

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

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In the Matter of:

DOCKET NO. 20170166-WS

APPLICATION FOR LIMITED
PROCEEDING RATE INCREASE IN
ORANGE COUNTY BY PLURIS
WEDGEFIELD, INC.

_____ /

PROCEEDINGS: COMMISSION CONFERENCE AGENDA
ITEM NO. 9

COMMISSIONERS
PARTICIPATING: CHAIRMAN ART GRAHAM
COMMISSIONER JULIE I. BROWN
COMMISSIONER DONALD J. POLMANN
COMMISSIONER GARY F. CLARK
COMMISSIONER ANDREW G. FAY

DATE: Friday, April 20, 2018

PLACE: Betty Easley Conference Center
Room 148
4075 Esplanade Way
Tallahassee, Florida

REPORTED BY: DEBRA R. KRICK
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the State of Florida at Large

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1 P R O C E E D I N G S

2 CHAIRMAN GRAHAM: Okay. Item No. 9. Okay,
3 staff, Item No. 9.

4 MS. BUYS: Good morning, Commissioners. I am
5 Penelope Buys with Commission staff.

6 Item 9 is staff's recommendation for Docket
7 No. 20170166-WS, an application for a limited
8 proceeding rate increase in Orange County by Pluris
9 Wedgefield, Inc.

10 In its application, Pluris requested recovery
11 of costs associated with four projects:

12 An installation of AMI meters.

13 The installation of water softening equipment.

14 The construction of a maintenance building.

15 And a replacement of a waste water main.

16 The utility requested final revenue increases
17 of 13.8 percent for water, and six percent for
18 wastewater.

19 Staff is recommending revenue increases of
20 12.16 percent for water and 5.53 percent for
21 wastewater.

22 On March 6th, 2018, the Office of Public
23 Counsel filed a letter expressing its concern with
24 the utility's filing and are here to address the
25 Commission.

1 As of April 19th, 2018, there have been 70
2 customer comments filed in this docket.

3 Representatives from the utility are present
4 to answer any questions you may have. Staff is
5 also available for questions.

6 CHAIRMAN GRAHAM: Thank you, Ms. Buys.

7 Mr. Friedman, you still here?

8 MR. FRIEDMAN: Sorry. I will be here a while.
9 I got another one after this one.

10 Yeah, I would like an opportunity to, after
11 the Public Counsel does, but if you want us to make
12 some initial opening comments, with me is
13 Mr. Maurice Gallarda, who is the President of the
14 company, and also Mr. Joe Kuhns, who is the
15 Regional Manager for the company.

16 I just want maybe Mr. Gallarda to make a
17 couple of opening comments, and then we will see
18 what Public Counsel says, and we will respond
19 accordingly.

20 CHAIRMAN GRAHAM: Sure. Good morning.

21 MR. GALLARDA: Good morning, Commissioners.
22 My name is Maurice Gallarda. I am the managing
23 member of the parent company to Pluris Wedgefield.
24 I am a professional engineer with 30 years of
25 experience in the design. And Mr. Poulmann, don't

1 quiz me too much on water, but on wastewater I know
2 things on the advanced system.

3 But I still like getting out into the
4 operations. I still have a desire to go out and
5 see things done. And I also oversee and review
6 things such as this limited proceeding.

7 And I am proud of our operations in Florida.
8 And with me is Mr. Joseph Kuhns, who is the
9 Regional Manager for the Florida operations, and
10 oversees the utilities, including Pluris Wedgefield
11 here.

12 And I am particularly proud because this last
13 week, Pluris Wedgefield, for the second time in
14 three years, has won the best drinking water
15 contest in the American Water Works Association
16 contest in Central Florida. And the aquifer isn't
17 known to be the greatest quality of water beneath
18 the Central Florida region, and for them to do this
19 a couple of times out of the last three years is
20 really admirable. So I am proud of our guys, and
21 also as well as our outside consultants,
22 Kimley-Horn who assists us in that process, so
23 that's all I have to say.

24 CHAIRMAN GRAHAM: Thank you, sir.

25 MR. FRIEDMAN: And that award is in front of

1 Mr. Kuhns. We brought it with us.

2 CHAIRMAN GRAHAM: Ms. Ponder.

3 MS. PONDER: Good morning, Commissioners.

4 Virginia Ponder for Office of Public Counsel. Here
5 with me is Marshall Willis I did have two handouts
6 passed out. Let me read it to you.

7 We are here to speak today because OPC
8 disagrees with the staff's position that the
9 company's ROE should not be recalculated.

10 The secondhand out reflects the adjustments
11 resulting from a recalculation of the ROE based on
12 the company's updated capital structure. And
13 Mr. Wills is available to answer any questions and
14 provide more detail regarding the adjustments in
15 the secondhand out as needed.

16 I would like to start with the staff
17 recommendation, if I could, please.

18 On page nine, paragraph two, you will see that
19 the company requested a weighted average cost of
20 capital for a rate of return of 9.21 percent. This
21 is a change of the company's last approved rate of
22 return.

23 Now, if you would look to the first page of
24 the handout, which is the Commission's order in the
25 last rate case. And this is where the company's

1 last authorized rate of return or weighted average
2 cost of capital was approved.

3 Page two and three of this handout show that
4 the Commission approved a rate of return of 8.36
5 percent. And then on page three, this represents
6 the company's capital structure as used in the 2012
7 rate case proceeding.

8 Moving along to page four. We have the
9 limited proceeding statute. And this statute
10 provides, in pertinent part, upon petition, or by
11 its own motion, the Commission may conduct limited
12 proceedings to consider and act upon any matter
13 within its jurisdiction, including any matter, the
14 resolution of which requires a utility to adjust
15 its rates.

16 Thus, Section 367.0822 affords the Commission
17 broad statutory authority in conducting limited
18 proceedings, authorizing the Commission to consider
19 and act upon any matter within its jurisdiction.

20 If you would look to the last sentence,
21 please, highlighted for you.

22 Significantly, this last sentence of the
23 statute provides that once the rate of return or
24 the weighted average cost of capital is at issue,
25 the Commission must address the rate of return.

1 And if the Commission is addressing the rate of
2 return, then all elements of the rate of return
3 must be addressed.

4 Here, by requesting a rate change and a
5 different rate of return, the company has clearly
6 placed the rate of return at issue, requiring the
7 Commission to address the rate of return and all
8 its elements.

9 Page five, if you turn to the next page. This
10 contains Rule 25-30.455. This rule provides
11 nothing more than the instructions or filing
12 requirements for a utility requesting a limited
13 proceeding. As it so happens, Mr. Willis was here
14 at the Commission when this rule was drafted and
15 adopted. It was actually drafted under his
16 direction.

17 If you would look at the highlighted portion,
18 specifically (4)(e). (4)(e) is nothing more than a
19 minimum filing requirement, and requires the
20 utility to provide a calculation of its cost of
21 capital for the most recent 12-month period. Thus,
22 the rule specifically seeks to capture an
23 up-to-date showing of the company's current cost to
24 capital. The company in this case chose to use the
25 updated rate of return produced by the cost of

1 capital schedule requested by this rule.

2 In terms of the ROE, this rule directs the
3 utility to use the midpoint range of the last
4 authorized ROE in the calculation for the weighted
5 average cost of capital, or rate of return.

6 It also provides if a utility does not have a
7 last authorized ROE, the utility is to use the
8 current average formula to produce one.

9 Here, the company used the midpoint range of
10 its last authorized ROE. However, the company's
11 last authorized ROE was calculated using an equity
12 ratio of 42.9 percent, while the equity ratio
13 revealed in this limited proceeding is 68.11
14 percent, an increase in equity of more than
15 58 percent.

16 This market increase results in a cost savings
17 to the company, and constitutes a known and
18 measurable change requiring the Commission to
19 recalculate the ROE.

20 Further, taking into consideration the intent
21 of the rule to gather necessary information from
22 the utility for the limited proceeding filing, the
23 calculation is a mere starting point for the
24 Commission's analysis, not the destination, and
25 does not bind the Commission.

1 If we could look at the second handout, I will
2 just walk briefly through that.

3 Page one shows the calculations of the debt
4 equity ratios comparing the prior 2012 case with
5 the current filing.

6 If you turn to page two. Page two shows the
7 adjusted rate of return calculation. The upper
8 portion is the company's requested capital
9 structure, while the lower portion reveals the
10 adjustment to capital structure using the updated
11 equity ratio of 68.11 percent to arrive at an ROE
12 of 9.49 percent, versus the 10.88.

13 The updated ROE produces a rate of return of
14 8.26 percent, versus the 9.21 percent used by
15 staff. A difference of 95 basis points.

16 Page three and four of this handout show
17 adjustments necessary to apply the new ROE for
18 water and wastewater respectively.

19 Admittedly, the recalculation results in a
20 small adjustment of 12,512 for water, and 4,366 for
21 wastewater. However, the changed circumstances
22 show that this is the right thing to do here.

23 The limited proceeding provision requires the
24 rate of return or weighted average cost of capital
25 to be addressed by the Commission when it has been

1 placed at issue, as it has been done in this
2 docket.

3 The plain language of Rule 25-30.455 does not
4 prohibit or otherwise restrict the Commission from
5 recalculating the ROE. And this rule simply cannot
6 be construed to take away the Commission's broad
7 grant of authority provided by Section 367.0822.

8 Recalculating the ROE is a fair, just and
9 reasonable thing to do where there has been a known
10 and measurable change. We request the Commission,
11 on its own motion, recalculate the ROE which
12 produces a new rate of return of 8.26 percent, and
13 find that the newly approved ROE applies to any
14 future proceedings of the utility, including but
15 not limited to price indexes, interim rates and
16 overearnings.

17 In the alternative, we would ask the
18 Commission use the last authorized rate of return
19 of 8.36 percent, in accordance with the limited
20 proceeding statute.

21 Thank you.

22 CHAIRMAN GRAHAM: Staff.

23 MR. FRIEDMAN: Could I address the legal --

24 CHAIRMAN GRAHAM: Go ahead.

25 MR. FRIEDMAN: I was just going to address the

1 legal issue on this, because I -- with all due
2 respect to Ms. Ponder, I don't think her
3 interpretation of 367.0822 is the same as she's
4 trying to stretch it to mean.

5 Since you have always got to file, with every
6 limited proceeding, a rate of return schedule, this
7 statute doesn't mean anything if you take that
8 interpretation, because in every case there a rate
9 of return schedule.

10 What this statute means is if rate of
11 return -- if it's one of the issues that you raise
12 in your limited proceeding, somehow you raise the
13 rate of return as incorrect, we want to do a
14 limited proceeding to correct the rate of return on
15 equity. That's what that means.

16 It can't mean the other thing, or every
17 rate -- or it would be an issue in every rate case.
18 So her legal interpretation is incorrect. The
19 staff is correct when they say that -- that what
20 OPC is requesting isn't in compliance with the
21 statute or the rule.

22 I would also point out the request that you
23 use this new ROE that they want you to come up with
24 to apply to everything that Pluris does, there is
25 no legal authority for that. And as staff points

1 out, the reason for ROE not to be taken into
2 consideration unless it is an issue in the case,
3 unless the company is trying to change the ROE, is
4 because you turn up -- you turn out with different
5 ROEs. You have got an ROE for this part of the
6 rate case. For the limited proceeding, for these
7 assets return, you have got one ROE, you have got a
8 separate ROE in connection with every other asset,
9 and every other issue in the general rate case that
10 they filed before.

11 I don't know how you do that. And that's why
12 the statute, in dealing with limited proceedings,
13 says you only change the ROE if the ROE is the
14 issue. ROE is not an issue in this case. We
15 didn't raise it as an issue, and it can't be -- and
16 so it's not an issue.

17 An ROE schedule is always in a limited
18 proceeding because it's got to be there, but it
19 doesn't necessarily mean that the ROE is at issue.
20 And I think that Public Counsel's interpretation is
21 incorrect.

22 CHAIRMAN GRAHAM: Thank you.
23 Staff.

24 MS. PONDER: The statute --

25 CHAIRMAN GRAHAM: Staff, comments?

1 MR. BUYS: Staff stands by its recommendation.
2 We believe that the utility calculated it. That
3 the rate of return using the description described
4 in the rule, staff reviewed that calculation and
5 agrees that it was done in accordance with the
6 rule.

7 We believe that the -- the company has made an
8 equity infusion into their -- into their operation,
9 into their capital structure, which caused an
10 increase in the equity portion of the capital
11 structure.

12 The company, the Commission and the staff used
13 a leverage formula in the prior rate case to
14 calculate the rate of return that was awarded in
15 the most recent rate case of 8.36. We used the
16 equity ratio of 42.97 percent at the company's
17 request.

18 OPC is requesting that the Commission
19 essentially recalculate the company's ROE using a
20 new equity ratio that is basically presented in
21 their schedules for the limited proceeding based on
22 their most recent 12-month period.

23 Typically, the Commission, if you change a
24 return on equity, an authorized rate of return, the
25 company comes in in a full rate case, or PAA rate

1 case and there is opportunity for testimony. The
2 company can choose to either testify as to what the
3 appropriate ROE is, or they can choose to use the
4 leverage formula.

5 So the scope of the proceeding should be much
6 greater to -- to allow everybody an opportunity to
7 weigh in on what is the appropriate ROE of the
8 company to go forth and set its rates going
9 forward.

10 So staff doesn't believe that it's appropriate
11 to recalculate the ROE based on a -- a new equity
12 ratio that is currently in effect. The company
13 could essentially take -- remove the retained
14 earnings out of the capital structure and lower
15 that equity ratio tomorrow, or when they -- they
16 pay dividends. So the equity ratio can change over
17 time based on the company's operations, and what
18 type of capital they want to use to fund their
19 operations.

20 CHAIRMAN GRAHAM: Thank you, Mr. Buys.

21 Ms. Banks.

22 MS. BANKS: Cheryl Banks on behalf of
23 Commission staff.

24 I would just also just reiterate that staff
25 doesn't believe it's appropriate to change the ROE

1 in this proceeding, nor would it -- increasing it
2 or decreasing would be inappropriate. That's just
3 not the method we typically do in a limited
4 proceeding.

5 In this case, the return on equity in the
6 overall would be going down, but we would not -- I
7 mean, based on the proposal. But if the situation
8 was reverse, and it was pushing the return on
9 equity up, we would not recommend that either.

10 CHAIRMAN GRAHAM: Thank you.

11 Commissioners, questions? Concerns?

12 Comments?

13 Commissioner Brown.

14 COMMISSIONER BROWN: Thank you, Mr. Chairman.
15 Just a few. I do want to follow back up with the
16 Office of Public Counsel based on staff's
17 recommendation.

18 Do you have anything additional to add?

19 MR. WILLIS: Commissioners, Marshall Willis,
20 with the Office of Public Counsel, formerly the
21 Director of Economic -- of Accounting and Finance
22 with the Public Service Commission for 37 years.

23 I was instrumental in the drafting of this
24 rule, and I am here today to tell you that the cost
25 to capital schedule was put in the rule primarily

1 because of the language in the statute. I ask that
2 you not confuse rate of return on equity with rate
3 of return. They are two separate distinct items.

4 Rate of return on equity is just what you get
5 as a return on your equity dollars invested in
6 plant. The ROR, or rate of return, is your
7 weighted average cost to capital, which is a return
8 on all the components of your capital structure.

9 One of the unique things that has happened
10 with this company since the last rate case filed in
11 2012, in which you issued an order in 2013, is the
12 utility has infused a large amount of equity in its
13 capital structure. The reason --

14 COMMISSIONER BROWN: Which it can rightfully
15 do.

16 MR. WILLIS: Which they can right fully do.
17 No problem with that at all. I have no problem
18 with that.

19 The problem I do have is one of the reasons
20 why staff put that one schedule in the rule, is
21 that the language talks about rate of return, not
22 about return on equity. I believe that the statute
23 basically required that when a company files a
24 limited proceeding, they should come in and use
25 their last allowed ROR, which in this case is

1 8.36 percent.

2 We don't have a problem with that. If the
3 company wants to continue -- if the Commission
4 wants to continue and not even address this issue,
5 that's fine.

6 COMMISSIONER BROWN: So you are saying just
7 ignore the equity infusion of the existing capital
8 structure of the company and just go back, because
9 it's a 12,000 difference of what Office of Public
10 Counsel is offering, that we should go back to the
11 ROR from the 2013 rate case because that's where
12 the company is, but the current state of the
13 company has -- their debt is substantially less
14 than it was back in 2013.

15 MR. WILLIS: Yes. And we are perfectly fine
16 with that, because if you look at the schedules
17 that I produced, and we showed you here today, when
18 we recalculate using the exact same leverage
19 formula, because it hasn't changed since that time
20 period, and you apply it to the new capital
21 structure of the company, it turns out with a
22 overall rate of return of 8.26 percent. That's
23 only 10 basis points apart. And that's the way the
24 equity leverage graph works, because the higher the
25 equity dollars you have in the company, the lower

1 it's going to produce on a return on equity.

2 That's why the overall rate of return isn't that
3 different.

4 We are happy with the 10 point basis
5 difference in an ROR. We put that -- well, when I
6 was on staff, my staff put that capital structure
7 in the rule strictly for this very purpose. We
8 needed to look at a company when it came in for a
9 filing for a limited proceeding to see if there was
10 any kind of material change in the capital
11 structure. And if there actually was, then that
12 needed to be identified and brought to you so that
13 something could be done about it.

14 COMMISSIONER BROWN: Thank you.

15 Mr. Chairman, if I may just follow up a
16 question with staff?

17 CHAIRMAN GRAHAM: Sure.

18 COMMISSIONER BROWN: Ms. Banks -- where did
19 she go? Ms. Banks, Office of Public Counsel raises
20 an interesting argument with regard to such a major
21 change in circumstances. And obviously, the rule
22 doesn't specifically address a change in
23 circumstances like the deviation -- major deviation
24 of a capital expenditure.

25 Is there any precedent for us here when there

1 is a change in circumstances in a limited
2 proceeding?

3 MS. BANKS: Other than the case that was noted
4 in the recommendation, no.

5 I also would like to note that this company is
6 earning a negative return at this time. And while
7 \$12,000 doesn't seem very much, it could exacerbate
8 the program, and may actually push them into filing
9 another rate case. Just a side note.

10 COMMISSIONER BROWN: No, thank you.

11 CHAIRMAN GRAHAM: Any further questions?

12 Commissioner Brown, you ready for a motion?

13 COMMISSIONER BROWN: No, sir. I have
14 questions on quality of service, which aren't
15 addressed.

16 CHAIRMAN GRAHAM: Okay.

17 COMMISSIONER BROWN: But if there are any --
18 other commissioners have questions on this issue,
19 then I will just pause.

20 CHAIRMAN GRAHAM: Commissioner Fay.

21 COMMISSIONER FAY: Thank you, Mr. Chairman.

22 And I guess -- Ms. Banks, kind of going back
23 and forth. I will drag you back up.

24 I guess the point of -- because I think the
25 question of precedent is a good one. And the point

1 that you were making, that if -- if the data in
2 front of us showed a recommendation for an
3 increase, that that -- that would not be a
4 recommendation from staff if that ROE was
5 increased.

6 Can you address -- or maybe if OPC can
7 address. I don't know if you have an objection
8 going that way, or if we have any precedent as far
9 as that's concerned?

10 MS. BANKS: No, sir, not to our knowledge do
11 we have a precedent that we would ever come in here
12 and say, we think you should lower.

13 And the other point I think Mr. Friedman had
14 made that is difficult in this situation is you
15 truly would have two different cost of capital.
16 You have this on just a limited proceeding piece,
17 and then the rest of the return -- the rest of the
18 capital structure and the assets would be on
19 another rate. That's difficult.

20 I don't -- I know they propose to do this
21 broadly to every -- all the assets. And I just --
22 I don't believe that's appropriate without having
23 it really litigated, and that is exactly the point
24 of why, when you are looking at a limited
25 proceeding, those kind of cost to capital issues

1 are typically not -- not addressed because we are
2 usually looking at a very narrow scope, not
3 broadening up to the whole utility.

4 COMMISSIONER FAY: Mr. Chairman, could I ask
5 OPC to respond, please?

6 CHAIRMAN GRAHAM: Sure.

7 COMMISSIONER FAY: Thank you.

8 MR. WILLIS: Thank you very much. I would be
9 happy to respond to that.

10 One, if the ROE is actually going up, a
11 company is going to be filing a rate case before
12 you to raise that rate of return on equity, because
13 that's dollars they are missing out on, they are
14 going to do that. Staff wouldn't be bringing that
15 to you. They would never see a limited proceeding
16 just for to do that purpose. That's going to be
17 done for a rate case.

18 The whole purpose, as I described before in
19 putting this capital structure in here is so that
20 if there was a material change, it could be brought
21 to you. There was a material change here. The
22 material change was that the huge difference, the
23 58 percent increase in equity dollars in the
24 capital structure. That's a huge difference. And
25 as you can see, it produces a whole different ROR

1 when you look at the bottom line and apply it with
2 the new -- with the current equity leverage
3 formula, which is exactly the same one. It has
4 been the same one since 2012. It hasn't changed at
5 all. You can see the difference it produces.

6 And that's why we are telling you that we
7 would be fully satisfied to stay with the 8.36 rate
8 of return that was produced in the last rate case
9 and authority by this commission.

10 COMMISSIONER FAY: So you believe we would
11 only see an increase in a full rate proceeding?

12 MR. WILLIS: Normally you would see a -- well,
13 you would see a company file for a rate increase to
14 capture not only that ROE, the higher ROE on just
15 this limited scope, they are missing out on dollars
16 on the complete plan. They are looking at an
17 entire investment they have here. In this case,
18 it's well over \$70 million. They would want to
19 file for a complete rate case to get that ROE
20 return on the entire investment of the company, not
21 just the small amount in this limited proceeding.

22 COMMISSIONER FAY: Thank you.

23 MR. FRIEDMAN: If I can just weigh in on that
24 issue that Commissioner Fay mentioned.

25 Yeah, there is an old adage in the law, bad

1 faith -- bad facts make bad law. And I think that
2 what Public Counsel is trying to do is to --
3 because the result in this one, this issue, they
4 see as being so drastic that they want you to
5 basically change a policy that you had in the past,
6 and that I think you have always used, and I think
7 that's not -- not appropriate to do so just because
8 you may view this case a little differently. I
9 think you have to follow the precedence in
10 practicality.

11 As we mentioned, if you adopted the Public
12 Counsel's interpretation, then it would give you
13 separate ROEs for this set of assets than it would
14 for the rest of the assets. And let's presume they
15 file a rate case -- another limited proceeding next
16 year on another project, you may have three sets of
17 return on rate base.

18 I mean, I don't know how you manage that in
19 the first place, but I think that's the reason that
20 this talks about -- the statute says, unless you
21 put rate of return at issue. That means it's going
22 to apply to every -- every asset that the company
23 owns, is what that -- what that statute means.

24 That's the issue. Then it apply to everything.

25 If it's not an issue, then the new rate of

1 return only applies to this set of -- this set.
2 And I don't think that you can -- you can manage
3 that. And I think it shows that the interpretation
4 that Public Counsel has of that particular statute
5 is wrong, because it can't work that way.

6 CHAIRMAN GRAHAM: Mr. Wills.

7 MR. WILLIS: Commissioners, the simplest thing
8 here to do is to do exactly what the statute says
9 and use the 8.36 from the last rate case and bring
10 it forward.

11 I would admit to you, you know, we didn't --
12 we didn't write the statute. The Legislature wrote
13 the statute. The statute is very confusing when it
14 tries to use rate of return, but it does use rate
15 of return.

16 If you go to a rate case statute, they don't
17 talk about rate of return. They talk about return
18 on equity. Limited -- the interim statute talks
19 about return on equity, not to be confused with
20 this one.

21 This is the one statute that came out and
22 strictly ties you to using the ROR. And the last
23 authorized ROR that you produced was 8.36. We are
24 happy with that. 8.36 is fine --

25 CHAIRMAN GRAHAM: Ms. Crawford.

1 MR. WILLIS: -- let's stick with it.

2 MS. CRAWFORD: As far as the RORE, I am going
3 to let staff take that up. I do want to just
4 emphasize my agreement with what Mr. Friedman has
5 said about the statute in terms of if it's not --
6 that the RO -- that the rate of return is not
7 specifically addressed in a proceeding that the
8 Commission shall not address rates in effect.

9 I completely agree that that has been a
10 consistent interpretation of the Commission. To
11 the extent Aloha is an outlier, it's an outlier.
12 And for the reasons that are discussed in the staff
13 recommendation, I agree that that should not have
14 precedential value in this instance. But as far as
15 the specific point Mr. Wills is trying to make,
16 with respect to the 8.36 percent, I think staff is
17 in a better position than I to address that.

18 CHAIRMAN GRAHAM: Mr. Polmann.

19 COMMISSIONER POLMANN: Thank you, Mr.
20 Chairman.

21 A couple of -- a couple of observations here.

22 I note we don't have any time limit on this,
23 which is a double-edged sword, because a limited
24 proceeding, I think the intent was that these be
25 quicker, and it seems that this one is not. So

1 in -- in a real sense, we could take forever doing
2 this, and of course we don't want to go there.

3 But I have heard issues of precedent and
4 practicality, I think the issue of multiple ROEs is
5 a real substantive issue, because I think that's
6 problematic for many of us. But I also think that
7 because of the interpretation of statute versus
8 rule, the difference of the use in ROE and ROR has
9 unintended consequences.

10 Interpreting statute is always a challenge,
11 and -- because we don't have precedent. And Mr.
12 Friedman referenced policy. That issue of policy
13 versus rule has been raised before.

14 So looking at the General Counsel's Office, it
15 causes me to wonder if we have, I don't want to say
16 a problem, but an issue in rule language that we
17 may not have seen before, but do would we have
18 unintended consequence of rule language that we are
19 struggling with that we may not have stumbled with
20 previously that we could make a decision in this
21 particular docket and move forward? And it could
22 be because the dollar issue here is not
23 significant, and we want to move this issue
24 forward. We don't want this limited proceeding to
25 just stall, but then to revisit our rules in a way

1 that will clarify what do next time.

2 I am just asking that question, but it may
3 also be a suggestion on how to move this forward.
4 So if you want to comment on that, please.

5 MS. CRAWFORD: Certainly.

6 One comment I do agree with that has been made
7 previously, is we do point out that the rule, that
8 the section that's been discussed -- I believe it's
9 subsection (e) -- is a filing requirement. And I
10 don't believe it is in conflict with the statute
11 itself.

12 As has been also noted, the statute is fairly
13 broad, and it does give the Commission authority to
14 act on its own motion. But in this case, I don't
15 believe legal or technical staff see facts in --
16 before us that would lead us to believe that the
17 rule and the statute can't be read in harmony as
18 has been done historically.

19 So I personally don't believe that there is a
20 conflict in the rule, that it can be read in
21 harmony with the statute and we can proceed. I
22 also note that the case would -- the order would
23 issue is PAA, so if someone feels strongly enough
24 about the issue, they could certainly protest, and
25 we could move things along.

1 COMMISSIONER POLMANN: Mr. Chairman, I would
2 move staff recommendation.

3 CHAIRMAN GRAHAM: Mr. Buys.

4 Okay. We got a motion to move the staff rec
5 and a second.

6 Any further discussion?

7 Commissioner Brown, you had another question.

8 COMMISSIONER BROWN: I did. And I appreciate
9 you bringing your glass award. It's very pretty
10 here today.

11 You talk about the wonderful quality of the
12 product that you have. And I am so happy that you
13 are here, too, because we have been receiving a lot
14 of customer letters. A lot of emails regarding
15 quality. And one thing that I notice in the
16 recommendation, since it is a limited proceeding,
17 it didn't really delve into the quality of service
18 issues like we would normally see in a rate case
19 proceeding, in a full.

20 I just would like to hear a little bit about
21 some feedback about some of those written comments.
22 Have you had an opportunity to review it? I wanted
23 to see if some of these projects that are being
24 implemented would address some of those quality of
25 service issues, which they really -- I mean, the

1 meter reading doesn't -- may be, but some of the
2 water softener may be addressing some of those
3 issues, but we are getting a lot of complaints from
4 the customers.

5 I was surprised Office of Public Counsel
6 didn't raise it more here to us, and so if you
7 could just provide us some --

8 MR. GALLARDA: Yes, ma'am. I would be happy
9 to.

10 When we acquired the utility back in 2010, we
11 probably weren't as -- we were probably naive with
12 regards to the water quality in the Central Florida
13 aquifer. And although I am a native from Los
14 Angeles, I live in Dallas now. And the two largest
15 states that had cattle in this country, and I
16 didn't realize that Florida was larger than Texas
17 at one point of time. So we have elevated levels
18 of nitrogen and nitrites that are just decades of
19 that in the Central Florida region. And so we --
20 so game on. So we knew we had to address water
21 quality.

22 In part, I think that even as I sit here
23 today, that we live with the legacy of prior to
24 2010. And the unfortunate thing is the cost. We
25 didn't create the water quality in the aquifer, but

1 we are -- we are certainly responsible ensuring
2 that we meet both the FDEP and the EPA primary and
3 secondary treatment. So off to the races we went.

4 The other problem in the central region is
5 hard water. So 13 grains per gallon is not -- to
6 16 is not unusual within the water source within
7 that area. So there were attempts to have water
8 softeners out there that the --

9 We are comprised of engineers. I am not a
10 financial guy. I hire guys to do that. And so we
11 knew that we had to meet the primary drinking water
12 standards, and we had to meet the secondary
13 down-through time.

14 And so we also believe it's important to meet
15 the complaints that we were met with as soon as we
16 acquired it with regards to you couldn't wash
17 things because the water was so hard that calcium
18 deposits were ending up on their glassware, their
19 cars. And we got lots of complaints on that.

20 So over time, and recently, as of this last
21 year, we brought in and exchanged commercial grade
22 water softeners. And we treat the water down from
23 13 grains per gallon, down to about
24 three-and-a-half, which is not quite soft, but it's
25 pretty close to soft. And we still have people

1 complaining that we have hard water, and there
2 is -- there is just nothing I can say about that.
3 We let the lab results do as they say.

4 The -- so I am convinced we are delivering
5 soft water. And so we even sent out notices to
6 all, and we notice all of our customers whenever we
7 win something or we change something. So one of
8 the things that we said was if you have a water
9 softener at your home, you don't need to have a
10 water softener at your home. You are probably
11 spending \$25 a month in salt that you don't need to
12 be spending, because we tread the water down to the
13 soft. A vast majority of people didn't have water
14 softeners. So we addressed the watter softening.

15 The second condition that surfaced was the
16 issue of disinfectant byproducts. So both the
17 total trihalomethanes, TTHMs, and the haloacetic
18 acids, and there is five of them, the HA5s, those
19 were of concern. And that's a challenge that every
20 utility that's in the state of Florida, and in my
21 home state out in Los Angeles, because chlorine has
22 been used historically as the principal
23 disinfectant since the early 1900s.

24 And so we started -- we started having -- we
25 were never not out of compliance after we came in

1 and modified the existing plant to address TTHMs,
2 albeit they were out of compliance, the prior
3 owners. And the object is you have to go four
4 quarters in a year with a trailing average. So
5 every quarter you sample for disinfectant
6 byproducts. And after the fourth quarter, if --
7 for TTHMs, that number is bigger than 80 micrograms
8 per liter, 80 PPM, or that haloacetic acid is
9 greater than 60, then you have -- then you are out
10 of control.

11 COMMISSIONER BROWN: You are talking
12 Commissioner Polmann's language now, okay. It's --
13 whoa, whoa, whoa.

14 MR. GALLARDA: Just think of it as 80 and 60.
15 You have go to be below those numbers. Well, the
16 TTHM had started creeping up on us over time. And
17 even Kimley-Horn, our third-party consultants, when
18 we were discussing this, and even -- we even
19 weighed in, when we had the issue, with Dr. David
20 Durancio (ph), with regard to TTHM. Because I'm
21 serious about water quality --

22 COMMISSIONER BROWN: So is that cash infusion
23 that the company did after the last rate case, is
24 that a result of these proforma projects here?

25 MR. GALLARDA: No. No. Part of it -- part of

1 it has been, but -- but no. But let me continue
2 just on the TTHM.

3 So the TTHM started creeping up, and as they
4 creeped up, suddenly we had complaints coming in
5 that were -- were -- were causing people to get
6 cancer as a result of the EPA Stage 2 numbers of 80
7 and 60.

8 So we came in, and just as of March of 2016,
9 we entered into an agreement with the DEP to try a
10 pilot study that would replace chlorine with
11 chlorine dioxide, and we went 12 months. And it
12 was -- it was a success. Not only are we below the
13 numbers, for the last four quarters of this last
14 year, we have been non-detect for TTHMs.

15 COMMISSIONER BROWN: Okay. Thank you.

16 MR. GALLARDA: Okay. So -- so -- so --

17 COMMISSIONER BROWN: All right. All right. I
18 appreciate all of this.

19 To answer my question, though, regarding
20 quality of service, it sounds like you are really
21 trying to improve the product through -- whether
22 it's through this pilot project with DEP or
23 whatnot, the water softener investment. It just --
24 you know, as a commissioner sitting back here and
25 getting complaints from your customers, I mean,

1 there is only so much we can do. And really, I
2 mean talking about communication with yours
3 customers, and seeing how you can address their
4 concerns would -- would help.

5 MR. GALLARDA: And, Commissioner Brown, we
6 have invited literally through, not just website,
7 but in mailers. We send out mailers -- we got a
8 complaint about our first place award this last
9 week, you know, by 12 people. And -- but we -- but
10 we went -- and by the way, that's done as a blind
11 test with all of the utilities and the media.

12 COMMISSIONER BROWN: Okay. Thank you so much
13 for all of that.

14 MR. GALLARDA: Just one last thing, and I will
15 try to -- and I will try to -- this is my only time
16 I get to talk.

17 COMMISSIONER BROWN: You are very passionate
18 and I can respect that.

19 MR. GALLARDA: One last thing.

20 COMMISSIONER BROWN: Our Chairman is kicking
21 me over here.

22 MR. GALLARDA: Give me just a quick question.
23 So -- so we've invited --

24 CHAIRMAN GRAHAM: If you say too much, it may
25 go the wrong way.

1 MR. GALLARDA: So we've invited all of our
2 customers to come in for --

3 CHAIRMAN GRAHAM: Mr. Friedman.

4 MR. GALLARDA: -- a blind taste test. We
5 invited them to come into our plant to do a taste
6 test. We've only had four, and actually a fifth
7 one was a PSC staff member that, out of the six
8 bottles that one was bottled water and one was
9 Zephyrhills --

10 COMMISSIONER BROWN: All right. Thank you so
11 much.

12 MR. GALLARDA: Okay.

13 COMMISSIONER BROWN: I appreciate that.

14 MR. GALLARDA: We work really hard --

15 COMMISSIONER BROWN: Mr. Chairman, thank you.

16 CHAIRMAN GRAHAM: We are going to table this
17 pretty soon.

18 Commissioner Brown.

19 COMMISSIONER BROWN: I will defer to the other
20 commissioners on this.

21 CHAIRMAN GRAHAM: Commissioner Clark.

22 COMMISSIONER CLARK: Mr. Chairman, do we have
23 the option of deferring this for 30 days --

24 CHAIRMAN GRAHAM: Sure.

25 COMMISSIONER CLARK: -- to do some more

1 evaluation time? I know that may not be to
2 everyone's liking, but there's been some
3 interesting facts that have been brought up today,
4 and I -- we went through this during, even during
5 Commission briefings. I didn't get the level of
6 interest or information that I have got today.

7 I personally would like to do a little more
8 homework. So I would throw that out there, and I
9 would move postponement to our next meeting, if
10 that's entertainable by the Commission.

11 MR. FRIEDMAN: Could I point out this has been
12 pending since July? And -- and if you -- I think
13 that, although there is no statutory deadline on --
14 or rule deadline on limited proceedings, even
15 though I tried to get you to include one when you
16 did your last rule-making, you know, it just, the
17 delay discourages limited proceedings.

18 You can file a full rate case -- they could
19 have filed a full rate case and been done by now.
20 And I think that defeats the purpose of trying to
21 encourage limited proceedings. And so I would -- I
22 would just caution you to be careful about -- about
23 nonchalantly saying we don't have a deadline, so
24 let's -- let's punt it.

25 COMMISSIONER POLMANN: Mr. Friedman, we have

1 discussed that internally. We are very concerned
2 about that. We acknowledge that. And I went to
3 the customer service hearing. I am fully aware of
4 the problems in the community.

5 This is a difficult project, and we are
6 working hard on this. I understand what you just
7 said. Staff is concerned about the delay. The
8 Commission is concerned about the delay. You heard
9 a lot of discussion here today. We are working
10 hard on this. I think the Commissioners are asking
11 for more time. I appreciate your comments. I
12 really do. I understand.

13 CHAIRMAN GRAHAM: Okay. We are going to defer
14 this one to our next regular agenda, and let's move
15 on to Item No. 13.

16 MR. FRIEDMAN: Commissioners, I mean, if --
17 Mr. Gallarda has said he is willing to take the
18 negative \$16,000 just to get it done and over with
19 if that -- if that ends it and not having to come
20 back here again if that's the issues that you are
21 concerned with.

22 CHAIRMAN GRAHAM: No. We are just going to
23 defer it.

24 (Agenda item concluded.)

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CERTIFICATE OF REPORTER

STATE OF FLORIDA)
COUNTY OF LEON)

I, DEBRA KRICK, Court Reporter, do hereby certify that the foregoing proceeding was heard at the time and place herein stated.

IT IS FURTHER CERTIFIED that I stenographically reported the said proceedings; that the same has been transcribed under my direct supervision; and that this transcript constitutes a true transcription of my notes of said proceedings.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, nor am I a relative or employee of any of the parties' attorney or counsel connected with the action, nor am I financially interested in the action.

DATED this 1st day of May, 2018.



DEBRA R. KRICK
NOTARY PUBLIC
COMMISSION #GG015952
EXPIRES JULY 27, 2020

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for increase in water and
wastewater rates in Orange County by Pluris
Wedgefield, Inc.

DOCKET NO. 120152-WS
ORDER NO. PSC-13-0187-PAA-WS
ISSUED: May 2, 2013

The following Commissioners participated in the disposition of this matter:

RONALD A. BRISÉ, Chairman
LISA POLAK EDGAR
ART GRAHAM
EDUARDO E. BALBIS

NOTICE OF PROPOSED AGENCY ACTION
ORDER GRANTING AN INCREASE IN WATER AND WASTEWATER RATES

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that except for the statutory four year rate reduction and the requirement for the Utility to adjust its books in accordance with our decisions in this Order which are final agency action, the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code (F.A.C.).

Background

Pluris Wedgefield, Inc. (Wedgefield or Utility) is a Class B utility providing service to approximately 1,598 water and 1,567 wastewater customers in Orange County. For the year ended December 31, 2011, the Utility reported operating revenues of \$985,446 for water and \$731,559 for wastewater. Additionally, the Utility reported an operating income of \$158,969 for water and an operating loss of \$127,780 for wastewater.

The Utility's last rate case was in 2008 for water and 1988 for wastewater.¹ On September 8, 2009, Wedgefield was transferred from Wedgefield Utilities, Inc. to Pluris

¹ See Order Nos. PSC-08-0827-PAA-WS, issued December 22, 2003, in Docket No. 070694-WS, In re: Application for increase in water and wastewater rates in Orange County by Wedgefield Utilities, Inc.; and 20270, issued November 1988, in Docket No. 871208-WS, In re: Application by Econ Utilities Corporation for rate increase in Orange County.

Weighted Average Cost of Capital

As shown on MFR Schedule D-1, Wedgefield requested an overall cost of capital of 8.33 percent. We find, however, that there are adjustments that shall be made to the Utility's capital structure. First, on Schedule A-19 of its filing, the Utility included "Advances from Associated Companies" in its long-term debt balance. In response to a Commission staff data request, the Utility noted that the advance has a zero percent cost rate. This Commission has previously held that debt from "associated companies" with no interest payments made shall be treated as common equity.⁸ In accordance with Rule 25-30.433(4), F.A.C., we find that \$252,431 of the Utility's long-term debt shall be reclassified as common equity.

Second, on Schedule D-1 of its filing, the Utility did not include "Deferred Income Tax" in its capital structure. However, the Utility recorded a deferred income tax asset of \$3,179 for 2010 and a deferred income tax liability of \$23,221 in 2011. In response to a Commission staff data request, the Utility noted that Wedgefield does not record deferred income taxes because the Utility has historically operated in a net loss position and does not expect to pay these taxes; therefore, any calculated deferred income taxes have been fully reserved. However, in accordance with Rule 25-30.433(3), F.A.C., we calculated the simple average of U&U debit deferred tax offsetting the net U&U credit deferred income tax. Therefore, the inclusion of \$9,444 of deferred income tax credit shall be included in the Utility's capital structure.

Based on the above, we find the capital structure yields an overall cost of capital of 8.36 percent.⁹ Schedule No. 2 contains the approved capital structure.

Net Operating Income

Test Year Revenues

Wedgefield recorded total test year revenues of \$985,446 for water and \$731,559 for wastewater. The water revenues included \$945,414 of service revenues and \$40,032 of miscellaneous revenues. The Utility did not include any miscellaneous revenues for the wastewater system.

Based on our review of the Utility's billing determinants and the rates that were in effect during the test year, we find it is necessary to order adjustments to the test year water service revenues. The Utility incorrectly billed residential irrigation customers \$5.02 per 1,000 gallons which was the general service gallonage charge. The approved rate structure for residential irrigation customers was an inclining block rate structure. We adjusted the water test year revenues by \$452 to correct this error. The Utility has corrected its billing for residential

⁸ See Order Nos. PSC-00-1165-PAA-WS, issued June 27, 2000, in Docket No. 990243-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, p. 20; and PSC-02-1449-PAA-WS, issued October 21, 2002, in Docket No. 011451-WS, In re: Investigation of water and wastewater rates for possible overearnings by Plantation Bay Utility Co. in Volusia County, p. 8.

⁹ This represents a 3-basis point increase to the requested overall cost of capital, which equates to an increase of approximately \$1,000 from the total company requested revenue requirement.

Pluris Wedgefield, Inc. Capital Structure-Simple Average Test Year Ended 12/31/11							Schedule No. 2 Docket No. 120152-WS	
Description	Total Capital	Specific Adjustments	Subtotal Adjusted Capital	Prorata Adjustments	Capital Reconciled to Rate Base	Ratio	Cost Rate	Weighted Cost
Per Utility								
1 Long-term Debt	\$4,218,721	\$0	\$4,218,721	(\$942,026)	\$3,276,695	60.44%	6.51%	3.93%
2 Short-term Debt	0	0	0	0	0	0.00%	0.00%	0.00%
3 Preferred Stock	0	0	0	0	0	0.00%	0.00%	0.00%
4 Common Equity	2,736,042	0	2,736,042	(\$610,998)	2,125,044	39.20%	11.16%	4.37%
5 Customer Deposits	19,771	0	19,771	\$0	19,771	0.36%	6.00%	0.02%
6 Deferred Taxes	0	0	0	\$0	0	0.00%	0.00%	0.00%
7 Total Capital	<u>\$6,974,534</u>	<u>\$0</u>	<u>\$6,974,534</u>	<u>(\$1,553,024)</u>	<u>\$5,421,510</u>	<u>100.00%</u>		<u>8.33%</u>
Per Commission								
8 Long-term Debt	\$4,218,721	(\$252,431)	\$3,966,290	(\$944,899)	\$3,021,391	56.72%	6.51%	3.69%
9 Short-term Debt	0	0	0	0	0	0.00%	0.00%	0.00%
10 Preferred Stock	0	0	0	0	0	0.00%	0.00%	0.00%
11 Common Equity	2,736,042	252,431	2,988,473	(711,952)	2,276,521	42.73%	10.88%	4.65%
12 Customer Deposits	19,771	0	19,771	0	19,771	0.37%	6.00%	0.02%
13 Deferred Taxes	0	9,444	9,444	0	9,444	0.18%	0.00%	0.00%
14 Total Capital	<u>\$6,974,534</u>	<u>\$9,444</u>	<u>\$6,983,978</u>	<u>(\$1,656,851)</u>	<u>\$5,327,127</u>	<u>100.00%</u>		<u>8.36%</u>
						LOW	HIGH	
RETURN ON EQUITY						9.88%	11.88%	
OVERALL RATE OF RETURN						7.94%	8.79%	

367.0822 Limited proceedings.—

(1) Upon petition or by its own motion, the commission may conduct limited proceedings to consider, and act upon, any matter within its jurisdiction, including any matter the resolution of which requires a utility to adjust its rates. The commission shall determine the issues to be considered during such a proceeding and may grant or deny any request to expand the scope of the proceeding to include other related matters. However, unless the issue of rate of return is specifically addressed in the limited proceeding, the commission shall not adjust rates if the effect of the adjustment would be to change the last authorized rate of return.

(2) An application for a limited proceeding must be accompanied by a fee as provided by s. 367.145.

25-30.445 General Information and Instructions Required of Water and Wastewater Utilities in an Application for a Limited Proceeding.

(1) Each applicant for a limited proceeding shall provide the following general information to the Commission:

(a) The name of the applicant as it appears on the applicant's certificate and the address of the applicant's principal place of business.

(b) The type of business organization under which the applicant's operations are conducted; if the applicant is a corporation, the date of incorporation; the names and addresses of all persons who own 5 percent or more of the applicant's stock or the names and addresses of the owners of the business.

(c) The number(s) of the Commission order(s), if any, in which the Commission most recently considered the applicant's rates for the system(s) involved.

(d) The address within the service area where the application is available for customer inspection during the time the rate application is pending.

(e) A statement signed by an officer of the utility that the utility will comply with the noticing requirements in Rule 25-30.446, F.A.C.

(2) In a limited proceeding application:

(a) Each schedule shall be cross-referenced to identify related schedules.

(b) Except for handwritten official company records, all data in the petition and application shall be typed.

(c) The original and seven copies shall be filed with the Office of Commission Clerk.

(3) A filing fee as required in Rule 25-30.020, F.A.C., shall be submitted at the time of application.

(4) The following minimum filing requirements shall be filed with the utility's application for limited proceeding for a Class A or B water or wastewater utility:

(a) A detailed statement of the reason(s) why the limited proceeding has been requested.

(b) If the limited proceeding is being requested to recover costs required by a governmental or regulatory agency, provide the following:

1. A copy of any rule, regulation, order or other regulatory directive that has required or will require the applicant to make the improvement or the investment for which the applicant seeks recovery.

2. An estimate by a professional engineer, or other person, knowledgeable in design and construction of water and wastewater plants, to establish the projected cost of the applicant's investment and the period of time required for completion of construction.

(c) A schedule that provides the specific rate base components for which the utility seeks recovery. Supporting detail shall be provided for each item requested, including:

1. The actual or projected cost(s),

2. The date the item will be or is projected to be placed in service,

3. Any corresponding adjustments that are required as a result of adding or removing the requested component(s) from rate base, which may include retirement entries; and,

4. Any other relevant supporting information.

(d) If the utility's application includes a request for recovery of plant in service, accumulated depreciation and depreciation expense, supporting detail shall be provided by primary account as defined by the NARUC Uniform System of Accounts, in accordance with Rule 25-30.110, F.A.C.

(e) A calculation of the weighted average cost of capital shall be provided for the most recent 12-month period, using the midpoint of the range of the last authorized rate of return on equity, the current embedded cost of fixed-rate capital, the actual cost of short-term debt, the actual cost of variable-cost debt, and the actual cost of other sources of capital which were used in the last individual rate proceeding of the utility. If the utility does not have an authorized rate of return on equity, the utility shall use the current leverage formula pursuant to Section 367.081(4)(f), F.S.

(f) If the utility is requesting recovery of operating expenses, the following information shall be provided:

1. A detailed description of the expense(s) requested,

2. The total cost by primary account pursuant to the NARUC Uniform System of Accounts,

3. Supporting documentation or calculations; and,

4. Any allocations that are made between systems, affiliates or related parties. If allocations are made, submit full detail that shows the total amount allocated, a description of the basis of the allocation methodology, the allocation percentage applied to each allocated cost, and the workpapers supporting the calculation of the allocation percentages.

(g) Calculations for all items that will create cost savings or revenue impacts from the implementation of the requested cost recovery items.

(h) If the utility includes any other items where calculations are required, supporting documentation shall be filed that reflects the calculations or assumptions made.

(i) A calculation of the revenue increase including regulatory assessment fees and income taxes, if appropriate.

(j) Annualized revenues for the most recent 12-month period using the rates in effect at the time the utility files its application for limited proceeding and a schedule reflecting this calculation by customer class and meter size.

(k) A schedule of current and proposed rates for all classes of customers.

(l) Schedules for the most recent 12-month period showing that, without any increased rates, the utility will earn below its authorized rate of return in accordance with Section 367.082, F.S. The schedules shall consist of a rate base, net operating income and cost of capital schedule with adjustments to reflect those consistent with the utility's last rate proceeding.

(m) If the limited proceeding is being requested to change the current rate structure, provide a copy of all workpapers and calculations used to calculate requested rates and allocations between each customer class. The test year shall be the most recent 12-month period. In addition, the following schedules, which are incorporated herein by reference, from Form PSC/AFD 19-W (11/93), entitled "Class A Water and/or Wastewater Utilities Financial, Rate and Engineering Minimum Filing Requirements," shall be provided. The schedules can be obtained from the Commission's Division of Accounting and Finance.

1. Schedule E-2, entitled "Revenue Schedule at Present and Proposed Rates," is available at <http://www.flrules.org/Gateway/reference.asp?No=Ref-08251>.

2. Schedule E-14, entitled "Billing Analysis Schedules," is available at <http://www.flrules.org/Gateway/reference.asp?No=Ref-08252>. Only two copies are required.

(n) Revised tariff sheets should not be filed with the application.

(o) A water utility's application for limited proceeding shall also include:

1. A copy of all customer complaints that the utility has received regarding DEP secondary water quality standards during the past five years; and,

2. A copy of the utility's most recent secondary water quality standards test results.

(5) In addition to the requirements stated in subsections (1) through (3), the following minimum filing requirements shall be filed with the utility's application for limited proceeding for a Class C water or wastewater utility:

(a) A detailed statement of the reason(s) why the limited proceeding has been requested.

(b) If the limited proceeding is being requested to recover costs required by a governmental or regulatory agency, provide a copy of any rule, regulation, order or other regulatory directive that has required or will require the applicant to make the improvement or the investment for which the applicant seeks recovery.

(c) A schedule that provides the specific rate base components for which the utility seeks recovery, if known. Supporting detail shall be provided for each item requested, including:

1. The actual or projected cost(s),

2. The date the item will be or is projected to be placed in service,

3. Any corresponding adjustments, if known, that are required as a result of adding or removing the requested component(s) from rate base, which may include retirement entries; and,

4. Any other relevant supporting information, if known.

(d) If the utility is requesting recovery of operating expenses, provide an itemized description of the expense(s), including the cost and any available supporting documentation or calculations.

(e) Provide a description of any known items that will create cost savings or revenue impacts from the implementation of the requested cost recovery items.

(f) A calculation of the revenue increase including regulatory assessment fees and income taxes, if applicable.

(g) Annualized revenues for the most recent 12-month period using the rates in effect at the time the utility files its application for limited proceeding and a schedule reflecting this calculation by customer class and meter size.

(h) A Class C water utility's application for limited proceeding shall also include:

1. A copy of all customer complaints that the utility has received regarding DEP secondary water quality standards during the past five years; and,

2. A copy of the utility's most recent secondary water quality standards test results.

(6) In evaluating whether the utility's request is improper for a limited proceeding, the Commission will consider factors such as:

(a) Whether the utility's filing includes more than 4 separate projects for which recovery is sought and the requested rate increase exceeds 30 percent. Corresponding adjustments for a given project are not subject to the above limitation;

(b) Whether the utility has not had a rate case in more than seven years and the requested rate increase exceeds 30 percent, or

(c) Whether the limited proceeding is filed as the result of the complete elimination of either the water or wastewater treatment process and the requested rate increase exceeds 30 percent.

(7) The utility shall provide a statement in its filing to the Commission which addresses whether the utility's rate base has declined or whether any expense recovery sought by the utility is offset by customer growth since its most recent rate proceeding or will be offset by future customer growth expected to occur within one year of the date new rates are implemented.

Rulemaking Authority 350.127(2), 367.121(1)(a) FS. Law Implemented 367.081, 367.0812, 367.0822, 367.121(1)(a), 367.145(2) FS. History—New 3-1-04, Amended 5-30-17.

Parties/Staff Handout
Internal Affairs/Agenda
on 4/20/18
Item No. 9

Pluris Wedgefield, Inc.
Debt Equity Ratio

Per Order PSC-2013-0187-PAA-WS

Description	Total Capital	Ratio
Long-term Debt	3,021,391	57.03%
Common Equity	2,276,521	42.97%
Total Capital	5,297,912	

Current Debt Equity Ratio

Description	Total Capital	Ratio
Long-term Debt	3,650,745	31.89%
Common Equity	7,795,507	68.11%
Total Capital	11,446,252	

Pluris Wedgefield, Inc.
Capital Structure

COMPANY REQUESTED

Description	Total Capital	Ratio	Cost Rate	Weighted Cost
Long-term Debt	3,650,745	31.75%	5.73%	1.82%
Common Equity	7,795,507	67.79%	10.88%	7.38%
Customer Deposits	23,826	0.21%	6.00%	0.01%
Deferred Income Taxes	29,076	0.25%	0.00%	0.00%
Total Capital	11,499,154			9.21%

UPDATED CAPITAL STRUCTURE

Description	Total Capital	Ratio	Cost Rate	Weighted Cost
Long-term Debt	3,650,745	31.75%	5.73%	1.82%
Common Equity	7,795,507	67.79%	9.49%	6.43%
Customer Deposits	23,826	0.21%	2.00%	0.00%
Deferred Income Taxes	29,076	0.25%	0.00%	0.00%
Total Capital	11,499,154			8.26%

Return on Common Equity = $7.13\% + (1.610 / .6811) = 9.49\%$

139 Basis Point Difference Between Last Approved and Current Leverage Formula Result

Pluris Wedgefield, Inc.
Capital Structure

Water Revenue Requirement

	Staff Recommended	Adjustment	OPC Updated ROE
UPIS	\$ 1,061,565		\$ 1,061,565
Retirements	(473,339)		(473,339)
Less: Accumulated Depreciation	424,932		424,932
Working Capital	576		576
Total Increase in Rate Base	\$ 1,013,734		\$ 1,013,734
Weighted Cost Of Capital	9.20%		8.26%
Return on Rate Base	\$ 93,264	(9,529)	\$ 83,734
Depreciation Expense	\$ 25,871		\$ 25,871
Rate Case Expense	2,973		2,973
Rent Expense			
Maintenance Expense	12,736		12,736
Meter Reading Expense	(11,100)		(11,100)
TOTI	16,146		16,146
State Income Tax (5.5%)	5,128	(524)	4,604
Federal Income Tax (21%)	18,505	(1,920)	16,585
Regulatory Assessment Fees	7,358	(539)	6,819
Total Operating Expenses	\$ 77,617		\$ 74,634
Total Revenue Increase Requested/Recommended	\$ 170,881	(12,512)	\$ 158,368
Annualized Revenue	\$ 1,404,636		\$ 1,404,636
Percentage Increase	12.17%		11.27%

Pluris Wedgefield, Inc.
Capital Structure

Wastewater Revenue Requirement

	Staff Recommended	Adjustment	OPC Updated ROE
UPIS	\$ 359,023		\$ 359,023
Retirements	(269,267)		(269,267)
Less: Accumulated Depreciation	261,289		261,289
Working Capital	372		372
Total Increase in Rate Base	\$ 351,417		\$ 351,417
Weighted Cost Of Capital	9.20%		8.26%
Return on Rate Base	\$ 32,330	(3,303)	\$ 29,027
Depreciation Expense	\$ 1,994		\$ 1,994
Rate Case Expense	2,973		2,973
TOTI	5,594		5,594
State Income Tax (5.5%)	1,778	(182)	1,596
Federal Income Tax (21%)	6,415	(693)	5,722
Regulatory Assessment Fees	2,299	(188)	2,111
Total Operating Expenses	\$ 21,053		\$ 19,990
Total Revenue Increase Requested/Recommended	\$ 53,383	(4,366)	\$ 49,017
Annualized Revenue	\$ 964,958		\$ 964,958
Percentage Increase	5.53%		5.08%