

Ashley Quick

Subject: APPROVED - Request to make oral modification for Item 14-- Docket No. 140186-WU - Application for staff-assisted rate case in Brevard Waterworks, Inc.

From: Kathy Shoaf

Sent: Friday, September 09, 2016 2:00 PM

To: Commissioners & Staffs; Keith Hetrick; Mark Futrell; Apryl Lynn; Andrew Maurey; Tom Ballinger; Greg Shafer; Keino Young; Charles Murphy; Laura King; Penny Buys; Patti Daniel; Shannon Hudson; Charles Johnson; Bart Fletcher; Amber Norris; Mary Anne Helton; Greg Shafer

Cc: Kate Hamrick; Jacqueline Moore; Nancy Harrison

Subject: APPROVED - Request to make oral modification for Item 14-- Docket No. 140186-WU - Application for staff-assisted rate case in Brevard Waterworks, Inc.

Please see APPROVED – Request to make Oral Modification for Item 14 – Docket No. 140186-WU – Application for staff-assisted rate case in Brevard Waterworks, Inc

Kathy Shoaf

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Braulio Baez, Executive Director

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From: Braulio Baez

Sent: Friday, September 09, 2016 1:43 PM

To: Kathy Shoaf

Subject: FW: Request to make oral modification for Item 14-- Docket No. 140186-WU - Application for staff-assisted rate case in Brevard Waterworks, Inc.

Approved. Thank you

From: Greg Shafer

Sent: Friday, September 09, 2016 1:12 PM

To: Braulio Baez

Cc: Mark Futrell; Kate Hamrick; Andrew Maurey; Cheryl Bulecza-Banks; Amber Norris; Tom Ballinger; Penny Buys; Laura King; Charles Murphy; Keino Young; Patti Daniel; Shannon Hudson; Charles Johnson; Kathy Shoaf

Subject: Request to make oral modification for Item 14-- Docket No. 140186-WU - Application for staff-assisted rate case in Brevard Waterworks, Inc.

Item 14 relates to an application for a staff-assisted rate case by Brevard Waterworks, Inc. At the request of the Office of Public Counsel (OPC), staff requests approval to make an oral modification to language in Issue 1, starting on Page 5 and ending on Page 6. Staff is in agreement with the modification and it has no other effects on the recommendation. With the removal of this language, OPC supports the Staff's recommendation. The specific modification is highlighted and in type and strike format as follows:

Adjustment to Purchased Water

Subsequent to Order No. PSC-15-0329-PAA-WU, Brevard also worked with the county to establish new purchased water rates. The county, at its board meeting, approved the new rates for Brevard. The utility estimated that the new rates, effective November 2015, would reduce the purchased water expense by approximately \$30,000. As previously stated, Brevard's purchased water expense was reduced by \$30,511 due to EUW. In its November 19, 2015 letter, Brevard argued that since the prospective rates charged by the county will reduce the purchased water costs approximately equal to the Commission previously approved reduction, Brevard did not believe it was necessary to revisit the Commission-approved reduction adjustment in purchased water expense at this time. Brevard asserts that if the purchased water rate reduction is passed to the customers then the Commission should revisit the EUW adjustment. It is Brevard's position that the net effect is identical.

~~OPC argues that the customers' rates should be automatically reduced due to Brevard's reduced purchased water rates pursuant to Section 367.081(4)(b), F.S. OPC reads the statute to say that it mandates an automatic decrease in rates whenever the reselling utility has a reduction in its purchased water expense. OPC emphasizes the part of the statute that reads that the utility's customer rates "shall be automatically increased or decreased without hearing, upon verified notice to the Commission 45 days prior to its implementation of the increase or decrease of the rates charged by the governmental authority..." OPC argues that Brevard's letter dated November 19, 2015,¹¹ should be considered the "verified notice to the Commission." In this context, staff observes that, pursuant to Rule 25-30.425(1), F.A.C., a verified notice must include the following for there to be a pass through rate adjustment authorized by Section 367.081(4)(b), F.S.:~~

~~(a) A certified copy of the order, ordinance or other evidence whereby the rates for utility service are increased or decreased by the governmental agency or by a water or wastewater utility regulated by the Commission, along with evidence of the utility service rates of that governmental agency or water or wastewater utility in effect on January 1 of each of the three preceding years.~~

~~(b) A statement setting out by month the charges for utility services purchased from the governmental agency or regulated utility for the most recent 12-month period.~~

~~(c) A statement setting out by month the gallons of water or wastewater treatment purchased from the governmental agency or regulated utility for the most recent 12-month period. If wastewater treatment service is not based on a metered flow, the number of units by which the service is measured shall be stated.~~

~~2. A statement setting out by month gallons of water and units of wastewater service sold by the utility for the most recent 12-month period.~~

~~(d) A statement setting out by month the gallons of water or wastewater treatment purchased from any other government entity or utility company.~~

~~(e) A statement setting out by month the gallons of water pumped or wastewater treated by the utility filing the verified notice.~~

~~(f) If the total water available for sale is in excess of 110% of the water sold, a statement explaining the unaccounted for water.~~

~~These requirements are simply not addressed in Brevard's November 19, 2015, letter and thus, the pass-through rate process has not been triggered. Moreover, Brevard argues that the pass-through statute anticipates an application filed outside a rate case. When a pass-through application is filed with the Commission, the review performed by staff is limited as opposed to a staff-assisted rate case in which staff reviews all relevant information. Staff agrees with Brevard that the automatic decrease provision of Section 367.081(4)(b), F.S., (relied upon by OPC) does not logically apply in the context of a rate case. In addition to there being no~~

~~“verified notice,” staff observes that Section 367.081(4)(b), F.S., provides that “the provisions of this subsection do not prevent a utility from seeking a change in rates pursuant to the provisions of subsection (2).” Section 367.081(2)(a), F.S., is incorporated by reference in the SARC statute^[2] and represents the Commission’s authority to “fix rates which are just, reasonable, compensatory and not unfairly discriminatory.”~~

~~However, notwithstanding the inapplicability of the pass through rate process to the instant proceeding, staff recommends that the lower cost of water from the county must be considered in setting Phase II rates in the instant rate case.~~

Staff recommends that the lower cost of water from the county must be considered in setting Phase II rates in the instant rate case. In Phase I, the utility’s total purchased water expense of \$115,137 was decreased by \$30,511 due to an EUW of 26.5 percent. Including the adjustment for EUW, the Commission approved purchased water expense was \$84,626 (\$115,137 - \$30,511) in Phase I. To calculate the Phase II revenue requirement, staff removed the EUW adjustment. Staff then made an adjustment to reflect the lower purchased water rate from Brevard County by annualizing the expense using the lower rates and the test year determinants. This calculation results in an annual purchased water expense of \$58,629 for Phase II. As such, staff recommends that the purchased water expense be decreased by \$56,508 (\$115,137 - \$58,629) in Phase II to reflect the pass through of the lower rates from Brevard County. The net adjustment to Phase I revenue requirement, based on removal of the \$30,511 EUW adjustment and reduction of purchased water by \$56,508, is a decrease of \$25,998 (\$30,511 - \$56,508). In its August 1, 2016 letter, Brevard agreed with staff’s methodology to reflect the most recent charges.

^[1] See Document No. 07361-15, “Analysis of Unaccounted for Water”

^[2] See Section 367.0814(3), F.S., “The provisions of 367.081(1), (2)(a), and (3) shall apply in determining the utility’s rates and charges.