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Commission Conference Agenda
April 2, 2024

Item 1

FILED 3/21/2024
DOCUMENT NO. 01251-2024
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: March 21, 2024

TO: Office of Commission Clerk (Teitzman)

FROM: Office of Industry Development and Market Analysis (Mallow, Deas) CH
Office of the General Counsel (Marquez, Sparks) AEH

RE: Application for Certificate of Authority to Provide Telecommunications Service

AGENDA: 4/2/2024 - Consent Agenda - Proposed Agency Action - Interested Persons May Participate

SPECIAL INSTRUCTIONS: None

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

DOCKET NO.	COMPANY NAME	CERT. NO.
20240029-TX	CBN-Volusia, Inc.	8989
20240040-TX	Virtu Broadband, LLC	8991
20240041-TX	United Data Technologies, Inc. d/b/a UDT	8990

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 entities listed above for payment by January 30.

Item 2

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: March 21, 2024

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Accounting and Finance (Higgins, G. Kelley, Zaslow) ALM
Division of Economics (Hampson, P. Kelley) EJD
Office of the General Counsel (Brownless, Sandy) JSC

RE: Docket No. 20240001-EI – Fuel and purchased power cost recovery clause with generating performance incentive factor.

AGENDA: 04/02/24 – Regular Agenda – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Passidomo

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Case Background

On March 13, 2024, Florida Power & Light Company (FPL or Company), filed for revision of its currently-effective 2024 fuel cost recovery factors (MCC Petition).[1] FPL's currently-effective 2024 fuel factors were approved last year at the November 1, 2023 final hearing.[2] Underlying the approval of FPL's 2024 fuel factors was the Florida Public Service Commission's (Commission) review of the Company's projected 2024 fuel- and capacity-related costs. These costs are recovered through fuel and capacity cost recovery factors that are set/reset annually in this docket.

[1]Document No. 01142-2024.
[2]Order No. PSC-2023-0343-FOF-EI, issued November 16, 2023, in Docket No. 20230001-EI, *In re: Fuel and purchased power cost recovery clause with generating performance incentive factor*.

Mid-Course Corrections

Mid-course corrections are used by the Commission between annual clause hearings whenever costs deviate from revenue by a significant margin. Under Rule 25-6.0424, Florida Administrative Code (F.A.C.), which is commonly referred to as the "mid-course correction rule," a utility must notify the Commission whenever it expects to experience an under- or over-recovery of certain service costs greater than 10 percent. The notification of a 10 percent cost-to-revenue variance shall include a petition for mid-course correction to the fuel cost recovery or capacity cost recovery factors, or shall include an explanation of why a mid-course correction is not practical. The mid-course correction rule and its codified procedures are further discussed throughout this recommendation.

FPL's Petition

In its MCC Petition, the Company currently estimates a net $661,767,174 million reduction in fuel-related costs for the 2024 period relative to its previous estimate. FPL is proposing to apply this cost reduction to the time period May 2024 through December 2024, thereby reducing fuel cost recovery factors for the remainder of the year. Thus, the Company is requesting that its revised fuel cost recovery factors and associated tariff become effective beginning with the first billing cycle of May 2024. The proposed effective date is further discussed in both Issues 1 and 2.

The Commission is vested with jurisdiction over the subject matter of this proceeding by the provisions of Chapter 366, Florida Statutes (F.S.), including Sections 366.04, 366.05, and 366.06, F.S.

Discussion of Issues

Issue 1: Should the Commission modify FPL's currently-authorized fuel cost recovery factors for the purpose of incorporating its projected 2024 fuel cost reduction?

Recommendation: Yes. Staff recommends the Commission authorize adjustments to FPL's fuel cost recovery factors for the purpose of incorporating the Company's projected net 2024 fuel cost reduction. Accordingly, FPL's currently-authorized 2024 fuel cost recovery factors should be reduced by $661,767,174. (G. Kelley, Zaslow, Higgins)

Staff Analysis: FPL participated in the Commission's most-recent fuel hearing which took place on November 1, 2023. The fuel order stemming from this proceeding set forth the Company's fuel and capacity cost recovery factors effective with the first billing cycle of January 2024.[3] This Order also authorized changes to FPL's fuel cost recovery factors coinciding with the in-service of the 2024 Solar Base Rate Adjustment Project (2024 SoBRA Project).[4] The Company's 2024 SoBRA Project-related generating plants went into service as anticipated or prior to the planned February 2024 completion date; thus, FPL's current fuel cost recovery factors became effective at that time.

FPL Fuel and Purchased Power Mid-Course Correction

FPL filed for a mid-course correction of its fuel charges on March 13, 2024.[5] The Company's MCC Petition and supporting documentation satisfies the filing requirements of Rule 25-6.0424(1)(b), F.A.C.

In accordance with the noticing requirement of Rule 25-6.0424(2), F.A.C., FPL filed a letter on January 11, 2024, informing the Commission that it was projecting an over-recovery position of greater than 10 percent for the current period ending December 31, 2024.[6] The main factors influencing the decline in actual and projected natural gas prices in 2024 are elevated quantities of natural gas in storage and milder weather compared to previous years.[7]

Additionally, FPL included a $5 million fuel cost credit in its request which reflects a stipulated position (Issue 1) proposed by FPL and the Office of Public Counsel to resolve replacement power cost matters with respect to the Company's nuclear operations.[8,9] This matter is scheduled to be heard by the Commission on March 26, 2024.[10] Staff notes that should the Commission decline to approve the currently-proposed stipulation, the credit would be reversed or otherwise amended as ordered and accounted for in the Company's 2025 fuel factors provided no other adjustment is sought this year.

[3] Order No. PSC-2023-0343-FOF-EI.
[4] *Id.*, and Order No. PSC-2021-0446A-S-EI, issued December 9, 2021, in Docket No. 20210015-EI, *In re: Petition for rate increase by Florida Power & Light Company*.
[5] Document No. 01142-2024.
[6] Document No. 00155-2024.
[7] https://www.eia.gov/outlooks/steo/archives/mar24.pdf
[8] Order No. PSC-2023-0207-PCO-EI, issued July 24, 2023, in Docket No. 20230001-EI, *In re: Fuel and purchased power cost recovery clause with generating performance incentive factor*.
[9] Document No. 01142-2024. This credit can be found on page 2 of 126, Schedule E1-B, Line 19.
[10] Order No. PSC-2023-0207-PCO-EI.

The factors proposed in this proceeding are currently contemplated to be charged for 8 months. As is typical procedure, later this year newly developed 12-month-applicable factors will be proposed for authorization to begin with the first billing cycle of January 2025.

Actual Period-Ending 2023 Fuel Cost Recovery Position

FPL's net fuel cost recovery position at the end of 2023 is an under-recovery of ($956,463,844).[11] This amount includes FPL's 2023 actual/estimated over-recovery of $207,586,520.[12]

Decreased pricing for natural gas is the primary driver of the 2023 over-recovery identified above. More specifically, the Company estimated an annual natural gas cost of $4.37 per million British thermal unit (MMBtu) in its 2023 actual/estimated filing.[13] Staff notes this figure includes delivery costs. However, as indicated in the Company's December 2023 A-Schedule, FPL's average 2023 cost of natural gas was $4.22 per MMBtu, representing a difference of 3.4 percent.[14] Natural gas-fired generation comprised approximately 73.0 percent of FPL's generation mix in 2023.[15]

Projected 2024 Fuel Cost Recovery Position

FPL's 2024 fuel-related revenue requirement has decreased substantially since the filing of its last cost projection in September 2023.[16] More specifically, the results of this updated estimate are a reduction in FPL's estimated 2024 fuel-related costs in the amount of $624,476,902. The amount of the 2023 (period-specific net true-up) over-recovery proposed for refund through new 2024 rates is $37,290,272. Thus, the proposed net or decremental amount for inclusion into 2024 rates is $661,767,174.[17]

The primary factor driving the change in projected 2024 fuel costs is lower assumed pricing for natural gas. More specifically, the underlying market-based natural gas price data used for the 2024 fuel cost projection was sourced on August 1, 2023.[18] This underlying data was used to produce an estimated average 2024 delivered natural gas cost of approximately $5.20 per MMBtu.[19] However, as noted above and indicated in its MCC Petition, FPL now estimates its average cost of natural gas in 2024 will be $4.17 per MMBtu, representing a decrease of 20.0 percent.[20] The updated cost estimate was based on natural gas futures/prices sourced on March 1,

[11]Document No. 00388-2024. Further, staff notes the Company's estimated end-of-period 2023 under-recovery in the amount of ($993,754,116) is embedded in current rates per Order No. PSC-2023-0343-FOF-EI. This amount constitutes the remainder of the $1.2 billion under-recovery of 2022 fuel costs ordered to be collected in 2024. See Order No. PSC-2023-0108-PCO-EI, issued March 23, 2023, in Docket No. 20230001-EI, *In re: Fuel and purchased power cost recovery clause with generating performance incentive factor*.
[12]Document No. 04332-2023.
[13]*Id*.
[14]Document No. 00388-2024.
[15]*Id*.
[16]Document No. 05080-2023.
[17]Document No. 01142-2024.
[18]Hearing Exhibit No. 61, entered in Docket No. 20230001-EI.
[19]Document No. 05080-2023.
[20]Document No. 01142-2024.

2024, or roughly seven months later than the previous estimate used to set current rates.[21] Natural gas-fired generation is projected to comprise approximately 70.2 percent of FPL's generation mix in 2024.[22]

Recovery Period and Interest Premium

As proposed, FPL's refund period for its projected 2024 over-recovery is 8 months (beginning May 2024 and ending December 2024).[23] FPL utilized the 30-day AA Financial Commercial Paper Rate published by the Commission to determine its actual 2023 and 2024 (January and February) interest amounts.[24] The projected 2024 monthly interest rate was assumed for all forward months by using the 30-day AA Financial Commercial Paper Rate published on the first business day of March 2024 of 0.441 percent (monthly).[25]

Mid-Course Correction Percentage

Following the methodology prescribed in Rule 25-6.0424(1)(a), F.A.C., the mid-course percentage is equal to the estimated end-of-period total net true-up, including interest, divided by the current period's total actual and estimated jurisdictional fuel revenue applicable to period, or \$661,767,174 / \$3,362,375,577.[26] This calculation results in a mid-course correction level of approximately 19.7 percent at December 31, 2024.

Fuel Factor

FPL's currently-approved annual levelized fuel factor beginning with the first February 2024 billing cycle is 3.718 cents per kilowatt-hour (kWh).[27] The Company is requesting to decrease its currently-approved 2024 annual levelized fuel factor beginning May 2024 to 2.970 cents per kWh, a decrease of approximately 20.1 percent.[28]

Bill Impacts

In Tables 1-1 and 1-2 below, the bill impacts of the MCC to typical residential customers using 1,000 kWh of electricity a month in FPL's Peninsular service territory and FPL's Northwest (former Gulf Power Company) service territory are shown. Further below Tables 1-1 and 1-2, staff discusses the impacts of the MCC on non-residential customers.

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[21] *Id*.
[22] *Id*.
[23] *Id*.
[24] Document No. 01184-2024.
[25] Rates as published monthly by the Florida Public Service Commission's Division of Accounting & Finance.
[26] Document No. 01142-2024, Schedule E1-B.
[27] Order No. PSC-2023-0343-FOF-EI.
[28] Document No. 01142-2024.

Table 1-1
FPL Peninsular Service Territory
Monthly Residential Billing Detail for the First 1,000 kWh

Invoice Component	Currently-Approved Charges April 2024 ($)	Proposed Charges Beginning May 2024 ($)	Difference ($)	Difference (%)
Base Charge	$80.72	$80.72	$0.00	0.0%
Fuel Charge	34.19	26.70	(7.49)	(21.9%)
Conservation Charge	1.24	1.24	0.00	0.0%
Capacity Charge	1.70	1.70	0.00	0.0%
Environmental Charge	3.32	3.32	0.00	0.0%
Storm Protection Plan Charge	5.57	5.57	0.00	0.0%
Storm Restoration Surcharge[29]	0.00	0.00	0.00	0.0%
Transition Rider	(1.19)	(1.19)	0.00	0.0%
Gross Receipts Tax	3.33	3.13	(0.20)	(6.0%)
Total	$128.88	$121.19	($7.69)	(6.0%)

Source: Document No. 01142-2024.

Bill Impacts - FPL Peninsular Service Territory

FPL's currently-approved total residential charge for the first 1,000 kWh of usage for April 2024 is $128.88.[30] If the Company's mid-course correction is approved, then the current total residential charge for the first 1,000 kWh of usage beginning in May will be $121.19, a decrease of 6.0 percent. For non-residential customers, FPL reported that bill decreases based on average levels of usage for small-size commercial customers would range from approximately 9.6 to 10 percent, 9.7 percent for medium-size commercial customers, 9.8 percent for large-size commercial customers, and 12.5 percent for industrial customers.[31]

[29]Staff notes that FPL's 12-month-applicable Storm Restoration Surcharge originally authorized by Order No. PSC-2023-0110-PCO-EI, issued March 23, 2023, in Docket No. 20230017-EI, *In re: Petition for limited proceeding for recovery of incremental storm restoration costs related to Hurricanes Ian and Nicole, by Florida Power & Light Company*, and as amended by Order No. PSC-2023-0354-PCO-EI, in Docket No. 20230017-EI, issued November 27, 2023, *In re: Petition for limited proceeding for recovery of incremental storm restoration costs related to Hurricanes Ian and Nicole, by Florida Power & Light Company* in the amount of $6.65 per month will conclude following March 2024.
[30]Order No. PSC-2023-0343-FOF-EI.
[31]Document No. 01184-2024.

Table 1-2
FPL Northwest Service Territory
Monthly Residential Billing Detail for the First 1,000 kWh

Invoice Component	Currently-Approved Charges April 2024 ($)	Proposed Charges Beginning May 2024 ($)	Difference ($)	Difference (%)
Base Charge	$80.72	$80.72	$0.00	0.0%
Fuel Charge	34.19	26.70	(7.49)	(21.9%)
Conservation Charge	1.24	1.24	0.00	0.0%
Capacity Charge	1.70	1.70	0.00	0.0%
Environmental Charge	3.32	3.32	0.00	0.0%
Storm Protection Plan Charge	5.57	5.57	0.00	0.0%
Storm Restoration Surcharge[32]	0.00	0.00	0.00	0.0%
Transition Rider	12.64	12.64	0.00	0.0%
Gross Receipts Tax	3.70	3.49	(0.21)	(5.7%)
Total	$143.08	$135.38	($7.70)	(5.4%)

Source: Document No. 01142-2024.

Bill Impacts - FPL Northwest Service Territory

FPL's currently-approved Northwest total residential charge for the first 1,000 kWh of usage for April 2024 is $143.08.[33] If the Company's mid-course correction is approved, the current total Northwest residential charge for the first 1,000 kWh of usage beginning in May will be $135.38, a decrease of 5.4 percent. For non-residential customers, FPL reported that bill decreases based on average levels of usage for small-size commercial customers would range from approximately 9.0 to 8.7 percent, and 8.8 percent for medium-size commercial customers, and 8.8 percent for large-size commercial customers. A figure associated with an industrial class for the Northwest service territory was not identified.[34]

Summary

FPL's MCC Petition indicates a need for its fuel cost recovery factors to be revised. More specifically, the Company's underlying 2024 projected fuel-related revenue requirement has been reduced by $624,476,902. Additionally, the Company proposes to incorporate its period-specific final 2023 fuel cost true-up (over-recovery) of $37,290,272 into the current period. Thus, FPL's current fuel cost recovery factors should be reduced by $661,767,174. The revised fuel cost recovery factors associated with staff's recommendation are shown on Appendix A.

[32]Staff notes that FPL's 12-month-applicable Storm Restoration Surcharge originally authorized by Order No. PSC-2023-0110-PCO-EI, and as amended by Order No. PSC-2023-0354-PCO-EI in the amount of $6.65 per month will conclude following March 2024.
[33]Order No. PSC-2023-0343-FOF-EI.
[34]Document No. 01184-2024.

Conclusion

Staff recommends the Commission authorize adjustments to FPL’s fuel cost recovery factors for the purpose of incorporating the Company’s projected net 2024 fuel cost reduction. Accordingly, FPL’s currently-authorized 2024 fuel cost recovery factors should be reduced by $661,767,174.

Issue 2: If approved by the Commission, what is the appropriate effective date for FPL's revised fuel cost recovery factors?

Recommendation: The fuel cost recovery factors, as shown on Appendix A, should become effective with the first billing cycle of May 2024. (P. Kelley, Hampson, Brownless)

Staff Analysis: Over the last 20 years in the Fuel Clause docket, the Commission has considered the effective date of rates and charges of revised fuel cost factors on a case-by-case basis. The Commission has approved rate decreases to be effective less than 30 days after the date of the Commission vote because the rate decrease was in the customers' best interest to be implemented as soon as possible.[35] In its MCC Petition, FPL proposes to decrease its 2024 fuel factors beginning with the first billing cycle of May 2024. In response to Staff's First Data Request, FPL stated that it would include a message on customer bills in the April billing cycle explaining that the utility's proposed rate decrease is set to begin in May.[36]

Concerning advisement of the instant request, the Company has engaged in numerous outreach efforts regarding the potential bill impacts of the proceeding. Specifically, FPL issued a press release on March 13, 2024, informing its customers of the potential adjustments related to the mid-course correction through a web-based billing information portal titled "Rates and Your Bill."[37]

Conclusion

Staff recommends that the fuel cost recovery factors, as shown on Appendix A, become effective with the first billing cycle of May 2024.

[35]Order No. PSC-2023-0185-PCO-EI, issued June 27, 2023, in Docket No. 20230001-EI, *In re: Fuel and purchased power cost recovery clause with generating performance incentive factor*.
[36]Document No. 01184-2024.
[37]*Id*.

Issue 3: Should this docket be closed?

Recommendation: No. The 20240001-EI docket is an on-going proceeding and should remain open. (Brownless, Sandy)

Staff Analysis: The fuel docket is an on-going proceeding and should remain open.

~~Sixty-Sixth~~Sixty-Seventh Revised Sheet No.8.030
Cancels ~~Sixty-Fifth~~Sixty-Sixth Revised Sheet No.8.030

FLORIDA POWER & LIGHT COMPANY

BILLING ADJUSTMENTS

The following charges are applied to the Monthly Rate of each rate schedule as indicated and are calculated in accordance with the formula specified by the Florida Public Service Commission.

RATE	FUEL			CONSERVATION		CAPACITY		ENVIRON-MENTAL	STORM PROTECTION	
SCHEDULE	¢/kWh	¢/kWh	¢/kWh	¢/kWh	$/kW	¢/kWh	$/kW	¢/kWh	¢/kWh	$/kW
	Levelized	On-Peak	Off-Peak							
RS-1, RS-1 w/RTR-1 1st 1,000 kWh	~~3.410~~2.670			0.124		0.170		0.332	0.557	
RS-1, RS-1 w/ RTR-1 all addn kWh	~~4.410~~3.670			0.124		0.170		0.332	0.557	
RS-1 w/RTR-1 All kWh		~~0.305~~0.533	(~~0.168~~0.226)	0.124		0.170		0.332	0.557	
GS-1	~~3.728~~2.978			0.115		0.155		0.304	0.499	
GST-1		~~4.123~~3.511	~~3.560~~2.752	0.115		0.155		0.304	0.499	
GSD-1, GSD1-EV, GSD-1 w/SDTR (Jan – May)(Oct – Dec)	~~3.728~~2.978				0.43		0.56	0.280		1.02
GSD-1 w/SDTR (Jun-Sept)		~~4.402~~3.434	~~3.643~~2.921		0.43		0.56	0.280		1.02
GSDT-1, HLFT-1 GSDT-1w/SDTR (Jan – May)(Oct – Dec)		~~4.123~~3.510	~~3.550~~2.752		0.43		0.56	0.280		1.02
GSDT-1 w/SDTR (Jun-Sept)		~~4.402~~3.434	~~3.643~~2.921		0.43		0.56	0.280		1.02
GSLD-1, CS-1, GSLD1-EV GSLD-1w/SDTR (Jan – May)(Oct – Dec)	~~3.725~~2.976				0.46		0.59	0.257		1.00
GSLD-1 w/SDTR (Jun-Sept)		~~4.300~~3.431	~~3.640~~2.919		0.46		0.59	0.257		1.00
GSLDT-1, CST-1, HLFT-2, GSLDT-1 w/SDTR (Jan–May & Oct–Dec)		~~4.120~~3.508	~~3.557~~2.750		0.46		0.59	0.257		1.00
GSLDT-1 w/SDTR (Jun-Sept)		~~4.300~~3.431	~~3.640~~2.919		0.46		0.59	0.257		1.00
GSLD-2, CS-2, GSLD-2 w/SDTR (Jan – May)(Oct – Dec)	~~3.600~~2.955				0.49		0.61	0.241		0.96
GSLD-2 w/SDTR (Jun-Sept)		~~4.368~~3.407	~~3.615~~2.898		0.49		0.61	0.241		0.96
GSLDT-2, CST-2, HLFT-3, GSLDT-2 w/SDTR (Jan – May)(Oct – Dec)		~~4.001~~3.483	~~3.532~~2.731		0.49		0.61	0.241		0.96
GSLDT-2 w/SDTR (Jun-Sept)		~~4.368~~3.407	~~3.615~~2.898		0.49		0.61	0.241		0.96
GSLD-3, CS-3	~~3.617~~2.889				0.54		0.67	0.224		0.16
GSLDT-3, CST-3		~~4.000~~3.406	~~3.454~~2.670		0.54		0.67	0.224		0.16

(Continued on Sheet No. 8.030.1)

Issued by: Tiffany Cohen, VP Financial Planning and Rate Strategy
Effective: ~~February 1, 2024~~

~~Forty-Second~~<u>Forty-Third</u> Revised Sheet No.8.030.1
FLORIDA POWER & LIGHT COMPANY Cancels ~~Forty-First~~<u>Forty-Second</u> Revised Sheet No.8.030.1

(Continued from Sheet No. 8.030)
BILLING ADJUSTMENTS(Continued)

RATE	FUEL			CONSERVATION			CAPACITY			ENVIRON-MENTAL	STORM PROTECTION		
SCHEDULE	¢/kWh	¢/kWh	¢/kWh	¢/kW	$/kW	$/kW	¢/kW	$/kW	$/kW	¢/kWh	¢/kWh	$/kW	$/kW
	Levelized	On-Peak	Off-Peak										
OS-2	~~3.600~~<u>2.955</u>			0.072			0.076			0.184	1.527		
MET	~~3.600~~<u>2.955</u>				0.43			0.56		0.265		1.25	
CILC-1(G)		~~4.123~~<u>3.510</u>	~~3.550~~<u>2.752</u>		0.50			0.63		0.236		1.00	
CILC-1(D)		~~4.080~~<u>3.481</u>	~~3.530~~<u>2.729</u>		0.50			0.63		0.236		1.00	
CILC-1(T)		~~4.000~~<u>3.406</u>	~~3.454~~<u>2.670</u>		0.50			0.60		0.209		0.14	
SL-1,OL-1, RL-1, PL-1/SL-1M, LT-1,OS	~~3.650~~<u>2.874</u>			0.038			0.013			0.046	0.394		
SL-2, GSCU-1/SL- 2M	~~3.728~~<u>2.978</u>			0.091			0.110			0.219	0.504		
					<u>RDC</u>	<u>DDC</u>		<u>RDC</u>	<u>DDC</u>			<u>RDC</u>	<u>DDC</u>
SST-1(T)		~~4.000~~<u>3.406</u>	~~3.454~~<u>2.670</u>		0.05	0.03		0.07	0.03	0.281		0.02	0.01
SST-1(D1)		~~4.123~~<u>3.510</u>	~~3.550~~<u>2.752</u>		0.05	0.03		0.07	0.03	0.234		0.17	0.07
SST-1(D2)		~~4.120~~<u>3.508</u>	~~3.557~~<u>2.750</u>		0.05	0.03		0.07	0.03	0.234		0.17	0.07
SST-1(D3)		~~4.091~~<u>3.483</u>	~~3.533~~<u>2.731</u>		0.05	0.03		0.07	0.03	0.234		0.17	0.07
ISST-1(D)		~~4.080~~<u>3.481</u>	~~3.530~~<u>2.729</u>		0.05	0.03		0.07	0.03	0.234		0.17	0.07
ISST-1(T)		~~4.000~~<u>3.406</u>	~~3.454~~<u>2.670</u>		0.05	0.03		0.07	0.03	0.281		0.02	0.01

(Continued on Sheet No. 8.030.2)

Issued by: Tiffany Cohen, VP Financial Planning and Rate Strategy
Effective: ~~**February 1, 2024**~~

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: March 21, 2024

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Accounting and Finance (Souchik, D. Buys) ALM
Division of Economics (Guffey, Hampson) EJD
Office of the General Counsel (M. Thompson) JSC

RE: Docket No. 20240028-GU – Petition to implement long-term debt cost true-up mechanism, by Peoples Gas System, Inc.

AGENDA: 04/02/24 – Regular Agenda – Tariff Suspension – Participation is at the Commission's discretion

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 04/02/24 (60-Day Suspension Date)

SPECIAL INSTRUCTIONS: None

Case Background

Peoples Gas System, Inc. (PGS or Company) is a wholly-owned subsidiary of TECO Gas Operations, Inc., which is a subsidiary of TECO Energy, Inc., which is a wholly-owned subsidiary of Emera United States Holdings, Inc., which is a wholly-owned subsidiary of Emera Incorporated. PGS owns and operates natural gas distribution facilities in Florida and provides service to 470,000 customers in 39 of Florida's 67 counties. The Company's current rates were approved in Docket No. 20230023-GU which included approval of the Long-Term Debt True-Up Mechanism (LTD True-Up Mechanism) to make adjustments to the cost rate of long-term debt without the need of a new rate case.[1]

[1]Order No. PSC-2023-0388-FOF-GU, issued December 27, 2023, in Docket No.20230023-GU, *In re: Petition for rate increase by Peoples Gas System, Inc.*

On February 2, 2024, PGS filed a petition to implement the aforementioned LTD True-Up Mechanism. The LTD True-Up Mechanism would allow the Company to make a one-time adjustment to its projected cost of long-term debt for the projected test year ending December 31, 2024, to reflect the actual cost of PGS's inaugural long-term debt issuance.

In its petition, PGS requested Florida Public Service Commission (Commission) approval of a long-term debt cost rate increase from 5.54 percent to 5.64 percent, which would increase the weighted average cost of capital from 7.02 percent to 7.05 percent, and results in a base rate revenue requirement increase of $874,085. The Company also requested Commission approval of the updated base rates and charges and associated tariffs, effective for the first billing cycle of June 2024. PGS also requested the Commission specify the amount of incremental revenue requirement from January 1, 2024, to the effective date of the Company's updated 2024 tariffs to be deferred by the Company for recovery through the Cast Iron/Bare Steel Replacement Rider for 2025 as approved in Order No. PSC-2023-0388-FOF-GU.[2]

During the review process, staff issued two data requests to PGS. The first data request was issued on February 13, 2024, and the Company's response was received on February 23, 2024.[3] The second data request was issued on February 29, 2024, and a response was received on March 11, 2024. Staff needs additional time to review the petition and gather all pertinent information in order to present the Commission with an informed recommendation. This is staff's recommendation to suspend the proposed tariffs. The Commission has jurisdiction of this matter pursuant to Sections 366.03, 366.04, 36.05 and 366.06 Florida Statutes (F.S.).

[2]*Id.*
[3]Document No. 00892-2024

Discussion of Issues

Issue 1: Should PGS's revised tariffs to implement the Long-Term Debt Cost Rate True-Up Mechanism be suspended?

Recommendation: Yes. Staff recommends that PGS’s revised tariffs to implement the Long-Term Debt Cost Rate True-Up Mechanism be suspended to allow staff sufficient time to review the petition and gather all pertinent information in order to present the Commission with an informed recommendation. (Souchik, Guffey)

Staff Analysis: Staff recommends that PGS’s revised tariffs to implement the Long-Term Debt Cost Rate True-Up Mechanism be suspended to allow staff sufficient time to review the petition and gather all pertinent information in order to present the Commission with an informed recommendation.

Pursuant to Section 366.06(3), F.S., the Commission may withhold consent to the operation of all or any portion of the new rate schedules, delivering to the Company requesting such a change a reason or written statement of a good cause for doing so within 60 days. Staff believes that the reason stated above is a good cause consistent with the requirement of Section 366.06(3), F.S.

Issue 2: Should this docket be closed?

Recommendation: No. This docket should remain open pending the Commission's decision on PGS's proposed implementation of the Long-Term Debt Cost True-Up Mechanism and associated tariff revisions. (M. Thompson)

Staff Analysis: This docket should remain open pending the Commission's decision on PGS's proposed implementation of the Long-Term Debt Cost True-Up Mechanism and associated tariff revisions.

Item 4

FILED 3/21/2024
DOCUMENT NO. 01248-2024
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: March 21, 2024

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Accounting and Finance (Richards, Higgins, Kelley) ALM
Division of Economics (Sibley, Bruce, Hudson) EJD
Division of Engineering (Thompson, Ellis, King) TB
Office of the General Counsel (Imig, Harper) AEH

RE: Docket No. 20230071-WU – Application for staff-assisted rate case in Polk County by Pinecrest Utilities, LLC.

AGENDA: 04/02/24 – Regular Agenda – Proposed Agency Action – Except for Issue Nos. 13, 14, and 15 – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Graham

CRITICAL DATES: 08/26/24 (15-Month Effective Date (SARC))

SPECIAL INSTRUCTIONS: None

Table of Contents

Case Background

Pinecrest Utilities, LLC (Pinecrest or Utility) is a Class C water utility serving approximately 138 residential customers in Polk County. The Utility was transferred to the present operator in 2012.[1] Pinecrest's rates and charges were approved in its last staff-assisted rate case (SARC) in 2013.[2] According to the Utility's 2022 Annual Report, total gross revenue was $59,184 and total operating expense was $82,431.

On May 26, 2023, the Utility filed its application for a SARC.[3] A test year ended December 31, 2022, was selected for the purposes of interim and final rates. The Commission approved an interim rate increase of $10,772 (18.20 percent) for the Utility on July 17, 2023.[4]

A customer meeting was held on January 23, 2024, in which one customer provided comments.

The Commission has jurisdiction in this case pursuant to Sections 367.011, 367.081, 367.0812, 367.0814, 367.091, and 367.121, Florida Statutes (F.S.).

[1]Order No. PSC-2012-0475-PAA-WU, issued on September 18, 2012, in Docket No. 20110311-WU, *In re: Application for transfer of Certificate No. 588-W from Pinecrest Ranches, Inc., in Polk County, to Pinecrest Utilities, LLC.*
[2]Order No. PSC-2013-0320-PAA-WU, issued on July 12, 2013, in Docket No. 20120269-WU, *In re: Application for a staff-assisted rate case in Polk County by Pinecrest Utilities, LLC.*
[3]Document No. 03388-2023, filed on May 26, 2023.
[4]Order No. PSC-2023-0199-PCO-WU, issued on July 17, 2023, in Docket No. 20230071-WU, *In re: Application for staff-assisted rate case in Polk County by Pinecrest Utilities, LLC.*

Discussion of Issues

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

Recommendation: Yes. Pinecrest has been responsive to customer complaints and is currently in compliance with Department of Environmental Protection (DEP) standards; therefore, staff recommends that the quality of service be considered satisfactory. (Thompson)

Staff Analysis: Pursuant to Section 367.081(2)(a)1, F.S., and Rule 25-30.433(1), Florida Administrative Code (F.A.C.), in water rate cases, the Commission shall determine the overall quality of service provided by a utility. This determination is made from an evaluation of the quality of a utility's product and a utility's attempt to address customer satisfaction. The Rule further states that the most recent chemical analyses for the water system, outstanding citations, violations, and consent orders on file with the DEP and the county health department, and any DEP and county health department official's testimony concerning quality of service shall be considered. In addition, any customer testimony, comments, or complaints received by the Commission are also reviewed. The operating condition of the water system is addressed in Issue 2.

Quality of the Utility's Product

In evaluation of Pinecrest'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 the DEP's last Sanitary Survey Report dated March 20, 2023, no chemical or bacteriological exceedances were noted, and the Utility was determined to be in compliance with DEP standards. Staff also reviewed the DEP's triennial Safe Drinking Water Program chemical analysis of samples taken at the point of entry on June 14, 2021, and while the Utility was determined to be in compliance by the DEP, staff observed an exceedance in iron. In response to staff's second data request,[5] the Utility explained that this exceedance was due to iron being a part of the ground water makeup at the well. As a result, the Utility treats the water with Aqua Mag, which is used for iron sequestration. In addition, in response to staff's seventh data request, the Utility indicated that water testing for compliance with the DEP's water quality standards will be completed again this year.[6]

The Utility's Attempt to Address Customer Satisfaction

Staff reviewed the Commission's Consumer Activity Tracking System (CATS) records, and discovered only one complaint recorded during the test year and four years prior for Pinecrest. The complaint was received September 21, 2022, and was regarding improper disconnection due to a water shutoff. The Utility responded timely that the event was due to planned maintenance and the complaint was then closed. Staff also requested all complaints received by the DEP during the test year and four years prior. The DEP responded that it did not receive any complaints for Pinecrest during this timeframe.

[5]Document No. 05912-2023, filed on November 1, 2023.
[6]Document No. 00695-2024, filed on February 13, 2024.

Staff performed a supplemental review of the complaints filed in CATS during the course of this docket, and one additional complaint was submitted on January 17, 2024. The complaint expressed concerns regarding the rate increase, water color, and poor customer service. The Utility responded with flushing the water line but had difficulties contacting the customer, and was advised by Commission staff to provide a written response, which addressed the need for flushing of customer faucets after vacant periods. The complaint has been closed. Staff also requested any customer complaints received by the DEP during the course of this docket. The DEP responded that it did not receive any complaints for Pinecrest during this timeframe.

Staff requested all complaints received by Pinecrest during the test year and four years prior, and the Utility provided 21 complaints received during this timeframe, one of which was duplicative of the initial complaint received through the CATS. The majority of the complaints received by the Utility were during 2020. The Utility appears to have been responsive and resolved concerns in a timely manner. Table 1-1 shows these complaints, as well as the comments and complaints received during the course of this docket, by source and subject.

Table 1-1
Number of Comments and Complaints by Source and Subject

Subject of Complaint	Utility Complaints	CATS Complaints	Written/Oral Comments	Total*
Leaking Water Meters	4	0	0	4
Service Interruptions	5	2	3	10
Billing	5	0	0	5
Water Odor	4	0	0	4
Noise	2	0	0	2
Water Color	1	1	2	4
Improper Disconnection	1	0	0	1
Poor Customer Service	0	1	1	2
General Water Quality Concerns	0	0	1	1
Rate Increase Concerns	0	1	4	5
Total*	22	5	11	38

*A single customer comment/complaint may be counted multiple times if it is associated with multiple categories.

A virtual customer meeting was held on January 23, 2024, and one customer provided oral comments. This customer also submitted the most recent CATS complaint and written comments to the docket file, and expressed concerns regarding the rate increase and discoloration, noting they installed a private water filtration system. Three additional written customer comments were submitted following issuance of the customer meeting notice or following the customer meeting. These addressed opposition to rate increases, frequency of interruptions due to repairs and resulting boiled water notices, water discoloration, and that the water was not suitable for consumption and caused skin reactions. One comment also complimented Utility staff's customer service.

Staff notes the concerns regarding secondary water quality, specifically odor and color, and service interruptions have been addressed by the Utility. Regarding water color, as discussed previously, staff notes that the Utility had an iron exceedance when it was last tested due to it naturally occurring in the ground water, and the Utility has responded by treating the water with Aqua Mag, and flushing customers' water lines in response to complaints to address this issue. Regarding water odor, the Utility tested the water for compliance in response to complaints. Regarding the interruptions, in response to staff's seventh data request, the Utility identified a total of eight service interruptions for the test year (January 1, 2022, through December 31, 2022).[7] These interruptions were a result of either line breaks, loss of power at the water treatment plant, loss of pressure on the system as a result of a power outage, tank inspection and cleaning, emergency repairs, or leaks. The Utility issued boil water notices for each interruption, and lifted them when safe to do so.

Conclusion

Pinecrest has been responsive to customer complaints and is currently in compliance with DEP standards; therefore, staff recommends that the quality of service be considered satisfactory.

[7]Document No. 00695-2024, filed on February 13, 2024.

Issue 2: Are the infrastructure and operating conditions of Pinecrest's water system in compliance with DEP regulations?

Recommendation: Yes. Pinecrest's water treatment facility is currently in compliance with DEP regulations. (Thompson)

Staff Analysis: Rule 25-30.225(2), F.A.C., requires each water utility to maintain and operate its plant and facilities by employing qualified operators, in accordance with the rules of the DEP. Rule 25-30.433(2), F.A.C., requires consideration of whether the infrastructure and operating conditions of the plant and facilities are in compliance with Rule 25-30.225, F.A.C. In making this determination, the Commission must consider testimony of the DEP and county health department officials, sanitary surveys for water systems, citations, violations, and consent orders issued to the utility, customer testimony, comments, and complaints, and utility testimony and responses to the aforementioned items.

Water System Operating Conditions

Pinecrest's water system has a permitted capacity of 150,000 gallons per day (gpd). The water system has two wells with pumping capacities of 200 gallons per minute (gpm) and 90 gpm, respectively, and one hydropneumatic storage tank with a capacity of 5,000 gallons. Groundwater from the wells is treated through hypochlorination. Staff reviewed Pinecrest's most recent Sanitary Survey Report conducted by the DEP to determine the Utility's overall water facility compliance. A review of the Report dated March 20, 2023, indicated that Pinecrest's water treatment facility is in compliance with the DEP's rules and regulations.

Conclusion

Pinecrest's water treatment facility is currently in compliance with DEP regulations.

Issue 3: What are the used and useful (U&U) percentages of Pinecrest's water treatment plant (WTP) and water distribution system?

Recommendation: Pinecrest's WTP and water distribution system should be considered 100 percent U&U. Additionally, staff recommends that a 47.6 percent adjustment to purchased power and chemicals expenses be made for excessive unaccounted for water (EUW). (Thompson)

Staff Analysis: As stated in Issue 2, Pinecrest's water system has two wells with pumping capacities of 200 gpm and 90 gpm, respectively, and one hydropneumatic storage tank with a capacity of 5,000 gallons. Pinecrest's water distribution system is composed of 500 feet of 2-inch polyvinyl chloride (PVC) pipe, 6,300 feet of 3-inch PVC pipe, 3,210 feet of 4-inch PVC pipe, 5,025 feet of 6-inch PVC pipe, and 20 feet of 4-inch galvanized pipe. There are nine fire hydrants throughout the water distribution system.

Used and Useful Percentages

Rule 25-30.4325, F.A.C., addresses the method by which the U&U of a water system is determined. In its last SARC, Pinecrest's WTP and water distribution system were found to be 100 percent U&U.[8] The Utility has not increased the capacity of its WTP since rates were last established. The Utility's water distribution system continues to only provide service to existing customers, the service area remains built out, and there continues to be no potential for expansion of the service area. Therefore, consistent with the Commission's previous decision, staff recommends that the Utility's WTP and water distribution system 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 produced that is not sold, metered, or accounted for in the records of the utility.

EUW is calculated by subtracting both the gallons sold to customers and the gallons used for other services, such as flushing, from the total gallons pumped and purchased for the test year, and dividing by the sum of gallons pumped and purchased. The amount in excess of 10 percent, if any, is the EUW percentage.

Based on monthly operating reports, Pinecrest produced 12,493,332 gallons of water during the test year (January 1, 2022, through December 31, 2022). Staff was able to verify the Utility sold 5,110,602 gallons of water to customers. In its 2022 Annual Report, the Utility reported that no water was purchased, and recorded 7,383,000 gallons of water loss from line flushing and other events during the test year. This calculation results in approximately zero unaccounted for water. However, upon staff's review, it appeared that the accounted for loss value was determined by taking the difference between gallons of water produced and gallons of water sold in each month of the Utility's 2022 Annual Report, including a negative value for one month. As such, staff requested that the Utility provide documentation supporting the values provided in the Utility's

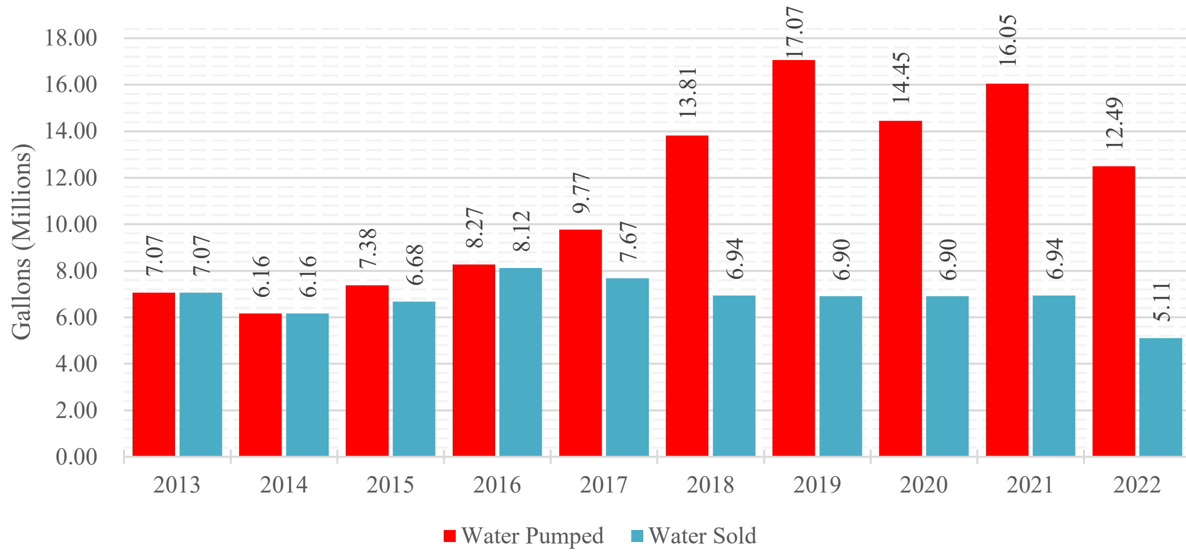
[8] Order No. PSC-2013-0320-PAA-WU, issued on July 12, 2013, in Docket No. 20120269-WU, *In re: Application for staff-assisted rate case in Polk County by Pinecrest Utilities, LLC.*

2022 Annual Report for water loss due to flushing and other events. In response to staff's fourth data request regarding the methodology used to determine the values in the 2022 Annual Report, the Utility stated that the flushing valves were unmetered, but that the Utility's technician calculated a flushing value based on line diameter and flush duration.[9] In response to Staff's Fifth Data Request asking for supporting documentation for those values, the Utility responded it did not keep exact records and outlined its routine flushing events, but noted additional flushing occurs based on operating conditions, customer complaints, and other factors.[10] In response to Staff's Seventh Data Request, the Utility stated it is under no mandate from the DEP to engage in additional flushing beyond routine maintenance or in response to customer complaints.[11] Staff also asked if any non-flushing values were included in the reported values, which the Utility responded it also included water loss from leaks in the value. In the Utility's supplemental response to Staff's Seventh Data Request, and its response to Staff's Ninth Data Request, the Utility provided estimates of water loss due to routine flushing and maintenance events, and several known water leak events that resulted in water loss.[12] Staff therefore elected to use the estimates provided by the Utility to determine water loss resulting from flushing and other events for the test year, rather than the 2022 Annual Report values.

For its calculation of EUW, staff excluded August and September 2022 as the Utility indicated that its flow meter had failed during these months, which resulted in low or no flow data being recorded for portions of these months.[13] The resulting calculation ([11,408,332 + 0 – 4,330,749 – 511,378] / [11,408,332 + 0]) for unaccounted for water is 57.6 percent. Therefore, there is 47.6 percent EUW. Pursuant to Rule 25-30.4325(10), F.A.C., staff reviewed all relevant factors for the EUW value, including whether the reason for losses was known, and whether a solution has been implemented or is economically feasible. For example, the Utility's estimates of major leaks may be subject to error due to unknown duration of the leak before it was detected and able to be repaired by the Utility. However, in reviewing the monthly values between those months with large leaks reported and those without, staff did not determine any large difference in unaccounted for water. In response to Staff's Ninth Data Request, the Utility did not state it had identified a source for the losses, but speculated that the water meters may be faulty, noting that after the flow meter failed in late 2022, the Utility conducted bucket tests on random customer meters, and determined that there was an increasing number of dead meters throughout the system.[14] Staff acknowledges that faulty water meters could contribute towards the value, but the magnitude of the error made it unlikely to be the sole source. Staff reviewed the Utility's annual reports for the last ten-year period to determine if a trend existed in the disparity between gallons pumped and gallons sold, as well as customer growth. Figure 3-1 displays gallons pumped and gallons sold data from the Utility's annual reports.

[9]Document No. 06652-2023, filed on December 18, 2023.
[10]Document No. 00267-2024, filed on January 22, 2024.
[11]Document No. 00695-2024, filed on February 13, 2024.
[12]Document Nos. 00757-2024, filed on February 19, 2024; and 00913-2024, filed on February 26, 2024.
[13]Document No. 05912-2023, filed on November 1, 2023.
[14]Document No. 00913-2024, filed on February 26, 2024.

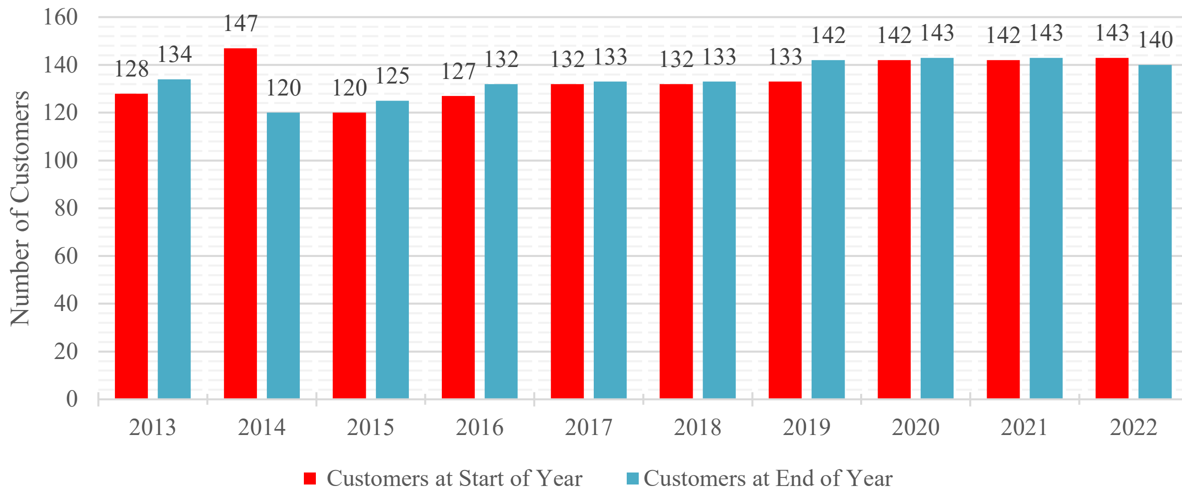
Figure 3-1
Pinecrest Gallons Pumped and Gallons Sold Data



Source: Utility's Annual Reports.

As shown in Figure 3-1, it appears total gallons sold slightly declined within the last five years of the period (2018 through 2022) as compared to the first five years of the period (2013 through 2017), while total gallons pumped increased substantially when comparing the same periods. Between 2017 and 2018 alone, the Utility recorded an increase in total gallons pumped of 4,040,000 gallons, while water sold declined by 734,000 gallons. Figure 3-2 displays the Utility's customer growth as identified in its last ten annual reports. In comparison, the Utility's customer base has only slightly increased within the last five years of the period as compared to the first five years.

Figure 3-2
Pinecrest Customer Growth



Source: Utility's Annual Reports.

As noted previously, the Utility did not identify the source of the disparity between gallons pumped and gallons sold, but speculated that faulty meters were responsible according to its response to staff's data request. Therefore, while staff does agree that faulty water meters may be a potential source of some unaccounted for water, the trend of increasing pumped gallons appears higher than potential losses from meters without significant increases in individual water consumption. Staff also notes the Commission already allows for a 10 percent unaccounted for water percentage prior to finding unaccounted for water excessive. As will be discussed in Issue 4, the Utility requested a new flow meter and a meter replacement/retrofit project as part of its pro forma project requests. If the Utility is able to demonstrate that these projects rectify this issue, the Utility can seek an adjustment to eliminate any EUW adjustment through a petition for a limited proceeding or a future SARC application, which may also require rates to be reset as well to reflect the additional sales previously unaccounted for and that were not used in the determination of rates in this SARC.

During staff's investigation of the values provided in the Utility's 2022 Annual Report for water loss related to flushing and other events, the Office of Public Counsel (OPC) also expressed concerns with these values. In its letter dated February 2, 2024, OPC recommended that an adjustment of 49.09 percent be made to purchased power and chemicals expenses for EUW based on allowing 10 percent of total gallons of water produced to be allotted for flushing.[15] While staff agrees with OPC that an adjustment is necessary, staff's EUW calculation is based on information provided by the Utility regarding its flushing activities and other instances of water loss. Therefore, staff believes its calculated value of a 47.6 percent adjustment to purchased power and chemicals expenses is more appropriate. Based on the above analysis, staff

[15]Document No. 00523-2024, filed on February 2, 2024.

recommends that a 47.6 percent adjustment be made to purchased power and chemicals expenses.

Service Interruption Records and Reporting

Pursuant to Rule 25-30.251(1) and (2), F.A.C., each utility is required to maintain a record of all interruptions in service which affect 10 percent or more of its customers, and notify the Commission of these interruptions. The record is required to show the cause of the interruption, its date, time, duration, remedy, and steps taken to prevent recurrence. In response to Staff's Seventh Data Request, Pinecrest provided its records for the test year and four years prior; however, these records did not appear to address all items required by the Rule, nor did the Utility notify the Commission of the interruptions.[16] Specifically, the remedy to the interruption or steps taken to prevent recurrence did not appear to be outlined in the records. As such, staff recommends that the Utility maintain its service interruption records meeting the 10 percent threshold in the manner outlined in Rule 25-30.251(1), F.A.C., and notify the Commission of any such interruptions on a going-forward basis.

Conclusion

Pinecrest's WTP and water distribution system should be considered 100 percent U&U. Additionally, staff recommends that a 47.60 percent adjustment to purchased power and chemicals expenses be made for EUW.

[16]Document No. 00695-2024, filed on February 13, 2024.

Issue 4: What is the appropriate average test year rate base amount for Pinecrest?

Recommendation: The appropriate average test year rate base for Pinecrest is $88,111. (Richards, Thompson)

Staff Analysis: The appropriate components of the Utility's rate base include utility plant in service (UPIS), land and land rights, accumulated depreciation, contributions-in-aid of construction (CIAC), accumulated amortization of CIAC, and working capital. 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 and the recommended adjustments are discussed below.

Utility Plant in Service

The Utility recorded a UPIS balance of $257,345. As part of Audit Finding 1 (AF-1), staff capitalized $1,093 from operation and maintenance (O&M) account 636 related to the replacement of a control box, resulting in an increase of $1,093.[17] Additionally, as part of AF-1, staff decreased UPIS by $500 due to lack of supporting documentation from the Utility. Based on the Utility's response to staff's Audit Report, staff decreased UPIS by $4,000 to reflect the appropriate plant balance in Account 345 – Power Operated Equipment.[18] Further, staff decreased UPIS by $3,511 to reflect an averaging adjustment.

Pro Forma Plant Additions

Table 4-1 shows Pinecrest's three requested pro forma plant projects: 1) a meter replacement/retrofit project; 2) a flow meter replacement; and 3) a lawn mower replacement. Pinecrest explained that its meter replacement/retrofit project is the same as the meter replacement program approved for Leighton Estates Utilities, LLC (Leighton) in its last SARC, as Pinecrest will be using the same software and meters.[19] As such, Pinecrest will also be transitioning its residential meters to Advanced Meter Infrastructure (AMI) meters for compatibility with the Beacon Software approved by the Commission in the Leighton SARC for use by all of the Florida Utility Services 1 (FUS1) water systems. Pinecrest asserted that AMI meters will allow the Utility to electronically obtain meter readings, provide real-time data accessibility, and reduce customer service-related calls and associated work order trips. The cost allocated to Pinecrest for use of the Beacon Software was $346.[20] However, in response to Staff's Sixth Data Request, the Utility indicated that the vendor will not provide a final invoice for the Beacon Software until after file integration is complete, and provided its updated estimate of $352 to be allocated to Pinecrest.[21] As no bid or invoice was provided to support this estimate, staff included the $346 cost allocation identified in the Leighton SARC, which is included in the total meter replacement/retrofit project cost in Table 4-1. If the Utility can demonstrate that the final cost for incorporation of this software increased, the Utility can request the differential in a

[17]Document No. 05904-2023, filed on October 31, 2023.
[18]Document. No. 06125-2023, filed on November 20, 2023.
[19]Order No. PSC-2022-0435-PAA-WU, issued on December 22, 2022, in Docket No. 20220026-WU, *In re: Application for staff-assisted rate case in Marion County, and request for interim rate increase, by Leighton Estates Utilities, LLC.*
[20]Document No. 04414-2022, filed on July 1, 2022, in Docket No. 20220026-WU, *In re: Application for staff-assisted rate case in Marion County, and request for interim rate increase, by Leighton Estates Utilities, LLC.*
[21]Document No. 00573-2024, filed on February 5, 2024.

future proceeding. Pinecrest intends to replace 82 and retrofit 62 residential meters. The Utility provided a bid reflecting the current costs for new meters and meter retrofits from the vendor of the Beacon Software, Badger Meter, for compatibility with the approved software. In response to Staff's Third Data Request, the Utility estimated that labor would cost about $22 for each meter replacement and retrofit.[22] However, as the meter replacement/retrofit project will be implemented by full-time employees of FUS1 already accounted for through FUS1's payroll, labor costs have been excluded.

The flow meter replacement pro forma project is a result of Pinecrest's current flow meter failing. In response to Staff's Third Data Request, the Utility explained that the new flow meter was purchased from the same vendor used for the meter replacement/retrofit project for compatibility with the Beacon Software. The Utility indicated that it intends to purchase all residential and flow meters from this this vendor on a going-forward basis for this reason. In response to Staff's Ninth Data Request, the Utility indicated that the new flow meter has been installed.[23] The total cost for this project is included in Table 4-1.

Lastly, the Utility is requesting a lawn mower replacement due to the current lawn mower being near the end of its useful life. As is Commission practice, staff requested that three bids be provided for this pro forma project. However, the Utility explained that it was only able to obtain bids from two vendors within a reasonable distance as the tractor will have to be taken to the vendor to have the mower deck and attaching equipment installed. Of the two bids provided, the Utility indicated that intends to select the least-cost vendor for this project.[24] The total cost for this project is included in Table 4-1. As these improvements are necessary for the Utility to provide safe and reliable service to its customers, staff recommends that these project costs are appropriate.

Table 4-1
Pro Forma Plant Items

Project	Additions	Retirements
Acct. 334 – Meter Replacement / Retrofit	$2,368	($819)
Acct. 334 – New Flow Meter	1,862	(1,397)
Acct. 343 – New Mower	4,066	(3,050)
Total Pro Forma	$8,296	($5,265)

Source: Utility responses to staff data requests.

As detailed above in Table 4-1, staff increased UPIS by $8,296. This amount was offset by retirements of $5,265. Table 4-2 on the following page summarizes staff's adjustments to UPIS.

[22]Document No. 06130-2023, filed on November 20, 2023.
[23]Document No. 00913-2024, filed on February 26, 2024.
[24]Document No. 00695-2024, filed on February 13, 2024.

Table 4-2
Staff Adjustments to UPIS

Description	Adjustment
To reflect capitalization of control box replacement.	$1,093
To reflect adjustments from lack of supporting documentation.	(500)
To reflect appropriate plant balance of acct. 345.	(4,000)
To reflect an averaging adjustment.	(3,511)
To reflect pro forma additions.	8,296
To reflect pro forma retirements.	(5,265)
Total adjustments to UPIS.	($3,887)

Source: Staff calculations.

As described above and summarized in Table 4-2, staff's adjustments to UPIS result in a decrease of $3,887. Therefore, staff recommends an average UPIS balance of $253,458 ($257,345 - $3,887).

Land and Land Rights
The Utility recorded a land and land rights balance of $6,500. No adjustments were made to land and land rights, therefore, staff recommends land and land rights balance of $6,500.

Used and Useful
As discussed in Issue 3, the Utility's system is considered 100 percent U&U. Therefore, no U&U adjustment is necessary.

Accumulated Depreciation
The Utility recorded an accumulated depreciation balance of $192,282. As part of Audit Finding 2 (AF-2), staff found the Utility was inconsistently recording accumulated depreciation since the last rate case, and therefore decreased accumulated depreciation by $3,789.[25] Additionally, staff made an averaging adjustment, decreasing accumulated depreciation by $4,565. Staff also decreased accumulated depreciation by $5,079 for pro forma-related items. Therefore, staff recommends an average accumulated depreciation balance of $178,849 ($192,282 - $3,789 - $4,565 - $5,079).

Contributions-in-aid-of-Construction
The Utility recorded a CIAC balance of $100,352. Staff made no adjustments to CIAC, and therefore recommends an average CIAC balance of $100,352.

Accumulated Amortization of CIAC
The Utility recorded an accumulated amortization of CIAC balance of $100,352. The accumulated amortization of CIAC balance at the beginning of the test year was $97,541. As such, staff made an averaging adjustment to reduce accumulated amortization of CIAC by $1,406. Therefore, staff recommends an accumulated amortization of CIAC balance of $98,947 ($100,352 - $1,406).

[25]Document No. 05904-2023, filed on October 31, 2023.

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(3), F.A.C., staff used the one-eighth O&M expense (less rate case expense) formula for calculating the working capital allowance. Section 367.081(9), F.S., prohibits a utility from earning a return on the unamortized balance of rate case expense. As such, for this calculation, staff removed the rate case expense of $509. This resulted in an adjusted O&M expense balance of $67,265 ($67,774 - $509). Following the application of the aforementioned formula, staff recommends a working capital allowance of $8,408 ($67,265 ÷ 8).

Rate Base Summary

Based on the foregoing, staff recommends that the appropriate test year average rate base is $88,111. Rate base is shown on Schedule No. 1-A. The related adjustments are shown on Schedule No. 1-B.

Issue 5: What is the appropriate return on equity and overall rate of return for Pinecrest?

Recommendation: The appropriate return on equity (ROE) is 8.50 percent with a range of 7.50 percent to 9.50 percent. The appropriate overall rate of return is 8.18 percent. (Richards)

Staff Analysis: The Utility's capital structure consists of long-term debt, common equity and customer deposits. Staff reclassified $18,408 originally recorded as "due to parent company" on the Utility's 2022 Annual Report, as common equity. Additionally, in response to Staff's Sixth Data Request, the Utility stated the $8,296 pro forma cost will be paid by the Utility's parent company, FUS1.[26] Therefore, staff applied this amount to the Utility's common equity.

The Utility's capital structure has been reconciled with staff's recommended rate base. The appropriate ROE is 8.50 percent based on the current Commission-approved leverage formula.[27] Staff recommends an ROE of 8.50 percent with a range of 7.50 percent to 9.50 percent, and an overall rate of return of 8.18 percent. The proposed ROE and overall rate of return are shown on Schedule No. 2.

[26]Document No. 00573-2024, filed on February 5, 2024.

[27]Order No. PSC-2023-0189-PAA-WS, issued on June 28, 2023, in Docket No. 20230006-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 6: What is the appropriate test year operating revenue for Pinecrest?

Recommendation: The appropriate test year operating revenue for Pinecrest's water system is $64,743. (Sibley)

Staff Analysis: The Utility recorded test year operating revenue of $59,185, which included service revenues of $57,145 and miscellaneous revenues of $2,040. A review of the Utility's billing register indicated 64 bills were related to vacant properties. Staff removed the bills to determine the appropriate billing determinants. The Utility also had a price index that became effective on June 1, 2023. To determine the appropriate service revenues, staff annualized service revenues by applying the adjusted number of billing determinants to the rates in effect on June 1, 2023. As a result, staff determined that the service revenues should be $62,635, which is an increase of $5,490 ($62,635 - $57,145). Furthermore, staff increased miscellaneous revenues by $68 to adjust for customer deposit interest that was incorrectly recorded as miscellaneous revenues. This results in miscellaneous revenues of $2,108 ($2,040 + $68) during the test year. Therefore, staff recommends that the appropriate test year operating revenue for Pinecrest's water system is $64,743 ($62,635 + $2,108).

Issue 7: What is the appropriate operating expense for Pinecrest?

Recommendation: The appropriate amount of operating expense for Pinecrest is $79,111. (Richards)

Staff Analysis: The Utility recorded an operating expense of $79,621. The test year O&M expenses have been reviewed by staff, including invoices and other supporting documentation. Staff has made several adjustments to the Utility's operating expense as described below.

Operation and Maintenance Expense

After review of the Utility's records, staff made no adjustments to the recorded expenses in fuel for power production (616), materials and supplies (620), contractual services – professional (631), contractual services – testing (635), rents (640), transportation (650), insurance (655), or miscellaneous expenses (675). Staff's recommended expenses for these accounts are shown on Schedule No. 3-C.

Salaries and Wages – Employees (601)

The Utility recorded salaries and wages – employees expense of $16,421. The Utility submitted a request for a pro forma salary increase intended to attract and retain qualified employees given the current economic climate.[28] The Utility's pro forma request was based on a compensation study.[29] After thorough review of the Utility's request and compensation study, staff increased this account by $3,463. Therefore, staff recommends salaries and wages – employees expense of $19,884 ($16,421 + $3,463).

Salaries and Wages – Officers and Directors (603)

The Utility recorded salaries and wages – officers and directors expense of $3,201. In its request for pro forma salary increases dated October 27, 2023, the Utility identified the need for a new Salary and Benefits Administrator to assume some of the payroll responsibilities of the Chief Financial Officer. After thorough review of the Utility's request, staff increased this account by $795. Therefore, staff recommends salaries and wages – officers and directors expense of $3,996 ($3,201 + $795).

Employees Pensions and Benefits (604)

The Utility recorded employee pensions and benefits expense of $4. In its pro forma salary request, the Utility stated it desires to provide its employees a retirement benefit beginning in 2023. The parent company of the Utility, FUS1 believes that the addition of a retirement benefit is necessary to attract and retain future qualified employees to serve its existing and future customers, and therefore proposes to establish a "Simple IRA Plan" as defined under Section 408(b) of the Internal Revenue Code. After a thorough review of the Utility's request, staff increased this account by $402. Therefore, staff recommends employee pensions and benefits expense of $406 ($4 + $402).

[28]Document No. 05861-2023, filed on October 27, 2023.
[29]Document No. 01002-2024, filed on March 4, 2024.

Purchased Power (615)

The Utility recorded purchased power expense of $8,350. As discussed in Issue 3, staff recommends an EUW adjustment of 47.6 percent. As such, staff decreased purchased power expense by $3,975. Therefore, staff recommends purchased power expense of $4,375 ($8,350 - $3,975).

Chemicals (618)

The Utility recorded chemicals expense of $4,887. Similarly, as discussed in Issue 3, staff made an EUW adjustment of 47.6 percent, reducing chemicals expense by $2,326. Therefore, staff recommends chemicals expense of $2,561 ($4,887 - $2,326).

Contractual Services – Other (636)

The Utility recorded contractual services – other expense of $8,908. During the audit, it was found that a cost of $1,093 for the replacement of a control box for the Utility's pumping equipment was recorded in this account. Staff does not believe this is a recurring expense and the replacement was necessary for the pumping equipment to operate. Based on this, staff decreased contractual services – other expense by $1,093 and capitalized this amount to plant account 311 consistent with AF-1. Therefore, staff recommends contractual services – other expense of $7,815 ($8,908 - $1,093).

Regulatory Commission Expense (665)

The Utility recorded a regulatory commission expense of $816 as a deferred cost from its previous limited alternative rate increase.[30] The Utility did not record any rate case expense for the instant docket. The Utility is required by Rule 25-22.0407, F.A.C., to mail notices of the rate case overview, interim rates, final rates, and four-year rate reduction. Staff calculated noticing costs to be $558. Staff calculated the distance from the Utility to Tallahassee as 214 miles. Based on the 2023 IRS business mileage rate of $0.655, staff calculated a round-trip travel and lodging expense to the Commission Conference of $480.[31] Additionally, the Utility paid a filing fee of $1,000.[32]

Staff recommends a total rate case expense, consisting of noticing costs, travel and lodging expenses, and filing fee of $2,038 ($558 + $480 + $1,000), which amortized over four years is $509 ($2,038 ÷ 4 years). Therefore, staff recommends a total regulatory commission expense of $1,325 ($816 + $509).

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[30]Order No. PSC-2020-0396-PAA-WS, issued on October 22, 2020, in Docket No. 20200152-WS; *In re: Application for a limited alternative rate increase proceeding in Polk and Marion Counties by Alturas Water, LLC, Sunrise Water, LLC, Pinecrest Utilities, LLC, and East Marion Utilities, LLC.*

[31]https://www.irs.gov/newsroom/irs-issues-standard-mileage-rates-for-2023-business-use-increases-3-cents-per-mile.

[32]Document No. 03753-2023, filed on June 22, 2023.

Bad Debt Expense (670)

The Utility recorded bad debt expense of $763. Staff notes that it is Commission practice to calculate bad debt expense using a three-year average when sufficient information is available.[33] In its three most recent Annual Reports (2020, 2021, and 2022), the Utility recorded bad debt expenses of $743, $2,357, and $763, respectively. Staff calculated the average bad debt expense for these previous three years to be $1,288 (($743 + $2,357 + $763) ÷ 3) which represents an increase of $525. Therefore, staff recommends bad debt expense of $1,288 ($763 + $525).

Operation and Maintenance Expense Summary

The Utility recorded a test year O&M expense of $69,474. Based on the above adjustments, staff recommends O&M expense be decreased by $1,700. This results in a total O&M expense of $67,774 ($69,474 - $1,700). Staff's recommended adjustments to O&M are shown on Schedule No. 3-C.

Depreciation Expense

The Utility recorded depreciation expense of $9,020. Using the depreciation rates prescribed in Rule 25-30.140, F.A.C., audit staff increased this amount by $869 as part of AF-2. Staff made adjustments decreasing depreciation expense by $1,356 to prevent over depreciation of certain plant accounts. Additionally, staff increased depreciation expense by $186 due to the inclusion of pro forma plant items. These adjustments result in a net decrease of $301 ($869 - $1,356 + $186). Therefore, staff recommends depreciation expense of $8,719 ($9,020 - $301).

Amortization of CIAC

The Utility recorded amortization of CIAC of $2,811. Staff made no adjustments and therefore recommends amortization of CIAC of $2,811.

Taxes Other Than Income (TOTI)

The Utility recorded TOTI of $3,938. Staff increased TOTI by $250 to reflect the appropriate regulatory assessment fees (RAFs) based on corrected Utility test year revenues. Additionally, staff increased TOTI by $270 to reflect the pro forma payroll taxes associated with the pro forma increase in salaries explained previously in O&M accounts 601 and 603. Those adjustments result in a test year TOTI increase of $520 ($250 + $270).

As discussed in Issue 9, staff recommends revenues be increased by $21,579 in order to reflect the change in revenue required to cover expenses and provide the Utility an opportunity to earn the recommended rate of return. As a result, TOTI should be increased by $971 to reflect RAFs of 4.5 percent of the change in revenues. Therefore, staff recommends TOTI of $5,429 ($3,938 + $520 + $971).

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[33] Order No. PSC-2022-0043-PAA-WU, issued on January 26, 2022, in Docket No. 20210055-WU, *In re: Application for staff-assisted rate case in Lake County by Brendenwood Waterworks, Inc.;* Order No. PSC-2021-0106-PAA-WS, issued on March 17, 2021, in Docket No. 20200169-WS, *In re: Application for staff-assisted rate case in Lake County, and request for interim rate increase, by Lake Yale Utilities, LLC.;* Order No. PSC-2021-0107-PAA-WU, issued on March 19, 2021, in Docket No. 20200168-WU, *In re: Application for staff-assisted rate case in Polk County, and request for interim rate increase, by McLeod Gardens Utilities, LLC.*

Operating Expense Summary

The Utility recorded operating expenses of $79,621. The application of staff's recommended adjustments to the Utility's recommended operating expenses result in a total operating expense of $79,111. Operating expenses are shown on Schedule No. 3-A, and the related adjustments are shown on Schedule No. 3-B.

Issue 8: Does Pinecrest meet the criteria for application of the operating ratio methodology?

Recommendation: No, Pinecrest does not meet the requirement for application of the operating ratio methodology for calculating the revenue requirement. (Richards)

Staff Analysis: Rule 25-30.4575(2), F.A.C., provides that, in rate cases processed under Rule 25-30.455, F.A.C., the Commission will use the operating ratio methodology to establish a utility's revenue requirement when its rate base is not greater than 125 percent of O&M expenses, less regulatory commission expense, and the use of the operating ratio methodology does not change a utility's qualification for a SARC.

With respect to Pinecrest, staff has recommended a rate base of $88,111. After removal of rate case expense, staff has calculated an O&M expense of $67,265 ($67,774 - $509). Based on staff's recommended amounts, the Utility's rate base is 131 percent of its adjusted O&M expense. Based on this, the Utility does not qualify for application of the operating ratio methodology.

Issue 9: What is the appropriate revenue requirement for Pinecrest?

Recommendation: The appropriate revenue requirement is $86,321, resulting in an annual increase of $21,579 (33.33 percent). (Richards)

Staff Analysis: Pinecrest should be allowed an annual revenue requirement increase of $21,579 (33.33 percent). This should allow the Utility the opportunity to recover expenses and earn an 8.18 percent return on rate base. The calculation for revenue requirement is shown on Table 9-1 below.

Table 9-1
Revenue Requirement

Water Rate Base	$88,111
Rate of Return	8.18%
Return on Rate Base	$7,210
Water O&M Expense	67,774
Depreciation Expense	8,719
Amortization	(2,811)
Taxes Other Than Income	5,429
Revenue Requirement	$86,321
Less Test Year Revenues	$64,743
Annual Increase	$21,579
Percent Increase	33.33%

Source: Staff calculations.

Issue 10: What are the appropriate rate structure and rates for Pinecrest?

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. (Sibley)

Staff Analysis: Pinecrest is located in Polk County within the Southwest Florida Water Management District. The Utility provides water service to 138 residential customers and there are no general service customers. Approximately 19 percent of the residential customer bills during the test year had zero gallons, indicating a non-seasonal customer base. The average residential water demand is 3,094 gallons per month. Currently, the Utility's water rate structure consists of a monthly base facility charge (BFC) and a charge per 1,000 gallons for residential and general service customers.

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.

For this case, staff recommends that 40 percent of the water revenues be generated from the BFC, which will provide sufficient revenues to design gallonage charges that send pricing signals to customers using above the non-discretionary level. The average people per household served by the water system is 2.77; therefore, based on the number of people per household, 50 gallons per day per person, and the number of days per month, the non-discretionary usage threshold should be 5,000 gallons per month. Staff's review of the billing data indicates that discretionary usage above 5,000 gallons represents approximately 18 percent of the bills, which accounts for approximately 24 percent of water demand. This indicates that there is a moderate amount of discretionary usage above 5,000 gallons.

Staff recommends a two-tier inclining block rate structure, which includes separate gallonage charges for non-discretionary and discretionary usage for residential water rates. The rate blocks are: 1) 0-5,000 gallons; and 2) all usage in excess of 5,000 gallons per month. Due to the moderate usage above 5,000 gallons per month, staff believes that it is appropriate in this case to recommend a rate factor of 1.25 in the second tier because it will target those customers with higher levels of consumption. General service customers should continue to be billed a BFC and uniform gallonage charge.

Based on staff's recommended revenue increase of 34.5 percent, which excludes miscellaneous revenues, the residential consumption can be expected to decline by 294,000 gallons resulting in anticipated average residential demand of 2,916 gallons per month. Staff recommends a 5.8 percent reduction in test year residential gallons for rate setting purposes. As a result, the corresponding reductions are $252 for purchased power expense, $147 for chemicals expense, and $19 for RAFs to reflect the anticipated repression, which results in a post repression revenue requirement of $83,042.

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 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 11: What are the appropriate initial customer deposits for Pinecrest?

Recommendation: The appropriate initial customer deposit for the residential 5/8 inch x 3/4 inch meter size should be $98. The initial customer deposits 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 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. (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. Currently, the Utility's initial customer deposit for the residential 5/8 inch x 3/4 inch meter size is $67 for water. This amount does not cover two months' average bills based on staff's recommended rates. The Utility's anticipated post-repression average monthly residential usage is 2,916 gallons per customer. Therefore, the average residential monthly bill based on staff's recommended rates is approximately $48.86.

Staff recommends the appropriate initial customer deposit for the residential 5/8 inch x 3/4 inch meter size should be $98. The initial customer deposits 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 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.

Issue 12: What are the appropriate miscellaneous service charges?

Recommendation: The appropriate miscellaneous service charges are shown on Table 12-4 and should be approved. The Utility should be required to file a proposed customer notice to reflect the Commission-approved charges. The approved charges 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 to revise some of its existing miscellaneous service charges. 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. The Utility's requested miscellaneous charges were accompanied by its reason for requesting the charges, as well as the cost justification required by Section 367.091(6), F.S. The Utility's requested and revised miscellaneous service charges along with the existing are shown below.

Table 12-1
Pinecrest's Existing and Requested Miscellaneous Service Charges

	Existing	Requested
Initial Connection Charge	$15.00	Actual Cost
Normal Reconnection Charge	$15.00	$34.50
Violation Reconnection Charge	$15.00	$34.50
Premises Visit Charge (in lieu of disconnection)	$10.00	$34.50
Late Payment Charge	$5.50	$7.00

Source: Utility's current tariff and responses to staff's data requests.

Premises Visit and Violation Reconnection Charge

As shown on Table 12-1, Pinecrest's request consists of several miscellaneous service charges. However, Rule 25-30.460, F.A.C., does not allow for initial connection and normal reconnection charges.[34] The Utility's requested initial connection and normal reconnection charges are obsolete and inconsistent with the rule. The Utility's calculation for the premises visit charge and violation reconnection are shown on Table 12-2. The Utility provided cost justification of $34.58 for both the premises visit and violation reconnection charges which represents the cost of a trip to perform a specified service. Staff believes the cost justification is reasonable and supports the Utility's requested charge of $34.50. In addition, the requested charge defrays the cost to the cost causer. However, the violation reconnection charge should account for the discontinuance of service and the subsequent reconnection of service. Therefore, the violation reconnection charge should account for both services at a charge of $69.00 ($34.50 x 2). Based on the rule, staff recommends that the initial connection and normal reconnection charges be removed. Staff recommends that the Utility's requested premises visit charge of $34.50 and a violation reconnection charge of $69.00 should be approved.

[34]Order No. PSC-2021-0201-FOF-WS, issued on June 4, 2021, in Docket No. 20200240-WS, *In re: Proposed amendment of Rule 25-30.460, F.A.C., Application for Miscellaneous Service Charges.*

Table 12-2
Calculation for Premises Visit and Violation Reconnection Charge

Activity	Cost
Mileage ($0.67 per mile x 2/3 hour x 11)	$7.37
Administrative Labor ($26.10 per hour x 1/3 hour)	7.83
Field Labor ($26.10 per hour x 1/2 hour)	13.05
CSM Labor ($25.30 per hour x 1/4 hour)	6.33
Total	$34.58

Source: Utility's cost justification documentation.

Late Payment Charge

The Utility currently has a $5.50 late payment charge. The Utility is requesting a $7.00 late payment charge to recover the cost of labor, supplies, and postage associated with processing late payment notices. 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. The Utility calculated the actual costs for its late payment charges to be $7.07. 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 employee, which results in labor cost of $6.33 ($25.30 x 0.25hr). This is consistent with prior Commission decisions where the Commission has allowed 5-15 minutes per account per month for the administrative labor associated with processing delinquent customer accounts.[35] In addition, the Utility included material cost of $0.74 for paper, envelopes, and postage, which results in total costs of $7.07 ($6.33 + $0.74). The Utility's calculation for its costs associated with a late payment charge is shown on Table 12-3. Staff recommends the requested late payment charge of $7.00 be approved.

Table 12-3
Late Payment Charge Cost Justification

Category	Cost
Labor	$6.33
Materials	0.08
Postage	0.66
Total Cost	$7.07

Source: Utility's cost justification documentation.

[35]Order Nos. PSC-2016-0041-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, and Utilities, Inc.* and PSC-2015-0569-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.*

Table 12-4
Staff Recommended Miscellaneous Service Charges

	All Hours
Violation Reconnection Charge	$69.00
Premises Visit Charge	$34.50
Late Payment Charge	$7.00

Source: Staff Calculations

Conclusion

Based on the above, staff recommends that the appropriate miscellaneous service charges shown on Table 12-4 should be approved. The Utility should be required to file a proposed customer notice to reflect the Commission-approved charges. The approved charges 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 charges 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.

Issue 13: What is the appropriate amount by which rates should be reduced four years after the published effective date to reflect removal of the amortized rate case expense?

Recommendation: The 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. Pursuant to Section 367.081(8), F.S., the decrease in rates should become effective immediately following the expiration of the rate case expense recovery period. Pinecrest should be required to file revised tariffs and a proposed customer notice setting forth the lower rates and rationale no later than one month prior to the effective date of the new rates. If the Utility files revised tariffs reflecting 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 and the reduction in the rates due to the amortized rate case expense. (Richards, Sibley)

Staff Analysis: Section 367.081(8), F.S., requires that the rates be reduced by the amount of rate case expense previously included in rates immediately following the expiration of the recovery period. With respect to Pinecrest, the reduction will reflect the removal of revenue associated with the amortization of rate case expense and the gross-up for RAFs. The total reduction is $533.

Staff recommends that the 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. Pursuant to Section 367.081(8), F.S., the decrease in rates should become effective immediately following the expiration of the rate case expense recovery period. Pinecrest should be required to file revised tariffs and a proposed customer notice setting forth the lower rates and rationale no later than one month prior to the effective date of the new rates. If the Utility files revised tariffs reflecting 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 and the reduction in the rates due to the amortized rate case expense.

Issue 14: Should the recommended rate be approved for Pinecrest 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. Pinecrest should file revised tariff sheets and a proposed customer notice reflecting the Commission-approved rates. The approved rates should be effective for services 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. Further, prior to implementing any temporary rates, the Utility should provide appropriate financial 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 both the current monthly and total amount 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. (Richards)

Staff Analysis: This recommendation proposes an increase in rates. A timely protest might delay a 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 proposed rates be approved on a temporary basis. Pinecrest should file revised tariff sheets and a proposed customer notice reflecting 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 it has been received by the customers. The additional revenue produced by staff's recommended rates and collected by the Utility should be subject to the refund provisions discussed below.

Pinecrest should be authorized to initiate the temporary rates upon staff's approval of an appropriate security for the potential refund and cost of the proposed customer notice. Security should be in the form of either a bond or letter of credit in the amount of $14,896. Alternatively, the Utility may establish an escrow agreement with an independent financial institution.

If the Utility chooses a bond for securing the potential refund, 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 for securing the potential refund, the letter of credit 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 Pinecrest be required to notify the Commission within 90 days of an effective order finalizing this docket, that it has adjusted its books for all the applicable NARUC USOA?

Recommendation: Yes. Pinecrest should be required to notify the Commission, in writing, that it has adjusted its books in accordance with the Commission's decision. The Utility should submit a letter within 90 days of the Commission's final order in this docket, confirming that the adjustments to all 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, a notice providing good cause should be filed not less than seven days prior to the deadline. Upon providing a notice of good cause, staff should be given administrative authority to grant an extension of up to 60 days. (Richards)

Staff Analysis: Pinecrest should be required to notify the Commission, in writing, that it has adjusted its books in accordance with the Commission's decision. The Utility should submit a letter within 90 days of the Commission's final order in this docket, confirming that the adjustments to all 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, a notice providing good cause should be filed not less than seven days prior to the deadline. Upon providing a notice of 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 Proposed Agency Action 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. Once these actions are complete, this docket should be closed administratively. (Imig)

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 Proposed Agency Action 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. Once these actions are complete, this docket should be closed administratively.

PINECREST UTILITIES, LLC TEST YEAR ENDED 12/31/2022 SCHEDULE OF WATER RATE BASE				SCHEDULE NO. 1-A DOCKET NO. 20230071-WU
	DESCRIPTION	**BALANCE PER UTILITY**	**STAFF ADJUST.**	**BALANCE PER STAFF**
1.	UTILITY PLANT IN SERVICE	$257,345	($3,887)	$253,458
2.	LAND & LAND RIGHTS	6,500	0	6,500
3.	ACCUMULATED DEPRECIATION	(192,282)	13,433	(178,849)
4.	CIAC	(100,352)	0	(100,352)
5.	ACCUMULATED AMORTIZATION OF CIAC	100,352	(1,406)	98,947
6.	WORKING CAPITAL ALLOWANCE	$0	$8,408	$8,408
	WATER RATE BASE	$71,563	$16,548	$88,111

PINECREST UTILITIES, LLC **SCHEDULE NO. 1-B**
TEST YEAR ENDED 12/31/2022 **DOCKET NO. 20230071-WU**
ADJUSTMENTS TO RATE BASE

		WATER
	UTILITY PLANT IN SERVICE	
1.	To reflect capitalization of pumping equipment from OM Acct 636 (AF-1).	$1,093
2.	To reflect audit adjustments due to lack of supporting documentation (AF-1).	(500)
3.	To reflect appropriate plant balance of acct 345 (Document No. 06125-2023).	(4,000)
4.	To reflect an averaging adjustment.	(3,511)
5.	To reflect pro forma additions.	8,296
6	To reflect pro forma retirements.	(5,265)
	Total	($3,887)
	ACCUMULATED DEPRECIATION	
1.	To reflect appropriate accumulated depreciation balance since last rate case (AF-2).	$3,789
2.	To reflect an averaging adjustment.	4,565
3.	To reflect pro forma adjustments.	5,079
	Total	$13,433
	ACCUMULATED AMORTIZATION OF CIAC	
	To reflect an averaging adjustment.	($1,406)
	WORKING CAPITAL ALLOWANCE	
	To reflect 1/8 of test year O&M expenses.	$8,408

PINECREST UTILITIES, LLC **SCHEDULE NO. 2**
TEST YEAR ENDED 12/31/2022 **DOCKET NO. 20230071-WU**
SCHEDULE OF CAPITAL STRUCTURE

	CAPITAL COMPONENT	PER UTILITY	SPECIFIC ADJUST- MENTS	BALANCE AFTER ADJUSTMENTS	PRO RATA ADJUST- MENTS	BALANCE PER STAFF	PERCENT OF TOTAL	COST	WEIGHTED COST
1.	LONG-TERM DEBT	$1,726	$0	$1,726	($42)	$1,684	1.91%	5.40%	0.10%
2.	SHORT-TERM DEBT	0	0	0	0	0	0.00%	0.00%	0.00%
3.	COMMON EQUITY	76,750	8,296	85,046	(2,089)	82,957	94.15%	8.50%	8.00%
4.	CUSTOMER DEPOSITS	3,558	0	3,558	(87)	3,471	3.94%	2.00%	0.08%
5.	DEFERRED INCOME TAXES	0	0	0	0	0	0.00%	0.00%	0.00%
	TOTAL CAPITAL	$82,034	$8,296	$90,330	($2,219)	$88,111	100.00%		8.18%

RANGE OF REASONABLENESS	LOW	HIGH
RETURN ON EQUITY	7.50%	9.50%
OVERALL RATE OF RETURN	7.24%	9.12%

PINECREST UTILITIES, LLC **SCHEDULE NO. 3-A**
TEST YEAR ENDED 12/31/2022 **DOCKET NO. 20230071-WU**
SCHEDULE OF WATER OPERATING INCOME

		TEST YEAR PER UTILITY	STAFF ADJUST-MENTS	STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1.	**TOTAL OPERATING REVENUES**	$59,184	$5,558	$64,743	$21,579 33.33%	$86,321
	OPERATING EXPENSES:					
2.	OPERATION & MAINTENANCE	$69,474	($1,700)	$67,774	$0	$67,774
3.	DEPRECIATION	9,020	(301)	8,719	0	8,719
4.	AMORTIZATION OF CIAC	(2,811)	0	(2,811)	0	(2,811)
5.	TAXES OTHER THAN INCOME	3,938	520	4,458	971	5,429
6.	INCOME TAXES	0	0	0	0	0
	TOTAL OPERATING EXPENSES	$79,621	($1,481)	$78,140	$971	$79,111
7.	**OPERATING INCOME / (LOSS)**	($20,437)		($13,398)		$7,210
8.	**WATER RATE BASE**	$71,563		$16,548		$88,111
9.	**RATE OF RETURN**	-25.86%		-80.96%		8.18%

	PINECREST UTILITIES, LLC	**SCHEDULE 3-B**
	TEST YEAR ENDED 12/31/2022	**DOCKET NO. 20230071-WU**
	ADJUSTMENTS TO OPERATING INCOME	**PAGE 1 OF 2**
		WATER
	OPERATING REVENUES	
1.	To reflect the appropriate test year Service Revenues.	$5,490
2.	To reflect the appropriate test year Miscellaneous Revenues.	68
	Total	$5,558
	OPERATION AND MAINTENANCE EXPENSE	
1.	Salaries and Wages - Employees (601 / 701)	
	To reflect Compensation Study (Document No. 01002-2024).	$3,463
2.	Salaries and Wages - Officers and Directors (603 / 703)	
	To reflect Compensation Study (Document No. 01002-2024).	$795
3.	Employee Pensions and Benefits (604 / 704)	
	To reflect Compensation Study (Document No. 01002-2024).	$402
4.	Purchased Power (615 / 715)	
	To reflect EUW adjustment.	($3,975)
5.	Chemicals Expense (618 / 718)	
	To reflect EUW adjustment.	($2,326)
6.	Contractual Services - Other (636 / 736)	
	To reflect capitalization of control box replacement to plant account 311.	($1,093)
7.	Rate Case Expense (665 / 765)	
	To reflect 1/4 rate case expense.	$509
8.	Bad Debt Expense (670 / 770)	
	To reflect 3-year average bad debt expense.	$525
	TOTAL OPERATION AND MAINTENANCE ADJUSTMENTS	($1,700)

	PINECREST UTILITIES, LLC	SCHEDULE 3-B
	TEST YEAR ENDED 12/31/2022	DOCKET NO. 20230071-WU
	ADJUSTMENTS TO OPERATING INCOME	PAGE 2 OF 2
		WATER
	DEPRECIATION EXPENSE	
1.	To reflect auditing adjustments.	$869
2.	To reflect adjustments for fully depreciated plant.	(1,356)
3.	To reflect pro forma additions.	186
	Total	($301)
	TAXES OTHER THAN INCOME	
1.	To reflect appropriate test year RAF's.	$250
2.	To reflect pro forma payroll tax increase (Document No. 05861-2023).	269
	Total	$520
	TOTAL OPERATING EXPENSE ADJUSTMENTS	($1,481)

PINECREST UTILITIES, LLC **SCHEDULE NO. 3-C**
TEST YEAR ENDED 12/31/2022 **DOCKET NO. 20230071-WU**
ANALYSIS OF WATER O&M EXPENSE

ACCT. #	DESCRIPTION	TOTAL PER UTILITY	STAFF ADJUST-MENT	TOTAL PER STAFF
601	Salaries and Wages - Employees	$16,421	$3,463	$19,884
603	Salaries and Wages - Officers and Directors	3,201	795	3,996
604	Employee Pensions and Benefits	4	402	406
615	Purchased Power	8,350	(3,975)	4,375
616	Fuel for Power Production	65	0	65
618	Chemicals	4,887	(2,326)	2,561
620	Materials and Supplies	5,421	0	5,421
631	Contractual Services - Professional	1,055	0	1,055
635	Contractual Services - Testing	2,750	0	2,750
636	Contractual Services - Other	8,908	(1,093)	7,815
640	Rents	2,049	0	2,049
650	Transportation Expense	2,561	0	2,561
655	Insurance Expense	8,004	0	8,004
665	Rate Case Expense	816	509	1,325
670	Bad Debt Expense	763	525	1,288
675	Miscellaneous Expenses	4,219	$0	4,219
	Total O&M Expense	$69,474	($1,700)	$67,774
	Working Capital is 1/8 of O&M Less RCE			$8,408

PINECREST UTILITIES, LLC **SCHEDULE NO. 4**
TEST YEAR ENDED 12/31/2022 **DOCKET NO. 20230071-WU**
MONTHLY WATER RATES

	RATES PRIOR TO FILING	COMMISSION-APPROVED INTERIM RATES	STAFF REC. RATES	4-YEAR RATE REDUC.
Residential and General Service				
Base Facility Charge by Meter Size				
5/8” x 3/4”	$19.63	$23.33	$20.11	$0.13
3/4”	$29.45	$35.00	$30.17	$0.19
1”	$49.08	$58.33	$50.28	$0.32
1-1/2”	$98.15	$116.65	$100.55	$0.64
2”	$157.04	$186.64	$160.88	$1.03
3”	$314.08	$373.28	$321.76	$2.06
4”	$490.75	$583.25	$502.75	$3.22
6”	$981.50	$1,166.50	$1,005.50	$6.44
Charge per 1,000 gallons – Residential and General Service	$5.91	$7.02	N/A	N/A
Charge per 1,000 gallons – Residential Service				
0 – 5,000 gallons	N/A	N/A	$9.86	$0.06
Over 5,000 gallons	N/A	N/A	$12.32	$0.08
Charge per 1,000 gallons – General Service	N/A	N/A	$10.34	$0.07
Typical Residential 5/8” x 3/4” Meter Bill Comparison				
3,000 gallons	$37.36	$44.39	$49.69	
6,000 gallons	$55.09	$65.45	$81.73	
10,000 gallons	$78.73	$93.53	$131.01	

Item 5

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: March 21, 2024

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Accounting and Finance (Thurmond, Norris, Przygocki, Sewards, Veaughn) ALM
Division of Economics (Bethea, Bruce) EJD
Division of Engineering (Davis, Ellis, King) TB
Office of the General Counsel (Dose, Crawford) JSC

RE: Docket No. 20230083-WS – Application for increase in water and wastewater rates in Orange County by Pluris Wedgefield, LLC.

AGENDA: 04/02/24 – Regular Agenda – Proposed Agency Action All Issues, Except for Issues 24, 25, and 26 – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: La Rosa

CRITICAL DATES: 04/02/24 (5-Month Effective Date Waived)

SPECIAL INSTRUCTIONS: None

Table of Contents

Case Background

Pluris Wedgefield, LLC. (Pluris or Utility) is a Class A utility providing water and wastewater service to approximately 1,743 water customers and 1,711 wastewater customers in Orange County. Rates were last established for this Utility in its 2017 limited proceeding.[1] The Utility's last comprehensive base rate proceeding was in 2012.[2] In 2022, Pluris recorded total company operating revenues of $1,627,619 for water and $1,051,949 for wastewater and operating expenses of $1,749,162 for water and $924,958 for wastewater.

On September 22, 2023, Pluris filed its application for approval of interim and final water and wastewater rate increases. In its application, the Utility requested that the Commission process the rate case using the proposed agency action procedure as provided in Section 367.081(10), Florida Statutes (F.S.). On October 19, 2023, staff sent the Utility a letter indicating deficiencies in the filing of its minimum filing requirements (MFRs). The Utility filed a deficiency response letter that cured its deficiencies on October 26, 2023. Thus, the official filing date is October 26, 2023.

The Utility's application for increased interim and final water and wastewater rates is based on the historical 13-month average period ended December 31, 2022. Pluris is requesting an increase to recover all expenses it will incur in order to generate a fair rate of return on its investment and pro forma plant additions.

On November 14, 2023, the Office of Public Counsel (OPC) filed a petition to intervene.[3] On November 15, 2023, an order was issued acknowledging intervention to OPC.[4]

By Order No. PSC-2023-0387-PCO-WS, the Commission suspended final rates proposed by the Utility and approved interim rates to allow staff sufficient time to process this case.[5] On January 8, 2024, OPC filed a motion for reconsideration of the interim order and a request for oral argument on its motion. On January 26, 2024, OPC filed a petition for review of non-final agency action with the First District Court of Appeal (First DCA). The motion was addressed at the March 5, 2024 Commission Conference and no adjustments to the interim order were granted. On March 6, 2024, OPC filed a Notice of Voluntary Dismissal with the First DCA withdrawing its appeal.

Staff conducted a customer meeting on January 24, 2024, in Orlando, Florida. Sixty-six residents attended and 23 residents spoke at the meeting. The customer comments are addressed in Issue 1.

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[1]Order No. PSC-2018-0311-PAA-WS, issued June 13, 2018, in Docket No. 20170166-WS, *In re: Application for limited proceeding rate increase in Orange County by Pluris Wedgefield, Inc.*
[2]Order No. PSC-2013-0187-PAA-WS, issued May 2, 2013, in Docket No. 20120152-WS, *In re: Application for increase in water and wastewater rates in Orange County by Pluris Wedgefield, Inc.*
[3]Document No. 06065-2023.
[4]Order No. PSC-2023-0340-PCO-WS, issued November 15, 2023, in Docket No. 20230083-WS, *In re: Application for increase in water and wastewater rates in Orange County by Pluris Wedgefield, LLC.*
[5]Order No. PSC-2023-0387-PCO-WS, issued December 27, 2023, in Docket No. 20230083-WS, *In re: Application for increase in water and wastewater rates in Orange County by Pluris Wedgefield, LLC.*

The Utility is requesting rates designed to generate revenues of $2,713,189 for water and $1,608,064 for wastewater. This results in a revenue increase of $1,085,570, or 66.70 percent, for water and $556,115, or 52.87 percent, for wastewater.

On February 16, 2024, OPC filed a letter providing concerns regarding Pluris' final requested revenue requirement ahead of the filing of this PAA Recommendation.[6] On February 23, 2024, OPC filed a follow-up letter making limited corrections to its letter filed February 16, 2024.[7] Staff will refer to these documents collectively as "OPC's Letter" throughout the recommendation.

The Commission has jurisdiction in this case pursuant to Sections 367.011, 367.081, 367.0812, 367.0814, 367.091, and 367.121, F.S.

[6]Document No. 00740-2024.
[7]Document No. 00899-2024.

Discussion of Issues

Issue 1: Is the overall quality of service provided by Pluris satisfactory?

Recommendation: Yes. Pluris is meeting all Department of Environmental Protection (DEP) primary and secondary standards and has been responsive to customer complaints. Therefore, the quality of service provided by Pluris should be considered satisfactory. (Davis)

Staff Analysis: Pursuant to Section 367.081(2)(a)1, F.S., and Rule 25-30.433(1), Florida Administrative Code (F.A.C.), the Commission, in every rate case, shall make a determination of the quality of service provided by the utility by evaluating the quality of the utility's product (water) and the utility's attempt to address customer satisfaction (water and wastewater). The rule requires that the most recent chemical analyses, outstanding citations, violations, and consent orders on file with the DEP and the county health department, along with any DEP and county health department officials' testimony concerning quality of service shall be considered. In addition, any customer testimony, comments, or complaints shall also be considered. The operating condition of the water and wastewater systems are addressed in Issue 2.

Quality of Utility's Product

In evaluation of Pluris' product, staff reviewed the Utility's compliance with the DEP 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. The most recent comprehensive chemical analyses were performed on May 10, 2023. All results were found to be in compliance with DEP regulations. The most recent Sanitary Survey was performed on August 2, 2021. No deficiencies were noted at the time of the inspection.

The Utility's Attempt to Address Customer Satisfaction

Staff reviewed the complaints filed in the Commission's Consumer Activity Tracking System (CATS), complaints filed with the DEP, and complaints received by the Utility from January 1, 2018, through March 7, 2024. During this time period, there were 89 complaints filed in CATS, which were regarding both historic and the current proposed rate increases and quality of service. The quality of service complaints addressed secondary water quality including the taste, color and odor of the water, and service interruptions. Over this same time period, the Utility received a total of 137 complaints. The majority of these complaints were regarding secondary water quality such as odor, color and taste, and water leaks. The Utility responded to the complaints by testing the meters, conducting testing for leaks, and flushing to improve the water quality. As in the last rate case, there was some discussion concerning the number of waterline breaks. As was noted in the prior rate case Order, the legacy asbestos-cement pipes used in the distribution system can be difficult to repair if a leak develops.[8] The Utility is requesting a pro forma project to replace the asbestos-cement pipes to address this concern, as discussed in Issue 5.

There were six complaints received by the DEP, four from customers and two from a former Pluris employee. The customer complaints addressed concerns on water discoloration, potential

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[8] Order No. PSC-13-0187-PAA-WS, issued May 2, 2013, in Docket No. 120152-WS, *In re: Application for increase in water and wastewater rates in Orange County by Pluris Wedgefield, Inc.*

health effects, and poor wastewater effluent quality. The complaints from the former Pluris employee claimed that records were being falsified for both water and wastewater systems. DEP investigated these claims and determined there was no evidence of falsified records. During a site visit conducted by the DEP on May 26, 2023, at the subject facilities, it was observed that the chart recorder readings were not aligned with the readings produced by the in-line turbidity meters at the wastewater treatment plant. To resolve this concern the utility converted to digital data loggers. DEP determined there was no evidence indicating that this discrepancy was in any way fraudulent.

A customer meeting was held in the service territory on Wednesday, January 24, 2024, where 23 customers spoke. The comments expressed concerns regarding the Utility's requested rate increase, the relationship between the rate case and a recent lawsuit settlement involving the utility, and poor water quality such as water hardness, staining/damaging of plumbing fixtures and clothing, and water not suitable for drinking. As of March 6, 2024, there were 45 written comments filed as part of the docket. These comments stated the rate increase is unreasonable and that Orange County should take over the facility. Table 1-1 shows the number of complaints and comments, categorized by complaint type and source.

Table 1-1
Customer Complaints/Comments by Source

Subject	CATS	DEP	Utility	Written Comments	Customer Meeting	Total*
Rate Increase	29	-	-	34	21	82
Billing Issues	12	-	12	2	2	27
Customer Service		-	-	4	4	7
Service Interruption	19	-	7	1		27
Water Pressure	1	-	11	2		14
Water Leak	-	-	36	1	4	40
Health Issues	3	1	-	2	4	10
Water Taste	5	-	1	-	2	8
Water Color	12	1	25	2	10	50
Water Odor	8	-	26	1	3	37
Sewage Concerns	-	1	14	-	2	17
Work Place Issues Other	-	3	5	14	14	35
Total	89	6	137	63	66	354

*A single customer complaint may be counted multiple times if it fits into multiple categories, was reported to multiple agencies, or was reported multiple times.

On February 16, 2024, OPC filed a letter outlining concerns regarding the quality of service, including discussion of wastewater effluent quality, the Utility's historic exceedances of Total Trihalomethanes (TTHM) during 2016 and third party testing showing greater TTHM values than reported by the Utility, the recent legal actions associated with the utility, and the volume of customer complaints during the 2018 through 2022 period and the current docket.[9] In its letter,

[9]See Document No. 00740-2024, filed February 16, 2024.

OPC proposed an unsatisfactory rating and a 100 basis point penalty or a 50 percent reduction in salary to Utility executives. As noted above, the Utility is currently in compliance with DEP for primary and secondary standards, including TTHM. On February 20, 2024, the Utility filed a response stating that the wastewater quality meets the standard of its effluent disposal agreement, the Utility has improved treatment to address TTHM and meets DEP standards for water quality, that the independent water quality testing conducted in 2016 was deemed non-compliant with testing protocols by DEP, and argues the volume of customer complaints have been on the decline since 2018.[10]

Regarding customer complaints, the Utility appears to be responding, in a timely manner, to complaints filed with the Commission and with the Utility. Concerns regarding water quality have been addressed through the implementation of enhanced treatment systems that reduce disinfection byproducts such as TTHM, and the Utility also treats the water to improve the secondary quality characteristics, such as to reduce hardness. Routine issues such as leaks or discolored water, are addressed appropriately through meter testing, leak detection, and flushing in response to customer concerns. Regarding line breaks and service interruptions, as discussed in Issue 5, the Utility is replacing older AC pipe which is more prone to failure and more difficult to repair. Overall, it appears that the Utility has been responsive to its customer complaints. Therefore, staff believes that Pluris has satisfactorily attempted to address its customer's concerns.

Conclusion

Pluris is meeting all DEP primary and secondary water standards, and has been responsive to customer complaints. Therefore, the quality of service provided by Pluris should be considered satisfactory.

[10]See Document No. 00790-2024, filed February 20, 2024.

Issue 2: Are the infrastructure and operating conditions of Pluris' water and wastewater systems in compliance with DEP regulations?

Recommendation: Yes. Pluris’ water and wastewater systems are currently in compliance with DEP regulations. (Davis)

Staff Analysis: Rule 25-30.225 F.A.C., requires that each water and wastewater utility shall operate and maintain its plant and facilities by employing qualified operators in accordance with the rules of the DEP in order to provide safe and efficient service up to and including the point of delivery into the piping owned by the customer. During a rate-making proceeding, Rule 25-30.433(2), F.A.C., requires consideration of whether the infrastructure and operating conditions of the plant and facilities are in compliance with Rule 25-30.225, F.A.C. In making this determination, the Commission must consider testimony of the DEP and county health department officials, sanitary surveys for water systems and compliance evaluation inspections for wastewater systems, citations, violations, and consent orders issued to the utility, customer testimony, comments, and complaints, and utility testimony and responses to the aforementioned items.

Water and Wastewater Systems Operating Condition

Pluris’ water system consists of two wells with capacities of 415 gallons per minute (gpm) and 600 gpm, respectively. The Utility also has one ground storage tank with a capacity of 350,000 gallons. Pluris uses chlorine dioxide to treat the raw water. Staff reviewed Pluris’ sanitary surveys conducted by the DEP to determine the Utility’s overall water facility compliance. A Sanitary Survey was conducted on August 2, 2021, indicating that Pluris’ water treatment facility was in compliance with the DEP’s rules and regulations and there were no deficiencies.

Pluris’ wastewater system consists of a permitted 0.330 million gallons per day (MGD) design capacity domestic wastewater treatment plant (WWTP). This plant is operated to provide secondary treatment with basic disinfection. A review of the most recent inspection by DEP conducted on August 5, 2022, indicated that Pluris’ wastewater treatment facility was in compliance with the DEP’s rules and regulations except for two items. The two out-of-compliance items were effluent quality and groundwater quality. These two out-of-compliance items were resolved to the DEP’s satisfaction by January 10, 2023.

Conclusion

Based on the above, Pluris’ water and wastewater systems are currently in compliance with DEP regulations.

Issue 3: Should the audit adjustments to rate base be made?

Recommendation: Based on the audit adjustments agreed to by the Utility, as well as further adjustments made by staff, the following adjustments should be made to rate base as set forth in staff's analysis below.

Table 3-1

	Water	Wastewater
Utility Plant in Service	$36,796	($15,765)
Accumulated Depreciation	$39,740	$68,782
Depreciation Expense	$6,218	($14,964)
Contribution-in-Aid-of-Construction (CIAC)	($8,409)	-
Accum. Amortization of CIAC	($22,924)	($63,138)
Amortization Expense	$273	$285

(Przygocki)

Staff Analysis: Staff's audit report was filed on January 23, 2024. In its response to the staff Audit Report, Pluris agreed to the audit adjustments to rate base as set forth in the tables below. However, staff believes further adjustments are necessary to Audit Finding No. 1 and Audit Finding No. 2, as discussed below.

Table 3-2

Audit Finding	Pluris Agreed Upon Audit Adjustments
Audit Finding No. 1	Understatement of water plant and overstatement of wastewater plant.
Audit Finding No. 2	Overstatement of accumulated depreciation for water and wastewater.
Audit Finding No. 3	Understatement of water CIAC without justification.
Audit Finding No. 4	Overstatement of the Accumulated Amortization of CIAC of both the water and wastewater.

Source: Staff Audit Report

Utility Plant in Service (UPIS)

In Audit Finding No. 1, staff auditors determined adjustments were necessary to increase UPIS for the wastewater system by $81,638. However, the audit inadvertently included an adjustment to increase the land balance by $97,402. This balance was already booked correctly and did not require an adjustment. As such, staff recalculated the adjustment to wastewater plant in service to be a decrease of $15,765. Additionally, the audit determined an increase of $36,796 to water plant in service was necessary. Staff has no further adjustment to the UPIS balance for water.

Accumulated Depreciation and Depreciation Expense

In Audit Finding No. 2, staff auditors determined that adjustments to accumulated depreciation for both the water and wastewater systems were necessary. The first set of adjustments were made to properly account for the inclusion of Commission ordered adjustments from the last rate case, as well as accruals and retirements recorded since the last rate proceeding. Audit staff determined that adjustments were necessary to decrease accumulated depreciation by $367,001 and $73,521, for the water and wastewater systems, respectively. An additional adjustment, further discussed below, was made to each system to further decrease the balances by $116,492 and $123,773 for water and wastewater, respectively.

Upon further investigation, staff discovered that $336,155 was incorrectly removed from accumulated depreciation for the water system in audit staff's calculation of the adjustment. In September of 2017, the Utility reclassified a repair that was booked incorrectly in December 2016, from water plant Account 331 - Transmission & Distribution Mains, to wastewater plant Account 361 - Collection Sewers - Gravity. The audit included a corresponding adjustment to remove the full balance from accumulated depreciation as a retirement to Account 331 instead of only reclassifying the associated accumulated depreciation. As such, staff believes the adjustment to decrease the accumulated depreciation balance for Account 331 should be $5,984 instead of the full retirement amount, resulting in a net adjustment of $36,832 ($367,001 - $336,155 + $5,984) to decrease the balance for water. The same adjustment should be made to increase the accumulated depreciation balance for Account 361, resulting in an adjustment of $67,537 ($73,521 - $5,984) to decrease the balance for wastewater.

The additional adjustments to remove $116,492 and $123,773 from the accumulated depreciation balances for the water and wastewater systems, respectively, were included to recognize an irreconcilable difference between the balances approved in the last rate case and the Utility's general ledger balances. However, the irreconcilable differences were the result of incorrectly comparing the simple average balances from the last rate case order to the year-end balances recorded in the Utility's general ledger for purposes of reconciliation. As such, staff believes the first set of adjustments discussed above include all necessary adjustments to the accumulated depreciation balances and does not believe these additional adjustments to remove $116,492 and $123,773 from the accumulated depreciation balances for the water and wastewater systems, respectively, are necessary.

Audit staff determined adjustments to increase water depreciation expense by $12,034 and decrease wastewater depreciation expense by $12,475 were necessary based on its recalculation. On pages 4 and 5 of its letter, OPC addressed concerns with the calculation of depreciation by staff's auditors. OPC states that staff auditors did not properly factor in the salvage value to the calculation of the depreciation rate for water plant Accounts 341, 345, and 346, and wastewater plant Accounts 391, 395, and 396, as prescribed by Rule 25-30.140, F.A.C. OPC included a recalculation and proposed adjustments to accumulated depreciation and depreciation expense based on its recalculated depreciation rates. In the Utility's response to OPC's letter, Pluris stated that it agrees with the audit findings, but does not agree with any further adjustments. Staff reviewed Rule 25-30.140, F.A.C., and the depreciation rates used in audit staff's recalculation. OPC's adjustments to recognize the salvage value of these accounts are correct. Based on the recalculation using the corrected rates, staff recommends accumulated depreciation be decreased by $2,908 for water and $1,245 for wastewater. Staff also recommends associated depreciation expense be decreased by $5,816 for water and $2,489 for wastewater.

Based on the audit findings and the adjustments above, staff recommends adjustments to decrease accumulated depreciation by $39,740 ($36,830 + $2,908) and $68,782 ($67,537 + $1,245) for the water and wastewater system, respectively. Staff also recommends associated depreciation expense be increased by $6,218 ($12,034 - $5,816) for water and decreased by $14,964 ($12,475 + $2,489) for wastewater.

Conclusion

Staff's recommended adjustments to rate base and corresponding adjustments to depreciation expense and CIAC amortization expense are reflected in the tables below.

Table 3-3
Staff Recommended Audit Adjustments to Rate Base

Audit Finding	Plant		Accum. Depr.		CIAC		Accum. Amort. Of CIAC	
	Water	Sewer	Water	Sewer	Water	Sewer	Water	Sewer
1	$36,796	($15,765)						
2			$39,740	$68,782				
3					($8,409)			
4							($22,924)	($63,138)

Source: Staff Audit Report and Utility response

Table 3-4
Staff Recommended Corresponding Audit Adjustments to NOI

Audit Finding	Depreciation Expense		CIAC Amort. Expense	
	Water	Sewer	Water	Sewer
2	$6,218	($14,964)		
4			$273	$285

Source: Staff Audit Report and Utility response

Issue 4: What are the Used and Useful (U&U) percentages of the Utility's water and wastewater systems and what adjustments to rate base are necessary?

Recommendation: Staff recommends that Pluris' water treatment plant (WTP), storage, and distribution systems, as well as its wastewater collection system, be considered 100 percent U&U. The WWTP should be treated as 94.3 percent U&U. Additionally, staff recommends no adjustments to purchased power and chemical expenses be made for excessive unaccounted for water (EUW) and infiltration and inflow (I&I). Additionally, the Utility's wastewater rate base adjustment should be increased by $97. Corresponding adjustments should be made to decrease Pluris' adjusted net wastewater depreciation expense by $389, and to decrease wastewater property tax by $646. (Davis, Thurmond)

Staff Analysis: Rule 25-30.4325, F.A.C., provides factors to be considered in determining U&U and EUW calculations. As stated in Issue 2, Pluris' water system is comprised of two wells with capacities of 415 gpm and 600 gpm, respectively, and one ground storage water tank with a capacity of 350,000 gallons. The WWTP has a DEP permitted capacity of 0.330 MGD. Pluris' U&U percentages were last determined by the Commission in Order No. PSC-2013-0187-PAA-WS.[11]

Used and Useful Percentages

Water Treatment Plant and Water Storage

Rule 25-30.4325, F.A.C., addresses the method by which the U&U of a WTP and storage systems are determined. In its prior rate case, Pluris' WTP and water storage were found to be 100 percent U&U.[12] The Utility has not increased the capacity of either the WTP or storage system since rates were last established. Therefore, consistent with the Commission's prior decision, staff recommends the Utility's WTP and water storage be considered 100 percent U&U consistent with the prior rate case.

Water Distribution and Wastewater Collection

The Utility calculated U&U values for the water distribution and wastewater collection systems based on an average of single family residences, estimated five years of growth, and maximum equivalent residential connections (max ERCs). The calculated value, based on a maximum system capacity of 1,911 ERCs was 93.4 percent U&U. Instead of the calculated value, the Utility has requested a 100 percent U&U because no part of the system can be removed without adversely impacting the ability to reliably serve the remaining customers. Staff believes that the Utility's calculations are accurate and agrees with the Utility's reasoning for a finding of 100 percent U&U. Considering all of the water distribution lines and wastewater collection lines are necessary to adequately serve all of the existing customers, and consistent with prior Commission practice, staff recommends the water distribution and wastewater collection systems be considered 100 percent U&U.

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[11]Order No. PSC-2013-0187-PAA-WS, issued May 2, 2013, in Docket No. 120152-WS, *In re: Application for increase in water and wastewater rates in Orange County by Pluris Wedgefield, Inc.*
[12]Id.

Wastewater Treatment Plant

The Utility calculated the WWTP U&U based on an average annual daily flow (AADF), growth, infiltration and inflow (I&I) and permitted capacity. The calculated value, based on an AADF of 274,700 gpd, a five year growth estimate of 36,600 gpd, no excessive I&I, and a permitted capacity of 330,000 gallons, is 94.3 percent U&U. Staff agrees with the Utility's calculations and recommends the applicable portion of the wastewater treatment plant be considered 94.3 percent U&U.

Non-Used and Useful Adjustments

In its filing, Pluris made non-U&U adjustments to decrease wastewater rate base by $8,648, and wastewater depreciation expense by $845. Based on staff's U&U calculations, the total non-U&U adjustment to decrease wastewater rate base is $8,745. Staff calculated corresponding adjustment to decrease net depreciation expense by $456 and property tax by $646. As such, staff recommends that the Utility's adjustment to wastewater rate base be increased by $97. Corresponding adjustments should be made to decrease the Utility's adjustments to net wastewater depreciation expense by $389. In its filing, the Utility did not include a non-U&U adjustment to property tax. Staff recommends a corresponding adjustment to decrease property tax by $646 be made.

Excessive Unaccounted for Water (EUW)

Rule 25-30.4325, F.A.C., 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 produced that is not sold, metered, or accounted for in the records of the Utility. Pluris estimated no EUW based on producing 159,977,000 gallons, an estimated total sales of 100,460,000 gallons, and 46,720,000 gallons used for other uses, such as flushing, and water and wastewater systems usage. Staff's review confirmed the values for water produced and other uses, and based on the Audit Report and staff's review, made an adjustment to reflect that the actual gallons sold during the test year was 100,401,000 gallons. The resulting adjusted calculation ([water produced – water sold – other utility uses] /water sold) for unaccounted for water is 8.0 percent. As this value is less than 10 percent, the Utility does not have any EUW. Therefore, staff recommends no adjustments should be made to purchased power and chemical expenses for EUW.

Infiltration and Inflow (I&I)

Infiltration typically results 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. By convention, the allowance for infiltration is 500 gpd per inch diameter pipe per mile, and an additional 10 percent of residential water billed is allowed for inflow.[13] Rule 25-30.432, F.A.C., provides that in determining the WWTP amount of U&U, the Commission will consider I&I. Pluris estimated no I&I in its calculations.[14]

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[13]*See* Order No. PSC-2016-0525-PAA-WS issued November 21, 2016 in Docket No. 20160030-WS, *In re: Application for increase in water rates in Lee County and wastewater rates in Pasco County by Ni. Florida, LLC.* and Order No. PSC-2015-0208-PAA-WS issued May 26, 2015 in Docket No. 20140135-WS, *In re: Application for increase in water/wastewater rates in Pasco County by Labrador Utilities, Inc.*

[14]See Document No. 00684-2024, filed February 12, 2024.

Since all wastewater collection systems experience I&I, the conventions noted above provide guidance for determining whether the I&I experienced is excessive. Staff calculates the allowable infiltration based on system parameters, and calculates the allowable inflow based on water billed to customers. The sum of these amounts is the allowable I&I. Staff next calculates the estimated amount of wastewater returned from customers. The estimated return is determined by summing 80 percent of the water billed to residential customers with 90 percent of the water billed to non-residential customers. Adding the estimated return to the allowable I&I yields the maximum amount of wastewater that should be treated by the wastewater system without incurring adjustments to operating expenses. If this amount exceeds the actual amount treated, no adjustment is made. If it is less than the gallons treated, then the difference is the excessive amount of I&I.

The allowance calculated for infiltration is 33,900,800 gallons and the allowance calculated for inflow is 8,629,300 gallons; therefore, the total I&I allowance was calculated as 42,530,100 gallons. Based on staff's audit and review, the total water billed to residential customers was 83,929,000 gallons, and the total water billed to general service customers was 2,364,000 gallons. Therefore, the estimated amount of wastewater returned from customers was calculated as 69,270,800 gallons. Summing the estimated return and the allowable I&I results in a maximum of 111,800,900 gallons of wastewater that could be treated by the wastewater system without incurring adjustments to operating expenses. The Utility treated 100,352,000 gallons of wastewater. The excessive I&I is based on the following equation: [(water treated) – (estimated returns) – (allowable inflow) – (allowable infiltration) which is less than zero. Therefore, staff recommends no adjustments should be made to purchased power and chemical expenses for I&I.

Conclusion

Staff recommends that Pluris' water treatment, storage, and distribution systems, as well as its wastewater collection system should be considered 100 percent U&U. The WWTP is 94.3 percent U&U. Additionally, the Utility's wastewater rate base adjustment should be increased by $97. Corresponding adjustments should be made to decrease Pluris' adjusted net wastewater depreciation expense by $389, and to decrease wastewater property tax by $646. Also, staff recommends no adjustments to purchased power and chemical expenses be made for EUW and I&I.

Issue 5: Should any adjustments be made the Utility's pro forma plant additions?

Recommendation: Staff recommends that Pluris' proposed asbestos-cement pipe replacement is necessary in order to reduce or eliminate water leaks. However, the Utility has not provided an adequate justification for the approximate 602 percent increase in mobilization costs. As such, staff recommends allowing pro forma in the amount of the original bid of $2,515,214. Also, based on the reclassification of the pro forma project to different plant accounts, the associated accumulated depreciation should be decreased by $810 and depreciation expense should be decreased by $5,859 for water. An additional adjustment should be made to increase corresponding property taxes by $30,932. (Davis, Veaughn)

Staff Analysis: Pluris requested recovery of costs associated with replacing asbestos-cement pipe currently in service in its water system. The Utility stated the asbestos-cement pipes were installed circa 1960 and the expected useful life or design life of an asbestos-cement pipe is 50 years. The pipe replacement project is scheduled to start on October 1, 2024, and to be completed on November 15, 2024. Water leaks were the dominant complaint received by the Utility during the test year and four years prior. By replacing all asbestos-cement pipe at once, the Utility will be avoiding a piece-wise approach that would otherwise allow water leaks to continue until all pipes are replaced.

Three contractors were provided plans and an informal scope of work and asked to submit bids for the pro forma project. Pluris included with its MFRs dated September 22, 2023 the lowest bid, which was $2,515,214 and included a 30 percent contingency of $580,434. In response to staff's fifth data request regarding the contingency amount, the Utility responded that it has requested final bids from the responsive bidders without a contingency fee.[15] The Utility stated that it had received two responsive bids of $2,776,518 and $3,700,000 without a contingency, and was selecting the lower bidder. The selected bid was from the original lowest cost vendor. The primary difference in the bids was the increase of mobilization cost from $90,000 to $631,738 and the addition of $300,000 to "[p]lug and abandon existing AC pipes in place." On February 16, 2024, Pluris filed a request to increase is pro forma request from $2,515,214 to $2,776,518.[16]

Staff requested additional information on both the increase in mobilization costs and additional activity. The Utility responded it does not have an explanation regarding the increase in mobilization costs beyond that it was a third party bidder, and the added line item cost for abandoning the AC pipes was inadvertently omitted from the prior bids and reflected a necessary activity.[17]

Based on the analysis above, staff recommends that the asbestos-cement pipe replacement project is necessary to replace infrastructure that is over 50 years old in order to reduce or eliminate water leaks. While the Utility did use a bidding process, staff believes that does not relieve the Utility of the requirement to support the amounts requested to ensure customers are receiving a reasonable cost for the pro forma work. The Utility has not provided an adequate

[15]See Document No. 00684-2024, filed February 12, 2024.
[16]See Document No. 00739-2024, filed February 16, 2024.
[17]See Document No. 00739-2024, filed February 16, 2024.

justification for the increase in mobilization costs by approximately 602 percent. As such, staff recommends allowing pro forma in the amount of the original bid of $2,515,214. As the project is anticipated to take place in the fourth quarter of 2024, a step increase does not seem appropriate to encourage rate stability and avoid confusion.

Corresponding Adjustments

Staff recommends no adjustments be made to the scope of the Utility's pro forma plant project. However, the Utility recorded the entirety of the pro forma project costs to Account 331, transmission and distribution mains. Based on the detailed activities provided in the bid, staff recommends reallocating $626,470 for service connections to Account 333, and $166,400 for fire hydrants to Account 335. Staff has recalculated accumulated depreciation to recognize the reallocation of costs into accounts with different useful lives as prescribed by Rule 25-30.140(2)(a), F.A.C. As such, Staff recommends decreasing accumulated depreciation by $810.

Pluris did not recognize the associated pro forma retirement in its depreciation expense calculations. To recognize the reallocation of costs into accounts with different useful lives, as well as the pro forma retirement, staff has recalculated depreciation expense. Staff recommends decreasing depreciation expense by $5,859. Additionally, the Utility did not include pro forma property tax in its filing. Therefore, pro forma property taxes should be increased by $30,932

Conclusion

Staff recommends that Pluris' proposed asbestos-cement pipe replacement is necessary in order to reduce or eliminate water leaks. However, the Utility has not provided an adequate justification for the approximate 602 percent increase in mobilization costs. As such, staff recommends allowing pro forma in the amount of the original bid of $2,515,214. In conclusion, based on the reclassification of the pro forma project to the appropriate plant accounts, the associated accumulated depreciation should be decreased by $810 and depreciation expense should be decreased by $5,859 for water. An additional adjustment should be made to increase corresponding property taxes by $30,932.

Issue 6: Should adjustments be made to Pluris' working capital allowance?

Recommendation: Yes, Pluris' working capital allowance (WCA) should be increased by $19,842 and $19,717 for the water and wastewater systems, respectively. (Thurmond, Sewards)

Staff Analysis: Staff believes further adjustments should be made to rate base for working capital allowance. Rule 25-30.433(3), F.A.C., requires that Class A utilities use the balance sheet method to calculate the WCA. Based on the balance sheet method, WCA is calculated as current assets less current liabilities. In its filing, Pluris included a WCA of $389,416 and $386,942 for the water and wastewater systems, respectively. OPC's letter included several issues with components of WCA and expressed concern for the overall increase in WCA from the level in Pluris' last rate case to the amount in the current rate case. OPC's concern dealing with the treatment of common equity is discussed in Issue 9.

Restricted Cash Accounts

OPC believes two cash accounts totaling $308,403 should be removed from WCA based on two specific concerns. First, OPC contends that the two accounts are restricted cash accounts, meaning the cash is held onto for a specific reason and is, therefore, not available for immediate ordinary business use. As detailed in an excerpt from the Utility's 2022 External Independent Audit Report highlighted in OPC's letter, the restricted cash amounts "represent cash amounts required to be set aside in accordance with the Company's financing arrangements as contractually required by the lender." While OPC is correct that these are restricted cash accounts, the accounts are contractually required by the lender. Staff believes the restricted cash accounts exist so that the Utility can have access to loans at a favorable rate to be used for utility operations.

Second, OPC contends that the restricted cash accounts should be removed as they are interest bearing accounts. It is Commission practice to either exclude interest bearing accounts from working capital, or to include them provided that the interest income is also included in the above-the-line revenues.[18] Based on the use of these restricted cash accounts as a financial tool to support utility operations as needed, staff believes the cash accounts are required for ongoing utility operations and should remain in working capital allowance. Using Pluris' 2022 general ledger, staff identified $1,629 in interest income and has made an adjustment to include the balance in the above-the-line revenues, as reflected in Issue 10. As such, staff recommends the two cash accounts totaling $308,403, should remain in WCA.

Magnetic Ion Exchange (MIEX) Resin Expense Prepayment

OPC also expresses concern about the amount of prepayments included in working capital allowance. Specifically, an amount of $188,282 related to the prepayment of MIEX Doc Resin for a five-year supply. The Utility recorded pro forma operation and maintenance (O&M) expense associated with 2 units of MIEX resin and a 5-year amortization for 9 units of MIEX resin. MIEX resin is used as part of the water treatment system to address disinfection

[18]Order No. PSC-2001-0326-FOF-SU, issued February 6, 2001, in Docket No. 19991643-SU, *In re: Application for increase in wastewater rates in Seven Springs System in Pasco County by Aloha Utilities, Inc.*; Order No. PSC-2000-1416-PCO-GU, issued August 3, 2000, in Docket No. 20000108-GU, *In re: Request for rate increase by Florida Division of Chesapeake Utilities Corporation.*

byproducts and is mostly regenerated as part of the treatment process, with some losses over time. In response to staff's data request regarding the MIEX resin costs, Pluris explained that the 9 units were purchased as part of a full cleaning and replacement of all resin in the MIEX system, which happens on a five year cycle, and additional purchases were used to maintain appropriate levels.[19] This chemical expense associated with these purchases appears reasonable, and staff agrees with the use of the 5-year amortization period for the 9 unit purchase. As such, staff believes the inclusion of prepayment for the MIEX Doc Resin is appropriate and should remain in working capital allowance.

Other

Additionally, staff has made a corresponding adjustment to increase working capital allowance by $39,558 for the unamortized balance of non-recurring expenses recommended in Issue 14. As such, staff recommends working capital allowance be increased by $19,842 and $19,717 for the water and wastewater systems, respectively. Additionally, as discussed in Issue 10, staff has reclassified $268 from test year operating revenues to CIAC for a meter installation charge.

Conclusion

As discussed above, staff does not believe the adjustments recommended by OPC should be made. While WCA has increased significantly since the last rate case, Pluris was a Class B utility in the last rate case and is now a Class A utility. Staff has reviewed the balance sheet components of working capital and believes Pluris' current financial situation is representative of ongoing operations for the Utility. As such, staff recommends WCA should be increased by $19,842 and $19,717 for the water and wastewater systems, respectively, resulting in a total working capital balance of $409,258 ($389,416 + $19,842) and $406,659 ($386,942 + $19,717) for water and wastewater, respectively.

[19]See Document No. 00661-2024, filed February 9, 2024.

Issue 7: What is the appropriate rate base for the test year ended December 31, 2022?

Recommendation: Consistent with staff's recommended adjustments, the appropriate rate base for the test year ended December 31, 2022, is $7,373,975 for water and $1,327,085 for wastewater. (Thurmond)

Staff Analysis: Consistent with staff's recommended adjustments, the appropriate 13-month average rate base for the test year ended December 31, 2022, is $7,373,975 for water and $1,327,085 for wastewater. Staff's recommended rate base for the water and wastewater systems are shown on Schedule Nos. 1-A and 1-B, and the adjustments are shown on Schedule No. 1-C.

Issue 8: What is the appropriate return on equity?

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

Staff Analysis: The Utility requested a ROE of 9.00 percent. Based on the Commission leverage formula currently in effect, the appropriate ROE is 8.79 percent.[20] Staff recommends an allowed range of plus or minus 100 basis points be recognized for ratemaking purposes.

[20]Order No. PSC-2023-0189-PAA-WS, issued June 28, 2023, in Docket No. 20230006-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 9: What is the appropriate weighted average cost of capital including the proper components, amounts, and cost rates associated with the capital structure?

Recommendation: The appropriate weighted average cost of capital for the test year ended December 31, 2022, is 8.22 percent. (Sewards)

Staff Analysis: In its filing, the Utility requested a weighted average cost of capital of 8.12 percent. OPC's Letter detailed its concern with the Utility's calculation of common equity. Additionally, staff believes an adjustment to Advances from Associated Companies to reclassify the advances as equity and to the cost rate of customer deposits are necessary.

Common Equity

According to MFR Schedule D-2, the Utility's common equity balance included an adjustment of $6,281,931 to increase common equity from a negative balance of $1,003,979 to a positive balance of $5,277,952. The Utility reclassified amounts from Accounts Payable – Associated Companies and Miscellaneous Current and Accrued Liabilities to Other Equity Capital. In response to staff's fourth data request, the Utility stated that the amount recorded in Accounts Payable – Associated Companies should have been recorded as Advances from Associated Companies as there was no expectation of repayment. It has been Commission practice to treat loans from associated companies with no interest payments made as common equity.[21] Further, Pluris stated the balance included in Accrued Liabilities was reduced when the settlement was paid in cash, funded by the parent company. Pluris expended the cash and made an adjustment to reduce Accrued Liabilities, and the parent company provided an equity infusion to recapitalize the Utility to the proper amount necessary to support the Utility's assets.

OPC claims that Pluris' adjustments to reclassify the amounts recorded in Accounts Payable – Associated Companies and Miscellaneous Current and Accrued Liabilities are inappropriate, as they are related to the legal expenses and settlement of a water quality lawsuit.[22] Further, OPC asserts that none of the money recorded in these accounts is associated with the actual plant investment for the provision of water and/or wastewater services. To support its claim, OPC provided a breakdown of equity infusions and debt issuance from 2009 through 2020. OPC states that the inclusion of these funds in common equity provide the Utility with a *de facto* return on the legal expenses and settlement of the lawsuit.

Staff disagrees with OPC's assertions. To ensure the Utility's assets were supported after payments associated with the lawsuit were made, either an equity infusion or an issuance of debt was necessary. Expenses related to the lawsuit were booked to O&M expense and staff has

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[21]Order Nos. PSC-2000-1165-PAA-WS, issued June 27, 2000, in Docket No. 19990243-WS, *In re: Application for limited proceeding increase and restructuring of water rates by Sun Communities Finance Limited Partnership in Lake County, and overearnings investigation*; PSC-2002-1449-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*; PSC-2014-1095-PAA-WS, issued May 1, 2014, in Docket No. 20130211-WS, *In re: Application for staff-assisted rate case in Polk County by S.V. Utilities, Ltd.*; PSC-2013-0646-PAA-WU, issued December 5, 2013, in Docket No. 20130025-WU, *In re: Application for increase in water rates in Highlands County by Placid Lakes Utilities, Inc.*; and PSC-2011-0366-PAA-WU, issued August 31, 2011, in Docket No. 20100126-WU, *In re: Application for increase in water rates in Marion County by C.F.A.T. H2O, Inc.*
[22]*Kohl et al., v. Pluris Wedgefield, LLC, et al.*, No. 2020-CA-004390 (Fla. 9th Cir. Ct. 2023)

verified that these expenses have been removed from the determination of the revenue requirement. When determining rates, the costs included for the capital structure include the interest expense on debt and an allowed return on equity, determined by the Commission, to compensate shareholders for exposing their capital to risk. The operating expenses that are allowed are the expenses associated with providing utility service. If there are no expenses associated with the lawsuit included in operating expenses, there is no recovery of such costs from customers. As such, staff believes the recapitalization of Pluris by its parent company is appropriate and should not be adjusted as suggested by OPC.

Staff derived its calculation of common equity from MFR Schedule A-19. The 13-month average balance of Common Equity reflected a negative $1,003,977. Staff reclassified the 13-month average balances of $3,848,517 from Accounts Payable – Associated Companies and $3,049,849 from Miscellaneous Current and Accrued Liabilities to common equity.

Advances from Associated Companies
According to MFR Schedule A-19, Pluris recorded a balance of $250,000 in Advances from Associated Companies. In its last rate case, the Commission ordered that a balance of $252,431 recorded in the same account be reclassified as common equity. In response to staff's fourth data request, the Utility confirmed the $250,000 recorded in the current rate case was the same balance from its last rate case and should have been treated as equity. As such, staff recommends the Advances from Associated Companies balance of $250,000 be reclassified as common equity.

Pro Forma Project
In response to staff's informal data request on March 11, Pluris informed staff that the pro forma project discussed in Issue 5 will be funded through an equity infusion.[23] As such, staff recommends $2,515,214 be added to common equity.

In total, staff recommends a common equity balance of $8,659,601 (-$1,003,977 + $3,848,517 + $3,049,849 + $250,000 + $2,515,214).

Customer Deposits
According to MFR Schedule D-1, the Utility recorded a cost rate of 6.00 percent for customer deposits. Pursuant to Rule 25-30.311, F.A.C., staff recommends a cost rate of 2.00 percent.

Conclusion
Based upon the proper components, amounts, and cost rates associates with the capital structure for the test year ended December 31, 2022, staff recommends a weighted average cost of capital of 8.22 percent. Schedule No. 2 details staff's recommended overall cost of capital.

[23] See Document No. 01110-2024, filed on March 11, 2024.

Issue 10: Should any adjustments be made to test year operating revenues for Pluris' water and wastewater systems?

Recommendation: Yes. Test year operating revenues should be decreased by $27,488 for water and increased by $5,776 for wastewater. (Bethea)

Staff Analysis: In its MFRs, the Utility reflected total test year operating revenues of $1,627,619 for water and $1,051,949 for wastewater. The water revenues included $1,598,744 of service revenues and $28,875 of miscellaneous revenues. The Utility did not include any miscellaneous revenues for the wastewater system.

Staff made several adjustments to test year service revenues. As discussed further in Issue 21, the Utility incorrectly billed two fire protection customers as general service. The incorrect billing resulted in the private fire protection customers being billed for usage. Pursuant to Rule 25-30.465, F.A.C., private fire protection rates are one-twelfth the current base facility charge of the utility's meter sizes, unless otherwise supported by the Utility. There is no gallonage rate associated with private protection rates. As a result, staff adjusted the billing determinants to reflect an appropriate billing for the private fire protection customers. During the test year, the Utility had a rate change effective July 17, 2022, as a result of the removal of expired rate case expense amortization granted in 2018.[24] Staff determined test year service revenues by applying the existing rates to the adjusted billing determinants, which resulted in service revenues of $1,570,478 for water, which is a decrease of $28,266 ($1,598,744 - $1,570,478) and $1,056,927 for wastewater, which is an increase of $4,978 ($1,056,927 - $1,051,949).

For the test year, staff made several adjustments to water miscellaneous revenues. Staff reclassified $268 to CIAC to reflect a meter installation charge incorrectly recorded as miscellaneous revenues. Staff reversed a credit of $214 based on the test year miscellaneous occurrences. These adjustments result in miscellaneous revenues for water of $28,821 ($28,875 - $268 + $214). In addition, other revenues were increased by $831 for water and $798 for wastewater to reflect other income earned on interest bearing accounts as discussed in Issue 6. Test year operating revenues are $1,600,131 ($1,570,478 + $28,821 + $831) for water and $1,057,725 ($1,056,927 + $798).

Based on the above, test year operating revenues should be decreased by $27,488 ($1,600,131 - $1,627,619) for water and increased by $5,776 ($1,057,725 - $1,051,949) for wastewater.

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[24] Order No. PSC-2018-0311-PAA-WS, issued June 13, 2018, in Docket No. 20170166-WS, *In re: Application for limited proceeding rate increase in Orange County by Pluris Wedgefield, Inc.*

Issue 11: Should the audit adjustments to net operating income be made?

Recommendation: Based on the audit adjustments agreed to by the Utility, O&M expense should be decreased by $4,964 and $6,059 for the water and wastewater systems, respectively. (Przygocki)

Staff Analysis: Staff's audit report was filed on January 23, 2024. Audit Finding No. 8 discusses several transactions in O&M expense accounts that should be removed or reclassified resulting in adjustments to decrease O&M expense by $4,964 and $6,059 for the water and wastewater systems, respectively. In its response to the staff audit report, Pluris agreed to the audit adjustments made to O&M expense. Staff has no further adjustments. As such, staff recommends that O&M expense be decreased by $4,964 and $6,059 for the water and wastewater systems, respectively.

Issue 12: Should any adjustments be made to Contractual Services - Management Fees?

Recommendation: Yes, Contractual Services – Management Fees should be reduced by $264,427 and $265,903 for the water and wastewater systems, respectively. Further, the Utility should be responsible for providing information that details the relationship of all parent-level and above related parties, total expenses on all levels, and the allocation of expenses and duties performed by employees associated with each entity. (Sewards)

Staff Analysis: It is the Utility's burden to prove that its costs are reasonable. This burden is even greater when the transaction is between related parties for two reasons: (1) affiliate transactions raise the concern of self-dealing where market forces do not necessarily drive prices, and (2) utilities have a natural business incentive to shift costs from non-regulated operations to regulated monopoly operations because recovery is more certain with captive customers. Although a transaction between related parties is not per se unreasonable, related party transactions require closer scrutiny. The legislature has recognized the need to scrutinize affiliate transactions by specifically granting the Commission access to non-regulated affiliate records. Specifically, Section 367.156(1), F.S., states:

> The Commission shall continue to have reasonable access to all utility records <u>and records of affiliated companies, including its parent company, regarding transactions or cost allocations among the utility and such affiliated companies, and such records necessary to ensure that a utility's ratepayers do not subsidize nonutility activities.</u> Upon request of the utility or any other person, any records received by the Commission which are shown and found by the Commission to be proprietary confidential business information shall be kept confidential and shall be exempt from s. 119.07(1).

(Emphasis added). Florida's Supreme Court has enunciated the standard for which the Commission shall review affiliate transactions stating, "[w]e believe the standard must be whether the transactions exceed the going market rate or are otherwise inherently unfair." [25]

In its filing, the Utility recorded contractual services – management fees of $259,794 in the test year for both the water and wastewater systems. These amounts are comprised of expenses allocated from Pluris' parent company, Pluris Management Group (PMG). PMG allocates its expenses based on the number of customers in each of its utilities. In the test year, PMG owned and operated six utilities until November 2023, when two utilities were sold. The Utility requested a pro forma increase of $237,010 to both the water and wastewater systems in this docket related to the reallocation of expenses due to the sale of the two utilities. This results in an increase to Pluris' allocation from 18.26 percent to 37.58 percent.

In the Utility's last rate case, the Commission approved total Contractual Services – Management Fees of $127,106 split evenly between the water and wastewater systems. This represented Pluris' allocated portion of $743,214 in total management expenses. In its last rate case, the allocated management fees reflected the salaries of three employees and the management company provided its services to a total of 16,538 customers across all of its

[25] *GTE v. Deason*, 642 So. 2d 545, 548 (Fla. 1994).

systems. Staff notes that in the last rate case, Pluris did not have any in-house employees within the Utility in Florida.

In the current rate case, Pluris has requested a total of $993,608 in management fees, split evenly between the water and wastewater systems. This represents Pluris' allocated portion of $2,643,959 in total management expenses at the updated allocation percentage. Since Pluris' last rate case, the number of PMG employees reflected in the allocated management fees has grown considerably from three employees to 19. Additionally, the Utility has added seven in-house employees to handle the operation of Pluris in Florida. According to information provided by the Utility in response to OPC's Interrogatory No. 1, PMG is currently responsible for managing a total of 9,381 customers after the two utilities were sold. This represents a decrease in management of 7,157, or 43 percent of customers, compared to the customer count in the last rate case. Table 12-1 below shows a comparison of Pluris employees, management company employees, the pre-allocated management company expenses, and the total number of customers the management company serves throughout all of its utilities.

Table 12-1
Utility and Management Company Comparison

	2012 Rate Case	Current Rate Case Request	Change	%
Pluris In-House Employees	0	7	7	700%
Management Group Employees	3	19	16	533%
Total Pre-Allocated Expenses	$743,214	$2,643,959	$1,900,745	256%
Total Customers Served by Management Group	16,538	9,381	(7,157)	(43%)

Source: PSC-2013-0187-PAA-WS, Staff's 1st Data Request

Throughout the process of this rate proceeding, staff asked in multiple data requests for additional detail to support the significant increase in expenses and specific positions, especially in light of selling two utilities and experiencing a significant decrease in the number of customers it manages. Staff has also asked in multiple data requests for more supporting detail be provided for the services performed by PMG's staff, and how it relates to, and reconciles with, the work performed by Pluris' seven in-house employees.

While Pluris has responded to staff's data requests, as well as OPC's discovery, the responses have not provided clarity on the expenses included in management fees. Staff believes the Utility has not met the burden of proof for the reasonableness of many of the related party costs included in management fees. As such, staff is recommending specific adjustments related to the total parent level expenses allocated, as discussed below.

Salaries and Wages Expense - Management

In response to staff's first data request, Pluris provided a breakdown of PMG's expenses and allocation methodology. PMG recorded $1,479,046 in salaries and wages expense. In its last rate case, Commission-approved management fees included salaries for a Managing Member, a Principal Engineer, and an Administrative Assistant. However, since the last rate case, Pluris has hired a regional manager, two in-house managing engineers, and currently has two of four plant operators filled. Based on the addition of in-house staff at the Florida operations, the reduction of the overall customer base managed by PMG, and the lack of support provided by the Utility, staff believes only the salary for one managing member should be included in the calculation of management fees.

According to the position descriptions provided for PMG, Maurice Gallarda is listed as the President/CEO/Principal Engineer. In OPC's letter dated February 16, 2024, it provided an excerpt from a Sarasota County Resolution concerning management salaries for a sister utility company, Pluris Southgate, LLC. In that case, Raftelis Financial Consultant, Inc. (Raftelis) evaluated Pluris Southgate, LLC's contractual services – management fees, to determine if the requested rate increase was reasonable and justifiable based on the information presented by the Utility. Raftelis was concerned about the high level of salaries and wages expense for Mr. Gallarda and based on the Compensation Survey – Medium-Sized Utilities published by the American Water Works Association, and recommended limiting his salary to $229,051. Staff believes this is a reasonable comparison and recommends indexing that 2020 salary forward to account for inflation, using the Commission's approved annual price index for the years 2021 through 2024. As such, staff recommends a management salary of $267,757 be recognized in the allocation of management fees.

In response to staff's second data request, the Utility detailed a billing and collection group (B&C Group) that is responsible for the billing, collections, and other customer service tasks related to serving all of PMG's utilities. PMG recorded $363,661 in relation to the B&C group and its wages, payroll tax, employee benefits, postage, telephones, and utilities expenses. In response to staff's first data request, Pluris stated that it expected savings of $150,239 as a result of the sale of the two utilities due to a decrease in staffing needs. Staff recommends the inclusion of the B&C group as these positions are not duplicative of the duties performed by the Utility's in-house staff.

Based on the above, staff recommends a reduction to salaries and wages expense of $893,274. Additionally, corresponding adjustments are necessary to reduce payroll expense by $4,404, payroll taxes by $34,851, and employee benefits by $88,960.

Professional Fees – Accounting

PMG recorded $180,038 in professional fees – accounting expense. In response to staff's eighth data request, the Utility provided PMG's invoices for allocated costs including professional fees – accounting. In review of the invoices, staff found invoices from placement companies for the hiring of two PMG employees totaling $66,875. As discussed above, staff does not believe the Utility has met its burden of proof as it relates to the increase in size of the management positions. As such, staff believes professional fees – accounting should be reduced by $66,875.

Transportation/Insurance Expense

PMG recorded $91,346 in transportation expense. In response to staff's eighth data request, the Utility provided PMG's lease agreements for the vehicles included in its pre-allocated transportation expense. In Pluris' last rate case, the Commission removed automobile expense associated with company vehicles supplied as a part of compensation packages. In response to staff's eighth data request, the Utility confirmed transportation expenses in the current case also includes vehicles supplied as a part of compensation packages. As such, staff recommends the same adjustment be made to remove transportation expense associated with vehicles included in compensation packages. Further, based on the addition of in-house staff and seven utility vehicles, the reduction of the overall customer base managed by PMG, and the lack of support provided by the Utility, staff believes transportation expense should be reduced by its full balance of $91,346. Staff also recommends a corresponding adjustment to reduce insurance expense by $19,418 associated with the removal of the transportation expense.

Depreciation Expense

PMG recorded $29,435 in depreciation expense. In response to staff's eighth data request, the Utility provided a description for this expense stating it was related to improvements made to the B&C Group's building. Pluris did not provide further explanation and staff was unable to determine the details of this expense. It is the Utility's burden to prove that its costs are reasonable. Based on the lack of support provided by the Utility, staff believes depreciation expense should be reduced by its full balance of $29,435.

Other Miscellaneous Expenses

PMG included miscellaneous expenses totaling $82,390 involving travel, meals and entertainment, dues and subscriptions, penalties, and gifts in its pre-allocated expenses. In response to staff's eighth data request, the Utility provided PMG's invoices for allocated costs including these miscellaneous expenses. In reviewing the invoices, staff noticed that many were only partially allocated to PMG along with multiple other entities. Staff was not given specific information identifying the other entities but assumes these are related parties to PMG. Additionally, there is a lack of detail provided in the invoices for these miscellaneous expenses to determine if they are related to Pluris, PMG, or another party unrelated to the operation of Pluris. As such, staff believes most of these expenses should be removed. The Utility provided documentation related to membership in the National Association of Water Companies totaling $6,697. In OPC's letter dated February 16, it suggested 20 percent of this amount should be removed to recognize lobbying efforts. OPC cites to a previous Commission Order in which this adjustment was made.[26] However, the percentage identified in that case is specific to the invoices identifying lobbying efforts. Staff reviewed the invoice provided for Pluris and it does not specifically identify lobbying costs. As such, staff does not believe this is an appropriate adjustment to make. As such, staff believes other miscellaneous expenses should be reduced by $75,693.

Administration Fee

PMG included a 5 percent administration fee of $109,236 in its pre-allocated expenses. In response to OPC's Interrogatory No. 1e, the Utility stated that the fee is designed to compensate the management company for the services provided under the service agreement. Further, in response to OPC's Interrogatory No. 35, Pluris confirmed that the customers are not receiving an incremental benefit from this additional charge. Given that all of PMG's expenses are already allocated to Pluris, and that customers are not receiving a direct benefit from the fee, staff does not believe an additional administration fee of 5 percent should be added to the management fee

[26] Order No. PSC-1999-0513-FOF-WS, issued March 12, 1999, in Docket No. 19980214-WS, *In re: Application for rate increase in Duval, St. Johns and Nassau Counties by United Water Florida Inc.*

the Utility is already paying to PMG. As such, Staff recommends administration fees should be reduced by its full balance of $109,236.

Conclusion

As noted above, staff believes there is a lack of clarity and justification for the increased expense and the separation of duties for the managing members of PMG and other related parties. Upon further investigation, staff found that managing members of PMG are also listed as managing members of Stockdale Investment Group, Inc. In subsequent rate proceedings, Pluris should provide a clear cost allocation method or manual to support its related party costs.

Given the addition of Pluris' in-house employees and the reduction to the number of utilities and customers PMG is responsible for, staff believes the recommended adjustments result in a management fee that is representative of the services provided by PMG for the provision of regulated utility service by Pluris.

Based on the adjustments detailed above, staff recommends a total balance of $1,230,466 in management fees be recognized for allocation purposes. Pluris should be responsible for 37.65 percent of PMG's total costs based on the most recent utility allocation provided by the Utility. As such, the Utility's allocated portion should be $463,278 ($1,230,466 x 37.65%). Staff has further allocated management fees to the water and wastewater systems based on ERCs and recommends contractual services – management expense be $232,377 and $230,901, for the water and wastewater systems, respectively. This results in overall decreases of $27,417 and $28,893 to the water and wastewater system's 2022 test year expenses, respectively.

As such, staff recommends Contractual Services – Management Fees be reduced by $264,427 ($496,804 - $232,377) and $265,903 ($496,804 - $230,901) for the water and wastewater systems, respectively. Further, staff recommends that in Pluris' next rate filing, the Utility should be responsible for providing information that details the relationship of all parent-level and above related parties, total expenses on all levels, and the allocation of expenses and duties performed by employees associated with each entity.

Issue 13: What is the appropriate amount of rate case expense and over what period should it be amortized?

Recommendation: The appropriate amount of rate case expense is $93,539. This expense should be recovered over four years for an annual expense of $11,730 for water and $11,655 for wastewater. Therefore, annual rate case expense should be decreased by $3,681 for water and $3,659 for wastewater, from the respective levels of expense included in the MFRs. (Veaughn)

Staff Analysis: In its MFRs, Pluris requested $122,900 for rate case expense. Staff requested an update of the actual rate case expense incurred, with supporting documentation, as well as the estimated amount to complete the case. On February 16, 2023, the Utility submitted its last revised estimate of rate case expense, through completion of the PAA process, which totaled $72,646. A breakdown of the Utility's requested rate case expense is as follows:

Table 13-1
Pluris' Initial and Revised Rate Case Expense Report

Description	MFR Estimated	Actual	Additional Estimated	Revised Total
Legal Fees				
Martin Friedman	$39,900	$38,311	$21,585	$59,896
General				
Maurice Gallarda	22,000	0	0	0
Accounting				
Dan Winters	26,000	0	0	0
Billing				
Beverly Yopp	6,000	0	0	0
Notices, Printing, & Miscellaneous				
Pluris Wedgefield	25,000	3,800	4,950	8,750
Filling Fee	4,000	4,000	0	4,000
Total	**$122,900**	**$46,111**	**$26,535**	**$72,646**

Source: MFR Schedule B-10; along with Utility responses to staff data requests

Pursuant to Section 367.081(7), F.S., the Commission shall determine the reasonableness of rate case expense and shall disallow all rate case expense determined to be unreasonable. Staff has examined the requested actual expenses, supporting documentation, and estimated expenses as listed above for the current rate case. Based on its review, staff believes the following adjustments to Pluris' requested rate case expense are appropriate.

DEAN MEAD P.A.

In its MFRs, Pluris included $39,900 in legal fees to complete the rate case. In response to staff's first data request, The Utility provided documentation detailing this expense through February 16, 2024. The actual fees and costs totaled $38,311, with an estimated $21,585 to complete the rate case, totaling $59,896.

Staff reviewed supporting documentation and found 2.7 hours, equaling $1,107 in legal fees, related to correcting deficiencies. The Commission has previously disallowed rate case expense associated with correcting MFR deficiencies because of duplicate filing costs.[27] Additionally, staff found that a $4,000 filing fee that Dean Mead paid on behalf of the Utility was included in total legal fees. However, the cost of the Utility's filing fee is accounted for as its own line item on the B-10 Schedule of the Utility's MFRs, and as such should be removed from legal fees. Consequently, staff recommends an adjustment to reduce actual legal fees by $5,107.

The estimate to complete the rate case includes fees for 48.5 hours at $410 an hour, totaling $19,885, plus $1,700 in travel and miscellaneous expense. Staff believes the full amount of the estimate to complete is reasonable. Based on the above, staff recommends that the total legal fees be reduced by $5,107.

Maurice Gallarda, General

In its MFRs, Pluris included $22,000 of rate case expense related to the work performed by Mr. Gallarda. According to the Utility's response to staff's fourth data request, costs associated with time expended by Mr. Gallarda related to Pluris' rate case are included in the Utility's management fees, and as such, no rate case expense should also be included. As discussed in Issue 12, staff has included Mr. Gallarda's salary in the recommended management fees. Consequently, staff recommends an adjustment reducing the Utility's rate case expense by $22,000 related to Mr. Gallarda's involvement in the proceeding.

Dan Winters, Accounting

In its MFRs, Pluris included $26,000 of rate case expense related to work provided by Mr. Winters. In its response to staff's ninth data request, the Utility provided a description of Mr. Winters' duties which includes accounting and financial oversight, and the preparation of all regulatory financial filings and rate filings. Mr. Winters is also listed as the preparer of nearly all schedules provided in the Utility's MFRs.

In the Utility's response to staff's fourth data request, the Utility stated that time expended by Mr. Winters is included in the management fee, and as a result, there is no rate case expense associated with his work. However, as previously discussed in Issue 12, staff is recommending the disallowance of Mr. Winters' portion of the Utility's management fees. Additionally, staff has compared this amount to the approved amount of rate case expense for similar work done by the Stockdale Investment Group in the Utility's 2012 rate case, as well as rate case expense included for similar functions in other rate cases, and recommends the amount to be reasonable.[28] As such, staff recommends that total accounting fees of $26,000 be included for work performed by Mr. Winters.

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[27]Order Nos. PSC-2013-0187-PAA-WS, issued May 2, 2013, in Docket No. 120152-WS, *In re: Application for increase in water and wastewater rates in Orange County by Pluris Wedgefield, Inc.*; PSC-05-0624-PAA-WS, issued June 7, 2005, in Docket No. 040450-WS, *In re: Application for rate increase in Martin County by Indiantown Company, Inc.*; and PSC-01-0326-FOF-SU, issued February 6, 2001, in Docket No. 991643-SU, *In re: Application for increase in wastewater rates in Seven Springs System in Pasco County by Aloha Utilities, Inc.*
[28]Order Nos. PSC-2013-0187-PAA-WS; PSC-2020-0167-PAA-WU, issued May, 2022, in Docket No. 20190118-WU *In re*: *Application for increase in water rates in Gulf County by Lighthouse Utilities Company, Inc*. and PSC-

Beverly Yopp, Billing

In its MFRs, Pluris included $6,000 of rate case expense related to the work performed by Ms. Yopp. According to the Utility's response to staff's fourth data request, costs associated with time expended by Ms. Yopp related to Pluris' rate case are included in the Utility's management fees, and as such, no rate case expense should be included. Ms. Yopp's salary is included in the billing and collection expense reflected in staff's recommended management fees. Consequently, staff recommends an adjustment to reduce the Utility's rate case expense by $6,000 related to Ms. Yopp's involvement in the proceeding.

Noticing, Printing, and Miscellaneous

In its MFRs, the Utility included $25,000 of rate case expense related to notices, printing, envelopes, postage, travel, and miscellaneous expenses for Pluris through the completion of the Utility's rate case. According to projections provided by the Utility in its response to staff's fourth data request, the total cost of mailing, printing and miscellaneous is projected to be $8,750. Based on the projections discussed above, staff recommends the total rate case expense included for notices, printing, and miscellaneous expense be $8,750, which results in a reduction of $16,250 from Pluris' original expense.

Filing Fee

On September 22, 2023, the Commission received a payment of $4,000 from Dean Mead on behalf of Pluris' for filing fees related to the Utility's application. Staff recommends that the cost of the Utility's filing fee be allowed with no adjustment.

Conclusion

Based upon the adjustments discussed above, staff recommends that Pluris' revised rate case expense of $72,646 be increased by $20,893. A breakdown of staff's recommended rate case expense of $93,539 is as follows:

Table 13-2
Recommended Rate Case Expense

Description	MFR Estimated	Utility Revised Actual & Est.	Staff Adj.	Recom. Total
Legal Fees	$39,900	$59,896	($5,107)	$54,789
General	22,000	0	0	0
Accounting	26,000	0	26,000	26,000
Billing	6,000	0	0	0
Notices, Printing & Miscellaneous	25,000	8,750	0	8,750
Filling Fee	4,000	4,000	0	4,000
Total	$122,900	$72,646	$20,893	$93,539

Source: MFR Schedule B-10, along with Utility responses to staff data requests

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16-0552-PAA-WS, issued November, 21 2016, in Docket No. 20160030-WS, In re: *Application for increase in water rates in Lee County and wastewater rates in Pasco County by Ni Florida, LLC.*

In its MFRs, the Utility requested total rate case expense of $122,900. When amortized over four years, this represents an annual expense of $30,725, or $15,411 for water and $15,314 for wastewater. The recommended total rate case expense of $93,539 should be amortized over four years, pursuant to Section 367.081(8), F.S., as the Utility did not request or justify a longer amortization period. This represents an annual expense of $23,385, or $11,730 for water and $11,655 for wastewater. As such, staff recommends that annual rate case expense be decreased by $3,681 ($15,411 - $11,730) for water and $3,659 ($15,314 - $11,655) for wastewater, from the respective levels of expense included in the MFRs.

Issue 14: Should further adjustments be made to the Utility's O&M expense?

Recommendation: Yes, O&M expenses should be further reduced by $45,314 and $56,640, for the water and wastewater systems, respectively. (Thurmond)

Staff Analysis: Based on its review of test year O&M expenses, staff recommends several additional adjustments to the Utility's O&M expenses as summarized below.

Salaries and Wages - Employees

In its filing, the Utility recorded Salaries and Wages – Employees expense of $204,193 for water and $239,751 for wastewater. Staff reviewed the wages for each of the five current employees, as well as the 2023 American Water Works Association (AWWA) compensation survey for small water and wastewater utilities. Staff believes that the total salaries and wages expense included in the test year is excessive for the five current employees. However, the Utility currently has two vacant positions. Using the AWWA compensation survey, staff estimated the annual salary for two entry level plant operators. The total test year amount is an appropriate amount for a fully staffed utility of seven full-time employees. As these positions are necessary to the Utility's operation and will eventually be filled, staff does not believe an adjustment to remove Salary and Wages expense related to these two vacancies is necessary.

In response to staff audit's Document Request No. 30, the Utility stated that the general manager (Joe Kuhns) devotes 25 percent of his time to other systems and the field manager (Garth Armstrong) devotes 50 percent of his time to other systems. However, in response to staff's ninth data request, the Utility stated that the general manager devotes only 5 percent of his time to other systems. Given the conflicting responses, staff is recommending reductions to Salaries and Wages expense using the 25 and 50 percent allocations originally provided by the Utility to ensure non-utility expenses are not included in rates. Thus, staff recommends reductions to Salaries and Wages – Employees of $27,588 and $27,412 for water and wastewater, respectively. Staff is also recommending corresponding adjustments to reduce Employee Pensions and Benefits expense by $2,332 and $2,317 for water and wastewater, respectively. Further, staff is recommending corresponding adjustments to reduce Payroll Tax expense by $2,110 and $2,097 for water and wastewater, respectively.

Non-Recurring Expenses

Rule 25-30.433(9), F.A.C., states "Non-recurring expenses shall be amortized over a 5-year period unless a shorter or longer period of time can be justified." In response to staff's first data request, the Utility noted specific items included in O&M expense that were non-recurring in nature. Account 636 Contractual Services – Other included non-recurring expenses of $9,626 to fix a waterline and $3,101 for compliance fire hydrant flow testing, totaling $12,727. Accounts 659 and 759 Insurance Expense – Other included non-recurring expenses to true up excess liability insurance for $3,496 and $708 for the water and wastewater systems, respectively. To recognize the amortization of these expenses, staff recommends decreases of $12,978 ([$12,727 + $3,496] x 4/5) and $566 ($708 x 4/5) to the water and wastewater systems, respectively.

In its letter dated February 16, 2024, OPC identified additional non-recurring hurricane expenses recorded to the wastewater system. This included amounts of $3,989 for hurricane damage repair recorded in Account 775, $23,226 for hurricane preparation in Account 736, and $5,302 for hurricane pumps in Account 742, for a total of $32,517 in hurricane related expenses. Based on its review of OPC's assertion, staff agrees that adjustments are necessary to recognize the amortization of these non-recurring expenses. As such, staff recommends a decrease of $26,014 ($32,517 x 4/5) to the wastewater system. Staff also recommends a corresponding adjustment to increase working capital allowance by $39,558 ($12,978 + $566 + $26,014) to reflect the total unamortized balance of the non-recurring expense adjustments.

Fuel for Power Production

In its letter dated February 16, 2024, OPC asserted than an adjustment to Fuel for Power Production expense is necessary, as the test year is not representative of a normal full year of operation. The test year included a Fuel for Power Production expense of $4,288 and $1,038 for water and wastewater, respectively. As part of staff's review of fuel expenses, staff noted that consumption of fuel for power generation was increased during the test year and coincided with an abnormal event, Hurricane Ian. Staff agrees with OPC that a normalization adjustment is necessary. OPC has proposed the use of a 4-year average consistent with a 2009 order for Palm Valley Utilities where the Commission used a 4-year average to normalize Fuel for Power Production expense.[29] Staff believes this is a reasonable averaging adjustment. As such, staff recommends Fuel for Power Production expense be reduced by $2,417 and $331 for the water and wastewater systems, respectively.

Conclusion

Based on the discussion above, staff recommends O&M expenses be further reduced by $45,314 ($27,588 + $2,332 + $12,978 + $2,417) and $56,640 ($27,412 + $2,317 + $26,580 + $331), for the water and wastewater systems, respectively.

[29]Order No. PSC-2010-0606-PAA-WS, issued October 4, 2010, in Docket No. 20090447-WS, *In re: Application for staff-assisted rate case in Seminole County by CWS Communities d/b/a Palm Valley Utilities.*

Issue 15: What is the appropriate amount of income tax expense?

Recommendation: The appropriate amount of income tax expense is $0 for water and $0 for wastewater. Income tax expense should be reduced by $163,539 and $29,748 for the water and wastewater systems, respectively. (Thurmond)

Staff Analysis: In its filing, the Utility requested income tax expense of $163,539 and $29,478 for water and wastewater, respectively. The Internal Revenue Service defines a partnership as "the relationship between two or more people to do trade or business" and adds that a partnership "does not pay income tax, instead, it 'passes through' profits or losses to its partners. Each partner reports their share of the partnership's income or loss on their tax return."[30] In its last rate case, Pluris was a registered corporation and thus had to pay income taxes directly. However, according to its annual report, the Utility is now a limited liability corporation, classified as a partnership. Commission practice has been to remove income tax expense for partnerships as they do not pay income taxes directly.[31] Therefore, staff recommends decreases to income tax expense of $163,539 and $29,478 for the water and wastewater systems, respectively, resulting in a $0 balance in both accounts.

[30]https://www.irs.gov/businesses/partnerships.
[31]Order Nos. PSC-2004-1270-PAA-WS, issued December 22, 2004, in Docket No. 20041141-WS*, In re: Application for certificates to provide water and wastewater service in Lake County by Hidden Valley SPE LLC d/b/a Orange Lake;* PSC-2007-0068-PAA-WS, issued August 20, 2007, in Docket No. 20060747-WS, *In re: Application for staff-assisted rate case in Highlands County by Mink Associated II, LLC d/b/a Crystal Lake Club Utilities;* and PSC-2008-0262-PAA-WS, issued April 28, 2008, in Docket No. 20070414-WS, *In re: Application for staff-assisted rate case in Polk County by Hidden Cove, Ltd.*

Issue 16: Should adjustments be made to Taxes Other Than Income?

Recommendation: Yes, Taxes Other Than Income (TOTI) should be decreased by $21,266 for the water system and should be decreased by $27,508 for the wastewater system. (Thurmond)

Staff Analysis: The Utility recorded TOTI of $190,223 for water, and $166,829 for wastewater. Staff recommends decreasing wastewater TOTI by $646 as a result of the non-U&U adjustment discussed in Issue 4. Staff recommends increasing water TOTI by $30,932 to reflect the increase in property taxes due to the pro forma adjustment discussed in Issue 5. Staff recommends further decreasing TOTI by $50,088 and $24,765 for water and wastewater, respectively, to reflect the proper test year revenues, as discussed in Issue 10. Staff also recommends decreasing TOTI by $2,110 and $2,097 for water and wastewater, respectively, to reflect the fallout of the salary adjustment discussed in Issue 13. Based on the adjustments discussed above, staff recommends a decrease in TOTI of $21,266 ($30,932 - $50,088 - $2,110) for the water system, and a decrease of $27,508 ($646 + $24,765 + $2,097) for the wastewater system.

Issue 17: What is the appropriate revenue requirement for the test year ended December 31, 2022?

Recommendation: Consistent with staff's recommendation on rate base, cost of capital, and net operating income, the following revenue requirement should be approved:

System	Test Year Revenues	$ Increase	Revenue Requirement	% Increase
Water	$1,600,131	$652,164	$2,252,295	40.76%
Wastewater	$1,057,726	$155,864	$1,213,590	14.74%

(Thurmond)

Staff Analysis: In its filing, the Utility requested a revenue requirement to generate annual revenue of $2,713,189 for water and $1,608,064 for wastewater. The requested revenue requirement represents a revenue increase of $1,085,570 or approximately 66.70 percent for the water system and $556,115 or approximately 52.87 percent for the wastewater system.

Consistent with staff's recommended adjustments to rate base, cost of capital, and operating income, staff recommends approval of rates designed to generate a revenue requirement of $2,252,295 for the water system and $1,213,590 for the wastewater system. This results in an increase of 40.76 percent for the water system and 14.74 percent for the wastewater system. Staff's recommended revenue requirement will allow the Utility the opportunity to recover its expenses and earn an 8.22 percent return on its investment in rate base. The revenue requirement for each system is reflected in Schedule Nos. 3-A and 3-B, and the adjustments are shown on Schedule 3-C.

Issue 18: What are the appropriate rates and rate structure for the Pluris 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. (Bethea)

Staff Analysis:

Water Rates

Pluris is located in Orange County, within the South Johns River Water Management District. The Utility provides water service to 1,711 residential customers with eight customers having a separate meter for irrigation, 30 general service customers, and two private fire protection customers. Approximately 4 percent of the residential customer bills during the test year had zero gallons, indicating a non-seasonal customer base. The average residential water demand is 4,395 gallons per month. The average water demand excluding zero gallon bills is 4,573 gallons per month. Currently, the rate structure for the water system consists of a base facility charge (BFC) and a three-tier inclining block gallonage charge for the residential class. For the general service class, the rate structure is a BFC and uniform gallonage charge. As discussed in Issue 20, the Utility also has two private fire protection customers that were incorrectly billed under the general service rate structure.

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.

For this case, staff recommends that 35 percent of the water revenues be generated from the BFC, which will provide sufficient revenues to design gallonage charges that send pricing signals to customers using above the non-discretionary level. The average people per household served by the water system is 2.83[32]; therefore, based on the number of people per household, 50 gallons per day per person, and the number of days per month, the non-discretionary usage threshold should be 5,000 gallons per month. Staff's review of the billing data indicates that discretionary usage above 5,000 gallons represents approximately 26 percent of the bills, which accounts for approximately 20 percent of water demand. This indicates that there is moderate amount of discretionary usage above 5,000 gallons.

[32] Average person per household was obtained from website: www.census.gov/quickfacts/Orangecountyflorida.

In its MFRs, the Utility proposed a continuation of its existing rate structure, which includes a BFC and a three-tier inclining block gallonage charge for residential water rates. The rate blocks are: 1) 0-5,000 gallons, 2) 5,000 – 10,000 gallons, 3) Over 10,000 per month. Due to the moderate usage above 5,000 gallons per month, staff recommends a rate factor of 1.25 in the second tier and a rate factor of 2.00 in the third tier because it will target those customers with higher levels of consumption. General service customers should continue to be billed a BFC and uniform gallonage charge. Based on Rule 25-30.465, F.A.C., private fire protection customers should be billed one-twelfth of the BFC for the respective meter size.

Based on staff's recommended revenue increase of 41.50 percent, which excludes miscellaneous revenues, the residential consumption can be expected to decline by 3,460,000 gallons resulting in anticipated average residential demand of 4,228 gallons per month. Staff recommends a 3.8 percent reduction in test year residential gallons for rate setting purposes. As a result, the corresponding reductions are $1,639 for purchased power expense, $12,565 for chemicals expense, and $669 for Regulatory Assessment Fees (RAFs) to reflect the anticipated repression, which results in a post repression revenue requirement of $2,194,978.

Wastewater Rates

Pluris provides wastewater service to approximately 1,701 residential customers and 10 general service customer. Currently, the wastewater rate structure for residential customers consists of a monthly uniform BFC for all meter sizes and gallonage charge with an 8,000 gallonage cap. The general service rate structure consists of BFCs by meter size and a gallonage charge that is 1.2 times higher than the residential gallonage charge.

Staff performed an analysis of the Utility's billing data in order to evaluate various BFC cost recovery percentages and gallonage caps for the residential wastewater 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; and 3) implement a gallonage cap, where appropriate, that considers approximately the amount of water that may return to the wastewater system.

Consistent with Commission practice, staff allocated 50 percent of the wastewater revenue to the BFC due to the capital intensive nature of wastewater plants. The Utility's current wastewater gallonage cap is set at 8,000 gallons per month. The wastewater gallonage cap recognizes that not all water used by the residential customers is returned to the wastewater system. It is Commission practice to set the wastewater cap at approximately 80 percent of residential water sold, which typically results in gallonage caps of 6,000, 8,000, or 10,000. Based on staff's review of the billing analysis, 86 percent of the gallons are captured at the 6,000 gallon consumption level. Therefore, staff recommends that the gallonage cap for residential customers be reduced to 6,000 gallons. Staff also recommends that the general service gallonage charge continue to be 1.2 times greater than the residential gallonage charge, which is consistent with Commission practice.

In addition, wastewater rates are calculated on customers' water demand; if those customers' water demand is expected to decline due to repression, then the billing determinants used to calculate wastewater rates should be adjusted accordingly. In determining the number of wastewater gallons subject to repression, staff uses the gallons between the non-discretionary threshold and the wastewater gallonage cap and applies the percentage reduction in water gallons. In this case, it results in a 0.26 percent reduction to the wastewater gallons for ratesetting purposes, which is de minimis. Therefore, a repression adjustment for wastewater is unnecessary.

Conclusion

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.

Issue 19: What are the appropriate miscellaneous service charges?

Recommendation: The appropriate miscellaneous service charges are shown on Table 19-5 and should be approved. The Utility should be required to file a proposed customer notice to reflect the Commission-approved charges. The approved charges 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. (Bethea)

Staff Analysis: Pluris is requesting to revise its existing miscellaneous service charges. The Utility's existing miscellaneous service charges for water were established in Docket No. 070694-WS.[33] Subsequently, the miscellaneous service charges for wastewater were established in Docket No. 100381-WS.[34] Section 367.091, F.S., authorizes the Commission to change miscellaneous service charges. The Utility's requested miscellaneous charges were accompanied by its reason for requesting the charges, as well as the cost justification required by Section 367.091(6), F.S. The Utility's existing and requested miscellaneous service charges are shown below in Tables 19-1 and 19-2.

Table 19-1
Pluris' Existing Miscellaneous Service Charges
Water and Wastewater

	Normal Hours	After Hours
Initial Connection Charge	$21.00	$42.00
Normal Reconnection Charge	$21.00	$42.00
Violation Reconnection Charge	$21.00	$42.00
Premises Visit Charge (in lieu of disconnection)	$21.00	$42.00

Source: Utility's Current Tariffs and MFRs.

[33]Order No. PSC-08-0827-PAA-WS, issued December 22, 2008, in Docket No. 070694-WS, *In re: Application for increase in water and wastewater rates in Orange County by Wedgefield Utilities, Inc.*
[34]Order No. PSC-10-0735-TRF-WS, issued December 20, 2010, in Docket No. 100381-WS, *In re: Request for approval of tariff amendment to include a late payment fee of $5.25 and establish miscellaneous service charges associated with connection, reconnection, and premises visits for its wastewater operation in Orange County by Pluris Wedgefield, Inc.*

Table 19-2
Pluris' Requested Miscellaneous Service Charges
Water and Wastewater

	Normal Hours	After Hours
Initial Connection Charge	$37.50	$75.00
Normal Reconnection Charge	$37.50	$75.00
Violation Reconnection Charge	$75.00	$150.00
Premises Visit Charge (in lieu of disconnection)	$37.50	$75.00
Meter Tampering Charge	$60.00	

Source: Utility's Current Tariffs and MFRs.

Premises Visit and Violation Reconnection Charge

As shown on Table 19-2, the Utility's request consists of several miscellaneous service charges. Rule 25-30.460, F.A.C., does not allow for initial connection and normal reconnection charges.[35] The Utility's requested initial connection and normal reconnection charges are obsolete and inconsistent with the rule.

The Utility's calculation for the premises visit charge and violation reconnection are shown below in Table 19-3. The Utility provided cost justification of $38.98; however, the utility requested a charge of $37.50 for both the premises visit and violation reconnection charges which represents the cost of a trip to perform a specified service. The violation reconnection charge of $75 ($37.50 x 2) accounts for two trips which are the discontinuance of service and the subsequent reconnection of service. Staff believes the cost justification is reasonable and impose the cost on cost causer. Based on the rule, staff recommends that the initial connection and normal reconnection charges be removed. The premises visit charge should be $37.50 for normal hours and $75.00 for after hours for both water and wastewater. The violation reconnection for water should be $75.00 for normal hours and $150 for after hours and at actual cost for wastewater. This recommended change to miscellaneous service charges results in an increase in miscellaneous revenues of $12,790 for water on a prospective basis, which results in total miscellaneous revenues of $42,442.

[35]Order No. PSC-2021-0201-FOF-WS, issued June 4, 2021, in Docket No. 20200240-WS, *In re: Proposed amendment of Rule 25-30.460, F.A.C., Application for Miscellaneous Service Charges.*

Table 19-3
Calculation for Proposed Premises Visit and Violation Reconnection Charge

Activity	Cost
Mileage ($0.67 per mile x 3)	$2.01
Labor – Tech – Round Trip Drive ($39.43 x .10)	$3.94
Labor – Tech – Location Labor Time ($39.43 x .50)	$19.72
Labor – Tech – Processing of Work Order ($39.43 x .15)	$5.92
Fuel – Fuel and Maintenance ($3.00 x .10)	$0.30
Insurance – Workers Comp Insurance ($0.70 x .75)	$0.53
Labor – CCR – Customer Care Representatives ($13.14 x .50)	$6.57
Total	$38.99

Source: Utility's cost justification.

Investigation of Meter Tampering Charge and Meter Tampering Charges

In its MFRs, Pluris requested a meter tampering charge of $200.00 as well as actual cost for repairs. Subsequently, the Utility revised its request and provided cost justification of a meter tampering charge of $60.00. The Utility's cost justification is shown below on Table 19-4 and includes mileage, administrative labor, field labor, and insurance costs. Rule 25-30.320(2)(i), F.A.C., provides that a customer's service may be discontinued without notice in the event of tampering with the meter or other facilities furnished or owned by the Utility. In addition, Rule 25-30.320(2)(j), F.A.C., provides that a customer's service may be discontinued in the event of an unauthorized or fraudulent use of service. The rule allows the Utility to require the customer to reimburse the Utility for all changes in piping or equipment necessary to eliminate the illegal use and to pay an amount reasonably estimated as the deficiency in revenue resulting from the customer's fraudulent use before restoring service.

The Utility's cost justification supports a charge of $57 and should be considered as cost recovery for an investigation of meter tampering. The charge should only be assessed where an investigation reveals evidence of meter tampering. The Utility's requested charge is similar to other investigation of meter tampering charges previously approved by the Commission.[36] If meter tampering is revealed, Rule 25-30.320, F.A.C., allows the Utility to assess actual cost of any damages incurred. Therefore, staff recommends an investigation of meter tampering charge of $57 and a meter tampering charge at actual cost. The staff's recommended miscellaneous service charges are shown in Table 19-5.

[36] Order PSC-13-0177-PAA-WU, issued April 29, 2013, in Docket No. 20130052-WU, *In re: Application for grandfather certificate to operate water utility in Charlotte County by Little Gasparilla Water Utility, Inc.*

Table 19-4
Investigation of Meter Tampering Charge Cost Justification

Field Labor	$39.43
Administrative Labor	$13.14
Mileage	$3.00
Insurance Costs	$0.70
Total	$56.27

Source: Utility's Cost Justification.

Table 19-5
Staff Recommended Miscellaneous Service Charges

	Normal Hours	After Hours
Violation Reconnection Charge – Water	$75.00	150.00
Violation Reconnection Charge –Wastewater	Actual Cost	Actual Cost
Premises Visit Charge	$37.50	$75.00
Investigation of Meter Tampering Charge	$57.00	
Meter Tampering Charge	Actual Cost	

Source: Staff's Recommendation.

Conclusion

The appropriate miscellaneous service charges are shown on Table 19-5 and should be approved. The Utility should be required to file a proposed customer notice to reflect the Commission-approved charges. The approved charges 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.

Issue 20: What are the appropriate initial customer deposits for Pluris' water and wastewater systems?

Recommendation: The appropriate initial customer deposits for the residential 5/8 inch x 3/4 inch meter size should be $188 for water and $114 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. 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. (Bethea)

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. Currently, the Utility's water and wastewater initial customer deposit for the 5/8 inch x 3/4 inch meter size is $20 for water and $60 for general service. However, these amounts do not cover two months' average bills based on staff's recommended rates. The Utility's anticipated post-repression average monthly residential usage is 4,228 gallons per customer. Therefore, the average residential monthly bill is approximately $94 for water and $57 for wastewater service based on staff's recommended rates.

Conclusion

Staff recommends the appropriate initial customer deposits for the residential 5/8 inch x 3/4 inch meter size should be $188 ($94 x 2) for water and $114 ($57 x 2) 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. 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.

Issue 21: Should Pluris' two private fire protection customers be granted a refund?

Recommendation: Yes, Pluris' two private fire protection customers should be granted a refund. The Utility should be required to refund the difference between the total revenues collected and the appropriate revenues calculated based on one-twelfth of the BFC that is relative to the size of the line since the fire protection customers began receiving service. Staff should be given administrative authority to approve the refund amount based on the aforementioned calculation. The refund amount should be provided to staff for approval within 14 days of the Commission Order. The refunds should be made with interest in accordance with Rule 25-30.360(4), F.A.C. Pursuant to Rule 25-30.360(7), F.A.C., the refund should be made within 90 days of the Commission's order. During the processing of the refund, monthly reports on the status of the refund should be made by the 20th of the following month. (Bethea)

Staff Analysis: In its MFRs, Pluris indicated that there were two fire protection customers. Since the Utility does not have an approved tariff for private fire protection, staff asked information from the Utility in regard to the customers. Staff was informed that the customers were the Villas of Wedgefield Homeowner's Association, Inc. (HOA), which is being served by a 5/8-inch line, and the Orange County School Board (school board), which is being served by an 8-inch line. The Utility bills both customers a BFC by meter size and a gallonage charge per 1,000 gallons under the general service tariff.

In accordance with Rule 25-30.465, F.A.C., private fire protection shall be a charge based on the size of the connection rather than the number of fixtures connected. According to the rule, the rate shall be one-twelfth the current BFC of the Utility's meter sizes, unless otherwise supported by the Utility. In its third data request, staff referenced the rule that governs private fire protection rates.[37] In response, the Utility indicated that any implication that it improperly charged the private fire protection customers was erroneous and asserted that the rule does not automatically establish private fire protection rates.[38]

Staff disagrees with the Utility's assertion. The rules govern the manner in which a private fire protection customer can be billed. It is incumbent on the Utility to be knowledgeable of the statutes and rules that govern it as a regulated utility. The HOA became a private fire protection customer in February of 2014. Since Pluris did not have a private fire protection tariff, providing the private fire protection service was a new class of service. Pursuant to Section 367.091(5), F.S., if any request for service of a utility shall be for a new class of service not previously approved, the utility may furnish the new class of service and fix and charge just, reasonable, and compensatory rates or charges therefor. A schedule of rates or charges so fixed shall be filed with the Commission within 10 days after the service is furnished. Pursuant to Rule 25-30.465, F.A.C., the just, reasonable, and compensatory rate for a private fire protection customer is one-twelfth of the respective BFC, which would have been one-twelfth of its 5/8-inch general service BFC.

Pluris started serving the school board as a private fire protection customer in August of 2016. The school board has an 8-inch line. At the time, the Utility's tariff rates only went up to the 6-inch meter size. Therefore, Pluris billed the school board the general service rate for a 6-inch meter size.

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[37]See Document No. 06615-2023, filed December 15, 2023.
[38]See Document No. 00190-2024, filed January 16, 2024.

In December of 2017, the Utility started billing an 8-inch turbine meter size BFC which was not authorized under its general service tariff. In 2019, the Utility requested and was approved for an eight inch turbine meter size BFC.[39] In the petition, Pluris indicated it had added a general service customer with an 8-inch turbine meter and it wanted a BFC for that meter size based on the meter equivalency factors in Rule 25-30.055, F.A.C. Further, the petition emphasized it was not a request for a new class of service.

The school board is the only customer of Pluris with 8-inch service. When Pluris petitioned for approval of the 8-inch BFC, the BFC was for the school board. Staff was unaware that the general service customer was a private fire protection customer. However, the Utility was aware, yet it requested just the full 8-inch meter size BFC and not one-twelfth of the 8-inch meter size, which is appropriate for the private fire protection customer. The Utility filed a petition when it did not have an approved rate for a particular meter size, but chose to use the general service rates for private fire protection when it did not have approved private fire protection rates.

The Utility has billed the two private fire protection customers inappropriately. The customers were billed for a full BFC rather than one-twelfth and also for usage, which is not typical for private fire protection. Pursuant to Rule 25-30.350 (2), F.A.C., in the event of an overbilling, the utility shall refund the overcharge to the customer based on available records. The Utility provided records indicating how much the two private fire protection customers have been billed since service started being provided. To determine the appropriate refund, staff calculated the difference in Utility's recorded revenues for the two private fire protection customers and staff's corrected calculation of the appropriate private fire protection based on one-twelfth of the base facility charge for each meter size. As of the February 2024 billing, staff determined that the Villas of Wedgefield HOA should receive a refund in the amount of $3,174 plus interest and the School Board of Orange County should receive a refund in the amount of $213,386 plus interest. Pursuant to Rule 25-30.350(3), F.A.C., in the event of overbilling, the customer may elect to receive as a one-time disbursement, if the refund is in excess of $20, or as a credit to future billings. The Utility should provide a calculation for approval by staff which includes billing periods beyond February 2024 up to the implementation of the Commission-approved private fire protection rates.

Staff recommends that Pluris' two private fire protection customers should be granted a refund. The Utility should be required to refund the difference between the total revenues collected and the appropriate revenues calculated based on one-twelfth of the BFC that is relative to the size of the line since the fire protection customers began receiving service. Staff should be given administrative authority to approve the refund amount based on the aforementioned calculation. The refund amount should be provided to staff for approval within 14 days of the Commission Order. The refunds should be made with interest in accordance with Rule 25-30.360(4), F.A.C. Pursuant to Rule 25-30.360(7), F.A.C., the refund should be made within 90 days of the Commission's order. During the processing of the refund, monthly reports on the status of the refund should be made by the 20th of the following month.

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[39]Order No. PSC-2019-0358-TRF-WS, issued August 26, 2019, in Docket No. 20190133-WS, *In Re: Application for approval of an 8" general service meter rate by Pluris Wedgefield, LLC.*

Issue 22: Should the temporary hydrant meter deposit requested by Pluris be approved?

Recommendation: Yes. Pluris' requested temporary hydrant meter deposit should be approved. Once the temporary meter service is terminated, staff recommends that the Utility credit the customer with the reasonable salvage value of the service facilities and materials pursuant to Rule 25-30.315(2), F.A.C. The approved temporary meter deposit 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 deposit, which covers the anticipated costs of installing and removing facilities and materials for temporary service, until authorized to change it by the Commission in a subsequent proceeding. (Bethea)

Staff Analysis: In its application, Pluris requested to establish a temporary hydrant meter deposit. The requested deposit of $1,500 is consistent with Rules 25-30.315 and 25-30.345, F.A.C., which allows the Utility to charge an applicant a reasonable charge to defray the costs of installing and removing facilities and materials for temporary service. The Utility's request for a temporary hydrant meter deposit charge was supported by documentation. The Utility's requested deposit is shown below in Table 22-1. The deposit would be collected from commercial entities requesting a temporary meter for construction activities. The temporary meter is a 2-inch portable meter hooked to the fire hydrant, which is used for temporary water at the commercial work site. Based on the cost justification, staff believes the deposit is reasonable and should be approved. Once the temporary meter service is terminated, staff recommends that the Utility credit the customer with the reasonable salvage value of the service facilities and materials consistent with Rules 25-30.315(2), F.A.C.

Table 22-1
Utility's Cost Justification For Temporary Hydrant Meter

Materials	Cost
2" Turbo Meter/Meter Flange Set	$951.25
NL Pressure Backflow/Brass Nipple	$442.39
Saddle Pipe Support	$102.36
Total	$1,496.00

Source: Utility's Cost Justification.

Based on the above, the Utility's requested temporary hydrant meter deposit should be approved. Once the temporary meter service is terminated, staff recommends that the Utility credit the customer with the reasonable salvage value of the service facilities and materials pursuant to Rule 25-30.315(2), F.A.C. The approved temporary meter deposit should be effective for service rendered on or after the stamped approval date on the tariff pursuant to Rule 25-30.475, F.A.C. The Utility should be required to collect the approved deposit, which covers the anticipated costs of installing and removing facilities and materials for temporary service, until authorized to change it by the Commission in a subsequent proceeding.

Issue 23: Should Pluris' existing service availability charges be revised, and if so, what are the appropriate charges?

Recommendation: Yes. Pluris' existing service availability charges should be revised. The Utility's requested meter installation charge of $674 should be approved. The water system capacity charge of $640 should be reclassified as the main extension charge. The wastewater system capacity charge should be discontinued. There are no other service availability charges applicable. The Utility should file a revised tariff sheet and a proposed notice to reflect the Commission-approved meter installation and main extension charges. Pluris should provide notice to property owners who have requested service beginning 12 months prior to the establishment of this docket. The approved charge should be effective for connections made on or after the stamped approval date on the tariff sheet. The utility should provide proof of noticing within 10 days of rendering the approved notice. (Bethea)

Staff Analysis: In its filing, the Utility only proposed to change its meter installation charge. However, the Commission may adjust service availability charges as it deems to be appropriate. Pluris' existing service availability charges for water consist of a meter installation charge of $268 for the 5/8 inch x 3/4 inch meter size with all other meter sizes at actual cost and a system capacity charge of $640. For wastewater, the Utility's existing service availability charges consist of a $2,250 system capacity charge.

A system capacity charge is a single service availability charge that includes the cost of both plant and lines. For a Utility that receives donated lines from a developer, an individual customer connecting to those lines should only be responsible for a service availability charge that reflects plant costs. Therefore, separate charges are typically developed to reflect the customer's share of plant costs (plant capacity charges) and the cost of lines in lieu of donated lines (main extension charges).

Rule 25-30.580, F.A.C., establishes guidelines for designing service availability charges. Pursuant to the rule, the maximum amount of CIAC, net of amortization, should not exceed 75 percent of the total original cost, net of accumulated depreciation, of the Utility's facilities and plant when the facilities and plant are at their designed capacity. The minimum amount of CIAC should not be less than the percentage of such facilities and plant that is represented by the water transmission and distribution system and sewage collection systems. The current contribution levels are 19.09 percent and 57.46 percent for water and wastewater, respectively. The percentage of the water transmission and distribution system to total plant results is a minimum contribution of 28.55 percent for the water system. For the wastewater system, the percentage of the wastewater collection system to plant results is a minimum contribution level of 30.32 percent. Below is the discussion in regard to the appropriate service availability charges.

Meter Installation Charge

A meter installation charge is designed to recover the cost of the meter and the installation. The Utility's current meter installation charge is $268 for the 5/8 inch x 3/4 inch meter size. Based on the cost justification provided, staff believes it is appropriate to update the Utility's existing meter installation charge.[40] Staff believes the requested meter installation charge of $674 for the

[40] Document No. 01090-2024, filed March 8, 2024.

5/8 inch x 3/4 inch meter size is reasonable and all other meter sizes should continue at actual cost.

Main Extension Charge

Water

Staff's recommended cost of the water distribution system is $4,063,347. The water distribution system has a design capacity of 1,911 ERCs, which results in a main extension charge of $2,126 per ERC ($4,063,347/1,911 ERCs). Currently, at a 19.09 percent contribution level, the water system is below its minimum contribution level of 28.55 percent. In order to bring the water system up to a minimum contribution level at least by build out, it would take a charge in excess of the calculated $2,126 main extension charge. The service territory is approximately 91 percent built out. Historically, customers have paid a $640 system capacity charge, which includes cost for both plant and lines. Staff does not believe it is appropriate to impose an exorbitant charge on the remaining nine percent of future customers in order to compensate for the below minimum contribution level. As a result, staff recommends the existing charge of $640 remain in place; however, it should be reclassified as the main extension charge.

Wastewater

Staff's recommended cost of the collection system is $2,799,538. The wastewater collection system has a design capacity of 1,911 ERCs, which results in a main extension charge of $1,465 per ERC ($2,799,538/1,911 ERCs). Currently, at a 57.46 percent contribution level, the wastewater system is meeting its minimum contribution level of 30.32 percent. However, due to the past $2,250 system capacity charge, the rate of depreciation on plant, and the rate of amortization of CIAC, the wastewater system will become over contributed in three years and the over contribution will continue to escalate. As a result, staff recommends that no main extension charge by implemented and the system capacity charge be discontinued.

Conclusion

Based on the above, Pluris' existing service availability charges should be revised. The Utility's requested meter installation charge of $674 should be approved. The water system capacity charge of $640 should be reclassified as the main extension charge. The wastewater system capacity charge should be discontinued. There are no other service availability charges applicable. The Utility should file a revised tariff sheet and a proposed notice to reflect the Commission-approved meter installation and main extension charges. Pluris should provide notice to property owners who have requested service beginning 12 months prior to the establishment of this docket. The approved charge should be effective for connections made on or after the stamped approval date on the tariff sheet. The Utility should provide proof of noticing within 10 days of rendering the approved notice.

Issue 24: Should any portion of the interim revenue increase granted be refunded?

Recommendation: Yes. The appropriate refund amounts should be calculated by using the same data used to establish final rates, excluding rate case expense and other items not in effect during the interim period. The revised revenue requirements for the interim collection period should be compared to the amount of interim revenues granted. Based on these calculations, staff recommends interim refunds of 3.31 percent and 7.67 percent for the water and wastewater systems, respectively. The refunds should be made with interest in accordance with Rule 25-30.360(4), F.A.C. The Utility should be required to submit proper refund reports pursuant to Rule 25-30.360(7), F.A.C. The Utility should treat any unclaimed refunds as CIAC pursuant to Rule 25-30.360(8), F.A.C. Once the appropriate amounts of interim revenues are refunded and the refund amounts are verified by staff, the corporate undertaking should be released. (Thurmond)

Staff Analysis: By Order No. PSC-2023-0387-PCO-WS, issued December 27, 2023, the Commission authorized the collection of interim water and wastewater rates, subject to refund, pursuant to Section 367.082, F.S. An interim revenue requirement of $2,040,748 and $1,301,113 was granted for the water and wastewater systems, respectively.

According to Section 367.082, F.S., any refund should be calculated to reduce the rate of return of the utility during the pendency of the proceeding to the same level within the range of the newly authorized rate of return. Adjustments made in the rate case test period that do not relate to the period interim rates are in effect should be removed.

In this rate case, the test period for establishment of interim and final rates is the 12-month period ended December 31, 2022. Pluris' approved interim rates did not include any provisions for pro forma plant or projected operating expenses. The interim increase was designed to allow recovery at the lower limit of the last authorized range of return on equity.

To establish the proper refund amount, staff calculated a revised interim revenue requirement utilizing the same data used to establish final rates. Pro forma plant and rate case expense were excluded because these items are prospective in nature and did not occur during the interim collection period. Staff's revised interim revenue requirement is $1,973,162 and $1,201,295, for the water and wastewater systems, respectively. These revised amounts reflect a difference of $67,586 ($2,040,748 - $1,973,162) for water and $99,818 ($1,301,113 - $1,201,295) for wastewater.

Based on the above, staff recommends refunds of 3.31 percent ($67,586 / $2,040,748) and 7.67 percent ($99,818 / $1,301,113) for the water and wastewater systems, respectively. The refunds should be made with interest in accordance with Rule 25-30.360(4), F.A.C. The Utility should be required to submit proper refund reports pursuant to Rule 25-30.360(7), F.A.C. The Utility should treat any unclaimed refunds as CIAC pursuant to Rule 25-30.360(8), F.A.C. Once the appropriate amounts of interim revenues are refunded and the refund amounts are verified by staff, the corporate undertaking should be released.

Issue 25: What is the appropriate amount by which rates should be reduced to reflect the removal of amortized rate case expense for water and wastewater, as required by Section 367.081(8), F.S.?

Recommendation: The water and wastewater rates should be reduced, as shown in Schedule Nos. 4-A and 4-B, respectively, to remove the annual amortization of rate case expense grossed-up for RAFs. The decrease in rates should become effective immediately following the expiration of the rate case expense recovery period. Pluris 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. (Bethea, Veaughn)

Staff Analysis: The water and wastewater rates should be reduced, as shown in Schedule Nos. 4-A and 4-B, respectively, to remove the annual amortization of rate case expense grossed-up for RAFs. The decrease in rates should become effective immediately following the expiration of the rate case expense recovery period. Pluris 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.

Issue 26: Should the Utility be required to notify, within 90 days of an effective order finalizing this docket, that it has adjusted its books for all the applicable National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts (USOA) associated with the 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. Pluris 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. (Thurmond)

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. Pluris 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.

Issue 27: 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, the Utility has notified staff that the adjustments for all the applicable NARUC USOA primary accounts have been made, and the interim refund report has been filed. Once these actions are complete, this docket should be closed administratively. (Dose)

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, the Utility has notified staff that the adjustments for all the applicable NARUC USOA primary accounts have been made, and the interim refund report has been filed. Once these actions are complete, this docket should be closed administratively.

Pluris Wedgefield, LLC.
Schedule of Water Rate Base
Test Year Ended 12/31/22

Schedule No. 1-A
Docket No. 20230083-WS

	Description	Test Year Per Utility	Utility Adjust-ments	Adjusted Test Year Per Utility	Staff Adjust-ments	Staff Adjusted Test Year
1	Plant in Service	$11,966,333	$2,228,429	$14,194,762	$37,064	$14,231,826
2	Land and Land Rights	1,443	0	1,443	0	1,443
3	Non-used and Useful Components	0	0	0	0	0
4	Accumulated Depreciation	(5,893,414)	228,181	(5,665,233)	38,930	(5,626,303)
5	CIAC	(3,001,852)	0	(3,001,852)	(8,677)	(3,010,529)
6	Amortization of CIAC	1,391,204	0	1,391,204	(22,924)	1,368,280
7	Working Capital Allowance	(3,039,636)	3,427,052	389,416	19,842	409,258
8	Rate Base	$1,426,078	$5,883,662	$7,309,740	$64,235	$7,373,975

Pluris Wedgefield, LLC.
Schedule of Wastewater Rate Base
Test Year Ended 12/31/22

Schedule No. 1-B
Docket No. 20230083-WS

	Description	Test Year Per Utility	Utility Adjust-ments	Adjusted Test Year Per Utility	Staff Adjust-ments	Staff Adjusted Test Year
1	Plant in Service	$9,152,109	$0	$9,152,109	($15,765)	$9,136,344
2	Land and Land Rights	97,402	0	97,402	0	97,402
3	Non-used and Useful Components	0	(8,648)	(8,648)	(97)	(8,745)
4	Accumulated Depreciation	(7,119,861)	0	(7,119,861)	68,782	(7,051,079)
5	CIAC	(4,344,556)	0	(4,344,556)	0	(4,344,556)
6	Amortization of CIAC	3,154,198	0	3,154,198	(63,138)	3,091,060
7	Working Capital Allowance	(3,018,344)	3,405,286	386,942	19,717	406,659
8	Rate Base	($2,079,052)	$3,396,638	$1,317,586	$9,499	$1,327,085

Pluris Wedgefield, LLC.
Adjustments to Rate Base
Test Year Ended 12/31/22

Schedule No. 1-C
Docket No. 20230083-WS

	Explanation	Water	Wastewater
	Plant In Service		
1	Staff-Adjusted Audit Finding No. 1	$36,796	($15,765)
2	To reflect the reclassification of a meter installation charge.	268	0
	Total	$37,064	($15,765)
	Accumulated Depreciation		
1	Staff-Adjusted Audit Finding No. 2	$39,740	$68,782
2	To reflect the appropriate pro-forma accumulated depreciation.	(810)	0
	Total	$38,930	$68,782
	CIAC		
1	Audit Finding No. 3	($8,409)	$0
2	To reflect the reclassification of a meter installation charge.	(268)	0
	Total	($8,677)	$0
	Accumulated Amortization of CIAC		
	Audit Finding No. 4	($22,924)	($63,138)
	Working Capital		
	To reflect the unamortized balance of non-recurring expenses.	$19,842	$19,717

Pluris Wedgefield, LLC.
Capital Structure 13-Mo. Average
Test Year Ended 12/31/22

Schedule No. 2
Docket No. 20230083-WS

	Description	Total Capital	Specific Adjust-ments	Subtotal Adjusted Capital	Pro-rata Adjust-ments	Capital Reconciled to Rate Base	Ratio	Cost Rate	Weighted Cost
Per Utility									
1	Debt	$1,911,528	$0	$1,911,528	$376,318	$2,287,846	26.52%	5.70%	1.51%
2	Common Equity	(1,003,979)	6,281,931	5,277,952	1,038,361	6,316,313	73.21%	9.00%	6.59%
3	Customer Deposits	23,168	0	23,168	0	23,168	0.27%	6.00%	0.02%
	Total Capital	$930,717	$6,281,931	$7,212,648	$1,414,679	$8,627,327	100.00%		8.12%

	Description	Adjusted Test Year Total Capital	Pro Forma Adjust-ments	Subtotal Adjusted Capital	Pro-rata Adjust-ments	Capital Reconciled to Rate Base	Ratio	Cost Rate	Weighted Cost
Per Staff									
4	Debt	$1,911,528	$0	$1,911,528	($342,345)	$1,569,183	18.03%	5.70%	1.03%
5	Common Equity	6,144,387	2,515,214	8,659,601	(1,550,892)	7,108,709	81.70%	8.79%	7.18%
6	Customer Deposits	23,168	0	23,168	0	23,168	0.27%	2.00%	0.01%
	Total Capital	$8,079,083	$2,515,214	$10,594,297	($1,893,237)	$8,701,060	100.00%		8.22%

	LOW	**HIGH**
RETURN ON EQUITY	7.79%	9.79%
OVERALL RATE OF RETURN	7.40%	9.03%

Pluris Wedgefield, LLC.
Statement of Water Operations
Test Year Ended 12/31/22

Schedule No. 3-A
Docket No. 20230083-WS

	Description	Test Year Per Utility	Utility Adjust-ments	Adjusted Test Year Per Utility	Staff Adjust-ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1	**Operating Revenues:**	$1,627,619	$1,085,570	$2,713,189	($1,113,058)	$1,600,131	$652,164	$2,252,295
							40.76%	
	Operating Expenses							
2	Operation & Maintenance	$1,749,162	($404,919)	$1,344,243	($318,387)	$1,025,856	$0	$1,025,856
3	Depreciation	363,029	58,604	421,633	359	421,992	0	421,992
4	Amortization	0	0	0	273	273	0	273
5	Taxes Other Than Income	141,262	48,961	190,223	(21,266)	168,957	29,347	198,304
6	Income Taxes	0	163,539	163,539	(163,539)	0	0	0
7	**Total Operating Expense**	2,253,453	(133,815)	2,119,638	(502,560)	1,617,078	29,347	1,646,425
8	**Operating Income**	($625,834)	$1,219,385	$593,551	($610,498)	($16,947)	$622,817	$605,870
9	**Rate Base**	$1,426,078		$7,309,740		$7,373,975		$7,373,975
10	**Rate of Return**	(43.88%)		8.12%		(0.23%)		8.22%

Pluris Wedgefield, LLC. **Schedule No. 3-B**
Statement of Wastewater Operations **Docket No. 20230083-WS**
Test Year Ended 12/31/22

	Description	Test Year Per Utility	Utility Adjust-ments	Adjusted Test Year Per Utility	Staff Adjust-ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1	**Operating Revenues:**	$1,051,949	$556,115	$1,608,064	($550,338)	$1,057,726	$155,864	$1,213,590
							14.74%	
	Operating Expenses							
2	Operation & Maintenance	$924,958	$250,836	$1,175,794	($332,260)	$843,533	$0	$843,533
3	Depreciation	129,820	(845)	128,975	(14,575)	114,400	0	114,400
4	Amortization	0	0	0	285	285	0	285
5	Taxes Other Than Income	141,804	25,025	166,829	(27,508)	139,321	7,014	146,335
6	Income Taxes	0	29,478	29,478	(29,478)	0	0	0
7	**Total Operating Expense**	1,196,582	304,494	1,501,076	(403,538)	1,097,538	7,014	1,104,552
8	**Operating Income**	($144,633)	$251,621	$106,988	($146,800)	($39,812)	$148,850	$109,038
9	**Rate Base**	($2,079,052)		$1,317,586		$1,327,085		$1,327,085
10	**Rate of Return**	6.96%		8.12%		(3.00%)		8.22%

Pluris Wedgefield, LLC.
Adjustments to Net Operating Income
Test Year Ended 12/31/22

Schedule No. 3-C
Docket No. 20230083-WS

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

PLURIS WEDGEFIELD, LLC. TEST YEAR ENDED DECEMBER 31, 2022 MONTHLY WATER RATES					SCHEDULE NO. 4-A DOCKET NO. 20230083-WS
	UTILITY CURRENT RATES	COMMISSION APPROVED INTERIM RATES	UTILITY REQUESTED FINAL RATES	STAFF RECOMMENDED FINAL RATES	4 YEAR RATE REDUCTION
Residential and General Service					
Base Facility Charge by Meter Size					
5/8"X3/4"	$28.10	$35.30	$47.12	$35.24	$0.20
3/4"	$42.16	$52.95	$70.68	$52.86	$0.30
1"	$70.26	$88.25	$117.80	$88.10	$0.49
1-1/2"	$140.52	$176.50	$235.60	$176.20	$0.99
2"	$224.84	$282.40	$376.96	$281.92	$1.58
3"	$449.68	$564.80	$753.92	$563.84	$3.16
4"	$702.62	$882.50	$1,178.00	$881.00	$4.93
6"	$1,405.25	$1,765.00	$2,356.00	$1,762.00	$9.87
8"	$2,528.88	$3,177.00	$4,240.80	$3,171.60	$17.76
Gallonage Charge - Residential Service					
0 - 5,000 gallons	$8.86	$11.13	$14.86	$13.82	$0.08
5,001 - 10,000 gallons	$11.01	$13.83	$18.46	$17.27	$0.10
Over 10,000 gallons	$16.52	$20.75	$27.70	$27.64	$0.15
Charge per 1,000 gallons - General Service	$10.00	$12.56	$16.77	$14.76	$0.08
Private Fire Protection					
Base Facility Charge by Meter Size					
5/8"X3/4"	N/A	N/A	N/A	$2.94	$0.02
3/4"	N/A	N/A	N/A	$4.41	$0.02
1"	N/A	N/A	N/A	$7.34	$0.04
1-1/2"	N/A	N/A	N/A	$14.68	$0.08
2"	N/A	N/A	N/A	$23.49	$0.13
3"	N/A	N/A	N/A	$46.99	$0.26
4"	N/A	N/A	N/A	$73.42	$0.41
6"	N/A	N/A	N/A	$146.83	$0.82
8"	N/A	N/A	N/A	$264.30	$1.48
Typical Residential 5/8" x 3/4" Meter Bill Comparison					
2,000 Gallons	$45.82	$57.56	$76.84	$62.88	
4,000 Gallons	$63.54	$79.82	$106.56	$90.52	
8,000 Gallons	$105.43	$132.44	$176.80	$156.15	

PLURIS WEDGEFIELD, LLC. SCHEDULE NO. 4-B
TEST YEAR ENDED DECEMBER 31, 2022 DOCKET NO. 20230083-WS
MONTHLY WASTEWATER RATES

	UTILITY CURRENT RATE	COMMISSION APPROVED INTERIM RATES	UTILITY REQUESTED FINAL RATES	STAFF RECOMMENDED FINAL RATES	4 YEAR RATE REDUCTION
Residential Service					
Base Facility Charge - All Meter Sizes	$31.21	$38.42	$46.19	$28.67	$0.29
Charge Per 1,000 gallons					
8,000 gallon cap	$4.57	$5.63	$6.76	N/A	N/A
Charge Per 1,000 gallons					
6,000 gallon cap	N/A	N/A	N/A	$7.52	$0.08
General Service					
Base Facility Charge by Meter Size					
5/8" x 3/4"	$31.21	$38.42	$46.19	$28.67	$0.29
3/4"	$46.81	$57.63	$69.29	$43.01	$0.43
1"	$78.01	$96.05	$115.48	$71.68	$0.72
1-1/2"	$156.03	$192.10	$230.95	$143.35	$1.44
2"	$249.64	$307.36	$369.25	$229.36	$2.30
3"	$499.29	$614.72	$692.85	$458.72	$4.61
4"	$780.14	$960.50	$1,154.75	$716.75	$7.20
6"	$1,560.28	$1,921.00	$2,309.50	$1,433.50	$14.40
8"	$2,808.69	$3,457.80	$4,157.10	$2,580.30	$25.92
Charge per 1,000 gallons	$5.46	$6.72	$8.08	$9.03	$0.09
Typical Residential 5/8" x 3/4" Meter Bill Comparison					
2,000 Gallons	$40.35	$49.68	$59.71	$43.71	
6,000 Gallons	$58.63	$72.20	$86.75	$73.79	
8,000 Gallons	$67.77	$83.46	$100.27	$73.79	

Item 6

FILED 3/21/2024
DOCUMENT NO. 01249-2024
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: March 21, 2024

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Engineering (Watts, Ramirez-Abundez, Ramos) TB
Division of Accounting and Finance (Przygocki, Sewards) ALM
Division of Economics (Bruce, Sibley) EJD
Office of the General Counsel (Sparks) ACH

RE: Docket No. 20230114-WS – Application for certificates to provide water and wastewater service in Volusia County, by Applegate Utility, LLC.

AGENDA: 04/02/24 – Regular Agenda – - Proposed Agency Action - Except for Issue 1 - Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Passidomo

CRITICAL DATES: 04/02/24 (Statutory deadline for original certificate pursuant to Section 367.031, Florida Statutes)

SPECIAL INSTRUCTIONS: None

Case Background

Applegate Utility, LLC (Applegate or Utility) is located in Volusia County, Florida. The Utility provides water and wastewater service to approximately 88 mobile home park connections within the Applegate Mobile Home Community, as well as 56 offsite water only connections. The 56 offsite water only customers receive wastewater service from individually owned septic tanks. Applegate acquired the system a little over a year ago, and subsequently became aware that the system was under the jurisdiction of the Florida Public Service Commission (Commission) and should be certificated.

On October 10, 2023, Applegate filed an application for an original certificate for an existing utility currently charging for service pursuant to Rule 25-30.034, Florida Administrative Code (F.A.C.). Staff found this application to be deficient and issued a deficiency letter on November 13, 2023. Applegate provided a response to staff's deficiency letter; however, two deficiencies remained uncured, resulting in a second deficiency letter from staff on December 14, 2023. Applegate responded to the second deficiency letter, and the application was deemed complete on January 3, 2024, establishing the official filing date.

This recommendation addresses the application for original water and wastewater certificates and the appropriate rates and charges for the Utility. The Commission has jurisdiction, pursuant to Sections 367.031 and 367.045, Florida Statutes (F.S.)

Discussion of Issues

Issue 1: Should the application for a water and wastewater certificate by Applegate Utility, LLC be approved?

Recommendation: Yes. Applegate should be granted Certificate Nos. 682-W and 582-S to serve the territory described in Attachment A, which is appended to this recommendation, effective the date of the Commission's vote. The resultant order should serve as Applegate's water and wastewater certificates and should be retained by the Utility. Applegate should submit the recorded deeds for continued access to the land upon which its facilities are located to the Commission within 60 days of the Order granting the certificates, which is final agency action. (M. Watts, Przygocki)

Staff Analysis: On October 10, 2023, Applegate filed its application for original water and wastewater certificates in Volusia County. Upon review, staff determined the original filing was deficient and issued a deficiency letter on November 13, 2023, followed by a second deficiency letter on December 14, 2023. The Utility cured the deficiencies on January 3, 2024, which is considered the official filing date for the application. The Utility's application is in compliance with the governing statutes, Sections 367.031 and 367.045, F.S.

Notice

On October 25, 2023,[1] and October 30, 2023,[2] Applegate filed proof of compliance with the noticing provisions set forth in Rule 25.30.030, F.A.C. No entity filed a protest during the protest period and the time for filing objections has expired.

Land Ownership and Service Territory

Applegate provided adequate service territory maps, system maps, and a territory description, as required by Rule 25.30.034(1)(k), F.A.C. The legal description of the service territory is appended to this recommendation as Attachment A. The Utility's application included an executed but unrecorded 99-year lease for the land where the water and wastewater treatment facilities are located, pursuant to Rule 25-30.034(1)(m), F.A.C. In response to staff's first data request, Applegate explained that it would record the executed lease in the Volusia County Public Records upon issuance of the Commission's Order approving the original certificate. Applegate should submit the recorded deeds for continued access to the land upon which its facilities are located to the Commission within 60 days of the Order granting the certificates.

Financial and Technical Ability

Rule 25.30.034(1)(i), F.A.C., requires a statement showing the financial ability of the applicant to provide service, a detailed financial statement, and a list of all entities upon which the applicant is relying to provide funding along with those entities' financial statements. Applegate is a newly formed entity and has no financial statements at this time. Applegate is relying fully upon funds provided by Consolidated Parakeet Holding Company (Parakeet). The application contains Parakeet's most recent balance sheet. Additionally, in response to staff's first deficiency letter, Applegate provided a profit and loss statement for Parakeet. Further, the Utility provided

[1]Document No. 05803-2023, dated October 25, 2023.
[2]Document No. 05876-2023, dated October 30, 2023.

an affidavit from Parakeet assuring it will provide or assist Applegate in securing any necessary funding. Staff believes that Parakeet's financial statements and affidavit adequately demonstrate its ability to provide resources and support the Utility's water and wastewater operations. Therefore, staff recommends that Applegate has demonstrated that it will have access to adequate financial resources to operate the Utility.

Rule 25-30.034(1)(j), F.A.C., requires the applicant to demonstrate the technical abilities to provide service. The application contains a statement describing the technical ability of the Utility to provide service to the proposed service area. The owner of Applegate stated he has no prior utility operation experience in Florida; however, the owner and its affiliates have operated water and wastewater systems throughout the United States. Additionally, the owner committed to employing the appropriate operational, technical, and managerial personnel, who are knowledgeable and experienced in utility operation, as well as contracting experienced personnel and consultants to ensure the continuous operation and management of the utility system in an efficient and effective manner. Based on the above, Applegate has demonstrated the financial and technical ability to provide service to the existing service territory.

Conclusion

Based on the above, staff recommends that it is in the public interest to grant Applegate Certificate Nos. 682-W and 582-S to serve the territory described in Attachment A, effective the date of the Commission's vote. The resultant order should serve as Applegate's water and wastewater certificates and it should be retained by the Utility. Applegate should submit the recorded deeds for continued access to the land upon which its facilities are located to the Commission within 60 days of the Order granting the certificates, which is final agency action.

Issue 2: What rates and charges should be approved for Applegate Utility, LLC?

Recommendation: The rates and charges shown on Schedule No. 1 should be approved for Applegate. The Utility should be authorized to bill all customers on a monthly basis. The Utility should be required to notice all customers of the approved rates and charges. The notice should be approved by staff prior to publication and the Utility should provide proof of the date notice was given, within 10 days of the date of the notice. The approved rates and charges should be effective for service rendered on or after the effective date of the tariffs, pursuant to Rule 25-30.475, F.A.C. (Sibley)

Staff Analysis: The Utility provides service to 144 residential customers, which includes water and wastewater service to approximately 88 mobile home park customers and 56 offsite water only customers. The offsite water only customers have septic tanks for wastewater service. The water rates consist of a monthly base facility charge for a 5/8 inch x 3/4 inch meter size of $15.00 and a gallonage charge per 1,000 gallons of $6.25 for residential. For wastewater, its tariff consists of a monthly residential flat rate of $15.98.

Premises Visit and Violation Reconnection Charge

For miscellaneous service charges, the Utility charges $15.00 for initial reconnection, and according to the Utility, no other miscellaneous service charges have been assessed in the past. Rule 25-30.460, F.A.C., does not allow for initial connection and normal reconnection charges.[3] The Utility's initial connection is obsolete and inconsistent with the rule. Therefore, staff recommends that the initial connection charge be removed. Staff recommends a premises visit and violation reconnection charge of $15, and the definition for the premises visit charge be updated to comply with Rule 25-30.460, F.A.C. A violation reconnection accounts for the discontinuance of service and subsequent reconnection of service. Therefore, the water violation reconnection charge should account for both services at a charge of $30.00 ($15.00 x 2). For wastewater, the violation reconnection charge should be at actual cost, pursuant to Rule 25-30.460(2)(b), F.A.C.

Service Availability Charge

The Utility's proposed tariff indicates a meter installation charge of $65 for a 5/8 inch x 3/4 inch meter size and actual cost for all other meter sizes. The Utility also has a service line extension and tap-in at actual cost. In its application, the Utility's service availability policy states that the water distribution service is currently in place to serve all lots within the service area. New connections shall pay the approved meter installation charge at the time service is requested. Furthermore, it shall be the customer's responsibility to connect its service lateral to the water meter. For wastewater, there are no service availability charges. Staff believes the service availability policy is appropriate and should be approved.

[3]Order No. PSC-2021-0201-FOF-WS, issued on June 4, 2021, in Docket No. 20200240-WS, *In re: Proposed amendment of Rule 25-30.460, F.A.C., Application for Miscellaneous Service Charges.*

Conclusion

Based on the above, staff recommends that the rates and charges shown on Schedule No. 1 should be approved for Applegate. The Utility should be authorized to bill all customers on a monthly basis. The Utility should be required to notice all customers of the approved rates and charges. The notice should be approved by staff prior to publication and the Utility should provide proof of the date notice was given within 10 days of the date of the notice. The tariff 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.

Issue 3: What are the appropriate initial customer deposits for the water and wastewater systems of Applegate Utility, LLC?

Recommendation: The appropriate initial customer deposits for the residential 5/8 inch x 3/4 inch meter size should be $82 for water and $84 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. 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. (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. The Utility's average monthly residential usage is 4,139 gallons per month for water and wastewater. Therefore, the average residential monthly bill is approximately $41 for water and $42 for wastewater service based on staff's recommended rates.

Staff recommends the appropriate initial customer deposits for the residential 5/8 inch x 3/4 inch meter size should be $82 for water and $84 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. 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.

Issue 4: Should this docket be closed?

Recommendation: Yes. If no person whose substantial interests are affected by the proposed agency actions in Issues 2 and 3 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. Once these actions are complete, this docket should be closed administratively. (Sparks)

Staff Analysis: If no person whose substantial interests are affected by the proposed agency actions in Issues 2 and 3 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. Once these actions are complete, this docket should be closed administratively.

APPLEGATE UTILITY, LLC

Water and Wastewater Service Area

ALL OF LOTS A AND B, AND THE NORTH 1/2 OF LOT C, NORTHWOOD SUBDIVISION, ACCORDING TO THE MAP OR PLAT THEREOF AS RECORDED IN MAP BOOK 6, PAGE 156, OF THE PUBLIC RECORDS OF VOLUSIA COUNTY, FLORIDA LOCATED IN SECTION 28, TOWNSHIP 16 SOUTH RANGE 30 EAST, AND THAT PART OF GOVERNMENT LOT 4, SECTION 29, TOWNSHIP 16 SOUTH, RANGE 30 EAST, VOLUSIA COUNTY, FLORIDA, ALL BEING DESCRIBED AS FOLLOWS:

BEGIN AT A POINT ON THE SOUTHEASTERLY LINE OF THE DOMINGO REYES GRANT, SECTION 38, TOWNSHIP 16 SOUTH, RANGE 30 EAST, BEING THE NORTHWEST CORNER OF SECTION 28, TOWNSHIP 16 SOUTH, RANGE 30 EAST, VOLUSIA COUNTY, FLORIDA; THENCE N49°10'51"E ALONG THE NORTHWESTERLY LINE OF SAID SECTION 28 AND THE SOUTHWESTERLY LINE OF SAID DOMINGO REYES GRANT, A DISTANCE OF 1,543.69 FEET TO A POINT ON THE WEST RIGHT-OF-WAY LINE OF STATE ROAD NO. 11, HAVING A 200.00 FOOT RIGHT-OF-WAY; THENCE S00°43'19"E ALONG THE WEST RIGHT-OF-WAY OF SAID STATE ROAD NO. 11, A DISTANCE OF 1,312.31 FEET TO A POINT ON THE SOUTH LINE OF THE NORTH 1/2 OF LOT C, NORTHWOOD SUBDIVISION, ACCORDING TO THE MAP OR PLAT THEREOF, AS RECORDED IN MAP BOOK 6, PAGE 156, OF THE PUBLIC RECORDS OF VOLUSIA COUNTY, FLORIDA; THENCE S89°35'41"W ALONG THE SOUTH LINE OF THE NORTH 1/2 OF SAID LOT C, A DISTANCE OF 1,180.87 FEET TO A POINT ON THE EAST LINE OF GOVERNMENT LOT 4, SECTION 29, TOWNSHIP 16 SOUTH, RANGE 30 EAST, VOLUSIA COUNTY, FLORIDA; THENCE S00°43'19"E ALONG THE EAST LINE OF SAID GOVERNMENT LOT 4, A DISTANCE OF 244.42 FEET TO A POINT ON THE SOUTHERLY BOUNDARY LINE OF PARCEL 3, AS DESCRIBED IN OFFICIAL RECORDS BOOK 8125, PAGE 4012, OF THE PUBLIC RECORDS OF VOLUSIA COUNTY, FLORIDA; THENCE DEPARTING SAID EAST LINE, RUN S50°22'13"W ALONG SAID SOUTHERLY BOUNDARY LINE, A DISTANCE OF 412.73 FEET TO THE SOUTHWEST CORNER OF SAID PARCEL 3; THENCE N41°38'55"W ALONG THE WESTERLY BOUNDARY LINE OF SAID LANDS, A DISTANCE OF 416.74 FEET TO A POINT ON AFORESAID SOUTHEASTERLY LINE OF THE DOMINGO REYES GRANT AND THE NORTHWESTERLY LINE OF AFORESAID SECTION 29, TOWNSHIP 16 SOUTH, RANGE 30 EAST; THENCE N49°10'51"E, ALONG SAID NORTHWESTERLY LINE OF SECTION 29 AND THE SOUTHEASTERLY LINE OF THE DOMINGO REYES GRANT, A DISTANCE OF 776.75 FEET TO THE POINT OF BEGINNING.

SAID LANDS CONTAINING 27.77 ACRES, MORE OR LESS.

FLORIDA PUBLIC SERVICE COMMISSION

Authorizes

Applegate Utility, LLC

pursuant to

Certificate Number 682-W

to provide water service in Volusia 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.

Order Number	Date Issued	Docket Number	Filing Type
*	*	20230114-WS	Original Certificate

* Order Number and date to be provided at time of issuance.

FLORIDA PUBLIC SERVICE COMMISSION

Authorizes

Applegate Utility, LLC

pursuant to

Certificate Number 582-S

to provide wastewater service in Volusia 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.

Order Number	Date Issued	Docket Number	Filing Type
*	*	20230114-WS	Original Certificate

* Order Number and date to be provided at time of issuance.

Applegate Utility, LLC

Monthly Water Rates

Residential

5/8” x 3/4” meter size	$15.00
Charge per 1,000 gallons	$6.25

Monthly Wastewater Rates

Residential

All meter sizes	$15.98

Miscellaneous Service Charges

Violation Reconnection Charge - Water	$30.00
Violation Reconnection Charge - Wastewater	Actual Cost
Premises Visit Charge	$15.00

Service Availability Charges
Water Service

Meter Installation Charge	
5/8" x 3/4"	$65.00
1"	Actual Cost
1 1/2"	Actual Cost
2"	Actual Cost
Service Line Extension and Tap-In	Actual Cost

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: March 21, 2024

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Economics (Kaymak, Barrett)
Office of the General Counsel (Dose) JSC JD

RE: Docket No. 20230140-EU – Joint petition for approval of modification to territorial agreement in Sumter County, by Sumter Electric Cooperative, Inc. and the City of Bushnell.

AGENDA: 04/02/24 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Graham

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Case Background

On December 27, 2023, Sumter Electric Cooperative, Inc. (SECO) and the City of Bushnell (City or Bushnell), collectively the joint petitioners, filed a petition seeking Commission approval of a Modification to their Territorial Agreement in Sumter County, Florida. SECO and Bushnell are parties to a currently effective territorial agreement delineating their respective service territories in Sumter County and the proposed changes at issue are detailed in the Second Amendment to Territorial Agreement (second amendment), which was inadvertently omitted in the original filing, but was provided on December 28, 2023 as an errata filing.[1] The second amendment, with signature pages, maps and legal descriptions is attached hereto as Attachment A. The second amendment seeks Commission approval to transfer two parcels (N14-013, N14-

[1]Document No. 06769-2023, Errata filing for Joint petition for approval of modification to territorial agreement in Sumter County, by Sumter Electric Cooperative, Inc. and the City of Bushnell.

015) from Bushnell to SECO by mutual agreement, asserting that SECO can timely and economically serve the new construction projects on each parcel. As discussed in more detail in the staff analysis, SECO has been serving the two new residential customers on the subject parcels pursuant to a temporary service agreement signed between the two utilities.

SECO and Bushnell are parties to a currently effective territorial agreement the Commission approved in 2020 that sets forth their respective service territories in Sumter County, Florida (original Territorial Agreement).[2] Prior to the instant filing, the Commission approved the First Amendment to Territorial Agreement in 2022.[3]

During the review process, staff issued two data requests to the joint petitioners, the first on January 16, 2024, and the second on February 13, 2024. Responses to these data requests were received on January 26, 2024 and February 16, 2024.[4] Staff also had an informal telephonic meeting with joint petitioners on February 13, 2024.

The Commission has jurisdiction over this matter pursuant to Section 366.04, Florida Statutes (F.S.).

[2]Order No. PSC-2020-0258-PAA-EU, issued April 17, 2020, and consummated by Order No. PSC-2020-0281-CO-EU, issued August 19, 2020. Both orders were issued in Docket No. 20200138-EU, *In re: Joint petition for approval of territorial agreement in Sumter County, by Sumter Electric Cooperative, Inc. and City of Bushnell.*
[3]Order No. PSC-2022-0065-PAA-EU, issued February 18, 2022, and consummated by Order No. PSC-2022-0112-CO-EU, issued March 14, 2022. Both orders were issued in Docket No. 20210170-EU, *In re: joint petition for approval of amendment to territorial agreement in Sumter County, by Sumter Electric Cooperative, Inc. and City of Bushnell.*
[4]Document No. 00367-2024, joint petitioners' response to staff's first data request, with attachments, and Document No. 00741-2024, joint petitioners' response to staff's second data request, with attachments.

Discussion of Issues

Issue 1: Should the Commission approve the proposed second amendment for proposed modification to territorial agreement in Sumter County by SECO and Bushnell, which transfers two parcels from Bushnell to SECO?

Recommendation: Yes, the Commission should approve the joint petition for proposed modification to territorial agreement in Sumter County by SECO and Bushnell, which transfers two parcels from Bushnell to SECO. The proposed second amendment would facilitate the provision of economical and reliable electric service by SECO to the two residential customers in the transferred parcels thereby avoiding potential uneconomic duplication of facilities. Should the utilities find themselves in similar circumstances in the future, staff recommends the parties should be required to promptly notify Commission staff and state how the boundary is expected to change. The notification should also include the date service was first connected and when a petition to modify the territorial boundary will be filed. The petition, when filed, should contain sufficient detail for staff and the Commission to fully understand the timing and circumstances of the territorial modification. (Kaymak, Barrett, Dose)

Staff Analysis: Pursuant to Section 366.04(2)(d), F.S., and Rule 25-6.0440(2), Florida Administrative Code (F.A.C.), the Commission has jurisdiction to approve territorial agreements between and among rural electric cooperatives, municipal electric utilities, and other electric utilities. Unless the Commission determines that the agreement will cause a detriment to the public interest, the agreement should be approved.[5]

Proposed Territorial Agreement Changes

Bushnell and SECO began territorial agreement discussions after service applications were received for new single-family residential construction projects, one on each parcel (Parcels N14-013 and N14-015) in Sumter County. Upon review and careful consideration, the joint petitioners maintain that, although the two parcels are in Bushnell's current service territory, SECO could serve both parcels in a more economical and timely manner.

The joint participants indicate that, due to the two customers' pressing need to have their new homes connected to electric service, SECO established electric service to them on or around July 12, 2023 (Parcel N14-013) and November 22, 2023 (Parcel N14-015). The joint participants did so under the terms of a temporary service agreement until the time that the Commission could decide whether to approve the second amendment.

The joint petitioners note that Paragraph 5 of the second amendment (Meeting Customers Needs) references the temporary service agreement that was signed by each utility in order to facilitate providing immediate electric service for construction needs on these parcels during the pendency of this matter at the Commission.[6] The temporary service agreement was signed on June 23, 2023, and the joint petitioners assert that the customers requesting service on each parcel were

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[5] *Utilities Commission of the City of New Smyrna Beach v. Florida Public Service Commission*, 469 So. 2d 731 (Fla. 1985).

[6] Document No. 00741-2024, joint petitioners' response to staff's second data request, with attachments, Nos. 8.a and 8.b.

notified by telephone that permanent service by SECO would be contingent upon SECO and the City executing an agreement that would require Commission approval.[7] The joint petitioners state that negotiations for the second amendment took longer than expected, and when concluded acknowledged that further delays were encountered because approvals were needed from City and SECO officials before the joint petitioners made their instant filing.[8]

With the Commission approval of the second amendment, the joint petitioners contend the original Territorial Agreement otherwise remains in full effect with no other changes. If approved, the second amendment as written would remain in effect until and unless either Party provides written notice of termination.

Parcel N14-013

Parcel N14-013 covers 5.64 acres, and electric service for this parcel is for a new single-family residence. The joint petitioners assert that the nearest existing Bushnell facilities to this parcel are approximately 1,100 feet due west, and notes that those facilities are at capacity for maintaining optimum reliability for existing customers that are served by that feeder.[9]

The joint petitioners stated that in order to serve Parcel N14-013 and/or the other parcel (Parcel N14-015) identified in the petition, Bushnell would have to re-conductor approximately 3,400 feet of primary service facilities. The cost to enhance the primary service facilities as described is estimated by Bushnell to be no less than $50,000, whether one or both customers are served.[10]

The nearest SECO service facilities are adjacent to Parcel N14-013. Because SECO already has existing single phase underground primary facilities located along the east property line, a minimal amount of construction activity was necessary for it to serve the parcel. An underground pad-mounted transformer had to be installed, plus approximately 155' of secondary service wire had to be placed in order to serve the new single-family home on Parcel N14-013. The estimated cost of these facilities was $939.[11]

Parcel N14-015

Parcel N14-015 covers 2.32 acres, and electric service for this parcel is for a newly-constructed single family residence with an outbuilding (a pole barn). The joint petitioners assert that the nearest existing Bushnell facilities are approximately 1,030 feet due west of Parcel N14-015, and note that the same capacity concerns and construction requirements referenced for Parcel N14-013 are applicable for this parcel as well.

In SECO's service territory, a single phase overhead primary facility is located just south of the existing property line for Parcel N14-015. As such, the only construction necessary for SECO to

[7]Document No. 00741-2024, joint petitioners' response to staff's second data request, with attachments, No. 2.a. and 2.b.
[8]Document No. 00741-2024, joint petitioners' response to staff's second data request, with attachments, No. 9.a.
[9]Document No. 00367-2024, joint petitioners' response to staff's first data request, with attachments, No. 1.
[10]*Id.*
[11]*Id.*

provide service to this parcel was the placement of approximately 150’ of secondary underground service wire. The estimated cost of this construction activity was $877.[12]

Analysis

Rule 25-6.0440(2), F.A.C., addresses the standards the Commission should consider for approving territorial agreements for electric utilities. The Rule states:

> (2) Standards for Approval. In approving territorial agreements, the Commission may consider:
> (a) The reasonableness of the purchase price of any facilities being transferred;
> (b) The reasonable likelihood that the agreement, in and of itself, will not cause a decrease in the reliability of electrical service to the existing or future ratepayers of any utility party to the agreement;
> (c) The reasonable likelihood that the agreement will eliminate existing or potential uneconomic duplication of facilities; and
> (d) Any other factor the Commission finds relevant in reaching a determination that the territorial agreement is in the public interest.

In its review, staff considered each component of 25-6.0440(2), F.A.C. Regarding paragraph (2)(a), staff notes that Bushnell agreed to transfer the two parcels to SECO without compensation, which staff believes is reasonable because no facilities are being transferred.[13] Regarding paragraph (2)(b), the joint petitioners’ have confirmed that the availability and reliability of service to existing or future customers will not be decreased for either petitioner. The joint petitioners verified that existing electric facilities are adjacent to these parcels, but there are no electric facilities inside either parcel. SECO has electric facilities with available capacity in close proximity to Parcel N14-013 and also to Parcel N14-015, and can more economically serve the two new single-family houses than Bushnell. Staff believes Paragraph (2)(c) has been appropriately considered because, under the proposed second amendment, existing or potential uneconomic duplication of facilities would not occur, because SECO facilities are very near the parcels, which means SECO is better positioned to serve the lots economically and efficiently. Staff believes paragraph (2)(d) gives the Commission the flexibility to address any other relevant concerns that are case-specific. The joint petitioners assert that there are none.[14]

The joint petitioners assert that SECO is better positioned than Bushnell to provide cost-effective and reliable electric service to the two new residential customers (one in each parcel).[15] SECO has existing facilities that have adequate capacity and are closer to both parcels than Bushnell’s facilities. Staff agrees that SECO is better positioned than Bushnell to serve both parcels from an economic point of view, as well as from a reliability standpoint.

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[12] *Id.*
[13] Document No. 00367-2024, joint petitioners’ response to staff’s first data request, with attachments, No. 3.
[14] Document No. 00367-2024, joint petitioners’ response to staff’s first data request, with attachments, No. 8.
[15] Document No. 00367-2024, joint petitioners’ response to staff’s first data request, with attachments, Nos. 5, 6, 7, and 8, and Document No. 00741-2024, joint petitioners’ response to staff’s second data request, with attachments, Nos. 1, 8.b., and 9.b.

The joint petitioners state that the approval and implementation of the second amendment will not impact either entities' ability to provide reliable electric service to current or future customers, consistent with the standards set forth in Section 366.04, F.S., and Rule 25-6.0440(2), F.A.C.[16] The joint petitioners assert that approval of the second amendment would be in the public interest for several reasons. First, approval will eliminate the uneconomic duplication of services. Second, approval will provide electric service to the two transferred parcels in an efficient and cost-effective manner, and third, approval will not necessitate the transfer of any customer accounts or facilities between the joint petitioners. Staff agrees that the proposed second amendment is in the public interest and SECO is better positioned than Bushnell to serve both parcels.

Provision of Service

The joint petitioners completed the transfer of the two parcels prior to filing the second amendment to their territorial agreement, which is at issue in this docket. Paragraph 5 of the second amendment (Meeting Customers Needs) references the temporary service agreement that was signed between SECO and the City. The full text of Paragraph 5 states:

> **Meeting Customer Needs**. To timely meet the needs of the new customers, the Parties have entered into this Second Amendment to modify the Territorial Boundary Lines (see the detail reflected on Composite Exhibit A, Pages 15-17, which indicates the two parcels being transferred to SECO from Bushnell) so that the new customers will be within the SECO Territorial Area. Further, to meet the immediate and temporary construction needs of the new customers, the Parties have also entered into a temporary service agreement that would allow SECO to serve the new customers until such time as the Commission can approve the Second Amendment. (emphasis in original)

Section 366.04(2)(d), F.S., provides that in the exercise of its jurisdiction, the Commission has power over electric utilities to approve territorial agreements between and among rural electric cooperatives, municipal electric utilities, and other electric utilities under its jurisdiction. The Commission has the exclusive and superior statutory jurisdiction to determine electric utility service areas.[17] Without the Commission's active supervision over territorial agreements, such agreements between utilities run afoul of anticompetitive and antitrust law and "can have no validity without the approval of this Commission."[18] As stated by the Florida Supreme Court in *City of Homestead v. Beard*, 600 So. 2d 450, 452 (Fla. 1992):

> In *City Gas Co. v. Peoples Gas System Inc.*, 182 So. 2d 429, 433 (Fla.1965), this Court held that territorial agreements between public utilities were not violative of antitrust law based on the premise that "the public welfare does not need Ch. 542 for protection against this kind of agreement....because the public interest is adequately protected by an alternative arrangement under F.S. Ch. 366, F.S.A."

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[16]Document No. 00367-2024, Joint [petitioners] response to staff's first data request, with attachments, No. 7.
[17]*Board of County Commissioners Indian River County v. Graham*, 191 So. 3d 890, 892 (Fla. 2016).
[18]Order No. 3051, issued November 9, 1960, in Docket No. 6231-GU, *In re. Territorial Agreement Between Peoples Gas Sys. and City Gas Co.*, at p. 1. *See also Public Service Commission v. Fuller*, 551 So. 2d 1210, 1212 (Fla. 1989); *City Gas Co. v. Peoples Gas System, Inc.*, 182 So. 2d 429, 436 (Fla. 1965).

> We further concluded that the "agreement could result in monopolistic control over price, production, or quality of service only by the sufferance of the commission" and that its "statutory powers are more than sufficient to prevent any such outcome if properly employed." *Id.* at 435. In *Storey*,[19] which upheld the PSC's approval of the instant agreement, this Court "recognized the importance of the regulatory function as a substitute for unrestrained competition" and commented that "a regulated or measurably controlled monopoly is in the public interest." 217 So. 2d at 307. Therefore, our decisions exempting territorial agreements from antitrust legislation have been premised on the existence of a statutory system of regulations governing the public utilities that is sufficient to prevent any abuses arising from the monopoly power created by the agreements.

SECO and Bushnell have been put on prior notice by the Commission that any modification or termination of their territorial boundaries, as addressed by the Commission's orders, must first be made by the Commission.[20] Staff recognizes that in certain limited circumstances, system efficiencies may dictate that one utility should provide service to a customer in the other utility's service territory. Further, the timing of customer construction may require a utility to provide service to the customer on an exigent basis, before Commission approval can be secured. However, to ensure the Commission is fulfilling its role of active supervision over electric territorial matters, it is incumbent upon utilities, when finding themselves in such circumstances, to promptly communicate with the Commission and to file for modification of their territorial boundaries as soon as practicable. To do otherwise raises the concern that utilities are operating outside the purview of the Commission's jurisdiction.

Staff believes the parties have acknowledged the Commission's jurisdiction by explicitly stating that the temporary service agreement was ultimately subject to the Commission's approval. However, should the utilities find themselves in similar circumstances in the future, staff recommends the parties should be required to promptly notify Commission staff and state how the boundary is expected to change. The notification should also include the date service was first connected, and when a petition to modify the territorial boundary will be filed. The petition, when filed, should contain sufficient detail for staff and the Commission to fully understand the timing and circumstances of the territorial modification.

Conclusion

Staff recommends the Commission approve the joint petition for proposed modification to territorial agreement in Sumter County by SECO and Bushnell, which transfers two parcels from Bushnell to SECO. The proposed second amendment would facilitate the provision of economical and reliable electric service by SECO to the two residential customers in the transferred parcels, thereby avoiding potential uneconomic duplication of facilities. Should the utilities find themselves in similar circumstances in the future, staff recommends the parties should be required to promptly notify Commission staff and state how the boundary is expected to change. The notification should also include the date service was first connected, and when a

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[19] *Storey v. Mayo*, 217 So. 2d 304 (Fla.1968), *cert. denied*, 395 U.S. 909, 89 S.Ct. 1751, 23 L.Ed.2d 222 (1969).
[20] Order No. PSC-2020-0258-PAA-EU, issued July 24, 2020, in Docket No. 20200138-EU, *In re: Joint petition for approval of territorial agreement in Sumter County, by Sumter Electric Cooperative, Inc. and City of Bushnell.*

petition to modify the territorial boundary will be filed. The petition, when filed, should contain sufficient detail for staff and the Commission to fully understand the timing and circumstances of the territorial modification.

Issue 2: Should this docket be closed?

Recommendation: If no protest is filed by a person whose substantial interests are affected within 21 days of the issuance of the Order, this docket should be closed upon the issuance of a Consummating Order. (Dose)

Staff Analysis: If no protest is filed by a person whose substantial interests are affected within 21 days of the issuance of the Order, this docket should be closed upon the issuance of a Consummating Order.

SECOND AMENDMENT TO TERRITORIAL AGREEMENT

This Second Amendment to Territorial Agreement (this "**Second Amendment**"), dated as of December 4, 2023, is by and between SUMTER ELECTRIC COOPERATIVE, INC., a Florida rural electric cooperative ("**SECO**") and the CITY OF BUSHELL, FLORIDA, a Florida municipality that owns and operates an electric distribution system in Sumter County and organized and existing under the laws of the State of Florida ("**Bushnell**") (collectively, "**Parties**" or individually a "**Party**"), and shall become effective upon the approval of the Florida Public Service Commission ("**Commission**").

WHEREAS, SECO and Bushnell are parties to a Territorial Agreement dated September 24, 2019, (the "**Underlying Agreement**") which was approved by PSC Order No. PSC-2020-0258-PAA-EU, issued July 24, 2020, and effective August 19, 2020, by Consummating Order No PSC-2020-0281-CO-EU issued August 19, 2020.

WHEREAS, SECO and Bushnell are also parties to a First Amendment to Territorial Agreement, dated as of October 5, 2021, (the "**First Amendment**," and together with the Underlying Agreement, the "**Agreement**") which amended the Underlying Agreement and was approved by PSC Order No. PSC-2022-0065-PAA-EU, issued February 18, 2022, and effective March 14, 2022, by Consummating Order No. PSC-2022-0112-CO-EU issued March 14, 2022.

WHEREAS, the Parties desire, pursuant to Article V, Section 5.1 of the Agreement to further amend the Agreement to modify the Territorial Boundary Lines to economically address the service needs of new customers that will take service on two parcels in Sumter County, with a transfer of those two parcels from the Bushnell Territorial Area to the SECO Territorial Area.

Therefore, SECO and Bushnell agree as follows:

1. **Recitals Incorporated.** The foregoing recitals are true and correct, and are incorporated herein by reference.

2. **Map; Definitions.** The final territorial boundary modifications agreed to by the Parties are set forth in Composite Exhibit A, which is incorporated herein by reference. Any capitalized term not defined in this Second Amendment has the definition ascribed to it in the Agreement.

3. **Reason for Territorial Boundary Lines Changes.** The changes in Composite Exhibit A are due to new construction on two parcels (Sumter County parcels N014-013 and N014-015) and corresponding request for service from new customers, the service for which is economically and timely able to be served by SECO.

4. **Agreement of Parties.** Upon review of the requirements of the new customers, the Parties agree that SECO can reasonably and cost effectively serve the new customers with less new investment and less costly extension of facilities.

5. **Meeting Customer Needs.** To timely meet the needs of the new customers, the Parties have entered into this Second Amendment to modify the Territorial Boundary Lines (see the detail reflected on Composite Exhibit A, Pages 15-17, which indicates the two parcels being transferred to SECO from Bushnell) so that the new customers will be within the SECO Territorial Area. Further, to meet the immediate and temporary construction needs of the new customers, the Parties have also entered into a temporary service agreement that would allow SECO to serve the new customers until such time as the Commission can approve this Second Amendment.

6. **No Uneconomic Duplication of Facilities.** The Parties agree, based on sound economic considerations, the boundary line modifications identified herein will meet the new customers' needs based upon sound economic and engineering considerations and will eliminate the uneconomic duplication of facilities. The proposed boundary line changes will not cause a decrease in the reliability of electrical service to existing or future customers of either Party.

7. **Changes to Territorial Boundary Lines.** Attached hereto as Composite Exhibit A are an updated FDOT General Highway map and a complete set of revised SECO and Bushnell Territorial Maps (the changes to the Territorial Boundary Lines are shown on pages 15-17 of Composite Exhibit A).

8. **Effectiveness; Commission Approval.** Upon approval by the Commission, this Second Amendment to the Agreement shall be amended hereby and otherwise in full effect coterminous with the term of the Agreement, and it shall remain in effect until and unless either Party provides written notice of termination as provided in the Agreement.

[*Signature Page Follows*]

The Parties are signing this Second Amendment as of the date stated in the introductory paragraph.

SUMTER ELECTRIC COOPERATIVE, INC.

ATTEST:

Morgan Hatfield
Secretary

By:
Curtis Wynn
Chief Executive Officer

CITY OF BUSHNELL, FLORIDA

ATTEST:

Christina Dixon
City Clerk

By:
Jesse Simmons, Jr.
Mayor

[SEAL]

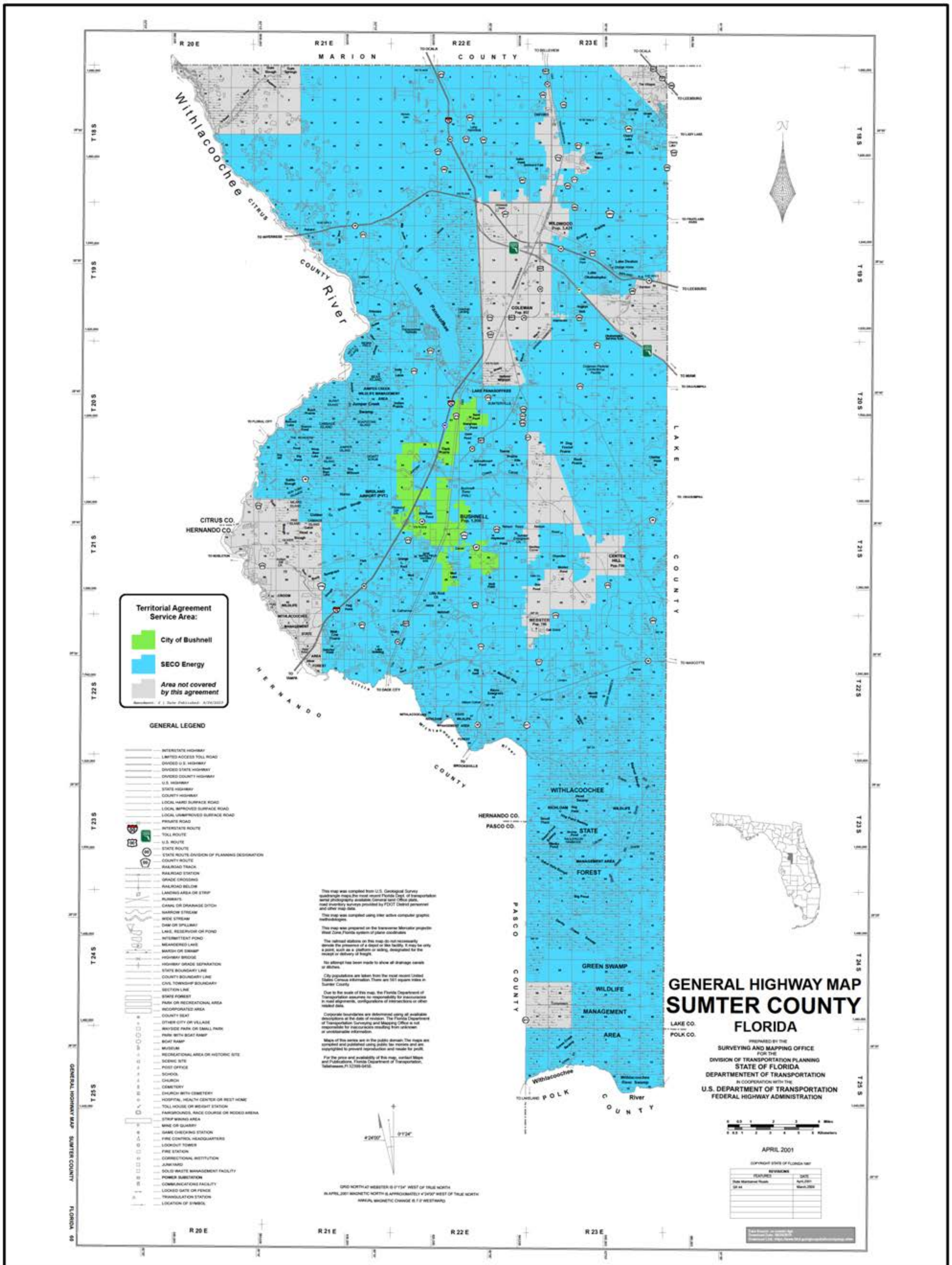
APPROVED AS TO FORM AND LEGALITY:

By: Felix M. Adams
Felix M. Adams, Legal Counsel to the City of Bushnell

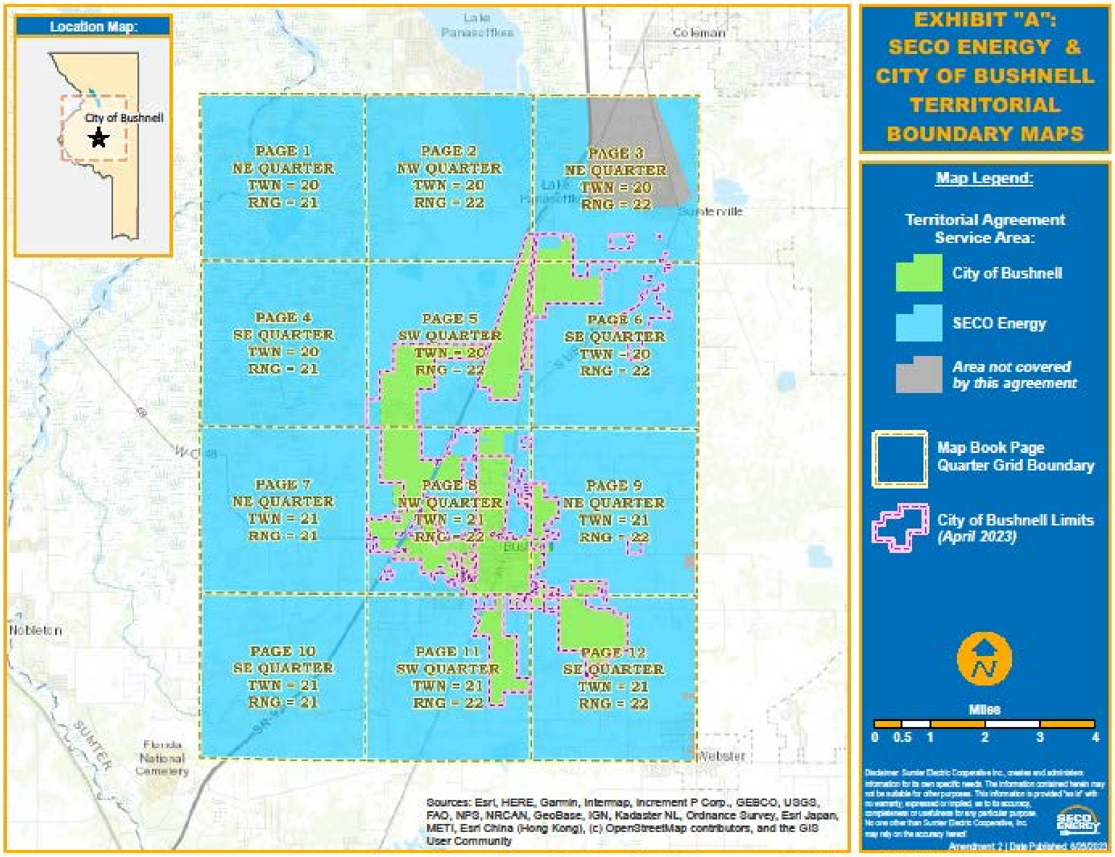
By:
Tracy M. de Lemos,
Vice President, Corporate General Counsel
Sumter Electric Cooperative, Inc.

Composite Exhibit A

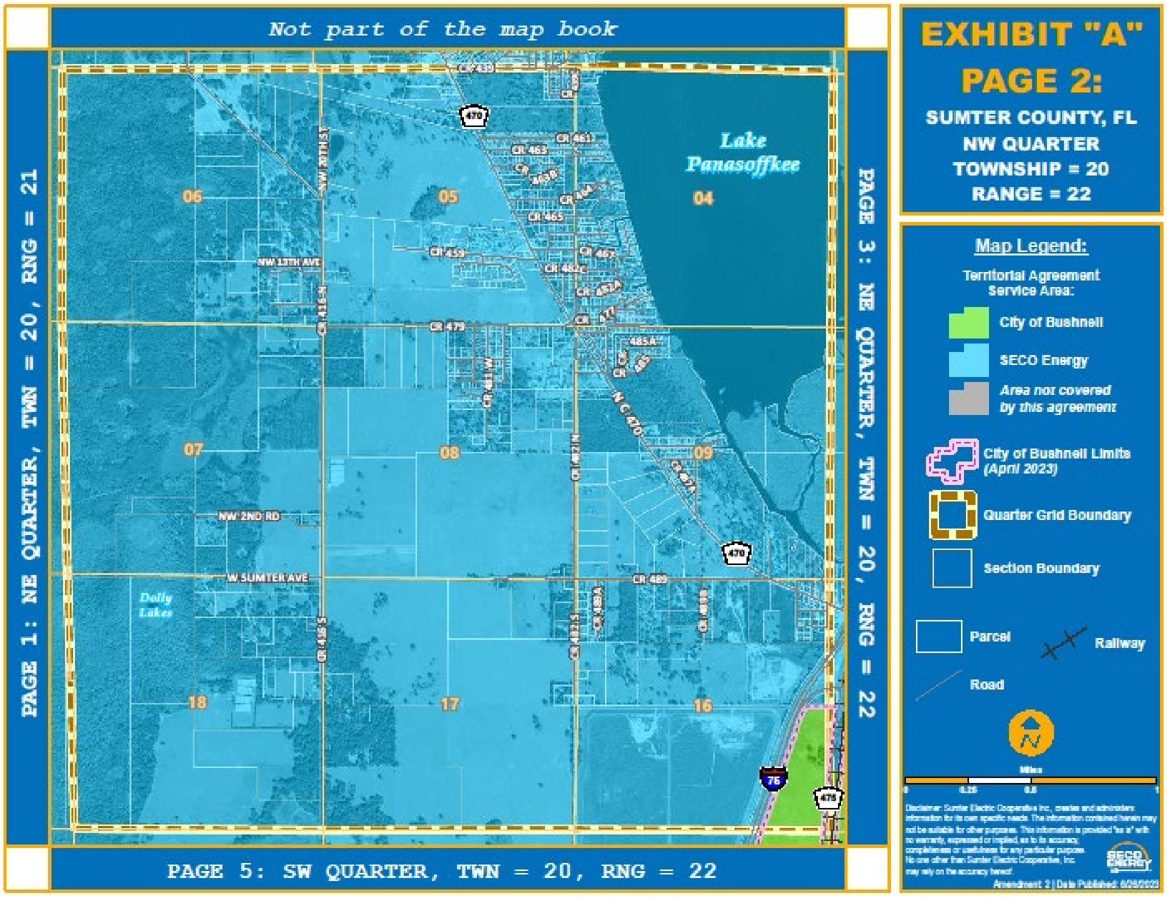
FDOT GENERAL HIGHWAY MAP, SECO AND BUSHNELL TERRITORIAL MAPS,
AND DETAILED CHANGES TO TERRITORIAL BOUNDARY LINES



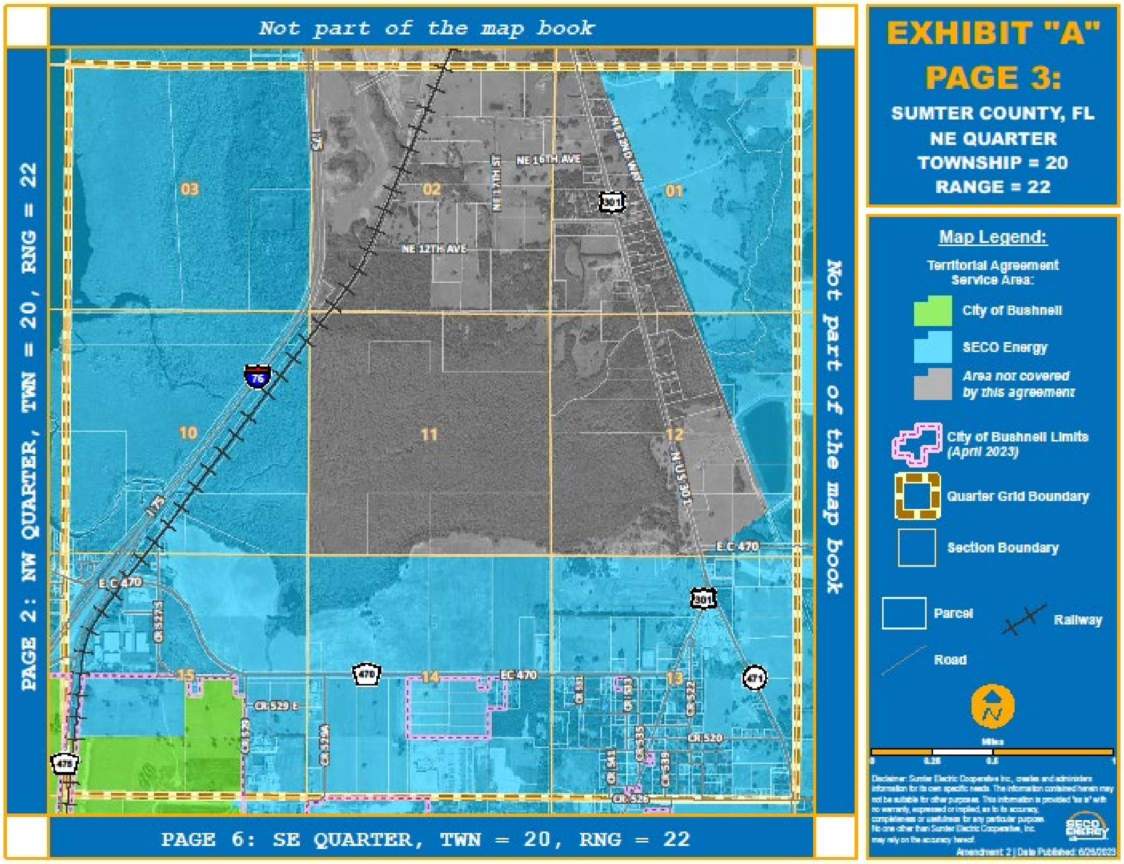
Second Amendment to Territorial Agreement COMPOSITE EXHIBIT A - Page 1



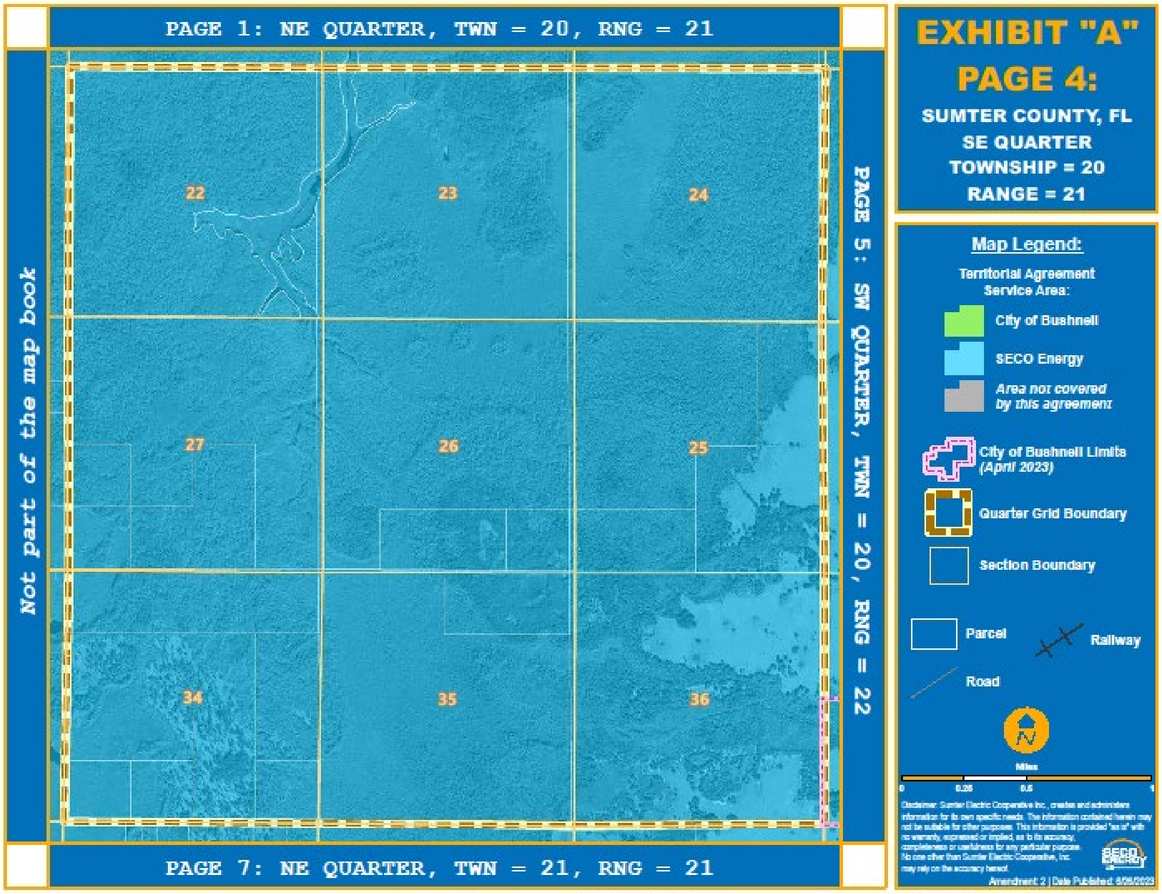
Second Amendment to Territorial Agreement COMPOSITE EXHIBIT A - Page 2



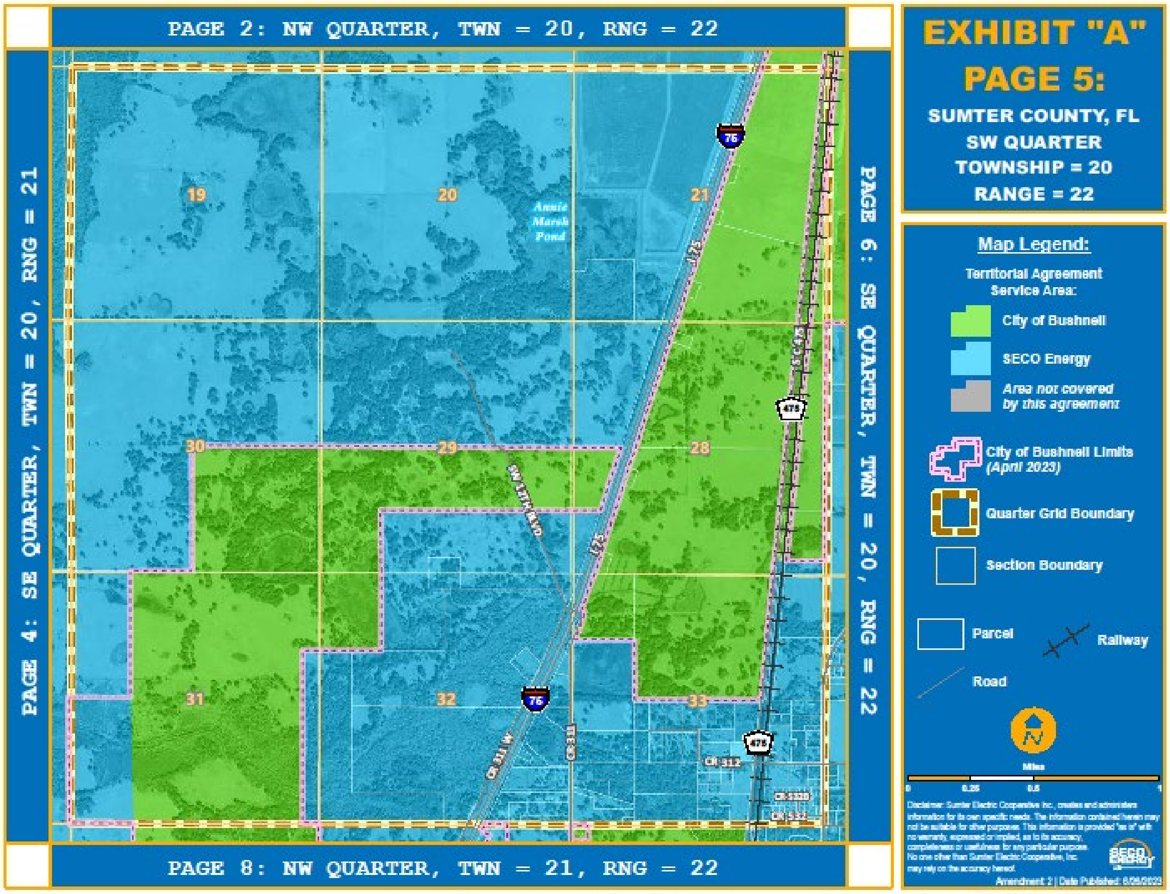
Second Amendment to Territorial Agreement COMPOSITE EXHIBIT A - Page 4



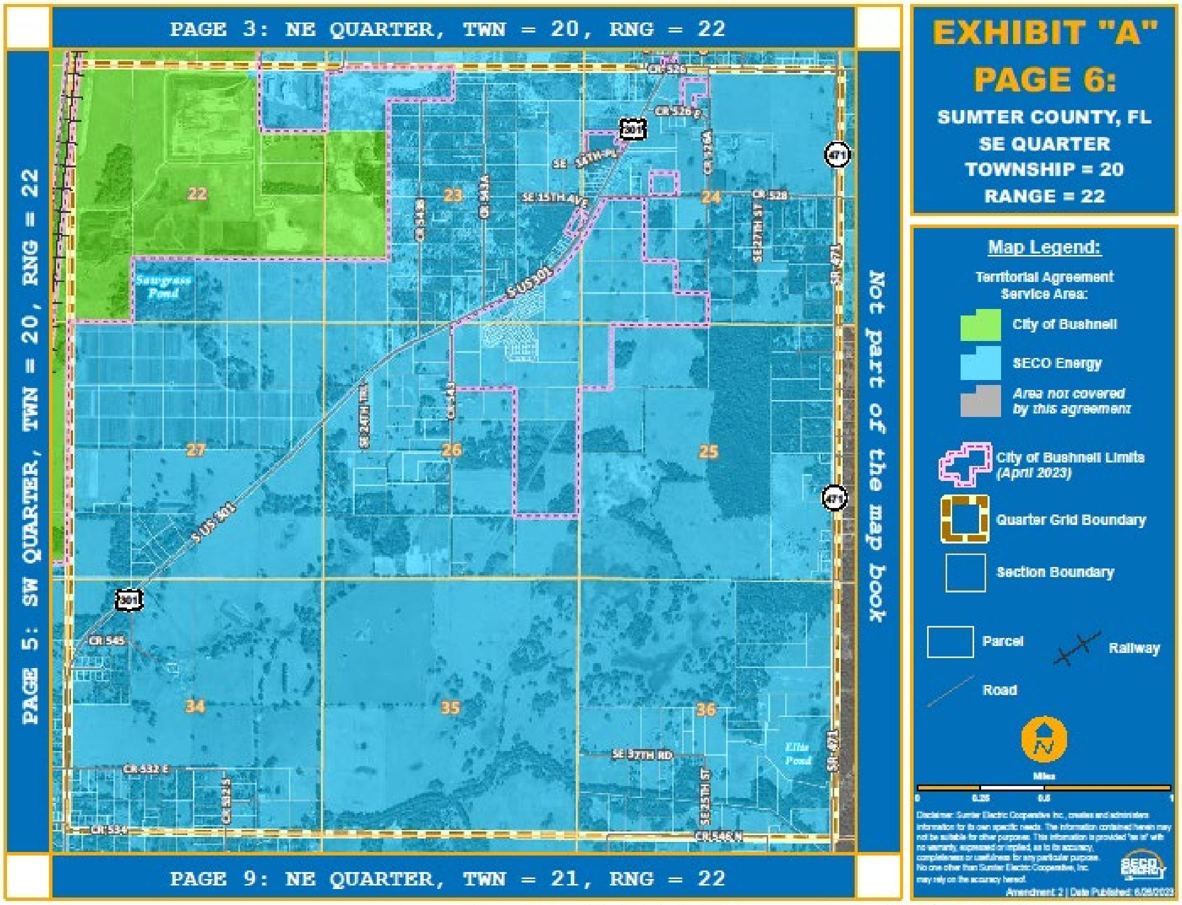
Second Amendment to Territorial Agreement COMPOSITE EXHIBIT A - Page 5



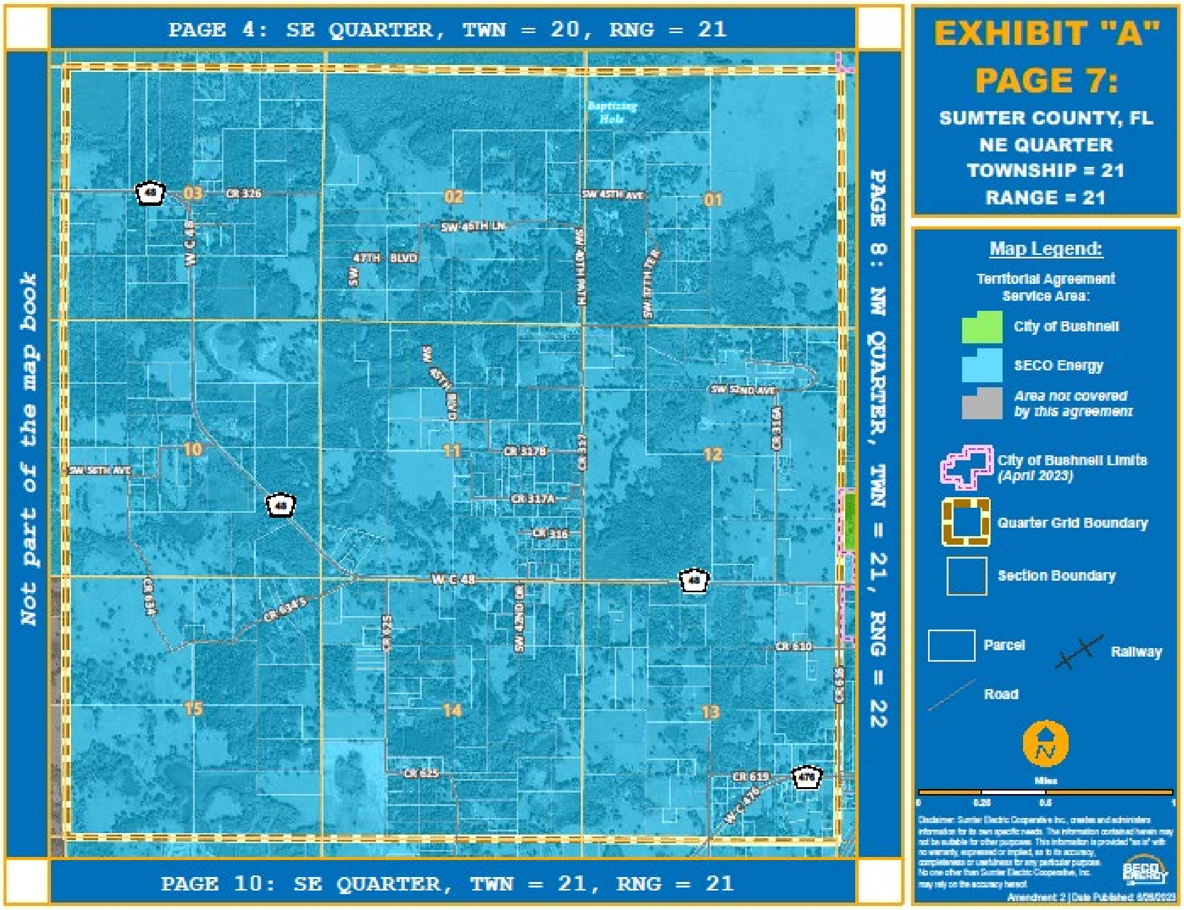
Second Amendment to Territorial Agreement COMPOSITE EXHIBIT A - Page 6



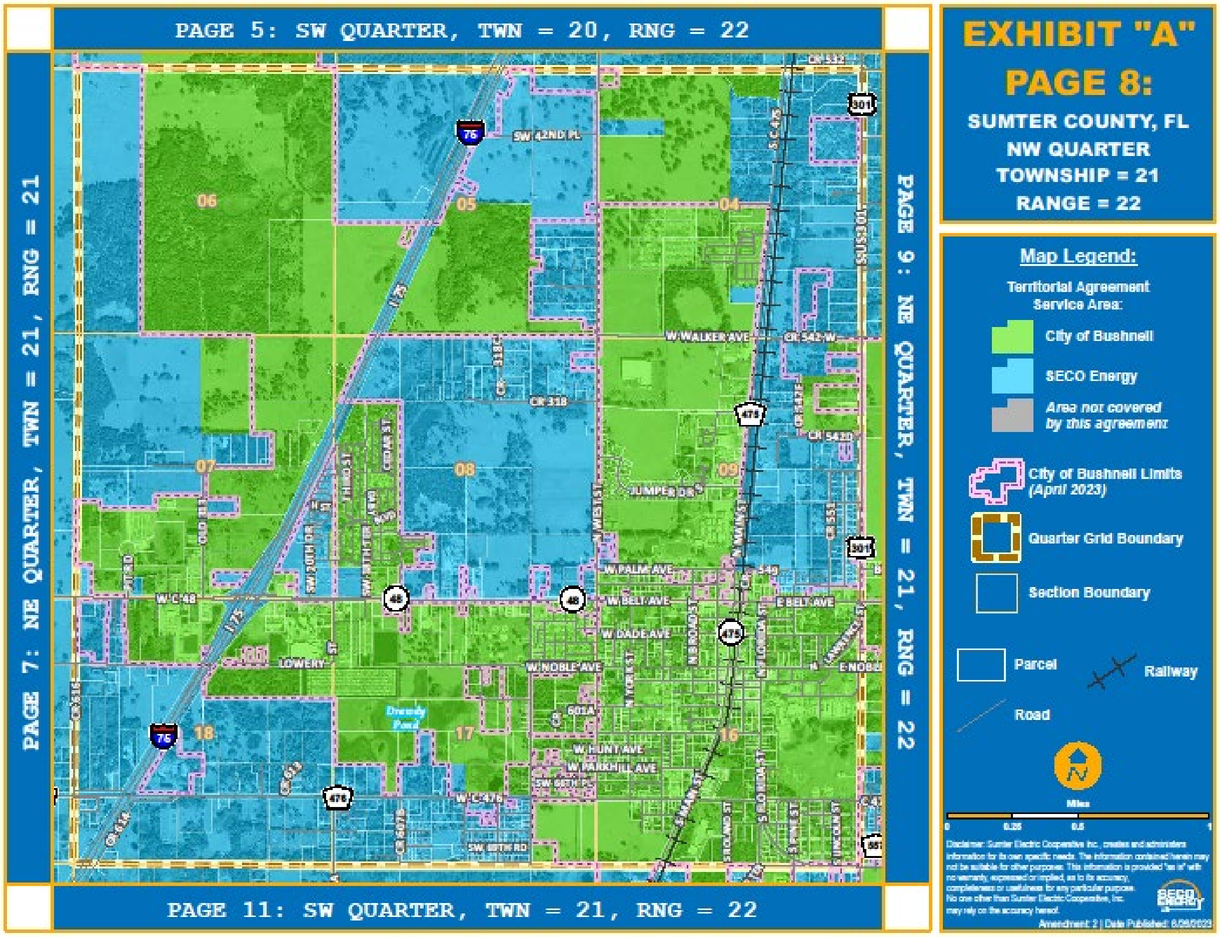
Second Amendment to Territorial Agreement COMPOSITE EXHIBIT A - Page 7



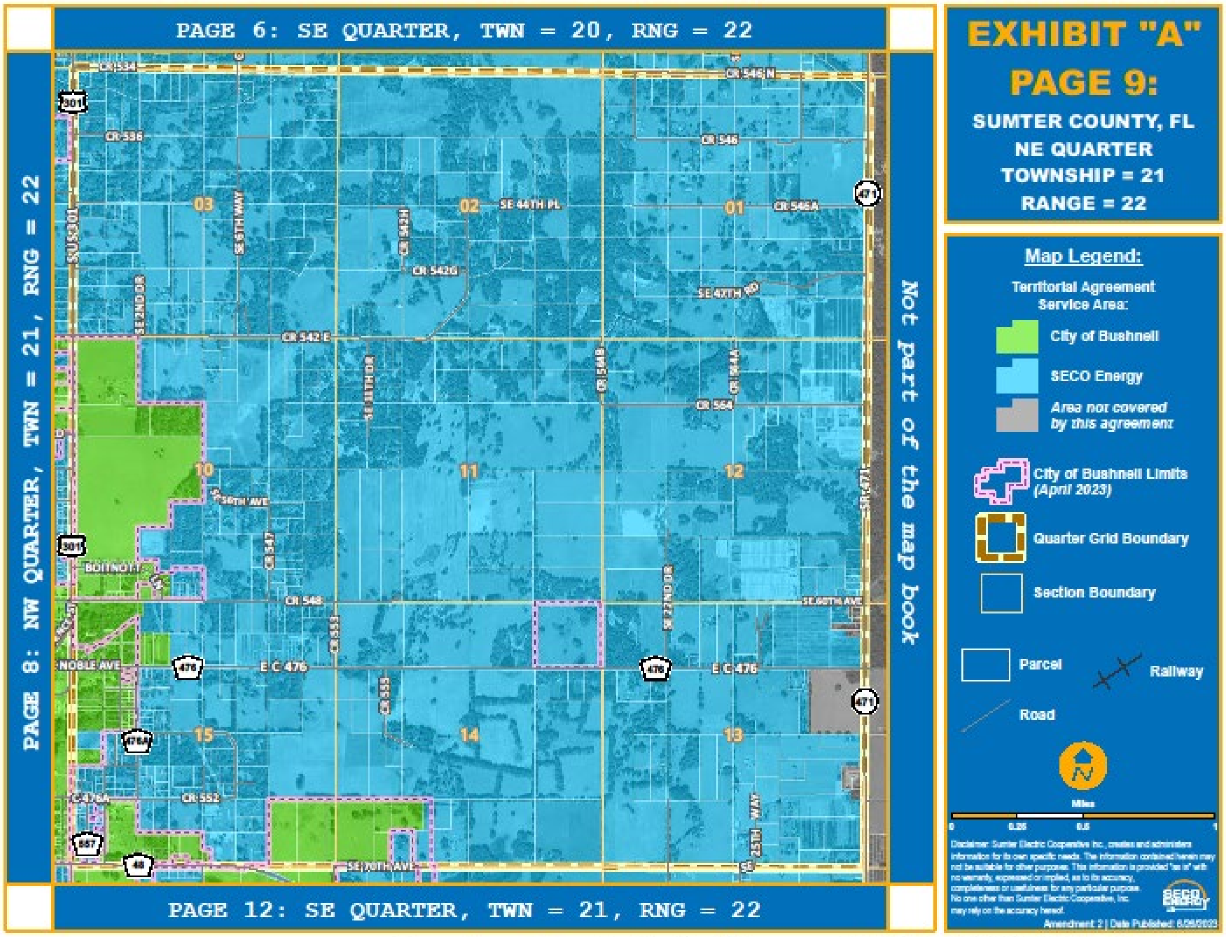
Second Amendment to Territorial Agreement COMPOSITE EXHIBIT A - Page 8



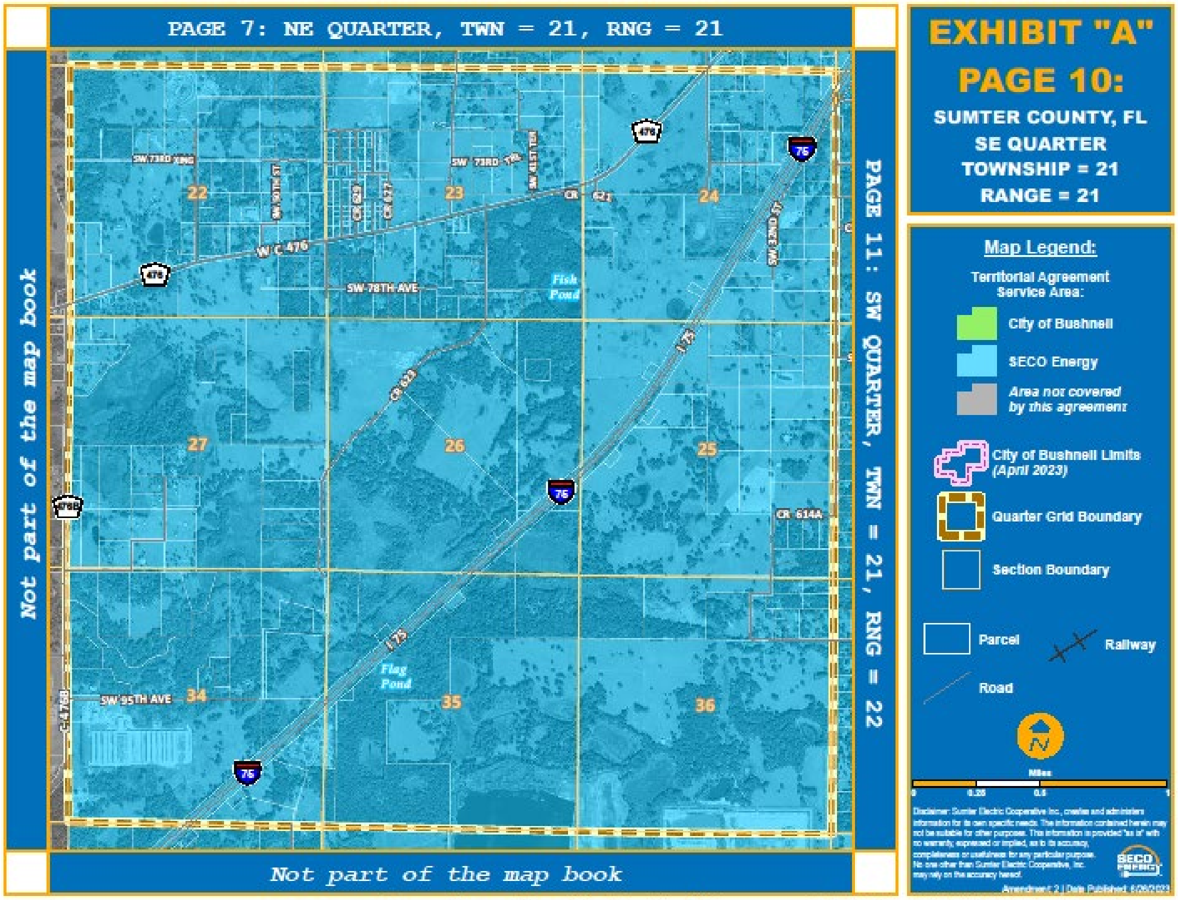
Second Amendment to Territorial Agreement COMPOSITE EXHIBIT A - Page 9



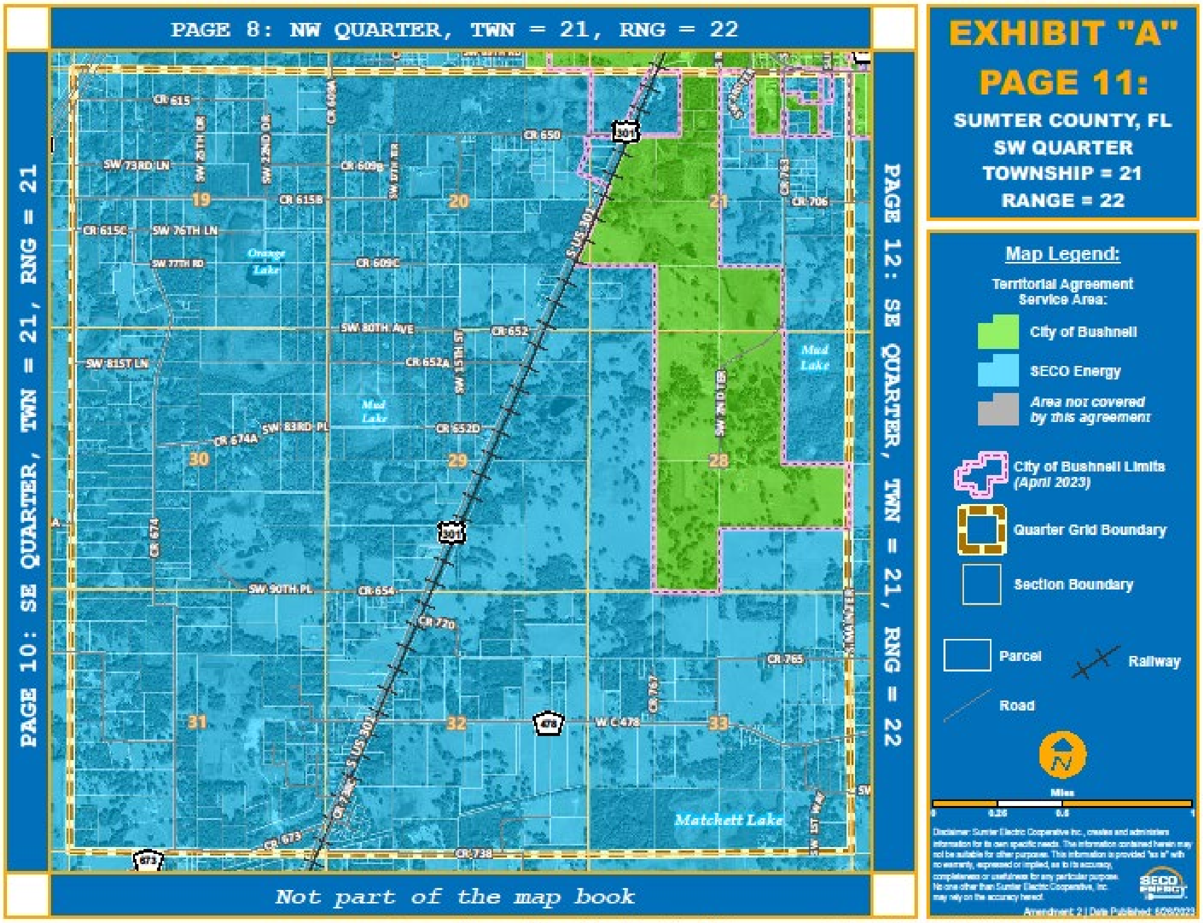
Second Amendment to Territorial Agreement COMPOSITE EXHIBIT A - Page 10



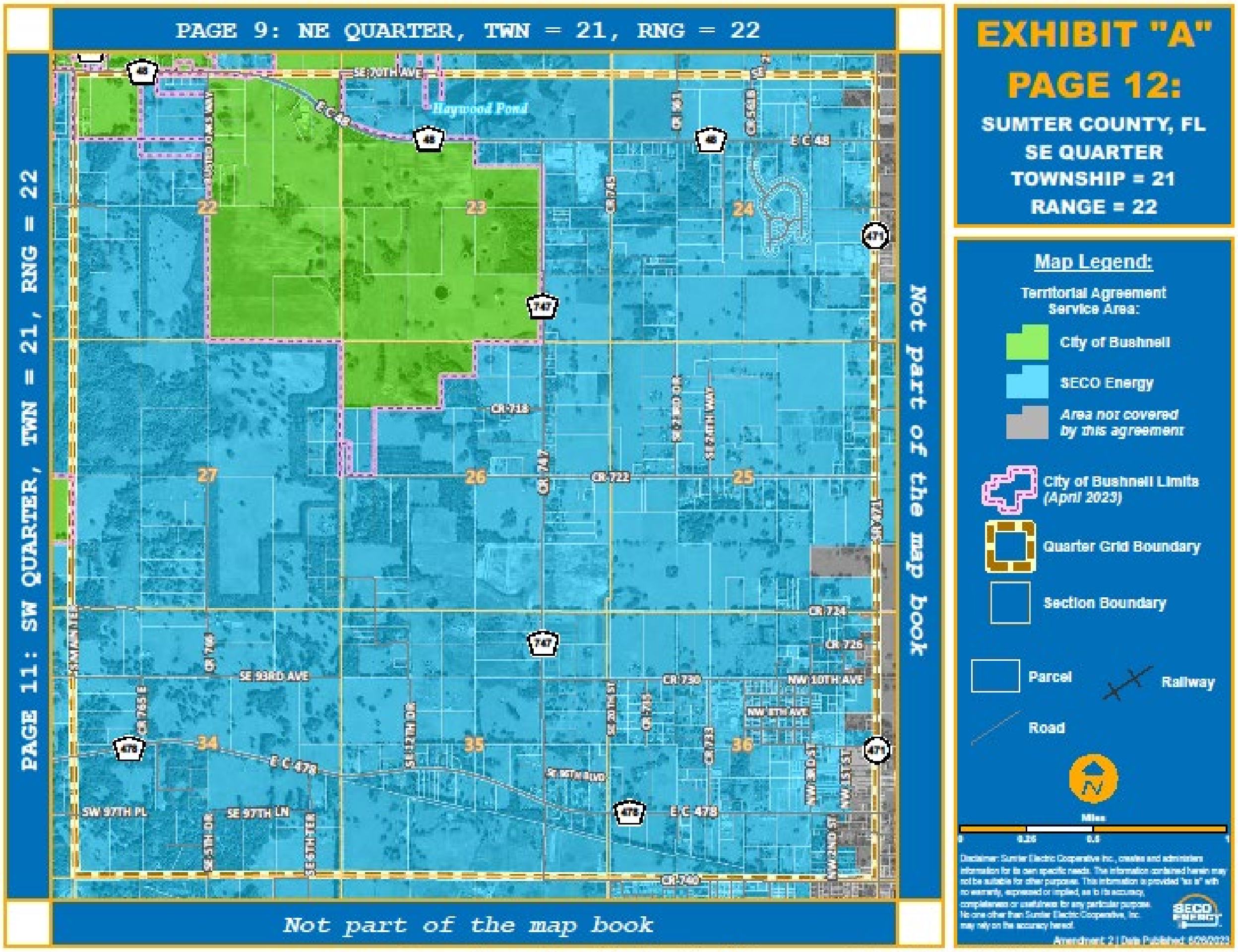
Second Amendment to Territorial Agreement COMPOSITE EXHIBIT A - Page 11



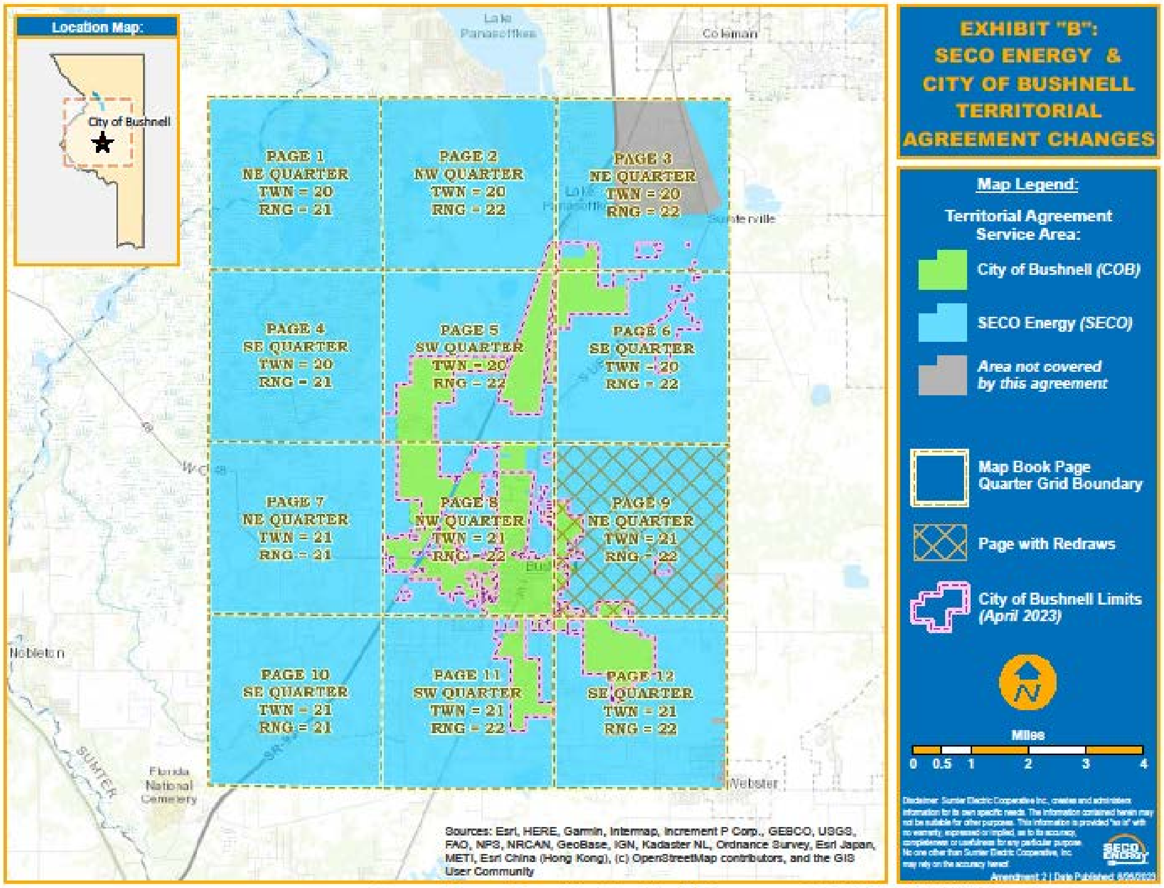
Second Amendment to Territorial Agreement COMPOSITE EXHIBIT A - Page 12



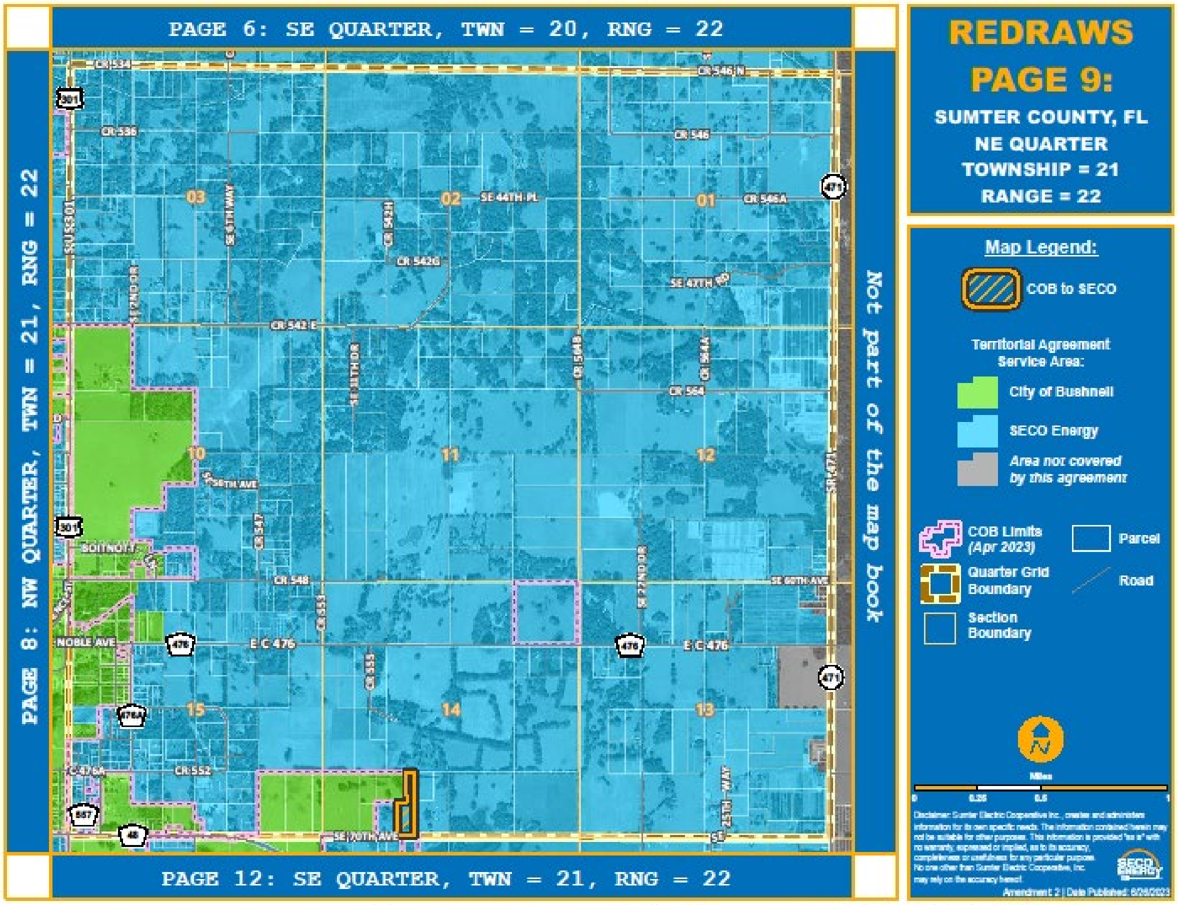
Second Amendment to Territorial Agreement COMPOSITE EXHIBIT A - Page 13



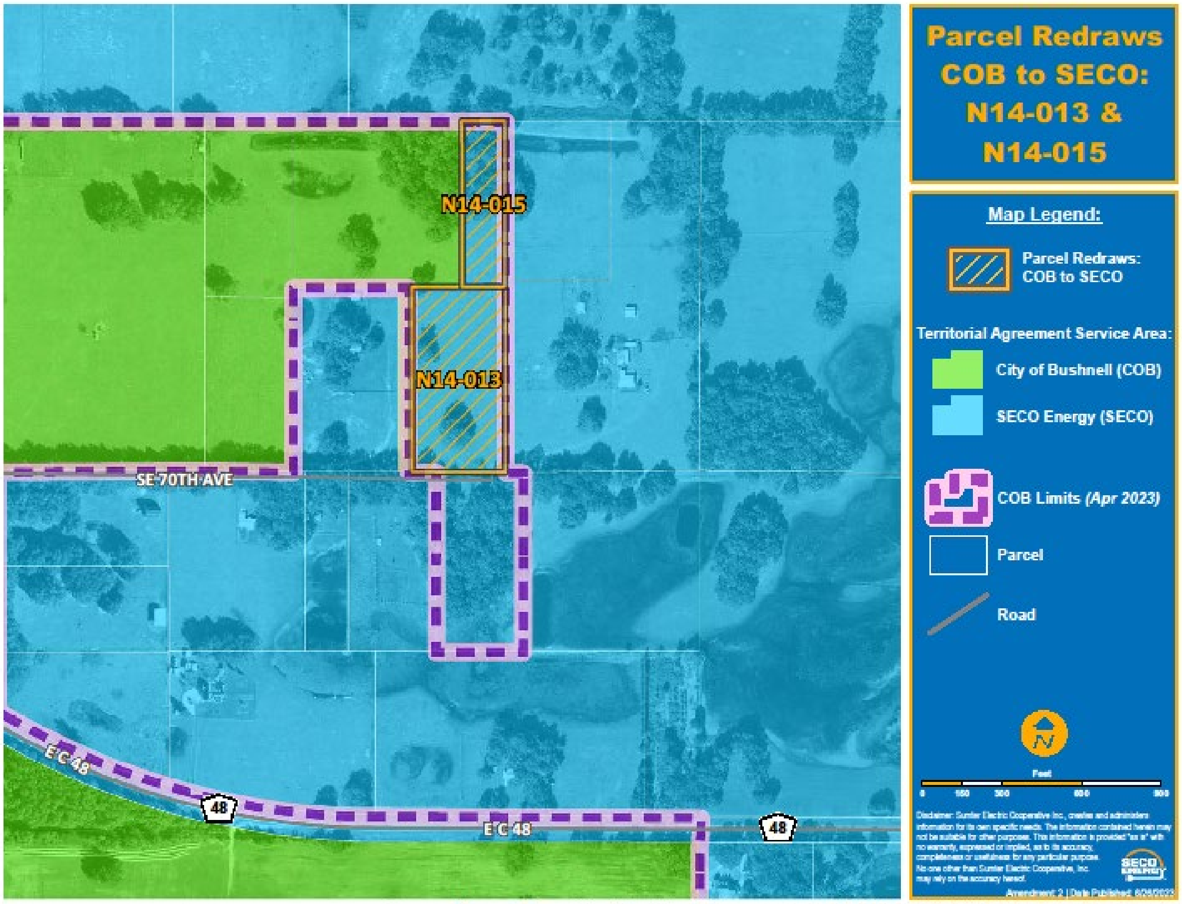
Second Amendment to Territorial Agreement COMPOSITE EXHIBIT A - Page 14



Second Amendment to Territorial Agreement COMPOSITE EXHIBIT A - Page 15



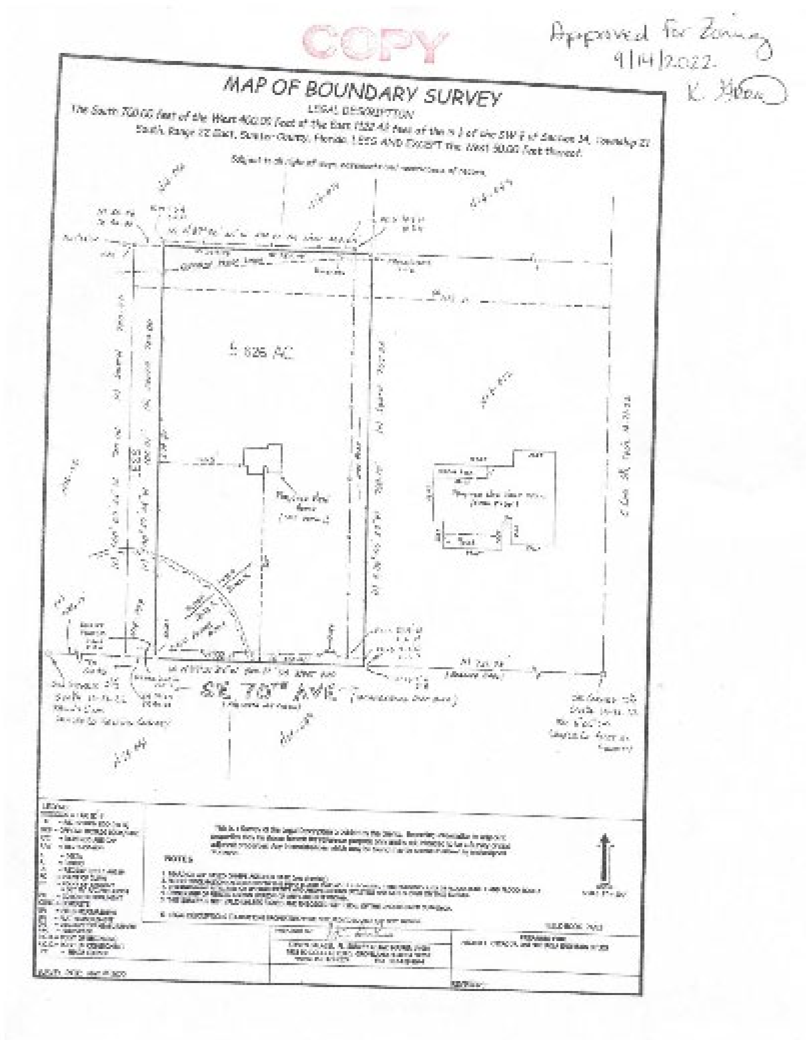
Second Amendment to Territorial Agreement COMPOSITE EXHIBIT A - Page 16



Second Amendment to Territorial Agreement COMPOSITE EXHIBIT A - Page 17

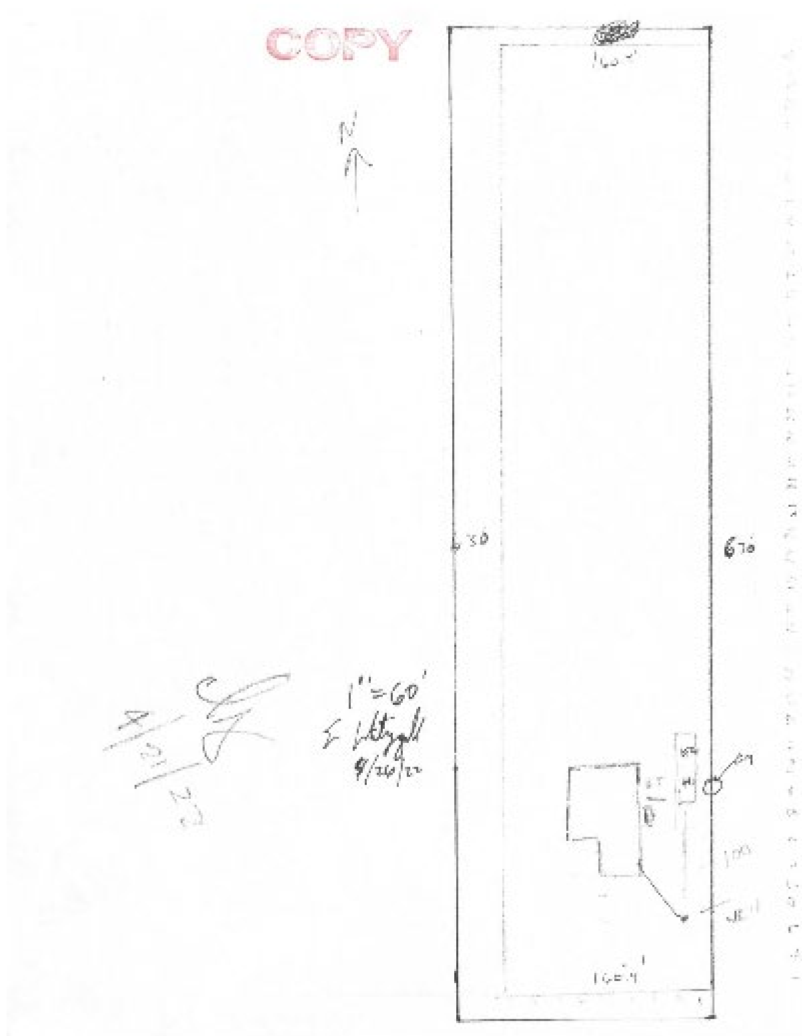
Public Service Commission
Attention: Alara Kaymak
Re: Docket No. 20230140-EU
January 26, 2024
Page 6

Exhibit A



Public Service Commission
Attention: Alara Kaymak
Re: Docket No. 20230140-EU
January 26, 2024
Page 7

Exhibit B



Print Dt/Tm:
02/15/2024 12:01:59 PM

SUMTER ELECTRIC COOPERATIVE

NEW SERVICE

SERVICE MAP LOCATION: 3337 C1 29762 70890

Account: **SO Nbr:** 81201935 **Cycle:** 15 **W/O#:** 208993

Taken By: **Date Taken:** 06/09/2023 **Needed On:** 7/12/23 12:00:00 AM

Home Phone: NONE LISTED
Work Phone: NONE LISTED
Mobile Phone:

Service Address:

Service Desc: SFH
Subdivision:
Service: **Block:** **Lot:**
Line Srv Area: **District:** SECO - Sumterville
County: Sumter **City:** Bushnell

Mailing Address:

Rate: GS - General Service

Builder: NONE LISTED **Builder Phone:** NONE LISTED

General Comments:

NS UG 1802SF (1) AC 200AMPS PARCEL# N14-013 PERMIT# 22-09-018
DR PER COMM ACCT 360/BILLED 110

6/7/23 ASKED BY CITY OF BUSHNELL TO SERVICE THIS HOME, DID SITE VISIT TOOK PICTURES, NEED BUILDER TO APPLY FOR SERVICE, NEED CITY TO SIGN AGREEMENT,
6/9/23 LOCATES COMPLETE FOR SECOND SITE VISIT TO SEE WHERE TX CAN BE ADDED IN LINE OF EXISTING UG PRIMARY,
6/10/23 BUILDER FINALLY APPLIED FOR SERVICE, WO PACKET READY FOR APPROVAL, STILL NEED CITY OF BUSHNELL TO SIGN AGREEMENT, NEED TO CALL WITH REGARDS TO USING THE SPECIFIC EASEMENT,

6/22/23 INFORMED THAT CITY OF BUSHNELL HAS YET TO SIGH THE AGREEMENT TO LET SECO SERVE THIS HOME,
6/24/23 RECIEVED WORD FROM THAT THE CONTRACT IS SIGNED, THIS JOB CAN NOW GO TO APPROVAL,
6/26/23 SPOKE WITH WHO OWNS THE PROPERTY WHERE THE SPECIFIC EASEMENT IS TO NOTIFY HER SECO WILL BE INSTALLING A PM TX WITHIN THE EASEMENT ON HER PROPERTY, SHE WAS PERFECTLY OKAY WITH THE CONSTRUCTION,

Service Comments:

RT 15-101 1562
WO 208993 RECD IN SDO 6/28/23
TO TO SCHEDULE
SCHEDULED WITH IVY WEEK ENDING 7/7/23
UG COMPLETED BY /IVY 07/06/23
7/11/23 PER EMAIL FROM THEY HAVE THEIR GREEN TAG PRE POWER INSPECTION
WO#: 208993
MAP#: 3337 C1 29762 70890
NEAREST GIS#: 21272
NEAREST MTR#: G00106369
METERING INFO: SINGLE PHASE 200AMP
PLEASE SET METER 07/12/23
7/12/23 MTR G00125646 READING 0

Job Completed: By:__________ Date:__________ **On Computer:** By__________ Date__________

/report/11016/rptcustom/cis/SECO_SO_NEW_CONNECT_2.x **Service Map Location: 3337 C1 29762 70890**

Print Dt/Tm:
02/15/2024 12:01:59 PM

SUMTER ELECTRIC COOPERATIVE

NEW SERVICE

Meter #: ______________ GPS ID: ______________ W/O Number: ______________

Hand Trench ____ Machine Trench ____ Back Hoe ____ PVC: 2 1/2 3 4
Trench FT ____ Wire FT ____ Wire Size ____

Assessment/Field Comments:

Reading:__________________

Job Completed: By:______________ Date:________________ **On Computer:** By______________ Date____________

/report/11016/rptcustom/cis/SECO_SO_NEW_CONNECT_2.x **Service Map Location: 3337 C1 29762 70890** paula.claunch

Print Dt/Tm:
02/15/2024 12:02:29 PM

SUMTER ELECTRIC COOPERATIVE
RELOCATE SERVICE

SERVICE MAP LOCATION: 3337 C1 29785 71260

Account: **SO Nbr:** 81324119 **Service:** Electric Service **W/O#:** 211236

Customer Nbr: **Srv Loc Nbr:** 96079794 **Provider:** COOP Provided Electric Service **Cycle:** 15

Taken By: **Date Taken:** 11/02/2023 **Needed On:** 11/02/2023

Home Phone:
Work Phone: NONE LISTED
Mobile Phone:

Service Address:

Service Desc: HOUSE/PUMP/WELL
Subdivision:
Service: **Block:** **Lot:**
Line Srv Area: **District:** SECO - Sumterville
Equip Map Loc: 3337 C1 29882 71197
Substation: **Feeder:** **Line Sect:**
County: Sumter **City:** Bushnell

Mailing Address:

Medical Necessity: **Outage Priority:**

****EQUIPMENT TO BE SERVICED****

Equipment Type	Activity	Equipment Nbr	Position Nbr	Service Map Location	Qty

Meter #	Secondary	Rate	Mult	Dials	Lock Ring	LV Rdg	LVR Date	KWH Rdg	KW Rdg	Date
G00106369	93826034	GS	1	5	N	1490	10/24/2023			

Trans #	Secondary	Size	Phase	Bank #	Load Mgt Serial #	Rate Cd	LM Stat	Load Type	Stat	Rem

Device #	Type	Description	Status	Map Location	Con/Repair/Dis/Rem

General Comments:

RLO FROM CURRENT SPOT TO HOME
11/2/23 THIS HOME WAS SITE VISITED IN JUNE ALONG WITH HOME, WE ALSO RECIEVED A RELEASE FOR THIS HOME FROM CITY OF BUSHNELL IN JULY 2023, BUILDER IS , THIS IS AN EXISTING OH AG METER FOR WELL, HOME IS 3029 SQ FT WITH 200 AMP SERVICE AND 5 TON A/C, WO PACKET READY FOR APPROVAL,

Service Comments:

WO 211236 RECD IN SDO 11/9/23
TO TO SCHEDULE
SCANNED TO IVY AND PIKE 11/10/23
UG SCHEDULED WITH IVY SMITH 3 FOR WEEK ENDING 12/01/23
OH SCHEDULED WITH PIKE1 FOR WEEK ENDING 12/08/23
AG METER
COPY TO HARLEY/PIKE 11/22/23
WO COMPLETED BY PIKE AND IVY - NEW METER WAS ALREADY INSTALLED - RETIRED METER G00106369

Handheld Notes:

POLE DOWN LANE L AT END

Job Completed: By:________ Date:________ **On Computer:** By________ Date________

/report/11016/rptcustom/cis/SECO_SO_MISCELLANEOUS.x **Service Map Location: 3337 C1 29785 71260** paula.claunch

Print Dt/Tm:
02/15/2024 12:02:29 PM

SUMTER ELECTRIC COOPERATIVE
RELOCATE SERVICE

Task Remarks:

AIDTOCONST - CIAC $877.10 MR# 100014193 QUOTE 15880
EMAILED

DESIGN - WO#:211236
MAP#:3337 C1 29785 71260
CIAC: $877.10
NEAREST GIS#: 21272
NEAREST MTR#: G00106369
METERING INFO: 200 AMP SINGLE PHASE
IVM REQ'D: NO
PERMIT REQ'D: NO
EASEMENT REQ'D: NO
DEPOSIT AMOUNT: N/A

RELCONST - CIAC PAID 11/9/23
HOLD FOR CIAC 11/9/23

REVRELOC - 11/2/23

Assessment/Field Comments:

# of Prints: 3

Job Completed: By:________ Date:________ **On Computer:** By________ Date________

/report/11016/rptcustom/cis/SECO_SO_MISCELLANEOUS.x **Service Map Location: 3337 C1 29785 71260**

SECO ENERGY

June 5, 2023

Via e-mail MEastburn@CityofBushnellFL.com
Mike Eastburn
City of Bushnell
117 E. Joe P. Strickland Jr. Avenue
Bushnell, Florida 33513

Re: Sumter Electric Cooperative, Inc. d/b/a SECO Energy ("SECO") and the City of Bushnell ("City") Territorial Agreement Amendment for Sumter County Parcels N14-013 and N14-015

Dear Mr. Eastburn,

Pursuant to Section 3.1 of the Territorial Agreement between SECO and the City, the parties may agree in writing to amend the territorial boundary line, subject to the Commission's approval. At the City's request, SECO hereby agrees to permanently provide service to Sumter County Parcels N014-013 and N014-015, subject to the City amending the Territorial Agreement to reflect this change within a reasonable time frame and at the City's sole cost and expense.

Should the City agree the terms outlined herein, please sign below and return a signed copy to tracy.delemos@secoenergy.com.

Sincerely,

Tracy de Lemos

Tracy M. de Lemos, Esq.
Vice President, Corporate General Counsel
SECO Energy
tracy.delemos@secoenergy.com

cc: John LaSelva
Kristin Greene

Accepted and agreed to on this 23 day of June, 2023.

The City of Bushnell, Florida

By: [signature]
Name: Michael Eastburn
Title: City Manager

PO Box 301
Sumterville, Florida 33585-0301
352.793.3801
www.SECOEnergy.com

Item 8

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: March 21, 2024

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Economics (Guffey) CJD
Office of the General Counsel (Stiller) JSC

RE: Docket No. 20230136-PU – Petition for approval of revisions to budget billing tariffs, by Florida Public Utilities Company.

AGENDA: 04/02/24 – Regular Agenda – Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 08/15/24 (8-Month Effective Date)

SPECIAL INSTRUCTIONS: None

Case Background

On December 15, 2023, Florida Public Utilities Company (FPUC or Company) filed a petition seeking Commission approval of revisions to its optional budget billing program (program) tariffs for both its electric and natural gas divisions. FPUC also proposed to expand the program to include certain small general service customers, to remove unnecessary language related to bill format, and to revise the terms and conditions of the program. Furthermore, FPUC has proposed to add details to its electric budget billing tariffs to align with its natural gas program tariffs. Overall, the Company states that the proposed tariff revisions are intended to provide consistency across the business units under FPUC's parent company, Chesapeake Utilities Corporation (CUC).

Currently, FPUC's Customer Information and Billing System (CIS) services are provided by ECIS, a Vertex business solutions product which the Company has been using for over 20 years. FPUC's parent company, CUC, will be replacing the current system at the completion of its contract on December 31, 2024. CUC is currently working with SAP (a software company for the management of business processes) and IBM to transition to FPUC's new billing system known as 1CX with an estimated transition date of August 2024.[1] FPUC requests approval of its proposed tariff revisions to be effective on the actual date of the transition date to the new CIS, expected to be completed in August 2024.

During the review process, staff issued a data request to FPUC on January 17, 2024, for which the responses were received on January 31, 2024. The responses included a corrected version of the First Revised Sheet No. 41. In Order No. PSC-2024-0045-PCO-PU,[2] the Commission suspended the proposed tariffs. Staff notes that the Commission has approved budget billing programs and tariffs for Florida Power & Light Company, Tampa Electric Company, Duke Energy Florida, and Peoples Gas System.[3] The proposed revised tariff sheets are included in Attachment A to this recommendation.

The Commission has jurisdiction over this matter pursuant to Sections 366.04, 366.05, and 366.06, Florida Statutes (F.S.).

[1] Commission approval for the new billing system is not an issue in this docket.

[2] Order No. PSC-2024-0045-PCO-PU, issued February 22, 2024, in Docket No. 20230136-PU, *In re: Petition for approval of revisions to budget billing tariffs, by Florida Public Utilities Company*.

[3] Order No. PSC-05-0951-TRF-EI, issued October 6, 2005, in Docket No. 050486-EI, *In re: Petition for approval of optional budget billing program for GS-1 rate customers by Florida Power & Light Company;* Order No. PSC-2015-0416-TRF-EI, issued October 1, 2015, in Docket No. 20150159-EI, *In re: Petition for approval of tariff revisions to implement customer relationship management (CRM) project, by Tampa Electric Company;* Order No. PSC-2018-0372-TRF-EI, issued July 30, 2018, in Docket No. 20180123-EI, *In re: Petition for approval of modifications to Section No. IV, general rules and regulations governing electric service, Part VIII billing, residential and non-residential budget billing, by Duke Energy Florida, LLC;* and Order No. PSC-2015-0415-TRF-GU, issued October 1, 2015, in Docket No. 20150160-GU, *In re: Petition for approval of tariff revisions to implement customer relationship management (CRM) project, by Peoples Gas System*.

Discussion of Issues

Issue 1: Should the Commission approve FPUC's proposed revisions to its optional budget billing program tariffs for its electric and natural gas divisions, including the expansion of the program to small general service customers?

Recommendation: Yes. The Commission should approve FPUC's proposed revisions to its optional budget billing program tariffs for its electric and natural gas divisions, including the expansion of the program to small general service customers. The proposed revised tariffs are included in Attachment A to this recommendation. The proposed tariffs should be effective on the actual date of the transition of the existing CIS platform to the new CIS platform expected to occur in August 2024. No later than 30 days prior to the transition date, the Company should notify the Commission in writing of the actual transition date. (Guffey)

Staff Analysis: The Company, in its petition, explained that as it working through the process of changing to the new billing system and the need for consistency for the program for both electric and natural gas divisions was emphasized. The Company is not seeking Commission approval of its new CIS platform. In its response to staff's data request, the Company stated that it has not yet determined the timing or mechanism for recovery of the costs associated with the implementation of the 1CX system.[4]

Natural Gas Budget Billing Program

FPUC's natural gas budget billing program tariff is an option for residential customers and is designed to help customers stabilize their monthly payments. To qualify for the program, a customer must be a year-round customer with 12 months of consecutive bills and not owe past payments to the Company (*i.e.,* have a zero balance). The customer's monthly payment is based on an average of the previous 12 months of bills and applicable fees and taxes. FPUC currently has 194 natural gas customers enrolled in its program.[5] Pursuant to the currently effective tariff, the budgeted monthly payment is recalculated from time to time and if the recalculated monthly payment varies by 10 percent or more from the budget monthly payment, the Company may begin charging the recalculated amount on the customer's next bill. Additionally, a customer's budgeted monthly payment will be recalculated on each anniversary of the customer's initial participation in the Program.

Proposed Tariff Revisions

In its petition, FPUC proposed to remove the requirement that the recalculated budgeted monthly payment vary by 10 percent before the utility may begin charging the recalculated amount. In response to staff's data request, FPUC stated that removing the 10 percent variable requirement would allow the system to calculate based on the factors necessitating the change, which would produce a more accurate budget billing amount.[6] The Company also explained that it would recalculate budgeted monthly payments due to circumstances including changes to rates, taxes, or new load which would impact a customer's usage.[7] Staff believes this methodology is

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[4] Response No. 1 in Staff's First Data Request, Document No. 00463-2024.
[5] Response No. 2 in Staff's First Data Request, Document No. 00463-2024.
[6] Response No. 4 in Staff's First Data Request, Document No. 00463-2024.
[7] Response No. 3 in Staff's First Data Request, Document No. 00463-2024.

reasonable and should reduce the imbalances between the budgeted monthly payment and a customer's actual total bill.

In addition to the above proposed tariff revision, the Company is also proposing to expand its budget billing program to include non-residential customers in Rate Schedules GS-1 (customers using less than 1,000 therms annually) and GS-2 (customers using 1,000 to 4,999 therms annually). FPUC asserts that the proposal will enable general service customers to better budget their utility expenses and states that this proposed expansion will not impact the general body of ratepayers. FPUC is also proposing to remove the requirement that customers who request to end their participation in the program may not rejoin the program until after six months. Finally, FPUC proposes to reserve the right to waive the requirement that customers must join the program with a zero balance, on a not-unduly discriminatory basis.

Electric Budget Billing Program

FPUC currently has 258 electric customers enrolled in its budget billing program. The existing tariff provides that a customer participating in the program will remain a program participant unless the customer requests termination from the program or is delinquent in payment. In comparison to the natural gas budget billing tariff discussed above, existing budget billing electric tariffs are less detailed. The terms for FPUC's electric budget billing program are quoted in their entirety in Paragraph 8 of the Petition.

Proposed Tariff Revisions

In order to add details similar to the natural gas budget billing tariff, FPUC proposed to add language stating that the customer must be a year-round customer with 12 months of consecutive bills and not owe past due payments to the Company to enroll in the program. The customer's monthly payment will be based on an average of the previous 12 months of bills and applicable fees and taxes. FPUC has also proposed program tariff language to state that the budgeted monthly payment may be recalculated from time to time, and that the Company may begin charging the recalculated amount on the customer's next bill. Additionally, a customer's budgeted monthly payment will be recalculated on each anniversary of the customer's initial participation in the program. Staff believes the above tariff modifications would better specify the terms of the program and would align more closely with the natural gas budget billing tariff.

Other revisions include removing language on applying a factor which typically has not been utilized, removing the monthly 10 percent payment variable margin (the new CIS platform will automatically calculate the customers budget billing amount), and removing the terminated customer waiting period before reenrolling in the budget billing program.

In addition to the above discussed proposed tariff revisions, the Company is also proposing to expand its electric budget billing program to customers in Rate Schedules GS-Non Demand (customers using 25 kilowatts or less), and GS-Demand (customers using 25 to 500 kilowatts). The Company asserts that the proposal would enable smaller commercial customers to better budget their utility expenses and the proposed expansion would not impact the general body of ratepayers.

Overall, the added detail to the electric budget billing tariffs would provide more consistency with the natural gas tariff. Furthermore, the replacement of the CIS platform would allow FPUC to enhance its billing and payment platforms, streamline and automate the billing system, consolidate customer information, and onboard customers quickly.

Conclusion

The Commission should approve FPUC's proposed revisions to its optional budget billing program tariffs for its electric and natural gas divisions, including the expansion of the program to general service customers. The proposed revised tariffs, in Attachment A to this recommendation, should be effective on the actual date of the transition of the existing CIS platform to the new CIS platform expected to occur in August 2024. No later than 30 days prior to the transition date, the Company should notify the Commission in writing of the actual transition date.

Issue 2: Should this docket be closed?

Recommendation: Yes. If 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. (Stiller)

Staff Analysis: If 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.

RULES AND REGULATIONS - CONTINUED

6. Budget Billing Program (Optional):

   a. Residential Customers and non-residential Customers served under Rate Schedules GS-1 and GS-2 and may elect to make budgeted monthly payments of amounts due the Company to help stabilize monthly payments. To qualify for the Budget Billing Program, a Customer must be a year-round Customer with twelve (12) Months of consecutive bills and have zero balance owing when the Customer elects to participate in the Program. The Company ~~will implement Customer's participation in the program on the first day of the Month following the application by Customer~~may waive the zero balance requirement on a not-unduly discriminatory basis.

   b. If a Customer requests to make budgeted monthly payments, the initial budgeted monthly payment amount ~~is~~will be based on an average of the previous twelve (12) Months bills due the Company, including all applicable fees and taxes (excluding service charges and additional fees). The Company reserves the right to estimate increases or decreases over historical amounts in rate components (including taxes) to the account~~, and then apply a factor based upon the above and true-up any variances~~.

   After the Customer's budgeted monthly payment amount has been initially established, the Company may recalculate the budgeted monthly payment from time to time. If the recalculated budgeted monthly payment varies ~~by 10% or more~~ from the budgeted monthly payment amount then in effect, the Company may begin charging the recalculated amount on Customer's next successive bill.

   c. ~~Any current and budget balance will be shown on the Customer's bill.~~ The Customer's budgeted monthly payment will be recalculated on each anniversary of the Customer's initial participation in the program. On such recalculation, any credit and debit deferred balance will be recalculated in the following year's budgeted monthly payment calculation.

   d. An electing Customer's participation in the budgeted payment plan will be continuous unless the Customer requests that participation in the plan be terminated or that gas service be terminated, or the Customer is delinquent in paying the budgeted payment amount and becomes subject to the collection action on the service account. At that time, the Customer's participation in the program will be terminated and the Customer shall settle their account with the Company in full. If a Customer requests to terminate participation in the program, but remains a Customer of the Company, the Customer shall pay any deferred debit balance with their next regular monthly bill, and any deferred credit balance shall be used to reduce the amount due for the next regular monthly bill. ~~An electing~~

RULES AND REGULATIONS - CONTINUED

~~Budget Billing Program (Optional) Continued:~~

~~Customer may request that participation be terminated at any time, but once terminated by Customer request or due to collection action, will be limited to a six (6) Month waiting period before Customer may rejoin the Budget Billing program.~~

7. Payments:
   a. Payment Methods:
      Customers may elect to pay their bill by cash, check, money order, credit card, debit card, automatic withdrawal from a bank account, or on-line via Company's website no later than twenty (20) Days from the date of presentation by Company.

      i. Customers may elect to pay their bill at a Company authorized payment agent listed on Company's website.

   b. Application of Payments:
      Customer payments received by the Company shall be applied to the billed charges as follows:

      i. Aging of Accounts Receivable:
         Oldest outstanding billed charges until fully satisfied following the payment application methodology specified below.

         Proceeding to the next oldest outstanding billed charge until either the entire payment has been applied or until the entire amount owed has been satisfied following the payment application methodology specified below.

   c. Payment Application Methodology:
      i. Separately stated taxes and fees, until fully satisfied; then,
      ii. Pool Manager's charges for the sale of Gas, if any, until fully satisfied; then
      iii. Company's regulated charges, until fully satisfied; then,
      iv. Other Company non-regulated charges, until fully satisfied; then other Pool Manager charges.

Florida Public Utilities Company
F.P.S.C. Electric Tariff
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~~First~~Second Revised Sheet No. 39
Cancels ~~Original~~First Sheet No. 39

INDEX OF RATE SCHEDULES

Issued by: ~~Jeffry M. Householder, President~~Jeffrey Sylvester, Chief Operating Officer
Effective: ~~FEB 04 2021~~

Florida Public Utilities Company
F.P.S.C. Electric Tariff
Third Revised Volume No. I

Fifth Revised Sheet No. 40
Cancels Fourth Revised Sheet No. 40

RATE SCHEDULE RS
RESIDENTIAL SERVICE

Availability
Available within the territory served by the Company in Jackson, Calhoun and Liberty Counties and on Amelia Island in Nassau County.

Applicability
Applicable for service to a single family dwelling unit occupied by one family or household and for energy used in commonly-owned facilities in condominium and cooperative apartment buildings.

Character of Service
Single-phase service at nominal secondary voltage of 115/230 volts; three-phase service if available.

Limitations of Service
The maximum size of any individual single-phase motor hereunder shall not exceed five (5) horsepower.

The Company shall not be required to construct any additional facilities for the purpose of supplying three-phase service unless the revenue to be derived therefrom shall be sufficient to yield the Company a fair return on the value of such additional facilities.

Monthly Rate
Customer Facilities Charge:

$16.95 per customer per month

Base Energy Charge:

2.373¢/KWH for usage up to 1000 KWH's/month

3.887¢/KWH for usage above 1000 KWH's/month

Purchased Power Charges

Purchased power charges are adjusted by the Florida Public Service Commission, normally each year in January. For current purchased power costs included in the tariff, see Sheet Nos. 65 & 66.

Minimum Bill

The minimum monthly bill shall consist of the above Customer Facilities Charge.

(Continued on Sheet No. 41)

Issued by: ~~Jeffry M. Householder, President~~Jeffrey Sylvester, Chief Operating Officer
Effective: ~~JAN 01 2021~~

Florida Public Utilities Company

F.P.S.C. Electric Tariff
Third Revised Volume No. I

First Revised Sheet No. 41
Cancels Original Sheet No. 41

RATE SCHEDULE RS
RESIDENTIAL SERVICE

(Continued from Sheet No. 40)

Purchased Power Costs

See Sheet Nos. 65 & 66.

Conservation Costs

See Sheet Nos. 65 & 66.

Franchise Fee Adjustment

Customers taking service within franchise areas shall pay a franchise fee adjustment in the form of a percentage to be added to their bills prior to the application of any appropriate taxes. This percentage shall reflect the customer's pro rata share of the amount the Company is required to pay under the franchise agreement with the specific governmental body in which the customer is located.

Budget Billing Program (optional)

a. Residential Customers may elect to make budgeted monthly payments of amounts due the Company to help stabilize monthly payments. To qualify for the Budget Billing Program, a Customer must be a year-round Customer with twelve (12) Months of consecutive bills and have zero balance owing when the Customer elects to participate in the Program. The Company may waive the zero balance requirement on a not-unduly discriminatory basis.

b. If a Customer requests to make budgeted monthly payments, the initial budgeted monthly payment amount will be based on an average of the previous twelve (12) months bills due the Company, including all applicable fees and taxes (excluding service charges and additional fees). The Company reserves the right to estimate increases or decreases over historical amounts in rate components (including taxes) to the account.

After the Customer's budgeted monthly payment amount has been initially established, the Company may recalculate the budgeted monthly payment from time to time. If the recalculated budgeted monthly payment varies from the budgeted monthly payment amount then in effect, the Company may begin charging the recalculated amount on Customer's next successive bill.

(Continued on Sheet No. 42)

Issued by: ~~Jeffry M. Householder, President~~Jeffrey Sylvester, Chief Operating Officer
Effective: ~~NOV 01 2014~~

Florida Public Utilities Company
F.P.S.C. Electric Tariff
Third Revised Volume No. I

First Revised Sheet No. 42
Cancels Original Sheet No. 42

RATE SCHEDULE RS
RESIDENTIAL SERVICE

(Continued from Sheet No. 41)

c. The Customer's budgeted monthly payment will be recalculated on each anniversary of the Customer's initial participation in the program. On such recalculation, any credit and debit deferred balance will be recalculated in the following year's budgeted monthly payment calculation.

d. An electing Customer's participation in the budgeted payment plan will be continuous unless the ~~customer~~Customer requests that participation in the plan be terminated or that ~~Electric Service~~electric service be terminated, or the Customer is delinquent in paying the budgeted payment amount and becomes subject to the collection action on the service account. At that time, the Customer's participation in the program will be terminated and the Customer shall settle their account with the Company in full. If a Customer requests to terminate participation in the program, but remains a Customer of the Company, the Customer shall pay any deferred debit balance with their next regular monthly bill, and any deferred credit balance shall be used to reduce the amount due for the next regular monthly ~~bill. An electing customer may request that participation be terminated at any time, but once terminated by customer request or due to collection action, will be limited to a six (6) month waiting period before Customer may rejoin the Budget Billing Program~~bill.

Terms and Conditions

Service under this rate schedule is subject to the Company's Rules and Regulations applicable to electric service.

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Effective: ~~NOV 01 2014~~

Florida Public Utilities Company
F.P.S.C Electric Tariff
Third Revised Volume No. I

~~Fifth~~Sixth Revised Sheet No. ~~43~~43
Cancels ~~Fourth~~Fifth Revised Sheet No. ~~43~~43

RATE SCHEDULE GS
GENERAL SERVICE – NON DEMAND

Availability
Available within the territory served by the Company in Jackson, Calhoun and Liberty Counties And on Amelia Island in Nassau County.

Applicability
Applicable to commercial and industrial lighting, heating, cooking and small power loads aggregating 25 KW or less.

Character of Service
Single or three-phase service at available standard voltage.

Limitations of Service
Service shall be at a single metering point.

Monthly Rate
Customer Facilities Charge:

$27.85 per customer per month

Base Energy Charge:

All KWH 2.903¢/KWH

Purchased Power Charges

Purchased power charges are adjusted by the Florida Public Service Commission, normally each year in January. For current purchased power costs included in the tariff, see Sheet Nos. 65 & 66.

Minimum Bill

The minimum monthly bill shall consist of the above Customer Facilities Charge.

Terms of Payment

Bills are rendered net and are due and payable within twenty (20) days from date of bill.

Purchased Power Costs
See Sheet Nos. 65 & 66.

Conservation Costs
See Sheet No. 65 & 66.

(Continued on Sheet No. 44)

Issued by: ~~Jeffry M. Householder, President~~Jeffrey Sylvester, Chief Operating Officer
Effective: ~~JAN 1 2021~~

Florida Public Utilities Company
F.P.S.C Electric Tariff
Third Revised Volume No. I

First Revised Sheet No. 44
Cancels Original Sheet No. 44

RATE SCHEDULE GS
GENERAL SERVICE – NON-DEMAND

(Continued from Sheet No. 43)

Franchise Fee Adjustment

Customers taking service within franchise areas shall pay a franchise fee adjustment in the form of a percentage to be added to their bills prior to the application of any appropriate taxes. This percentage shall reflect the customer's pro rata share of the amount the Company is required to pay under the franchise agreement with the specific governmental body in which the customer is located.

Budget Billing Program (optional)

a. Non-residential Customers served under Rate Schedules GS-Non-Demand may elect to make budgeted monthly payments of amounts due the Company to help stabilize monthly payments. To qualify for the Budget Billing Program, a Customer must be a year-round Customer with twelve (12) Months of consecutive bills and have zero balance owing when the Customer elects to participate in the Program. The Company may waive the zero balance requirement on a not-unduly discriminatory basis.

b. If a Customer requests to make budgeted monthly payments, the initial budgeted monthly payment amount will be based on an average of the previous twelve (12) Months bills due the Company, including all applicable fees and taxes (excluding service charges and additional fees). The Company reserves the right to estimate increases or decreases over historical amounts in rate components (including taxes) to the account.

c. After the Customer's budgeted monthly payment amount has been initially established, the Company may recalculate the budgeted monthly payment from time to time. If the recalculated budgeted monthly payment varies from the budgeted monthly payment amount then in effect, the Company may begin charging the recalculated amount on Customer's next successive bill.

d. The Customer's budgeted monthly payment will be recalculated on each anniversary of the Customer's initial participation in the program. On such recalculation, any credit and debit deferred balance will be recalculated in the following year's budgeted monthly payment calculation.

(Continued on Sheet No. 44.1)

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Effective: ~~NOV 1 2014~~

RATE SCHEDULE GS
GENERAL SERVICE – NON-DEMAND

e. An electing Customer's participation in the budgeted payment plan will be continuous unless the Customer requests that participation in the plan be terminated or that electric service be terminated, or the Customer is delinquent in paying the budgeted payment amount and becomes subject to the collection action on the service account. At that time, the Customer's participation in the program will be terminated and the Customer shall settle their account with the Company in full. If a Customer requests to terminate participation in the program, but remains a Customer of the Company, the Customer shall pay any deferred debit balance with their next regular monthly bill, and any deferred credit balance shall be used to reduce the amount due for the next regular monthly bill.

Terms and Conditions

Service under this rate schedule is subject to the Company's Rules and Regulations applicable to electric service.

RATE SCHEDULE GSD
GENERAL SERVICE – DEMAND

Availability
Available within the territory served by the Company in Jackson, Calhoun and Liberty Counties and on Amelia Island in Nassau County.

Applicability
Applicable to commercial, industrial and municipal service with a measured demand of 25 KW but less than 500 KW for three or more months out of the twelve consecutive months ending with the current billing period. Also available, at the option of the customer, to any customer with demands of less than 25 KW who agrees to pay for service under this rate schedule for a minimum initial term of twelve months.

Character of Service
Single or three-phase service at available standard voltage.

Limitations of Service
Service shall be at a single metering point at one voltage.

Monthly Rate
Customer Facilities Charge:
$82.35 per customer per month

Demand Charge:
Each KW of Billing Demand $4.49/KW

Base Energy Charge
All KWH 0.547¢/KWH

Purchased Power Charges
Purchased power charges are adjusted by the Florida Public Service Commission, normally each year in January. For current purchased power costs included in the tariff, see Sheet Nos. 65 & 66.

Minimum Bill
The minimum monthly bill shall consist of the above Customer Facilities Charge plus the Demand Charge for the currently effective billing demand.

Terms of Payment
Bills are rendered net and are due and payable within twenty (20) days from date of bill.

Purchased Power Costs
See Sheet Nos. 65 & 66.

(Continued on Sheet No. 46)

Issued by: ~~Jeffry M. Householder, President~~Jeffrey Sylvester, Chief Operating Officer
Effective: ~~JAN 01 2021~~

Florida Public Utilities Company
F.P.S.C Electric Tariff
Third Revised Volume No. I

First Revised Original Sheet No. 46
Cancels Original Sheet No. 46

RATE SCHEDULE GSD
GENERAL SERVICE - DEMAND

(Continued from Sheet No. 45)

Conservation Costs
See Sheet Nos. 65 & 66.

Franchise Fee Adjustment
Customers taking service within franchise areas shall pay a franchise fee adjustment in the form of a percentage to be added to their bills prior to the application of any appropriate taxes. This percentage shall reflect the customer's pro rata share of the amount the company is required to pay under the franchise agreement with the specific governmental body in which the customer is located.

Billing Demand
The billing demand in any month shall be the greatest of the following:

(a) The highest fifteen-minute average load for the current month, as registered by a demand meter or indicator.

(b) The highest fifteen-minute average load for the current month after adjustment for power factor, in accordance with the Power Factor Clause of this schedule.

(c) For those customers electing to take service under this rate schedule in lieu of the otherwise applicable rate schedule the billing demand shall be as in either (a) or (b) above, but not less than 20 KW.

Terms of Service
Not less than one year.

Power Factor of Clause
The Company reserves the right to measure power factor and if it is less than 85%, adjust the maximum demand for any month by multiplying the measured demand by 85% and dividing by the actual power factor.

Transformer Ownership Discount
If the customer elects to take service at the available primary voltage and furnish and maintain any transformers required, the monthly demand charge will be reduced by fifty-five (55) cents per kilowatt. Such customers will be metered at primary voltage and in recognition of estimated average transformation losses of 1% the KW and KWH measured units shall be multiplied by a factor of 0.99 for billing purposes.

(Continued on Sheet No. 46.1)

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Effective: ~~NOV 01 2014~~

RATE SCHEDULE GSD
GENERAL SERVICE - DEMAND

(Continued from Sheet No. 46)

Budget Billing Program (optional)

a. Non-residential Customers served under Rate Schedules GS-Demand may elect to make budgeted monthly payments of amounts due the Company to help stabilize monthly payments. To qualify for the Budget Billing Program, a Customer must be a year-round Customer with twelve (12) Months of consecutive bills and have zero balance owing when the Customer elects to participate in the Program. The Company may waive the zero balance requirement on a not-unduly discriminatory basis.

b. If a Customer requests to make budgeted monthly payments, the initial budgeted monthly payment amount will be based on an average of the previous twelve (12) Months bills due the Company, including all applicable fees and taxes (excluding service charges and additional fees). The Company reserves the right to estimate increases or decreases over historical amounts in rate components (including taxes) to the account.

After the Customer's budgeted monthly payment amount has been initially established, the Company may recalculate the budgeted monthly payment from time to time. If the recalculated budgeted monthly payment varies from the budgeted monthly payment amount then in effect, the Company may begin charging the recalculated amount on Customer's next successive bill.

c. The Customer's budgeted monthly payment will be recalculated on each anniversary of the Customer's initial participation in the program. On such recalculation, any credit and debit deferred balance will be recalculated in the following year's budgeted monthly payment calculation.

d. An electing Customer's participation in the budgeted payment plan will be continuous unless the Customer requests that participation in the plan be terminated or that electric service be terminated, or the Customer is delinquent in paying the budgeted payment amount and becomes subject to the collection action

(Continued on Sheet No. 46.2)

RATE SCHEDULE GSD
GENERAL SERVICE - DEMAND

(Continued from Sheet No. 46.1)

on the service account. At that time, the Customer's participation in the program will be terminated and the Customer shall settle their account with the Company in full. If a Customer requests to terminate participation in the program, but remains a Customer of the Company, the Customer shall pay any deferred debit balance with their next regular monthly bill, and any deferred credit balance shall be used to reduce the amount due for the next regular monthly bill.

Terms and Conditions

Service under this rate schedule is subject to the Company's Rules and Regulations applicable to electric service.

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: March 21, 2024

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Economics (Ward, Hampson) EJD
Office of the General Counsel (Stiller) JSC

RE: Docket No. 20230124-GU – Petition for approval of limited variance from area extension program (AEP) tariff, by Florida Public Utilities Company.

AGENDA: 04/02/24 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Case Background

On November 3, 2023, Florida Public Utilities Company (FPUC or the utility) filed a petition for approval of a limited variance from its existing area extension program (AEP) tariff. In accordance with Rule 25-7.054, Florida Administrative Code, (F.A.C.), the AEP tariff applies to new customers or areas that require an extension of gas distribution facilities to receive service. FPUC seeks Commission approval of a limited variance from the AEP tariff to allow it to: (a) include expenses related to acquiring and converting facilities related to mains, services, and behind-the-meter facilities in the investment costs for the AEP calculation for certain communities; and (b) to charge the AEP surcharge based on a volumetric basis, as opposed to a fixed amount.

The AEP tariff was first approved by the Commission in 1995 and is designed to provide FPUC with an optional method for funding main and service extensions for customers who would otherwise not be served natural gas.[1] The AEP tariff provides an alternative option for FPUC to recover the cost of main extensions as required by Rule 25-7.054, Extension of Facilities, F.A.C.

The AEP tariff provides for the determination of a surcharge applicable to each designated expansion area. Once set, the AEP surcharge will remain constant for the projected term of the collection period. Pursuant to the tariff, the monthly AEP surcharge is applied on a fixed basis and added to the applicable transportation charge of the monthly rate for each respective customer. The AEP surcharge is calculated by a formula based on the amount of investment required and the projected gas sales and resulting revenues collected from customers in the AEP area. The AEP tariff specifies the formula to calculate the surcharge and the AEP surcharge itself does not require Commission approval. The amortization period is applied individually to each premise and shall not exceed 72 months, or six years.

Florida City Gas (FCG) has a similar AEP tariff and the Commission has approved variances from the AEP tariff for FCG in previous orders.[2] Staff issued five data requests for which responses were received January 10, February 19, March 1, March 18, and March 19, 2024. In addition, staff had phone calls with the utility on February 12 and March 15, 2024.

The Commission has jurisdiction over this matter pursuant to Sections 366.04, 366.05, 366.06, Florida Statutes (F.S.).

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[1] Order No. PSC-95-0162-FOF-GU, issued February 7, 1995, in Docket No. 941291-GU, *In re: Petition for approval of modification to tariff provisions governing main and service extensions by Florida Public Utilities Company.*

[2] Order No. PSC-16-0066-PAA-GU, issued February 5, 2016, in Docket No. 150232-GU, *In re: Petition for approval of variance from area extension program (AEP) tariff to delay true-up and extend amortization period, by Florida City Gas*; and Order No. PSC-2021-0416-PAA-GU, issued November 8, 2021, in Docket No. 20210126-GU, *In re: Petition for approval of variance to modify the Sebastian area extension program true-up and extend the amortization period, by Florida City Gas.*

Discussion of Issues

Issue 1: Should the Commission approve FPUC's request for a limited variance from its AEP tariff?

Recommendation: Yes, the Commission should approve FPUC's request for a limited variance from its AEP tariff. Based on staff's review, FPUC's proposal to include costs related to the acquisition and conversion of two Community Gas Systems in Newberry into the AEP calculation and charge the AEP on a volumetric basis provides benefits to affected customers. (Ward)

Staff Analysis:

Newberry Community Gas Systems

In 2023, the Commission approved a firm transportation service agreement between FPUC and Peninsula Pipeline Company (Peninsula).[3] The agreement facilitates the construction of a natural gas pipeline to be used by FPUC to provide natural gas service to the City of Newberry (Newberry) in Alachua County, Florida. Currently, Newberry does not have natural gas service and residential customers have utilized propane to meet their energy needs. To facilitate delivery of propane to these customers, propane companies have developed Community Gas Systems (CGS's) in some residential communities. A CGS operates in a similar manner to a natural gas system by delivering propane directly to a customer's home through an underground pipeline system.

In the instant petition, the utility explained that CGS's can be converted and utilized to deliver natural gas to customers. In a discussion with staff, the utility stated that Peninsula estimates the Newberry pipeline to be completed by the third quarter of 2024, but natural gas service could be available as soon as the second quarter of 2024. The utility explained that work done in the third quarter of 2024 will consist of restoration and other ancillary work.

Two of these CGS's are operated by Crescent Propane, an affiliate of FPUC, and are located in the communities of Newberry Newtown and Newberry Oaks. These CGS's currently serve 380 active residential customers. FPUC and Crescent Propane have come to an agreement for the sale of the CGS's existing mains, services, meters, and other facilities to FPUC at fair market value.

Requested Variance from AEP Tariff

Acquisition and Conversion Costs

The utility stated that it utilized a consultant to conduct an independent assessment of the systems. In response to staff's first data request, FPUC stated that the consultant was selected due to the firm's experience providing valuations in the propane industry and that the cost of the assessment is not included in the AEP charge calculation.[4] The consultant determined a market value of $629,607. FPUC stated in its petition that building a replacement system would cost

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[3] Order No. PSC-2023-0212-PAA-GU, issued July 25, 2023, in Docket No. 20230063-GU, *In re: Petition for approval of transportation service agreement with Florida Public Utilities Company by Peninsula Pipeline Company, Inc.*

[4] Response to Staff's First Data Request, Response No. 4.

about $2.7 million. A copy of the assessment is included in Exhibit A of FPUC's response to staff's first data request.

The AEP tariff is designed to be used for the construction of new facilities that are needed to serve new customers or a new area. However, as discussed above, FPUC proposes to purchase the existing propane infrastructure instead of constructing new facilities, as that would be more cost effective. The utility's first request in its petition is to include the expenses related to the acquisition and conversion of the two CGS's in the calculation of the investment costs for the AEP charge for the two communities. The estimated total expense to convert the mains and services for the two communities is $219,900. In response to staff's first data request, the utility stated that these costs include materials and supplies, contractor charges, direct labor, and engineering and permitting.[5]

Additionally, the utility is requesting to include the expenses related to behind-the-meter conversions in its AEP calculation for the two communities. In its petition, the utility stated that this will include changing propane hookups to common household appliances to facilitate the delivery of natural gas. In response to staff's fifth data request the utility clarified that pool heaters will be included, but other appliances outside the home such as gas grills and generators will not be included. FPUC explained that it is limiting the program to common appliances to decrease the likelihood that customers in a neighborhood carry the burden of costs to convert outdoor appliances that only a limited number of customers have. The utility estimates that the cost for behind-the-meter conversions would be $1,509 per customer for a total estimated cost of $573,548. The utility is also requesting to include $240,000 of additional construction costs in its AEP calculation. In response to staff's third data request the utility explained that this expense is for the construction of an approach main needed to reach a CGS community.[6]

Pursuant to the utility's AEP tariff, the AEP monthly rate shall be calculated by dividing the estimated amount of additional revenue required in excess of the Maximum Allowable Construction Cost (MACC) by the number of customer premises to be served at the end of year six. Pursuant to FPUC's tariff, the MACC is the maximum capital cost to be incurred by the utility for an extension of facilities. It equals six times the estimated annual revenue less the cost of gas, taxes, and franchise fees. The MACC for this project is $932,514, with an estimated allowed cost of capital of $174,089. When combined with the total estimated costs of $1,663,055, the final AEP recovery amount is $904,630.

In its petition, FPUC explained that it is including behind-the-meter conversion costs in the AEP calculation because it believes some customers may be unlikely to convert if they were charged a one-time expense of $1,509. In response to staff's second data request, FPUC clarified that it will keep costs for behind-the-meter facilities in a regulatory asset to be amortized over a 72-month period.[7] If there is an under-recovery at the conclusion of the 72-month amortization period, in the absence of any approved extension or other adjustment of the AEP surcharge, the remaining costs would be recorded below the line and would not flow through to customers in current or

[5] Responses to Staff's First Data Request, Response No. 1.
[6] Responses to Staff's Third Data Request, Response No. 1.
[7] Response to Staff's Second Data Request, Response No. 1.

future rates.[8] In response to staff's first data request, the utility stated that because the proposed AEP will be based upon actual customer usage and is designed based upon existing propane usage, the utility believes that there is a high probability that it will recover the full amount within the 72-month period.[9]

Staff believes the inclusion of these costs in the proposed AEP should not impact the general body of ratepayers considering the savings associated with the conversion of an existing system, FPUC's ability to recover AEP costs from existing propane customers, and FPUC's treatment of remaining costs in the event of an under-recovery. The calculation of the AEP recovery amount is shown in Table 1-1 below.

Table 1-1
Calculation of AEP Recovery Amount

1. Acquisition Price of CGS Communities	\$629,607
2. Main Conversion Costs	\$219,900
3. Customer Conversion Costs	\$573,548
4. Additional Construction	\$240,000
5. Total Estimated Costs	=\$1,663,055 (Lines 1+2+3+4)
6. Maximum Allowable Construction Cost	\$932,514 (6 Years Estimated Annual Revenue)
7. Estimated Allowed Cost of Capital	\$174,089
8. AEP Recovery Amount	\$904,630 (Lines (5+7)-6)

Source: Response to Staff's First Data Request, Exhibit C

Proposed Volumetric AEP Surcharge

FPUC is also requesting in this petition that it be allowed to depart from its current AEP tariff and utilize a volumetric (per therm) charge for the AEP in the two Newberry CGS communities. In its petition, the utility stated that a per therm charge would help provide an immediate savings to more customers and help facilitate their switch from propane to natural gas. In its petition, the utility estimated that approximately 56 percent of customers would see immediate savings under the proposed per therm charge, as the estimated bills for these customers would be lower than their current propane bills. Additionally, the utility believes that the other 44 percent of customers would see savings by the end of the AEP period, as natural gas is a more "consumer price friendly" fuel source than propane.[10]

The proposed AEP charge is \$2.83 per therm. The utility calculated a fixed AEP charge of \$33.06[11] and divided it by a projected monthly gas usage of 11.7 therms to arrive at the proposed volumetric charge. FPUC explained in response to staff's data request that it calculated the volumetric AEP based on actual gas usage over a 13-month period of August 2022 to August

[8] Response to Staff's Second Data Request, Response No. 1.
[9] Responses to Staff's First Data Request, Response No. 21.
[10] Response to Staff's Third Data Request, Response No. 2.
[11] \$904,630 (AEP Recovery Amount) divided by 27,630 (total number of bills over six years) = \$33.06

2023.[12] The utility provided its calculation of the volumetric AEP charge in Exhibit C to FPUC's responses to staff's first data request. A customer who uses 20 therms per month would have a bill impact from the AEP of $56.51 per month, for an average total bill of $132.33. A bill for a customer who uses the equivalent amount of propane would be $139.29. Once the six-year AEP period is completed, the per therm AEP charge will be removed from bills.

Billing and Customer Conversions

If the limited variance is approved, FPUC estimates that the AEP billing period will begin between May and June 2024. The charge would be shown on the bill as a line item titled "AEP Volumetric." In response to staff's first data request, the utility stated that it would notify customers by mail 4 to 6 weeks in advance of the system conversion.[13] Staff has reviewed the customer notice and believes it is informative and accurate. FPUC stated that it estimates it can convert approximately 50 customers per month. If a customer does not want to convert to natural gas, they will be free to stay on propane, but they would need to contact a local propane company for supply. In response to staff's third data request, the utility clarified that costs to remain on propane may include tank rental or purchase, tank installation, and tank maintenance costs.[14]

Conclusion

Based on staff's review, the Commission should approve FPUC's request for limited variance from its AEP tariff to include the expenses related to acquiring and converting facilities related to mains, services, and facilities located behind-the-meter in the investment costs for the AEP calculation for certain communities and to charge the AEP based on a volumetric basis, as opposed to a fixed amount. FPUC's proposal to include costs related to the acquisition and conversion of two Community Gas Systems in Newberry into the AEP calculation and charge the AEP on a volumetric basis provides benefits to affected customers.

[12] Responses to Staff's First Data Request, Response No. 8.
[13] Responses to Staff's First Data Request, Response No. 16.
[14] Response to Staff's Third Data Request, Response No. 4.

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, this docket should be closed upon the issuance of a consummating order. (Stiller)

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.