Galloway) (Final Agency Action)

Staff Analysis: The water and wastewater rates for River Ranch should be reduced immediately following the expiration of the four-year rate case expense recovery period by the amount of the rate case expense previously included in the rates, pursuant to Section 367.081(8), F.S. The reduction will reflect the removal of revenues associated with the amortization of rate case expense and the gross-up for RAFs which is \$821 for water and \$618 for wastewater. Using the utility's current revenues, expenses, and customer base, the reduction in revenues will result in the rate decrease shown on Schedule Nos. 4-A and 4-B.

The utility should be required to file revised tariff sheets 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 River Ranch files this reduction in conjunction with a price index or pass-through rate adjustment, separate data should 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.

Issue 14: Should the recommended rates be approved for River Ranch on a temporary basis, subject to refund, in the event of a protest filed by a party other than the utility?

Recommendation: Yes. Pursuant to Section 367.0814(7), F.S., the recommended rates should be approved for the utility on a temporary basis, subject to refund, in the event of a protest filed by a party other than the utility. The utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should 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 should not be implemented until staff has approved the proposed notice, and the notice has been received by the customers. Prior to implementation of any temporary rates, the utility should provide appropriate security. If the recommended rates are approved on a temporary basis, the rates collected by the utility should be subject to the refund provisions discussed below in the staff analysis. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., the utility should file reports with the Commission 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 should also indicate the status of the security being used to guarantee repayment of any potential refund. (Galloway) (Final Agency Action)

Staff Analysis: This recommendation proposes 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, staff recommends that the recommended rates be approved as temporary rates. The utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should 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 should not be implemented until staff has approved the proposed notice, and the notice has been received by the customers. The recommended rates collected by the utility should be subject to the refund provisions discussed below.

The utility should be authorized to collect the temporary rates upon staff's approval of an appropriate security for the potential refund and the proposed customer notice. Security should be in the form of a bond or letter of credit in the amount of \$63,546. Alternatively, the utility could establish an escrow agreement with an independent financial institution.

If the utility chooses a bond as security, the bond should 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 should 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 should 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 should the maintenance and administrative costs associated with the refund be borne by the customers. These costs are the responsibility of, and should 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 should be maintained by the utility. If a refund is ultimately required, it should be paid with interest calculated pursuant to Rule 25-30.360(4), F.A.C.

The utility should 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 should file reports with the Commission 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 should also indicate the status of the security being used to guarantee repayment of any potential refund.

Issue 15: Should the utility be required to notify the Commission, in writing, that it has adjusted its books in accordance with the Commission's decision?

Recommendation: Yes. River Ranch should be required to notify the Commission, in writing, that it has adjusted its books in accordance with the Commission's decision. River Ranch should submit a letter within 90 days of the final order in this docket, confirming that the adjustments to all applicable National Association of Regulatory Commissioners (NARUC) Uniform System of Accounts (USOA) primary accounts have been made to the utility's books and records. In the event the utility needs additional time to complete the adjustments, notice should be provided not less than seven days prior to the deadline. Upon providing good cause, staff should be given administrative authority to grant an extension of up to 60 days. (Galloway) (Final Agency Action)

Staff Analysis: River Ranch should be required to notify the Commission, in writing, that it has adjusted its books in accordance with the Commission's decision. River Ranch should submit a letter within 90 days of the final order in this docket, confirming that the adjustments to all the applicable NARUC USOA primary accounts have been made to the utility's books and records. In the event the utility needs additional time to complete the adjustments, notice should be provided not less than seven days prior to the deadline. Upon providing good cause, staff should be given administrative authority to grant an extension of up to 60 days.

Issue 16: Should this docket be closed?

Recommendation: No. If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, a consummating order should be issued. The docket should remain open for staff's verification that the revised tariff sheets and customer notice have been filed by the utility and approved by staff, and the utility has provided staff with proof that the adjustments for all the applicable NARUC USOA primary accounts have been made. Also, this docket should remain open to allow the utility to provide the recommended reporting information and to allow staff to bring this item back to the Commission for further action upon evaluation of the 12 months of monthly usage data. (DuVal, Dziechciarz)

Staff Analysis: If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, a consummating order should be issued. The docket should remain open for staff's verification that the revised tariff sheets and customer notice have been filed by the utility and approved by staff, and the utility has provided staff with proof that the adjustments for all the applicable NARUC USOA primary accounts have been made. Also, this docket should remain open to allow the utility to provide the recommended reporting information and to allow staff to bring this item back to the Commission for further action upon evaluation of the 12 months of monthly usage data.

RIVER RANCH WATER MANAGEMENT, L.L.C.		SCHEDULE NO. 1-A	
TEST YEAR ENDED SEPTEMBER 30, 2017		DOCKET NO. 20170219-WS	
SCHEDULE OF WATER RATE BASE			
DESCRIPTION	BALANCE PER UTILITY	STAFF ADJUSTMENTS TO UTIL. BAL.	BALANCE PER STAFF
UTILITY PLANT IN SERVICE	\$1,824,134	(\$578,158)	\$1,245,976
LAND & LAND RIGHTS	160	0	160
CIAC	(524,938)	0	(524,938)
ACCUMULATED DEPRECIATION	(718,063)	162,537	(555,526)
AMORTIZATION OF CIAC	464,260	0	464,260
WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>9,410</u>	<u>9,410</u>
WATER RATE BASE	<u>\$1,045,553</u>	<u>(\$406,210)</u>	<u>\$639,343</u>

RIVER RANCH WATER MANAGEMENT, L.L.C.		SCHEDULE NO. 1-B	
TEST YEAR ENDED SEPTEMBER 30, 2017		DOCKET NO. 20170219-WS	
SCHEDULE OF WASTEWATER RATE BASE			
DESCRIPTION	BALANCE PER UTILITY	STAFF ADJUSTMENTS TO UTIL. BAL.	BALANCE PER STAFF
UTILITY PLANT IN SERVICE	\$1,925,109	(\$407,179)	\$1,517,930
LAND & LAND RIGHTS	500	0	500
CIAC	(665,542)	0	(665,542)
ACCUMULATED DEPRECIATION	(1,281,819)	262,149	(1,019,670)
AMORTIZATION OF CIAC	526,382	0	526,382
WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>15,675</u>	<u>15,675</u>
WASTEWATER RATE BASE	<u>\$504,630</u>	<u>(\$129,355)</u>	<u>\$375,275</u>

RIVER RANCH WATER MANAGEMENT, L.L.C. TEST YEAR ENDED SEPTEMBER 30, 2017 ADJUSTMENTS TO RATE BASE		SCHEDULE NO. 1-C DOCKET NO. 20170219-WS	
	<u>WATER</u>	<u>WASTEWATER</u>	
<u>UTILITY PLANT IN SERVICE</u>			
1. To reflect audit adjustments.	(\$90,893)	(\$351,311)	
2. To remove property held for future use that was recorded in Acct. No. 380.		(\$46,765)	
3. To reflect unrecorded retirements associated with Acct. No. 330.	(\$424,657)		
4. To reflect unrecorded retirements associated with Acct. No. 335.	(25,605)		
5. To remove invoices that are not related to water plant project.	(56,480)		
6. To reflect pro forma meters.	39,815		
7. To reflect retirement associated with pro forma meters.	(20,337)		
8. To reflect an averaging adjustment.	0	(9,103)	
Total	<u>(\$578,158)</u>	<u>(\$407,179)</u>	
<u>ACCUMULATED DEPRECIATION</u>			
1. To reflect appropriate accumulated depreciation.	(\$50,085)	\$244,793	
2. To reflect accumulated depreciation associated with unrecorded retirements to Acct. No. 330.	146,044		
3. To reflect accumulated depreciation associated with unrecorded retirements to Acct. No. 335.	25,605		
4. To reflect the net accumulated depreciation associated with pro forma meters.	20,910		
5. To reflect an averaging adjustment.	<u>20,062</u>	<u>17,356</u>	
Total	<u>\$162,537</u>	<u>\$262,149</u>	
<u>WORKING CAPITAL ALLOWANCE</u>			
To reflect 1/8 of test year O & M expenses.	<u>\$9,410</u>	<u>\$15,675</u>	

RIVER RANCH WATER MANAGEMENT, L.L.C. TEST YEAR ENDED SEPTEMBER 30, 2017 SCHEDULE OF CAPITAL STRUCTURE						SCHEDULE NO. 2 DOCKET NO. 20170219-WS		
CAPITAL COMPONENT	PER UTILITY (YEAR END)	STAFF ADJUST- MENTS	TEST YEAR BALANCE PER STAFF	ADJUSTMENTS TO RECONCILE TO RATE BASE	RECONCILED CAPITAL STRUCTURE PER STAFF	PERCENT OF TOTAL	COST	WEIGHTED COST
1. COMMON STOCK	\$398,062	\$0	\$398,062	92,503	490,565			
2. CAPITAL STOCK	\$0	0	\$0	0	0			
3. RETAINED EARNINGS	(689,383)	0	(689,383)	(160,201)	(849,584)			
4. OTHER PAID IN CAPITAL	869,894	0	869,894	202,149	1,072,043			
5. OTHER COMMON EQUITY	<u>0</u>	<u>244,724</u>	<u>244,724</u>	<u>56,870</u>	<u>301,594</u>			
TOTAL COMMON EQUITY	\$578,573	\$244,724	\$823,297	\$191,321	\$1,014,618	100.00%	8.11%	8.11%
6. LONG-TERM DEBT	\$244,724	(\$244,724)	\$0	\$0	0	0.00%	4.00%	0.00%
7. SHORT-TERM DEBT	0	0	0	0	0	0.00%	0.00%	0.00%
8. PREFERRED STOCK	0	0	0	0	0	0.00%	0.00%	0.00%
TOTAL DEBT	\$244,724	(\$244,724)	\$0	\$0	\$0	0.00%	4.00%	0.00%
9. CUSTOMER DEPOSITS	0	0	0	0	0	0.00%	2.00%	0.00%
10. TOTAL	<u>\$823,297</u>	<u>\$0</u>	<u>\$823,297</u>	<u>\$191,321</u>	<u>\$1,014,618</u>	<u>100.00%</u>		<u>8.11%</u>
RANGE OF REASONABLENESS						LOW	HIGH	
RETURN ON EQUITY						<u>7.11%</u>	<u>9.11%</u>	
OVERALL RATE OF RETURN						<u>7.11%</u>	<u>9.11%</u>	

RIVER RANCH WATER MANAGEMENT, L.L.C. TEST YEAR ENDED SEPTEMBER 30, 2017 SCHEDULE OF WATER OPERATING INCOME			SCHEDULE NO. 3-A DOCKET NO. 20170219-WS		
	TEST YEAR PER UTILITY	STAFF ADJUSTMENTS	STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. OPERATING REVENUES	<u>\$135,486</u>	<u>\$1,819</u>	<u>\$137,305</u>	<u>\$33,775</u> 24.60%	<u>\$171,080</u>
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	\$115,475	(\$39,407)	\$76,068	\$0	\$76,068
3. DEPRECIATION	30,269	10,429	40,698	0	40,698
4. AMORTIZATION	(8,634)	0	(8,634)	0	(8,634)
5. TAXES OTHER THAN INCOME	8,330	1,247	9,577	1,520	11,097
6. INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
7. TOTAL OPERATING EXPENSES	<u>\$145,440</u>	<u>(\$27,731)</u>	<u>\$117,709</u>	<u>\$1,520</u>	<u>\$119,229</u>
8. OPERATING INCOME/(LOSS)	<u>(\$9,954)</u>		<u>\$19,596</u>		<u>\$51,851</u>
9. WATER RATE BASE	<u>\$1,045,553</u>		<u>\$639,343</u>		<u>\$639,343</u>
10. RATE OF RETURN	<u>(0.95%)</u>		<u>3.07%</u>		<u>8.11%</u>

RIVER RANCH WATER MANAGEMENT, L.L.C.				SCHEDULE NO. 3-B	
TEST YEAR ENDED SEPTEMBER 30, 2017				DOCKET NO. 20170219-WS	
SCHEDULE OF WASTEWATER OPERATING INCOME					
	TEST YEAR PER UTILITY	STAFF ADJUSTMENTS	STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
OPERATING REVENUES	<u>\$165,612</u>	<u>\$2,214</u>	<u>\$167,826</u>	<u>\$60,303</u> 35.93%	<u>\$228,129</u>
OPERATING EXPENSES:					
OPERATION & MAINTENANCE	\$137,814	(\$11,826)	\$125,988	\$0	\$125,988
DEPRECIATION (NET)	86,506	(15,162)	71,344	0	71,344
AMORTIZATION	(10,880)	0	(10,880)	0	(10,880)
TAXES OTHER THAN INCOME	9,486	(\$958)	8,528	2,714	11,242
INCOME TAXES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL OPERATING EXPENSES	<u>\$222,926</u>	<u>(\$27,946)</u>	<u>\$194,980</u>	<u>\$2,714</u>	<u>\$197,694</u>
OPERATING INCOME/(LOSS)	<u>(\$57,314)</u>		<u>(\$27,154)</u>		<u>\$30,435</u>
WASTEWATER RATE BASE	<u>\$504,630</u>		<u>\$375,275</u>		<u>\$375,275</u>
RATE OF RETURN	<u>(11.36%)</u>		<u>(7.24%)</u>		<u>8.11%</u>

RIVER RANCH WATER MANAGEMENT, L.L.C.		Schedule No. 3-C	
TEST YEAR ENDED SEPTEMBER 30, 2017		DOCKET NO. 20170219-WS	
ADJUSTMENTS TO OPERATING INCOME		Page 1 of 2	
		<u>WATER</u>	<u>WASTEWATER</u>
OPERATING REVENUES			
1. To reflect the appropriate test year services revenues.		<u>\$1,819</u>	<u>\$2,214</u>
Subtotal		<u>\$1,819</u>	<u>\$2,214</u>
OPERATION AND MAINTENANCE EXPENSES			
1. Salaries and Wages - Employees (601/701)			
a. To reflect appropriate amount of salaries expense		<u>(\$14,431)</u>	<u>(\$14,431)</u>
2. Employee Pensions and Benefits (604/704)			
a. To reflect appropriate amount of benefits as shown on 2016 W-2		<u>(\$1,283)</u>	<u>(\$1,283)</u>
3. Purchased Power (615/715)			
a. To reflect appropriate test year purchased power expense.		<u>\$5,438</u>	<u>(\$1,811)</u>
4. Chemicals (618/718)			
a. To reflect appropriate amount of test year chemicals expense as provided by invoices.		<u>(\$17,691)</u>	<u>\$19,619</u>
5. Materials and Supplies (620/720)			
a. Reclassify Florida Rural Water Association dues to Acct. No. 675.		<u>(\$168)</u>	<u>(\$168)</u>
6. Contractual Services - Professional (631/731)			
a. To reflect reclassification and removal from Improper Class B account 632/732 from general ledger.		<u>(\$5,700)</u>	<u>(\$5,700)</u>
b. To reflect appropriate outside accounting expense as provided by invoices.		<u>3,600</u>	<u>3,600</u>
Subtotal		<u>(\$2,100)</u>	<u>(\$2,100)</u>
7. Contractual Services - Other (636/736)			
a. To reflect appropriate amount as provided by invoices and removing unsupported amount.		<u>(\$2,508)</u>	<u>(\$3,433)</u>
8. Rents (640/740)			
a. To reclassify from improper Class B account 642/742 and remove out of period invoice for equipment rental.		<u>(\$4,445)</u>	<u>(\$4,445)</u>
b. To reflect appropriate test year rent expense.		<u>2,617</u>	<u>2,617</u>
Subtotal		<u>(\$1,828)</u>	<u>(\$1,828)</u>
9. Transportation Expense (650/750)			
a. To reflect unrecorded invoice.		<u>\$12</u>	<u>\$12</u>

RIVER RANCH WATER MANAGEMENT, L.L.C.		Schedule No. 3-C	
TEST YEAR ENDED SEPTEMBER 30, 2017		DOCKET NO. 20170219-WS	
ADJUSTMENTS TO OPERATING INCOME		Page 2 of 2	
10. Insurance Expenses (655/755)			
a. To record unrecorded liability insurance that was granted in Order No. PSC-2003-0740-PAA-WS.		\$600	\$600
11. Regulatory Commission Expense (665/765)			
a. To remove and reclassify regulatory assessment fees to taxes other than income.		(\$6,095)	(\$7,456)
b. To reflect appropriate amortized rate case expense.		784	590
Subtotal		(\$5,311)	(\$6,866)
12. Bad Debt Expense (670/770)			
a. To reflect appropriate test year bad debt expense.		(\$221)	(\$221)
13. Miscellaneous Expense (675/775)			
a. To reflect appropriate amount paid for Florida Rural Water Association dues reclassified from Account 620/720.		\$85	\$85
TOTAL OPERATION & MAINTENANCE ADJUSTMENTS		(\$39,407)	(\$11,826)
DEPRECIATION EXPENSE			
1. To reflect test year depreciation calculated per Rule 25-30.140, F.A.C.		\$9,856	(\$15,162)
2. To reflect depreciation expense associated with pro forma meters.		573	0
Total		\$10,429	(\$15,162)
TAXES OTHER THAN INCOME			
1. To reflect the appropriate test year utility property taxes.		(\$262)	(\$101)
2. To reflect appropriate test year utility tangible taxes.		2,097	0
3. To reflect appropriate test year regulatory assessment fees (RAFTs)		83	96
4. To reflect appropriate test year utility payroll taxes.		(953)	(953)
5. To reflect appropriate taxes associated with pro forma meters.		282	0
Total		\$1,247	(\$958)

RIVER RANCH WATER MANAGEMENT, L.L.C.			
TEST YEAR ENDED SEPTEMBER 30, 2017			
DOCKET NO. 20170219-WS			
SCHEDULE NO. 3-D			
ANALYSIS OF WATER OPERATION AND MAINTENANCE EXPENSE			
TOTAL	STAFF	PER	UTILITY
PER	ADJUST-	ADJUST-	STAFF
STAFF	STAFF	STAFF	STAFF
(601) SALARIES AND WAGES - EMPLOYEES	\$24,655	(\$14,431)	\$10,224
(603) SALARIES AND WAGES - OFFICERS	0	0	0
(604) EMPLOYEE PENSIONS AND BENEFITS	2,970	(1,283)	1,687
(610) PURCHASED WATER	0	0	0
(615) PURCHASED POWER	12,367	5,438	17,805
(616) FUEL FOR POWER PRODUCTION	0	0	0
(618) CHEMICALS	33,036	(17,691)	15,345
(620) MATERIALS AND SUPPLIES	236	(168)	68
(630) CONTRACTUAL SERVICES - BILLING	0	0	0
(631) CONTRACTUAL SERVICES - PROFESSIONAL	5,700	(2,100)	3,600
(635) CONTRACTUAL SERVICES - TESTING	1,847	0	1,847
(636) CONTRACTUAL SERVICES - OTHER	21,554	(2,508)	19,046
(640) RENTS	4,445	(1,828)	2,617
(650) TRANSPORTATION EXPENSE	153	12	165
(655) INSURANCE EXPENSE	620	600	1,220
(665) REGULATORY COMMISSION EXPENSE	6,095	(5,311)	784
(670) BAD DEBT EXPENSE	265	(221)	44
(675) MISCELLANEOUS EXPENSE	1,532	85	1,617
	\$115,475	(\$39,407)	\$76,068

RIVER RANCH WATER MANAGEMENT, L.L.C.			
SCHEDULE NO. 3-E			
TEST YEAR ENDED SEPTEMBER 30, 2017			
DOCKET NO. 20170219-WS			
ANALYSIS OF WASTEWATER OPERATION AND MAINTENANCE EXPENSE			
TOTAL	STAFF	ADJUST-	PER
TOTAL	PER	MENT	STAFF
(701) SALARIES AND WAGES - EMPLOYEES	\$24,655	(\$14,431)	\$10,224
(703) SALARIES AND WAGES - OFFICERS	0	0	0
(704) EMPLOYEE PENSIONS AND BENEFITS	2,970	(1,283)	1,687
(710) PURCHASED SEWAGE TREATMENT	0	0	0
(711) SLUDGE REMOVAL EXPENSE	0	0	0
(715) PURCHASED POWER	21,794	(1,811)	19,983
(716) FUEL FOR POWER PRODUCTION	0	0	0
(718) CHEMICALS	32,623	19,619	52,242
(720) MATERIALS AND SUPPLIES	168	(168)	0
(730) CONTRACTUAL SERVICES - BILLING	0	0	0
(731) CONTRACTUAL SERVICES - PROFESSIONAL	5,700	(2,100)	3,600
(735) CONTRACTUAL SERVICES - TESTING	2,750	0	2,750
(736) CONTRACTUAL SERVICES - OTHER	33,883	(3,433)	30,450
(740) RENTS	4,445	(1,828)	2,617
(750) TRANSPORTATION EXPENSE	153	12	165
(755) INSURANCE EXPENSE	620	600	1,220
(765) REGULATORY COMMISSION EXPENSES	7,456	(6,866)	590
(770) BAD DEBT EXPENSE	265	(221)	44
(775) MISCELLANEOUS EXPENSE	332	85	417
	<u>\$137,814</u>	<u>(\$11,826)</u>	<u>\$125,988</u>

RIVER RANCH WATER MANAGEMENT, LLC		SCHEDULE NO. 4-A	
TEST YEAR ENDED SEPTEMBER 30, 2017		DOCKET NO. 20170219-WS	
MONTHLY WATER RATES			
	RATES AT TIME OF FILING	STAFF RECOMMENDED RATES	4 YEAR RATE REDUCTION
<u>Residential Flat Rate</u>			
Single Family Residential Homes	\$15.85	\$18.73	\$0.09
<u>General Service Flat Rate</u>			
River Ranch Chapel	\$39.62	\$46.83	\$0.22
Westgate Properties	\$1,141.19	\$1,657.61	\$7.95
Long Hammock POA	\$1,508.92	\$1,929.19	\$9.26
River Ranch Condominiums	\$2,434.56	\$3,191.59	\$15.32
River Ranch RV Park	\$5,287.54	\$6,210.87	\$29.81

RIVER RANCH WATER MANAGEMENT, LLC		SCHEDULE NO. 4-B	
TEST YEAR ENDED SEPTEMBER 30, 2017		DOCKET NO. 20170219-WS	
MONTHLY WASTEWATER RATES			
	RATES AT TIME OF FILING	STAFF RECOMMENDED RATES	4 YEAR RATE REDUCTION
<u>Residential Flat Rate</u>			
Single Family Residential Homes	\$17.16	\$22.59	\$0.06
<u>General Service Flat Rate</u>			
River Ranch Chapel	\$17.16	\$22.59	\$0.06
Westgate Properties	\$1,218.42	\$1,818.50	\$4.93
Long Hammock POA	\$2,042.04	\$2,710.80	\$7.34
River Ranch Condominiums	\$3,294.72	\$4,585.77	\$12.42
River Ranch RV Park	\$6,297.72	\$8,403.48	\$22.76

Item 18

State of Florida



FILED 10/18/2018
DOCUMENT NO. 06650-2018
FPSC - COMMISSION CLERK

Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: October 18, 2018

TO: Docket No. 20180161-WS – Application for approval of tariff for the gross-up of CIAC for water and wastewater rates in Polk County, by Gold Coast Utility Corp.

FROM: Carlotta S. Stauffer, ^{cm}Commission Clerk, Office of Commission Clerk

RE: Rescheduled Commission Conference Agenda Item

Staff's memorandum assigned DN 06285-2018 was filed on September 28, 2018, for the October 11, 2018 Commission Conference.

Due to the approach of Hurricane Michael and its potential threat to areas throughout the State of Florida, the Commission's Conference set for Thursday, October 11, 2018, was cancelled. Dockets scheduled for consideration at that conference were deferred to the October 30, 2018, Commission Conference.

Accordingly, this item has been placed on the agenda for the October 30, 2018 Commission Conference, and staff's previously filed memorandum is attached.

/css

Attachment

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: September 28, 2018

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Economics (Bethea, Hudson) *TSB*
Division of Accounting and Finance (Cicchetti) *ME*
Office of the General Counsel (Crawford) *JS*

RE: Docket No. 20180161-WS – Application for approval of tariff for the gross-up of CIAC for water and wastewater rates in Polk County, by Gold Coast Utility Corp.

AGENDA: 10/11/18 – Regular Agenda – Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 10/30/18 (60-Day Suspension Date)

SPECIAL INSTRUCTIONS: None

RECEIVED-FPSC
2018 SEP 28 AM 8:55
COMMISSION
CLERK

Case Background

Gold Coast Utility Corp. (GCUC or utility) is a Class B utility providing water and wastewater services in Polk County to approximately 220 water and 204 wastewater customers. The utility reported in its 2017 annual report operating revenues in the amount of \$276,908 for water and \$437,106 for wastewater. The utility collected contributions in aid of construction (CIAC) in the amount of \$1,100 for water and \$0 for wastewater in 2017.

On August 31, 2018, the utility filed an application for approval of a tariff to allow for gross-up of CIAC. As discussed in Issue 1 below, the utility indicated that the change in tax law may cause it to risk the loss of its opportunity to earn a reasonable return on its used and useful property if it is not allowed to collect the tax impact on receipt of CIAC. This recommendation addresses the utility's request for approval of gross-up tariffs related to changes in the federal tax code effective in 2018. Any potential refund related to the change in the federal tax rate currently

Docket No. 20180161-WS

Date: September 28, 2018

embedded in the utility's rates is outside of this recommendation and will be addressed in the generic Docket No. 20180013-PU.¹ The Commission has jurisdiction pursuant to Sections 367.081 and 367.091, Florida Statutes (F.S.).

¹Docket No. 20180013-PU, *In re: Petition to establish generic docket to investigate and adjust rates for 2018 tax savings*, by Office of Public Counsel.

Discussion of Issues

Issue 1: Should GCUC's request for approval of a tariff to allow the gross-up of CIAC be approved?

Recommendation: Yes, the tariffs filed on August 31, 2018, should be approved. The utility should provide notice to all persons in the service areas included in the application who have filed a written request for service or who have been provided a written estimate for service within the 12 calendar months prior to the month the application was filed. The approved gross-up charges should be effective for connections made on or after the stamped approval date on the tariff sheets. The utility should provide proof of noticing within 10 days of rendering its approved notice. (Bethea, Hudson, Cicchetti)

Staff Analysis: Effective January 1, 2018, the Federal Tax Cuts and Jobs Act amended Section 118 of the Internal Revenue Code. Prior to the amendments, CIAC was exempt from taxable gross income for water and wastewater utilities. As a result of the amendments, both cash and property CIAC are now taxable gross income for water and wastewater utilities. In recognition of this change in the tax law, the Commission has opened Docket No. 20180013-PU, *In re: Petition to establish a generic docket to investigate and adjust rates for 2018 tax savings by Office of Public Counsel* to address the potential rate impacts on regulated electric, gas, water, and wastewater utilities.

A similar law, the Tax Reform Act of 1986, became effective in 1987.² In Docket No. 19860184-PU, the Commission found that it was appropriate to allow water and wastewater utilities to recover the tax on CIAC from the contributor, including the tax associated with the additional tax that would also become taxable income. For those utilities that were approved to collect the gross-up on CIAC, the gross-up amounts collected were held subject to refund and were evaluated on a case-by-case basis as to whether any refunds were subsequently required.

On August 31, 2018, the utility filed a tariff (Attachment A) to gross-up cash service availability charges and property contributions to recover the federal and state corporate income taxes associated with those contributions. According to the utility, GCUC could risk loss of its opportunity to earn a reasonable return on its property used and useful in the public service if it is not allowed to collect the tax impact on receipt of CIAC.³

The tariff recognizes that, for depreciable property, depreciation expense is tax deductible and the utility's tax liability will be reduced by depreciation claimed for tax purposes. The proposed tariff is mathematically the same, regarding the gross-up for taxes, as the tariff approved by the Commission following the hearing in Docket No. 19860184-PU.⁴ Because the proposed tariff accurately depicts the utility's expected tax expense associated with CIAC, staff believes no

²The amendment was repealed in 1996.

³According to the 2017 Annual Report, Gold Coast Utilities Corp. collected approximately \$1,100 in water and \$0 in wastewater service for cash and property CIAC.

⁴Order No. 23541, issued October 1, 1990, in Docket No. 860184-PU, *In re: Request by Florida Waterworks Association for investigation of proposed repeal of Section 118(b), Internal Revenue Code [Contributions-in-aid-of-construction]*.

further Commission action would be required once the gross-up formula has been approved. The proposed tariff is the same as those approved in Order No. PSC-2018-0330-TRF-WS in Docket No. 20180042-WS, Order No. PSC-2018-0331-TRF-WS in Docket No. 20180059-WS, and Order No. PSC-2018-0269-TRF-WS in Docket No. 20180100-WS.⁵

Based on the above, staff recommends that the tariffs should be approved. The approved gross-up charges should be effective for connections made on or after the stamped approval date on the tariff sheets. The utility should provide notice to all persons in the service areas included in the application who have filed a written request for service or who have been provided a written estimate for service within the 12 calendar months prior to the month the application was filed. The utility should provide proof of noticing within 10 days of rendering its approved notice.

⁵ Order No. PSC-2018-0330-TRF-WS, issued June 27, 2018, in Docket No. 20180042-WS, *In re: Application for approval of tariff for the gross-up of CIAC in Martin County by Indiantown Company, Inc.*; Order No. PSC-2018-0331-TRF-WS, issued June 27, 2018, in Docket No. 20180059-WS, *In re: Application for approval of tariff for the gross-up of CIAC in Escambia County by Peoples Water Service Company of Florida, Inc.*; and Order No. PSC-2018-0269-TRF-WS, issued May 30, 2018, in Docket No. 20180100-WS, *In re: Application for approval of tariff for the gross-up of CIAC for water rates in Lee County and wastewater rates in Pasco County, by Ni Florida, LLC.*

Issue 2: Should this docket be closed?

Recommendation: If a protest is filed by a substantially affected person within 21 days of issuance of the order, the tariffs should remain in effect, with any revenues held subject to refund, pending resolution of the protest. If no timely protest is filed, the order should become final upon the issuance of a consummating order. However, the docket should remain open to allow staff to verify that the appropriate notice has been filed by the utility and approved by staff. Once the utility has provided proof of noticing, the docket should be closed administratively. (Crawford)

Staff Analysis: If a protest is filed by a substantially affected person within 21 days of issuance of the order, the tariffs should remain in effect, with any revenues held subject to refund, pending resolution of the protest. If no timely protest is filed, the order should become final upon the issuance of a consummating order. However, the docket should remain open to allow staff to verify that the appropriate notice has been filed by the utility and approved by staff. Once the utility has provided proof of noticing, the docket should be closed administratively.

GOLD COAST UTILITY CORP.
WATER TARIFF

ORIGINAL SHEET NO. 18.1

Income Taxes Related to Cash and Property Contributions-in-Aid-of-Construction

The utility may gross-up cash service availability charges and property contributions-in-aid-of-construction in order to recover the federal and state corporate income taxes associated with these contributions. The formula to be used to gross-up cash service availability charges and contributed property are as follows:

TAX IMPACT = Full Gross Up:

Depreciable Plant:

For utilities using straight-line depreciation for tax purposes, the gross-up formula shall be:

$$((CP - (CP * (1/TL) * .5)) * (CTR/(1-CTR)))$$

For utilities using an accelerated rate of depreciation for tax purposes, the gross-up formula shall

be: $(CP - ((CP * AR) * .5)) * (CTR/(1-CTR))$

Land (and Cash): $CL * (CTR/(1-CTR))$

Where:

CP = Contributed Plant

TL = Tax Life of Contributed Plant

AR = First Year Accelerated Depreciation Rate for Tax Purposes

CTR = Combined Federal (FT) and State (ST) Income Tax Rate. ST+FT (1-ST)

CL = Contributed land (and Contributed Cash)

KEITH BURGE
ISSUING OFFICER

DIRECTOR OF UTILITY OPERATIONS
TITLE

GOLD COAST UTILITY CORP.
WASTEWATER TARIFF

ORIGINAL SHEET NO. 17.1

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CTR = Combined Federal (FT) and State (ST) Income Tax Rate. $ST+FT (1-ST)$

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KEITH BURGE
ISSUING OFFICER

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TITLE