



September 16, 2024

Office of Commission Clerk  
Florida Public Service Commission  
2540 Shumard Oak Blvd.  
Tallahassee, FL 32399-0850

*Re: Docket No. 20240106-WU - Petition for Variance or Waiver of Rule 25-30.445, Florida Administrative Code by North Florida Community Water Systems, Inc. in Alachua, Duval, Leon, Okaloosa, and Washington Counties – Response to Office of Public Counsel*

Dear Commission Clerk,

North Florida Community Water Systems, Inc. (NFCWS) hereby submits its response to the Office of Public Counsel (OPC) Opposition Letter dated September 13, 2024. In its letter, OPC opposes NFCWS' request for a partial variance or waiver of a requirement of Rule 25-30.445, Florida Administrative Code (F.A.C.) pursuant to Section 120.542, Florida Statutes (F.S.).

NFCWS offers the following information for the Commission's consideration. Previously in Docket No. 20220201-WU, one of NFCWS sister affiliated utilities, Florida Community Water Systems (FCWS) requested a partial variance or waiver of the same rule. It should be noted that OPC was an "interested party" in this previous docket. See Document No. **01041-2023**, dated February 9, 2023. The circumstances in this previous docket are very similar to the current docket. There were no objections filed by OPC in this previous docket.

In the order approving this previous request, Order No. PSC-2023-0113-PAA-WS, issued March 24, 2023, the Commission stated, "FCWS acknowledges that neither Harbor nor Black Bear have had a full rate case, and it has been 8 years since we set rates for Brevard Waterworks, Inc. and Jumper Creek." Thus four (4) of the systems would not have been eligible for a LIMP.

This Order also states:

The limitations set out under Rule 25-30.445, F.A.C., are unique to the water and wastewater industry. Section 366.076, F.S., provides for petitions for limited proceedings by electric and gas companies, and its associated Rule 25-6.0431, F.A.C., does not contain the same limiting provisions as Rule 25-30.455, F.A.C. The purpose of Section 367.0822, F.S. – to allow us to review the singular issue of a revenue-neutral consolidation of the FCWS systems' rates – is met if Rule 25-30.445(6), F.A.C., is waived. As acknowledged by FCWS, we would retain our

authority to solicit any information needed to process the requested rate consolidation, including conducting an audit if necessary, as well as continue regulatory oversight and earnings' surveillance through FCWS's annual reports. Therefore, we find that FCWS has demonstrated that the purpose of the underlying statute would be achieved if the requirements of Rule 25-30.445(6), F.A.C., are waived.

The Commission further states, "The second prong of the rule waiver test is met if strict application of the rule either (1) creates a substantial hardship or (2) would violate the principles of fundamental fairness. The utility may meet the second prong through either path and is not required to show both." The Order continues, "However, the second prong of the rule waiver statute may also be met when application of the rule would violate principles of fairness. "Principles of fairness" are violated when the literal application of a rule affects a particular person in a manner significantly different from the way it affects other similarly situated persons who are subject to the rule. Section 120.542(2), F.S."

In making its decision in this Order, the Commission stated,

Requiring FCWS to pursue these goals through a full base rate proceeding would unfairly minimize or obviate the benefits of consolidation by adding the additional time and rate case expense required to process an application pursuant to Section 367.081, F.S.

A limited proceeding will allow us to maintain appropriate regulatory oversight of the proposed rate consolidation, to the benefit of the utility and its customers. Under the unique circumstances of this case, the potential benefits to the utility and its customers stand to be lost if FCWS is not permitted to pursue the proposed revenue-neutral rate restructuring as a limited proceeding. Therefore, we find that strict application of the rule would violate the principles of fairness.

Again, NFCWS notes that the OPC did not oppose this previous request from FCWS. There has been no showing by OPC that this instant request by NFCWS differs significantly from the Commission's previous decision.

If OPC's opposition is approved, there is a very high likelihood that the rate reductions being requested for the majority of the water customers would be eliminated. In its recently submitted revised schedules (Document No. 08639-2024, dated 08/23/24), the requested uniform water rates result in typical residential water bills being reduced at both 3,000 and 5,000 gallons, with the exception of the Gator and Seminole water systems. *These requested rates will provide a significant relief to approximately fifty-two percent (52%) of the residential customers at these usage levels.*

NFCWS performed an analysis of the current earnings and revenue requirement for its water systems utilizing a test year period ending July 31, 2024. (Attached) Based upon this analysis, the revenue requirement for the NFCWS would need to be **increased** by approximately \$154,463, or a 9.08% increase. NFCWS acknowledges that this analysis did not include any



adjustments such as used and useful. NFCWS also acknowledges that this analysis did not include any negative acquisition adjustments, consistent with the most recently approved Rule 25-30.0371, Florida Administrative Code. The analysis is based upon a capital structure of 100% shareholder equity utilizing the most recently approved leverage formula in Order No. PSC-2023-0189-PAA-WS.

This analysis was solely based upon the most recent 12 month financials of NFCWS and does not contain any adjustments that may or may not be made during a full blown rate case. This analysis also does not include any recent plant additions, or rate case expense. Recently in August 2024, the utility received numerous invoices for repairs, installations, etc. totaling \$127,814. This included a large repair to the fire system at its Duval water system, in the amount of \$97,593. These were not included in the analysis, but would be included in a rate case.

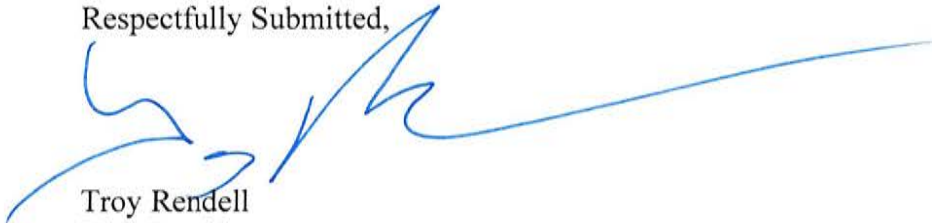
In its opposition, OPC references potential subsidy levels. NFCWS contends that this would be reviewed, analyzed, and decided when the Commission makes its decision in the LIMP and not during the rule waiver. This would be consistent with Order No. PSC-2023-0300-PAA-WS, issued October 2, 2023. In this referenced Order, the Commission stated:

In prior dockets, we have approved rate consolidation because it encourages large utilities to acquire small utilities; recognizes economies of scale attributable to large utilities with respect to combined operations; results in cost savings associated with regulatory filings; and produces rate stability across all systems. In evaluating consolidated rates in prior decisions, we have set a subsidy limit and evaluated the consolidated rates at the average residential demand for the individual systems.

Based upon the average Residential consumption of 4,000 gallons, the subsidies under the proposed uniform rates for both the Gator and Seminole systems are well below the subsidy level of \$17.27 determined by the Commission in that order.

Based upon the preceding, NFCWS respectfully requests this Commission grant a partial waiver or variance of the provisions of Section 25-30.445(6), F.A.C., and subsequently grant a revenue-neutral water rate restructuring with the addition of rate case expense.

Respectfully Submitted,



Troy Rendell  
Vice President

Investor Owned Utilities

// for North Florida Community Water Systems, Inc.

North Florida Community Water Systems  
 Schedule of Water Rate Base  
 Test Year Ended 07/31/2024

Schedule No. 1-A

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Description	Average Test Year Per Utility	Adjustments	Average Adjusted Test Year
1 Plant in Service	\$13,564,181	\$0	\$13,564,181
2 Land and Land Rights	56,487	0	56,487
4 Accumulated Depreciation	-5,526,079	0	-5,526,079
5 CIAC	-4,779,825	0	-4,779,825
6 Amortization of CIAC	1,496,067	0	1,496,067
7 Working Capital Allowance	<u>132,062</u>	0	132,062
<b>8 Rate Base</b>	<u>\$4,942,893</u>	<u>\$0</u>	<u>\$4,942,893</u>

North Florida Community Water Systems  
 Capital Structure  
 Test Year Ended 07/31/2024

Schedule No. 2  
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Description	Total Capital	Specific Adjustments	Subtotal Adjusted Capital	Prorata Adjustments	Capital Reconciled to Rate Base	Ratio	Cost Rate	Weighted Cost
<b>Per Utility</b>								
11 Long-term Debt	\$0	\$0	\$0	\$0	\$0	0.00%	0.00%	0.00%
12 Short-term Debt	0	0	\$0	\$0	0	0.00%	0.00%	0.00%
13 Preferred Stock	0	0	\$0	\$0	0	0.00%	0.00%	0.00%
14 Common Equity	4,095,865	0	\$4,095,865	\$779,017	4,874,882	98.62%	8.46%	8.34%
15								
16 Customer Deposits	<u>57,143</u>	<u>0</u>	<u>\$57,143</u>	<u>\$10,868</u>	<u>68,011</u>	<u>1.38%</u>	2.00%	<u>0.03%</u>
20 <b>Total Capital</b>	<b><u>\$4,153,008</u></b>	<b><u>\$0</u></b>	<b><u>\$4,153,008</u></b>	<b><u>\$789,885</u></b>	<b><u>\$4,942,893</u></b>	<b><u>100.00%</u></b>		<b><u>8.37%</u></b>
						<b><u>LOW</u></b>	<b><u>HIGH</u></b>	
					RETURN ON EQUITY	<u>7.46%</u>	<u>9.46%</u>	
					OVERALL RATE OF RETURN	<u>7.38%</u>	<u>9.36%</u>	

North Florida Community Water Systems  
Statement of Water Operations  
Test Year Ended 07/31/2024

Schedule No. 3-A

Description	Test Year Per Utility	Adjustments	Adjusted Test Year	Revenue Increase	Revenue Requirement
1 <b>Operating Revenues:</b>	<u>\$1,701,380</u>	<u>\$0</u>	<u>\$1,701,380</u>	<u>\$154,463</u> 9.08%	<u>\$1,855,843</u>
<b>Operating Expenses</b>					
2 Operation & Maintenance	1,056,495	0	1,056,495	0	1,056,495
3 Depreciation	371,541	0	371,541	0	371,541
4 Amortization - CIAC	-118,215	0	-118,215		-118,215
5 Taxes Other Than Income	132,247	0	132,247	0	132,247
6 Income Taxes	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
7 <b>Total Operating Expense</b>	<u>1,442,068</u>	<u>0</u>	<u>1,442,068</u>	<u>0</u>	<u>1,442,068</u>
8 <b>Operating Income</b>	<u>\$259,312</u>	<u>\$0</u>	<u>\$259,312</u>	<u>\$154,463</u>	<u>\$413,775</u>
9 <b>Rate Base</b>	<u>\$4,942,893</u>		<u>\$4,942,893</u>		<u>\$4,942,893</u>
11 <b>Rate of Return</b>	<u>5.25%</u>		<u>5.25%</u>		<u>8.37%</u>