

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for limited proceeding rate
increase in Orange County by Pluris
Wedgfield, Inc.

DOCKET NO. 20170166-WS
ORDER NO. PSC-2018-0311-PAA-WS
ISSUED: June 13, 2018

The following Commissioners participated in the disposition of this matter:

ART GRAHAM, Chairman
JULIE I. BROWN
DONALD J. POLMANN
GARY F. CLARK
ANDREW GILES FAY

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING APPLICATION FOR LIMITED PROCEEDING BY PLURIS
WEDGEFIELD, INC.

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that 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 Wedgfield, Inc. (Pluris or Utility) is a Class B utility providing service to approximately 1,615 water and wastewater customers in Orange County. Pluris also provides service to approximately 33 irrigation customers. Water and wastewater rates were last established for this Utility in 2013.¹

On July 28, 2017, Pluris filed a request for a limited proceeding increase in water and wastewater rates. In its application, Pluris requested recovery of costs associated with four projects. The Utility requested final revenue increases of \$194,159 (13.8 percent) for water and \$57,545 (6.0 percent) for wastewater.²

Pursuant to Rule 25-30.445, Florida Administrative Code (F.A.C.), the Utility provided a copy of all customer complaints that it received regarding Florida Department of Environmental

¹Order No. PSC-13-0187-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 Wedgfield, Inc.

²Document No. 06333-2017.

Protection (DEP) secondary water quality standards during the past five years and a copy of the Utility's most recent secondary water quality standards test results.³ Pluris additionally provided its most recent chemical analysis in which it tested primary water standards.⁴ The documentation provided by Pluris indicates that the Utility is currently passing primary and secondary standards. From 2013 to 2017, the Florida Public Service Commission (Commission) received eighteen customer inquiries concerning the Utility's water quality, which were sent to the DEP and the Utility.

A customer meeting was held November 2, 2017, in Orlando, Florida. Approximately 55 customers attended, including an Orange County Commissioner and a legislative aide to a State Senator. Twenty-one customers spoke at the meeting. Approximately 12 customer comments received at the customer meeting concerned elevated Total Trihalomethanes (TTHM, a disinfection byproduct) levels.⁵ The most recent DEP compliance test results, dated March 20, 2018, demonstrated that TTHM levels were in compliance with DEP standards.⁶

On March 6, 2018, the Office of Public Counsel (OPC) filed a letter in this docket expressing its concerns with the Utility's filing.⁷

As of April 2, 2018, 56 customers filed written comments in this docket. Forty-six of the comments were concerning the quality of water and 46 comments opposed the rate increase. Two comments were concerning the Utility's customer service.⁸

After discussion at our April 20, 2018, Agenda Conference, this matter was deferred for subsequent consideration at our May 8, 2018 Agenda Conference. On April 24, 2018, prior to that May Agenda Conference, OPC and the Utility filed a joint motion requesting approval of a stipulation and settlement agreement. The parties proposed a Rate of Return of 8.26 percent to be applied to Commission staff's recommended adjustments in order to calculate an increase to the overall revenue requirement. This would result in a revenue increase of 11.28 percent for water, and a 5.08 percent revenue increase for wastewater. At the May 8 Agenda Conference, we approved the proposed stipulation.

This order addresses the proposed stipulation and Pluris' requested rates. This Commission has jurisdiction pursuant to Sections 367.081 and 367.0822, Florida Statutes (F.S.).

Decision

Pluris Wedgefield, Inc.'s Requested Increases

In its filing, Pluris requested recovery of costs associated with four projects: the installation of Advanced Metering Infrastructure (AMI) meters, the installation of water

³Document No. 06333-2017.

⁴Document No. 00091-2018.

⁵The Utility has recently completed a pilot study and received a new DEP permit to address TTHM levels.

⁶Document Nos. 10796-2017, 00091-2018, and 02727-2018.

⁷Document No. 02135-2018.

⁸Several customer comments had more than one concern listed.

softening equipment, the construction of a maintenance building, and the replacement of a wastewater main. The Utility's initial filing provided a description of each project. Commission staff reviewed the Utility's filing and issued multiple data requests. Our analysis of each project is discussed in greater detail in the following section. All four of the projects have been completed.⁹

Incremental Rate Base

The Utility requested rate base increases of \$1,042,165 for water and \$355,783 for wastewater. The rate base components are Utility Plant in Service (UPIS), Accumulated Depreciation, and Working Capital Allowance.

Utility Plant in Service

AMI Meters

Pluris requested \$594,648 to recover costs associated with installing approximately 1,641 AMI water meters. The old meters were installed between 1996 and 2015.¹⁰ With the installation of the AMI meters, Pluris also implemented an internet portal that allows each customer the ability to observe their water usage. The AMI meter replacement program began in October 2015 and was completed in October 2016. Prior to the installation of the AMI meters, meters were read manually.¹¹

In its petition, Pluris explained that meter reading related customer concerns have been an on-going issue. From January 1, 2013, to September 30, 2016, the Utility received 481 requests for meters to be re-read or tested. Many of the requests were generated due to customer usage concerns. Since the installation of the AMI meters, Pluris has received 68 requests for the meters to be re-read. Customers have indicated to the Utility that the new customer portal has assisted in identifying leaks and has alerted them to excessive usage.¹² Based on the reduction in requests for meters to be re-read, and the positive response about the customer portal, we find the proposed AMI project to be reasonable.

The Utility obtained three bids for the major components of the AMI project (\$367,969, \$395,393, and \$509,913). The major components include meters, transmitters, a base station, tower, and software.¹³ Pluris chose the bid of \$395,393 provided by HD Supply Waterworks. The Utility indicated that the lowest bid (\$367,969) was not selected because it additionally required the acquisition of land and relied on cell and/or mobile phone signal technology. The Utility expressed concerns with the cell coverage in the community and potential issues with readings being missed.¹⁴ The meters provided by HD Supply Waterworks use a single tower with one base station, which produces reliable and consistent data reads. In addition, the HD Supply

⁹Document No. 06333-2017.

¹⁰Document No. 00907-2018.

¹¹Document No. 06333-2017.

¹²Document Nos 06333-2017 and 00907-2018.

¹³Document No. 02188-2018 and 0249-2018.

¹⁴Document No. 00907-2018.

Waterworks bid included the previously discussed customer portal and a discount on the installation of the new meters and removal of the old meters.¹⁵

Pluris provided 49 invoices associated with this project. The majority of the invoices were related to the HD Supply Waterworks bid. Additionally, the Utility provided invoices for the installation of the meters, capitalized labor for its employees that helped with the installation of the meters, installation of an AMI tower, and extra meters and parts for installation and repairs.¹⁶ Two of the invoices were for geotechnical studies to determine a viable site for the tower. In response to a Commission staff data request, the Utility explained that the studies were not duplicative as the first site studied was not suitable for reliable signaling to all meters; therefore, a second study was necessary. In addition, Pluris explained that state licensed professional engineers do not generally bid for work, due to ethical codes maintained as members in the American Society of Civil Engineers.¹⁷ Based on review of the invoices provided by the Utility, we approve \$594,648 to be allowed for cost recovery. The approved amount includes costs associated with the HD Supply Waterworks bid as well as costs for the AMI tower and labor.

The Utility suggested retiring \$224,489 for the meter project. When asked about the retirements, Pluris indicated \$224,489 was the balance of account 334 Meters/Meter Installations at the end of 2015. The Utility further explained that the AMI project began in October 2015 and all invoices related to this project were coded to Account 105, Construction in Process. Pluris suggested that since the AMI meters were replacing all current in-service meters, the total account balance of \$224,489 should be retired.¹⁸ A review of Pluris' 2015 Annual Report showed a balance of \$217,093 in Account 334. However, since the new meters were placed in service in September of 2016, we agree with the Utility that the balance of Account 334 would have been sufficient at that time to retire \$224,489 from that account. Therefore, we approve \$224,489 for the associated retirement for this project.

Water Softener

The Utility requested recovery of \$364,128 for the installation of water softener equipment. Pluris explained that the previous water softeners, which were installed by the previous owner of the system, were not meeting treatment levels and were experiencing ongoing mechanical and Supervisory Control and Data Acquisition (SCADA) related problems.¹⁹ Pluris also explained that the raw water pumped from the Floridan Aquifer is rated as very hard (13-15 grains) based on standards established by the American Society of Agricultural Engineers (ASAE).²⁰ Hard water can cause scaling and noticeable deposits in containers, which was an issue that Pluris' customers have complained about.²¹ The Utility specified that the water

¹⁵Document No. 10796-2017, 01203-2018, and 01974-2018.

¹⁶Document No. 00907-2018.

¹⁷Document No. 02498-2018.

¹⁸Document No. 00907-2018.

¹⁹Document No. 01839-2018.

²⁰Document Nos. 06333-2017 and 01839-2018. Less than 1.0 grains per gallon is considered soft and greater than 10.5 grains per gallon is considered very hard.

²¹Document No. 06333-2017 and 01839-2018.

currently delivered to customers is now between 3 to 4 grains of hardness.²² Additionally, Pluris indicated that it has received recent calls from customers stating that the water was soft and there was no longer calcium on glassware and utensils.²³ Considering the operational issues of the previous water softener system, and the improvements discussed above, we find it was prudent for the Utility to install the new water softening equipment.

The Utility obtained three bids on water softener products: \$112,805, \$142,900, and \$315,000. Pluris explained that the two companies with the lowest bids could not provide products that addressed the flow requirements, level of hardness reduction, nor the ability to integrate piping and SCADA required for the plant. The highest bidder demonstrated a more thorough understanding of the scope and requirements of the project.²⁴

Pluris provided eight invoices that included the water softener equipment and a shade structure to protect the equipment.²⁵ The Utility explained there was no previous structure in place for the old equipment.²⁶ Pluris provided bids for the shade structure.²⁷ The actual invoices for the shade structure were approximately \$2,600 cheaper than the bids. Upon review of these invoices, we find that all costs were prudently incurred. Therefore, we approve \$364,128 to be allowed for recovery for the water softener project.

The Utility suggests the amount to be retired for this project should be \$248,850.²⁸ This amount is 75 percent of \$331,800, which is only the amount for the replacement of the water softener equipment. Because there was no previous structure for the old equipment, there is no retirement amount associated with the shade structure.²⁹ We approve \$248,850 for the associated retirement for the water softener equipment.

Maintenance Building

Pluris requested recovery of \$105,090 for a new maintenance building. The Utility explained that the water treatment plant did not have a dedicated office for its staff to conduct daily work. Pluris further explained that an existing electrical building was being used and was inadequate.³⁰ According to the Utility, the daily activities required to efficiently operate the water treatment facility include operation of SCADA, clerical duties, and laboratory work. The equipment required to complete this daily work includes computers, a printer, desks, chairs, tables, metering equipment for operation and process control, and lab equipment. The computers are used to monitor SCADA performance, which is additional equipment not previously used.³¹ Pluris stated that the average number of employees using the building at one time would be two to three. In addition, there could be times when more employees would be using the building.

²²Document No. 06333-2017.

²³Document No. 00907-2018.

²⁴Document No. 00907-2018.

²⁵Document No. 10796-2017.

²⁶Document No. 00907-2018.

²⁷Document No. 02498-2018.

²⁸Document No. 06333-2017.

²⁹Document No. 00907-2018.

³⁰Document No. 06333-2017.

³¹Document No. 00907-2018.

The Utility further explained that in addition to the equipment listed above, this building would have bathroom facilities, as the electrical building did not.³² Considering the old space in the electrical building used for the employees to conduct daily work and the new equipment needed, we find a dedicated office for Pluris' staff to be appropriate.

The bids that Pluris acquired for only the maintenance building were \$34,540, \$25,000, and \$22,209. The Utility selected the lowest bid.³³ Pluris provided ten invoices for this project. In addition to invoices associated with the building, Pluris provided invoices for permitting, electrical work, a driveway and parking for the building.³⁴ The Utility also provided a bid for those services.³⁵ One invoice for \$3,282 included a line item labeled "Maxim Break and Site Permitting for Office." The Utility explained the "Maxim Break" was for an emergency repair. The company billing Pluris grouped these two separate projects together. That company estimated the "Maxim Break" was \$2,300 and the Site Permitting was \$982.³⁶ We find that the "Maxim Break" may not be included in the maintenance building project. Therefore, we approve \$102,790 (\$105,090 - \$2,300) for recovery of this project. Since this is a new structure there are no retirements associated with this project.

Wastewater Main Replacement

The Utility requested \$359,023 to replace a wastewater main. Pluris explained the sewer main collapsed during an attempt to clear debris from the pipeline. Approximately 300 feet of sewer line was excavated and replaced.³⁷ The Utility further explained that the pipeline material was asbestos concrete and was nearly 40 years old. Pluris indicated that the pipeline exceeded its design life and deteriorated causing the collapse.³⁸ Included in this project were repairing, resurfacing, line painting, and landscaping of the affected roadway.³⁹

Pluris did not request bids for this project as it was an emergency repair.⁴⁰ The Utility provided one invoice from Tri-Sure Corporation for this project. Upon review of the invoice, we find all the line items appear to be related to this project⁴¹ and we therefore approve \$359,023 for recovery of this project. The suggested amount for the retirement of this project is \$269,267.⁴² This amount is 75 percent of the project amount of \$359,023. We find this to be appropriate and approve \$269,267 for the associated retirement for the wastewater main replacement.

Accumulated Depreciation

In its filing, the Utility calculated accumulated depreciation using a half-year convention. Because rates will be going into effect in 2018, we find it is more appropriate to include a full

³²Document No. 01667-2018.

³³Document No. 00907-2018.

³⁴Document No. 10796-2017.

³⁵Document No. 02498-2018.

³⁶Document No. 00907-2018.

³⁷Document No. 06333-2017.

³⁸Document No. 10796-2017.

³⁹Document No. 06333-2017.

⁴⁰Document No. 00907-2018.

⁴¹Document No. 10796-2017.

⁴²Document No. 06333-2017.

year's depreciation. This is consistent with Commission practice for the treatment of pro forma projects. As a result, accumulated depreciation shall be increased for the AMI meters by \$29,732, which represents one year's depreciation on the new meters. As discussed earlier, we find that accumulated depreciation for the AMI meters must be reduced by \$224,489 to account for the retired meters. Therefore, we approve a net reduction to accumulated depreciation for Meters & Meter Installations of \$194,757 (\$224,489 - \$29,732).

Also, as discussed earlier, we find that accumulated depreciation shall be reduced by \$248,850 for the retirement of the water softener; and accumulated depreciation shall be increased by \$15,082, which represents one year's depreciation, for the new water softener. Therefore, we approve a net reduction to accumulated depreciation for the Water Treatment Equipment of \$232,880 (\$248,850 - \$15,082).

Further, we approve increasing accumulated depreciation by \$2,705 to reflect one year's depreciation on the new maintenance building. Therefore, we approve a total decrease to water accumulated depreciation of \$424,932 (\$194,757 + \$232,880 - \$2,705).

As stated earlier, we approve decreasing accumulated depreciation by \$269,267 to reflect the appropriate retirement associated with the wastewater main replacement. Accumulated depreciation must also be increased by \$7,978, which represents one year's depreciation on the new wastewater main. We, therefore, approve a net reduction to wastewater accumulated depreciation of \$261,289 (\$269,267 - \$7,978). The Utility's requested amounts and our approved amounts are shown below in Table 1 for water and Table 2 for wastewater.

Table 1
Summary of Water Plant Projects

| | Utility's Request | Commission Approved | Difference |
|--------------------------|----------------------|------------------------|------------|
| AMI Meters | \$594,648 | \$594,648 | \$0 |
| Retirement | (\$224,489) | (\$224,489) | \$0 |
| Accumulated Depreciation | (\$209,623) | (\$194,757) | \$14,866 |
| Water Softener | \$364,128 | \$364,128 | \$0 |
| Retirement | (\$248,850) | (\$248,850) | \$0 |
| Accumulated Depreciation | (\$240,865) | (\$232,880) | \$7,985 |
| Maintenance Building | \$105,090 | \$102,790 | (\$2,300) |
| Retirement | \$0 | \$0 | 0 |
| Accumulated Depreciation | (\$1,555) | \$2,705 | (\$1,150) |

Source: Utility's Filing

Table 2
Summary of Wastewater Plant Projects

| | Utility's Request | Commission Approved | Difference |
|--------------------------|----------------------|------------------------|------------|
| Wastewater Main Break | \$359,023 | \$359,023 | \$0 |
| Retirement | (\$269,267) | (\$269,267) | \$0 |
| Accumulated Depreciation | (\$265,278) | (\$261,289) | \$3,989 |

Source: Utility's Filing

Working Capital Allowance

Working capital is defined as the short-term investor-supplied funds that are necessary to meet operating expenses. Consistent with Rule 25-30.433(2), F.A.C., the one-eighth of the operation and maintenance expense formula approach was used for calculating the working capital allowance. Applying this formula, we approve an increase to the working capital allowance of \$576 for water and \$372 for wastewater.

Rate Base Summary

Based on the foregoing, we approve a rate base increase of \$1,013,734 for water and \$351,416 for wastewater. Our rate base calculations are shown on Schedule Nos. 1 and 2, attached hereto.

Rate of Return

The Utility calculated the weighted average cost of capital correctly in accordance with Rule 25-30.445(4)(e), F.A.C. In its filing, Pluris requested a weighted average cost of capital (rate of return) of 9.21 percent, based on a capital structure consisting of 67.79 percent equity and 31.75 percent debt using the most recent 12-month period ended December 31, 2016. Pluris used a return on equity (ROE) of 10.88 percent, which is the mid-point of the range of the last authorized rate of return on equity established in its last rate case by Order No. PSC-13-0187-PAA-WS, issued May 2, 2013 (2012 Rate Case).⁴³

In a letter dated March 6, 2018, OPC asserted that the Utility's requested ROE and resulting rate of return is overstated and unreasonable. However, on April 24, 2018, OPC and the Utility submitted a joint motion requesting Commission approval of a stipulation and settlement agreement in order to resolve the disagreement regarding the appropriate rate of return for the Utility. The stipulation and agreement called for an 8.26 percent rate of return. The parties also specified that the Utility's acceptance of OPC's methodology regarding rate of the return in this proceeding would have no precedential effect or value in a future rate case.

Operating Expenses

In its petition, Pluris requested an increase to operating expenses of \$98,207 for water and \$24,789 for wastewater. The components for the operating expenses were Depreciation Expense, Regulatory Commission Expense, Rent Expense, Maintenance Expense, Meter

⁴³Order No. PSC-13-0187-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.

Reading Expense, Taxes Other Than Income, Income Taxes, and Regulatory Assessment Fees (RAF).

Depreciation Expense

In its filing, the Utility requested an increase in Depreciation Expense of \$26,273 for water and \$1,994 for wastewater. Depreciation expense was calculated using the prescribed rates set forth in Rule 25-30.140, F.A.C. Based on the increases in rate base, we approve a net increase in depreciation expense of \$25,871 for water and \$1,994 for wastewater. This equates to a reduction of \$402 for water.

Regulatory Commission Expense

In its filing, the Utility requested \$47,960 in Rate Case Expense. This included \$39,960 for Legal Fees and \$1,500 for Costs Associated with Legal Services (Legal Costs). On February 2, 2017, this Commission received invoices from Friedman & Friedman for \$12,315 for billed and unbilled legal services with an additional \$4,625 as an estimate to complete the limited proceeding. Those invoices also included \$2,907 for legal costs with an additional \$20 to complete the limited proceeding. This amount included the \$2,000 filing fee.

Pursuant to Section 367.081(7), F.S., this Commission determines the reasonableness of rate case expenses and shall disallow all rate case expenses determined to be unreasonable. We have examined the requested actual expenses, supporting documentation, and estimated expenses for the current rate case. These costs were compared with those approved in Docket No. 20090349-WS.⁴⁴ The Utility in that docket was similarly-sized as was the requested revenue increase. We find the documented legal fees and costs are reasonable and prudent, as are the estimated costs to complete. Therefore, we approve \$2,000 for the filing fee, \$16,940 (\$12,315 + \$4,625) for legal fees, and \$907 (\$2,887 - \$2,000 + \$20) for legal costs.

The Utility requested \$1,500 for postage and \$1,000 for customer notices. By Rule 25-30.446, F.A.C., Pluris is required to mail a notice of the customer meeting and notices of final rates in this case to its customers. We estimate these costs to be \$1,632 for postage and \$1,154 for envelopes and printing of the customer meeting and final rate notices. Therefore, we approve the increase of the postage expense by \$132 (\$1,632 - \$1,500) and the customer notices by \$154 (\$1,154 - \$1,000).

The Utility also requested expenses related to Maurice Gallarda, the Utility's President, and Principal Engineer, to attend the Agenda Conference. These estimates were \$1,000 for airfare, \$400 for two nights in a hotel, \$300 for a rental car, and \$300 for meals.

In an email dated March 15, 2018, Mr. Friedman was contacted requesting receipts for the above expenses. Mr. Friedman provided a receipt for \$927 for the airfare and \$164 for the hotel. Mr. Friedman also stated in the email that he would provide transportation for Mr. Gallarda, and he also changed the Meal Allowance request to \$60 total.⁴⁵ This was compared

⁴⁴Order No. PSC-10-0682-PAA-WS, issued November 15, 2010, in Docket No. 20090349-WS, In re: Application for limited proceeding rate increase in Polk County by Cypress Lakes Utilities, Inc.

⁴⁵ Document Nos. 02404-2018 and 02410-2018.

with the requested Meal Allowance to the amount approved in Docket No. 20070695-WS,⁴⁶ which was \$80. We find these amounts are reasonable. Therefore, we reduced the airfare by \$73 (\$1,000 - \$927), reduced the rental care expense by \$300 (\$0 - \$300), decreased the hotel expense by \$236 (\$400 - \$164), and decreased the meal allowance by \$240 (\$300 - \$60) to reflect the documented and requested costs of these expenses.

Based on the above, we approve a total rate case expense of \$23,784. This total expense, amortized over four years, results in a regulatory commission expense of \$5,946 ($\$23,784 \div 4$), or \$2,973, respectively, for water and wastewater. The costs, and our adjustments, are summarized below in Table 3.

Table 3
Regulatory Commission Expense

| | Per Utility | Adjs | Commission Approved |
|------------------|-----------------|-------------------|------------------------|
| Filing Fee | \$2,000 | \$0 | \$2,000 |
| Legal Fees | 39,960 | (23,020) | 16,940 |
| Legal Fees | 1,500 | (593) | 907 |
| Postage | 1,500 | 132 | 1,632 |
| Customer Notices | 1,000 | 154 | 1,154 |
| Airfare | 1,000 | (73) | 927 |
| Hotel | 400 | (236) | 164 |
| Rental Car | 300 | (300) | 0 |
| Meals | <u>300</u> | <u>(240)</u> | <u>60</u> |
| | <u>\$47,960</u> | <u>(\$24,176)</u> | <u>\$23,784</u> |

Source: Utility's Filing

Rent Expense

In its filing, the Utility requested \$9,000 for rental expense related to a tower that was to be used for the AMI meters. In response to a data request, the Utility agreed this expense is no longer needed. Therefore, we have removed \$9,000 for the tower rental expense.

Maintenance Expense

In its filing, the Utility requested an increase of \$17,739 for maintenance expense. This amount consists of the AMI software setup and yearly AMI software maintenance costs. Consistent with Commission practice, because the AMI software setup costs are a non-recurring expense, this amount was amortized over a five year period. This results in an amount of \$2,612 ($\$13,063 \div 5$). We reviewed the invoices related to the AMI software maintenance costs. Those invoices reflect a yearly maintenance expense of \$10,124. We reduced this expense by \$5,003

⁴⁶Order No. PSC-08-0812-PAA-WS, issued December 16, 2008, in Docket No. 20070695-WS, In re: Application for increase in water and wastewater rates in Martin County by Miles Grant Water and Sewer Company.

(\$15,127 - \$10,124) to reflect the actual cost. Therefore, we approve a total maintenance expense of \$12,736 (\$2,612 + \$10,124).

Meter Reading Expense

In its filing, the Utility reflected a reduction in Salary Expense of \$11,100. This is a result of the elimination of the meter reader position previously used by the Utility. The calculation of this amount is shown below in Table 4.

Table 4
Reduction to Meter Reading Expense

| | |
|-------------------------------------|-----------------|
| Annual Salary | \$27,726 |
| Estimate of Benefits | <u>5,545</u> |
| Salary & Benefits | \$33,271 |
| Truck & Fuel | <u>3,852</u> |
| Total Meter Reader Costs | \$37,123 |
| Pluris Wedgefield Allocation Factor | <u>29.90%</u> |
| Meter Reader Allocation | <u>\$11,100</u> |

Source: Utility's Filing

Taxes Other Than Income

The increase in property taxes was calculated based on the approved increase in UPIS. Because the 2018 millage rates for Orange County are not known at this time, the rate from the Utility's 2017 tax assessment was used. Consistent with Commission practice, the four percent discount that is available to the Utility for early payment of its property taxes was also used. We approve an increase in property taxes of \$16,146 for water and \$5,594 for wastewater.

Based on the above, we approve an increase to expenses before income taxes and RAFs of \$46,625 for water and \$10,561 for wastewater. These calculations are shown below in Table 5 and Table 6.

Table 5
Expenses Before Income Taxes and RAFs

| | Per Utility | Adjs | Commission Approved |
|---------------------------------|-----------------|-------------------|------------------------|
| Depreciation Expense | \$26,273 | (\$402) | \$25,871 |
| Rate Case Expense | 5,995 | (3,022) | 2,973 |
| Rent Expense | 9,000 | (9,000) | 0 |
| Maintenance Expense | 17,739 | (5,003) | 12,736 |
| Meter Reading Expense | (11,100) | 0 | (11,100) |
| TOTI | <u>17,626</u> | <u>(1,480)</u> | <u>16,146</u> |
| Total Increase in Operating Exp | <u>\$65,533</u> | <u>(\$18,908)</u> | <u>\$46,625</u> |

Source: Utility's Filing

Table 6
Expenses Before Income Taxes and RAFs

| | Per Utility | Adjs | Commission Approved |
|---------------------------------|-----------------|------------------|------------------------|
| Depreciation Expense | \$1,994 | (\$0) | \$1,994 |
| Rate Case Expense | 5,995 | (3,022) | 2,973 |
| TOTI | <u>6,020</u> | <u>(426)</u> | <u>5,594</u> |
| Total Increase in Operating Exp | <u>\$14,009</u> | <u>(\$3,448)</u> | <u>\$10,561</u> |

Source: Utility's Filing

Income Taxes

State and federal income taxes were calculated based on the current rates of 5.5 percent for state and 21 percent for federal. We note that the federal taxes in this case are adjusted to reflect the new rate set forth in the 2017 Tax Cut and Jobs Act and only affects the incremental increases in this case. Any potential refund related to the change in the federal tax rate currently embedded in the Utility's rates is outside of this proceeding and will be addressed in the generic Docket No. 20180013-PU.⁴⁷ Based on the approved return on rate base, we approve an increase in state taxes of \$4,605 ($\$83,734 \times .055$) for water and \$1,596 ($\$29,027 \times .055$) for wastewater. We further approve increases to federal income taxes of \$16,617 ($(\$83,734 - \$4,605) \times .21$) for water and \$5,760 ($(\$29,027 - \$1,596) \times .21$) for wastewater.

Regulatory Assessment Fees (RAF)

Based on the above, we approve a revenue increase before RAFs of \$151,582 for water and \$46,945 for wastewater. Therefore, we approve RAFs to be increased by \$6,821 ($\$151,582 \times 4.5$ percent) for water and \$2,113 ($\$46,945 \times 4.5$ percent) for wastewater.

Operating Expenses Summary

Based on the above, we approve an incremental increase to Operating Expenses of \$74,669 for water and \$20,030 for wastewater. The calculations for such are provided on Schedule Nos. 1 and 2.

Conclusion

Based on the above, we approve an incremental revenue requirement increase of \$158,403 for water and \$49,057 for wastewater. This represents increases of 11.28 percent and 5.08 percent for water and wastewater, respectively. The Utility requested an incremental revenue requirement increase of \$194,159 for water and \$57,545 for wastewater. The revenue requirement calculations are shown on Schedule Nos. 1 and 2. Additionally, we find that the overall rate of return agreed to by OPC and the Utility, as specified above and as accepted by this Commission, will have no precedential effect or value in any future rate case.

⁴⁷Docket No. 20180013-PU, In re: Petition to establish a generic docket to investigate and adjust rates for 2018 tax savings, by Office of Public Counsel.

Water and wastewater rates

We order that service rates for Pluris Wedgefield be designed to allow the Utility the opportunity to generate annual service revenues of \$1,563,039 for water and \$1,014,015 for wastewater. The annualized service revenues before the rate increase are \$1,404,636 for water and \$964,958 for wastewater. This results in an 11.28 percent increase for water and a 5.08 percent increase for wastewater service revenues. The corresponding percentage increases shall be applied as an across-the-board increase to the existing water and wastewater rates.

Based on the above, the approved monthly water rates are provided on Schedule No. 3 and the approved monthly wastewater rates are provided on Schedule No. 4. The approved rates shall be designed to produce additional revenues of \$158,403 (11.28 percent increase) for water and \$49,057 (5.08 percent increase) for wastewater. The percent increases shall be applied as an across-the-board increase to the existing rates. The Utility shall file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates shall 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 shall not be implemented until Commission staff has approved the proposed customer notice and the notice has been received by the customers. The Utility shall provide proof of the date notice was given within 10 days of the date of the notice.

Meter Installation Charge

The Utility currently has a meter installation charge of \$110 for a 5/8" x 3/4" meter and \$170 for a 1" meter which were approved in an application for original certificates in 1983.⁴⁸ A meter installation charge is designed to recover the cost of the meter and the installation. Pluris requested an increase in its meter installation charge to reflect the current costs to install an AMI meter. The requested meter installation charge is \$268, comprising \$115 for the meter, \$130 for the transmitter, and \$23 for the meter box. To additionally justify these cost components, the Utility provided a quote for the meter, transmitter, and the meter box. The Utility's requested meter installation charges are consistent with meter installation charges previously approved by this Commission for other utilities.

We find the Utility's request to be reasonable and this request is approved. Based on the above, the meter installation charge of \$268 for a 5/8" x 3/4" meter and actual cost for all other meter sizes is approved. The Utility shall file revised tariff sheets and a proposed customer notice. Pluris shall provide notice to provide property owners who have requested service within the 12 calendar months prior to the month the application was filed to the present. The approved charges shall be effective for connections made on or after the stamped approval date on the tariff sheets. The Utility shall provide proof of the date notice was given within 10 days of the date of the notice.

⁴⁸Order No. 12315, issued August 4, 1983, in Docket No. 820323-WS, In re: Application of Econ Utilities Corporation for original water and sewer certificates in Orange Florida.

Four-Year Rate Reduction

Section 367.081(8), F.S., requires that the rates be reduced immediately following the expiration of the 4-year period by the amount of the rate case expense previously included in rates. The reduction will reflect the removal of revenue associated with the amortization of rate case expense, the associated return in working capital, and the gross-up for RAFs. This results in a reduction of \$3,147 for water and wastewater.

The water and wastewater rates shall be reduced, as shown on Schedule Nos. 3 and 4, to remove rate case expense grossed-up for RAFs and amortized over a 4-year period. The decrease in rates shall become effective immediately following the expiration of the 4-year rate case expense recovery period, pursuant to Section 367.081(8), F.S. Pluris is 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 shall 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.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that incremental revenue requirement increases of \$158,403 for water and \$49,057 for wastewater, as opposed to the Pluris Wedgefield, Inc.'s requested incremental revenue requirement increases of \$194,159 for water and \$57,545 for wastewater, are approved. Additionally, we order that the overall rate of return agreed to by OPC and the Utility, as specified above and as accepted by this Commission, will have no precedential effect or value in any future rate case. It is further

ORDERED that the rates shall be designed to produce additional revenues of \$158,403 (11.28 percent increase) for water and \$49,057 (5.08 percent increase) for wastewater. The approved monthly water rates are shown on Schedule No. 3 and the approved monthly wastewater rates are provided on Schedule No. 4 as attached hereto. The percent increases shall be applied as an across-the-board increase to the existing rates. The Utility shall file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates shall 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 shall not be implemented until Commission staff has approved the proposed customer notice and the notice has been received by the customers. The Utility shall provide proof of the date notice was given within 10 days of the date of the notice. It is further

ORDERED that the meter installation charge of \$268 for a 5/8" x 3/4" meter and actual cost for all other meter sizes are approved. The Utility shall file revised tariff sheets and a proposed customer notice. Pluris shall provide notice to property owners who have requested service within the 12 calendar months prior to the month the application was filed to the present. The approved charges shall be effective for connections made on or after the stamped approval

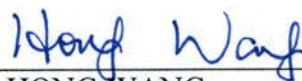
date on the tariff sheets. The Utility shall provide proof of the date notice was given within 10 days of the date of the notice. It is further

ORDERED that the water and wastewater rates shall be reduced, as shown on Schedule Nos. 3 and 4, to remove rate case expense grossed-up for RAFs and amortized over a 4-year period. The decrease in rates shall become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.081(8), F.S. Pluris shall 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 shall 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. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that 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 shall be issued. The docket shall 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 shall be closed administratively.

By ORDER of the Florida Public Service Commission this 13th day of June, 2018.



HONG WANG
Chief Deputy Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399
(850) 413-6770
www.floridapsc.com

Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

Dissenting Opinion by Commissioner Julie I. Brown:

While the documentation provided by Pluris Wedgefield, Inc. (Pluris or Utility) indicates that it is currently meeting Florida Department of Environmental Protection's (DEP) primary and secondary water quality standards, there were numerous customer complaints concerning the Utility's water quality provided to the Commission, DEP and the Utility over the past five years. There were also multiple customer comments addressing the Utility's elevated Total Trihalomethanes (TTHM, a disinfection byproduct) levels at the customer meeting held November 2, 2017, in Orlando, Florida.⁴⁹ In addition, approximately 46 customers filed written comments in this docket concerning the Utility's water quality. Since this matter addresses pro forma items in a limited proceeding, the Commission did not provide an analysis on quality of service in accordance with Section 367.0812, Florida Statutes. Given the high number of customer complaints in this docket, a written staff analysis on the quality of service should have been conducted in this instance.

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing that is available under Section 120.57, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The action proposed herein is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on July 5, 2018.

In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

⁴⁹ Although, the most recent DEP compliance test results, dated March 20, 2018, demonstrate that TTHM levels are in compliance with DEP standards.

ORDER NO. PSC-2018-0311-PAA-WS

DOCKET NO. 20170166-WS

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Any objection or protest filed in this/these docket(s) before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

| Water Revenue Requirement | | | |
|---------------------------------|--------------------|-------------------|--------------------------------|
| | <u>Per Utility</u> | <u>Adjustment</u> | <u>Commission Approved</u> |
| UPIS | \$1,063,865 | (\$2,300) | \$1,061,565 |
| Retirements | (473,339) | 0 | (473,339) |
| Less: Accumulated Depreciation | (448,935) | 24,003 | (424,932) |
| Working Capital | <u>2,704</u> | <u>(2,128)</u> | <u>576</u> |
| Total Increase in Rate Base | <u>\$1,042,165</u> | <u>(\$28,431)</u> | <u>\$1,013,734</u> |
| Weighted Cost of Capital | 9.21% | | 8.26% |
| Return on Rate Base | \$95,860 | | \$83,734 |
| Depreciation Expense | \$26,273 | (\$402) | \$25,871 |
| Rate Case Expense | 5,995 | (3,022) | 2,973 |
| Rent Expense | 9,000 | (9,000) | 0 |
| Maintenance Expense | 17,739 | (5,003) | 12,736 |
| Meter Reading Expense | (11,100) | 0 | (11,100) |
| TOTI | 17,626 | (1,480) | 16,146 |
| State Income Tax (5.5%) | 5,277 | (672) | 4,605 |
| Federal Income Tax (21%) | 19,041 | (2,424) | 16,617 |
| Regulatory Assessment Fees | <u>8,356</u> | <u>(1,535)</u> | <u>6,821</u> |
| Total Operating Expenses | \$98,207 | (\$23,538) | \$74,669 |
| Total Revenue Increase Approved | <u>\$194,159</u> | | <u>\$158,403</u> |
| Annualized Revenue | \$1,404,636 | | \$1,404,636 |
| Percentage Increase | 13.81% | | 11.28% |

| Wastewater Revenue Requirement | | | |
|---------------------------------|------------------------------|-------------------|--------------------------------------|
| | <u>Per</u> <u>Utility</u> | <u>Adjustment</u> | <u>Commission</u> <u>Approved</u> |
| UPIS | \$359,023 | \$0 | \$359,023 |
| Retirements | (269,267) | 0 | (269,267) |
| Less: Accumulated Depreciation | (265,278) | 3,989 | (261,289) |
| Working Capital | <u>749</u> | <u>(377)</u> | <u>372</u> |
| Total Increase in Rate Base | <u>\$355,783</u> | <u>(\$4,367)</u> | <u>\$351,416</u> |
| Weighted Cost of Capital | 9.21% | | 8.26% |
| Return on Rate Base | \$32,755 | | \$29,027 |
| Depreciation Expense | \$1,994 | (\$0) | \$1,994 |
| Rate Case Expense | 5,995 | (3,022) | 2,973 |
| TOTI | 6,020 | (426) | 5,594 |
| State Income Tax (5.5%) | 1,802 | (206) | 1,596 |
| Federal Income Tax (21%) | 6,500 | (740) | 5,760 |
| Regulatory Assessment Fees | <u>2,478</u> | <u>(365)</u> | <u>2,113</u> |
| Total Operating Expense | \$24,789 | (\$4,759) | \$20,030 |
| Total Revenue Increase Approved | <u>\$57,545</u> | | <u>\$49,057</u> |
| Annualized Revenue | \$964,958 | | \$964,958 |
| Percentage Increase | 5.96% | | 5.08% |

**PLURIS WEDGEFIELD
 MONTHLY WATER RATES**

**SCHEDULE NO. 3
 DOCKET NO. 20170166-WS**

| | UTILITY CURRENT RATES | COMMISSION APPROVED RATES | 4 YEAR RATE REDUCTION |
|--|--------------------------------------|--|--------------------------------------|
| <u>Residential, General, and Irrigation Service</u> | | | |
| Base Facility Charge by Meter Size | | | |
| 5/8" x 3/4" | \$24.71 | \$27.50 | \$0.06 |
| 3/4" | \$37.08 | \$41.25 | \$0.08 |
| 1" | \$61.79 | \$68.75 | \$0.14 |
| 1-1/2" | \$123.58 | \$137.50 | \$0.28 |
| 2" | \$197.74 | \$220.00 | \$0.44 |
| 3" | \$395.48 | \$440.00 | \$0.88 |
| 4" | \$617.92 | \$687.50 | \$1.38 |
| 6" | \$1,235.86 | \$1,375.00 | \$2.75 |
| Charge per 1,000 gallons- Residential and Residential Irrigation Service | | | |
| 0-5,000 gallons | \$7.79 | \$8.67 | \$0.02 |
| 5,001-10,000 gallons | \$9.68 | \$10.77 | \$0.02 |
| Over 10,000 gallons | \$14.52 | \$16.16 | \$0.03 |
| Charge per 1,000 gallons- General and General Irrigation Service | | | |
| | \$8.79 | \$9.78 | \$0.02 |
| <u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u> | | | |
| 3,000 Gallons | \$48.08 | \$53.51 | |
| 5,000 Gallons | \$63.66 | \$70.85 | |
| 8,000 Gallons | \$92.70 | \$103.16 | |

| PLURIS WEDGEFIELD | | SCHEDULE NO. 4 | |
|---|--------------------------------------|--|--------------------------------------|
| MONTHLY WASTEWATER RATES | | DOCKET NO. 20170166-WS | |
| | UTILITY CURRENT RATES | COMMISSION APPROVED RATES | 4 YEAR RATE REDUCTION |
| <u>Residential Service</u> | | | |
| Base Facility Charge- All Meter Sizes | \$29.01 | \$30.48 | \$0.09 |
| Charge per 1,000 gallons 8,000 gallon cap | \$4.24 | \$4.46 | \$0.01 |
| <u>General Service</u> | | | |
| Base Facility Charge by Meter Size | | | |
| 5/8" x 3/4" | \$29.01 | \$30.48 | \$0.09 |
| 3/4" | \$43.52 | \$45.72 | \$0.14 |
| 1" | \$72.55 | \$76.20 | \$0.24 |
| 1-1/2" | \$145.07 | \$152.40 | \$0.47 |
| 2" | \$232.11 | \$243.84 | \$0.76 |
| 3" | \$464.22 | \$487.68 | \$1.51 |
| 4" | \$725.35 | \$762.00 | \$2.36 |
| 6" | \$1,450.71 | \$1,524.00 | \$4.72 |
| Charge per 1,000 gallons | \$5.08 | \$5.34 | \$0.02 |
| <u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u> | | | |
| 3,000 Gallons | \$41.73 | \$43.86 | |
| 5,000 Gallons | \$50.21 | \$52.78 | |
| 8,000 Gallons | \$62.93 | \$66.16 | |