

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for establishment of
wastewater allowance for funds prudently
invested (AFPI) charges in Lake County, by
Utilities, Inc. of Florida.

DOCKET NO. 20190189-WS
ORDER NO. PSC-2020-0072-TRF-WS
ISSUED: March 11, 2020

The following Commissioners participated in the disposition of this matter:

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

ORDER APPROVING UTILITIES, INC. OF FLORIDA'S
PETITION FOR AFPI CHARGES

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

Utilities, Inc. of Florida (UIF or utility) is a Class A utility providing water and wastewater services to 27 systems in the following counties: Charlotte, Highlands, Lake, Lee, Marion, Orange, Pasco, Pinellas, Polk, and Seminole. In its 2018 annual report, the utility reported operating revenues of \$15,633,470 for water and \$19,795,636 for wastewater.

On October 7, 2019, the utility filed an application to revise its existing allowance for funds prudently invested (AFPI) charges for its wastewater system formerly known as Lake Utility Services, Inc. (LUSI), along with tariff sheets reflecting the proposed charges. The utility's existing AFPI charges for the LUSI wastewater system were approved April 4, 2018.¹ The utility is requesting to revise its existing AFPI charges for LUSI's wastewater system based on the Commission's remand decision in Order No. PSC-2019-0363-PAA-WS, issued August 27, 2019, which reduced the used and useful (U&U) value of LUSI's wastewater treatment plant

¹Order No. PSC-2018-0174-TRF-SU, issued April 4, 2018, in Docket No. 20170223-SU, *In re: Application for establishment of wastewater allowance for funds prudently invested (AFPI) charges in Highlands, Lake, Marion, Pasco, and Pinellas Counties, by Utilities, Inc. of Florida.*

(WWTP) from 58.78 to 53.54 percent.² The U&U value was reduced to reflect the removal of prepaid connections from the U&U calculation because capacity devoted to prepaid connections does not qualify under Section 367.081(2)(a)2.b., Florida Statutes (F.S.), as property used and useful in the public service. The utility's proposed AFPI tariffs were suspended by Order No. PSC-2019-0546-PCO-WS, issued December 23, 2019, in the instant docket, pending further investigation.³ On January 30, 2019, the utility filed revised schedules to correct an error in the calculation of net depreciation expense. In addition, the utility filed a schedule detailing the amount of AFPI collected and the number of equivalent residential connections (ERCs) reserved or connected to the system from April 17, 2017 through October 1, 2019.

In this order, we address UIF's request to establish revised AFPI charges for its LUSI wastewater system. We have jurisdiction pursuant to Sections 367.081 and 367.091, F.S.

Decision

Pursuant to Rule 25-30.434, Florida Administrative Code (F.A.C.), an AFPI charge is a mechanism which allows a utility the opportunity to earn a fair rate of return on prudently constructed plant held for future use from the future customers to be served by that plant in the form of a charge paid by those customers. The AFPI charge is calculated for one ERC on a monthly basis up to the time the utility reaches the designed capacity of the plant for which the charge applies. The charges cease when the plant has reached its designed capacity.

UIF's existing AFPI charges for LUSI's wastewater system became effective on March 15, 2018, and were calculated based on a U&U value of 58.78 percent for LUSI's WWTP pursuant to Order No. PSC-2017-0361-FOF-WS.⁴ The utility's existing charges apply to the connection of 1,471 ERCs as of December 31, 2015. Portions of Order No. PSC-2017-0361-FOF-WS were appealed by participating intervenors in the docket and as a result, we ordered adjustments to the U&U calculations to eliminate the prepaid connections. By Order No. PSC-2019-0363-PAA-WS, we reduced the U&U value of LUSI's WWTP to 53.54 percent.⁵

On October 7, 2019, UIF filed a request to revise its existing AFPI charges for LUSI's wastewater system in order to reflect the reduction in the U&U value of LUSI's WWTP. Since the U&U value of LUSI's WWTP decreased, the non-U&U value of the WWTP or available system capacity for future customers increased. Pursuant to Rule 25-30.434, F.A.C., the calculation of AFPI charges is based in part on the dollar amount of the non U&U plant and

²Order No. PSC-2019-0363-PAA-WS, issued August 27, 2019, in Docket No. 20160101-WS, *In re: Application for increase in water and wastewater rates in Charlotte, Highlands, Lake, Lee, Marion, Orange, Pasco, Pinellas, Polk, and Seminole Counties by Utilities, Inc. of Florida.*

³Order No. PSC-2019-0546-PCO-WS, issued December 23, 2019, in Docket No. 20190189-WS, *In re: Application for establishment of wastewater allowance for funds prudently invested (AFPI) charges in Lake County.*

⁴Order No. PSC-2018-0174-TRF-SU, issued April 4, 2018, in Docket No. 20170223-SU, *In re: Application for establishment of wastewater allowance for funds prudently invested (AFPI) charges in Highlands, Lake, Marion, Pasco, and Pinellas Counties, by Utilities, Inc. of Florida*

⁵Order No. PSC-2019-0363-PAA-WS, issued August 27, 2019, in Docket No. 20160101-WS, *In re: Application for increase in water and wastewater rates in Charlotte, Highlands, Lake, Lee, Marion, Orange, Pasco, Pinellas, Polk, and Seminole Counties by Utilities, Inc. of Florida.*

accumulated depreciation and the related capacity in terms of ERCs. The utility requested the AFPI charges apply to future connections of 1,658 ERCs, based on the non-U&U capacity of LUSI's WWTP. We find that the utility's request to revise its AFPI charges to reflect the reduced U&U percentage is appropriate. Furthermore, the requested charges reflect the costs associated with one ERC based on 280 gallons per day (gpd) per ERC. If a future customer is expected to place more demand on the system than one ERC, the charge shall be multiplied by the number of ERCs of demand which are needed to provide service to the customer.

Pursuant to Rule 25-30.434(4), F.A.C., the beginning date for accruing the AFPI charges shall agree with the month following the end of the test year that was used to establish the amount of non-U&U plant. The test year ended December 31, 2015, was used to initially establish the utility's existing AFPI charges and remains unchanged. For this reason, the beginning date of the five-year accrual period shall remain January 1, 2016 through December 31, 2020. After December 31, 2020, the utility shall be allowed to collect the constant charge of \$1,171.57 until the projected ERCs (1,658) included in the calculation of the charge have been added, upon which the charges shall be discontinued.

In response to Commission staff's data request, the utility indicated that it has reserved capacity for 1,542 ERCs since the beginning of the accrual period. Therefore, the utility is eligible to collect AFPI charges for 116 remaining ERCs (1,658 – 1,542). We find that the appropriate AFPI charges for UIF's LUSI wastewater system are as shown on Table 1. The amount of AFPI charges collected from an ERC is based on the month of the connection to the system.

Table 1
Allowance for Funds Prudently Invested Charges

| | 2016 | 2017 | 2018 | 2019 | 2020 |
|-----------|----------|----------|----------|----------|------------|
| January | \$18.00 | \$234.69 | \$459.98 | \$694.47 | \$938.79 |
| February | \$36.00 | \$253.40 | \$479.45 | \$714.75 | \$959.95 |
| March | \$53.99 | \$272.11 | \$498.92 | \$735.04 | \$981.12 |
| April | \$71.99 | \$290.82 | \$518.40 | \$755.33 | \$1,002.28 |
| May | \$89.99 | \$309.53 | \$537.87 | \$775.62 | \$1,023.44 |
| June | \$107.99 | \$328.24 | \$557.34 | \$795.90 | \$1,044.60 |
| July | \$125.99 | \$346.95 | \$576.81 | \$816.19 | \$1,065.76 |
| August | \$143.98 | \$365.66 | \$596.29 | \$836.48 | \$1,086.92 |
| September | \$161.98 | \$384.37 | \$615.76 | \$856.77 | \$1,108.92 |
| October | \$179.98 | \$403.08 | \$635.23 | \$877.05 | \$1,129.25 |
| November | \$197.98 | \$421.79 | \$654.71 | \$897.34 | \$1,150.41 |
| December | \$215.98 | \$440.50 | \$674.18 | \$917.63 | \$1,171.57 |

Source: Commission staff's calculations and revised utility application

Based on the above, UIF's request to revise its existing AFPI charges for LUSI's wastewater system are approved and the appropriate AFPI charges are as shown on Table 1. The

AFPI charges shall apply until all 1,658 ERCs included in the calculation have connected to LUSI's wastewater system. After December 31, 2020, the AFPI charge shall cease accruing and the utility shall be allowed to collect the constant charge of \$1,171.57 until the ERCs included in the calculation of the charge (1,658) have been added, upon which the charges shall be discontinued. UIF shall provide notice to property owners who have requested service during the 12 months prior to the month this application was filed. 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 noticing within 10 days of providing its approved notice.

Based on the foregoing, it is

ORDERED that Utilities, Inc. of Florida's request to revise its existing AFPI charges for LUSI's wastewater system are approved and the appropriate AFPI charges are as shown on Table 1. The AFPI charges shall apply until all 1,658 ERCs included in the calculation have connected to LUSI's wastewater system. It is further

ORDERED that after December 31, 2020, the AFPI charge shall cease accruing and the utility shall be allowed to collect the constant charge of \$1,171.57 until the ERCs included in the calculation of the charge (1,658) have been added, upon which the charges shall be discontinued. It is further

ORDERED that the utility shall provide notice to property owners who have requested service during the 12 months prior to the month this application was filed. 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 noticing within 10 days of providing its approved notice. 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 The docket should remain open for Commission staff's verification that the revised tariff sheet and customer notice have been filed by the utility and approved by Commission staff. Once these actions are complete, this docket shall be closed administratively.

By ORDER of the Florida Public Service Commission this 11th day of March, 2020.



ADAM J. TEITZMAN
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.

WLT

NOTICE OF FURTHER PROCEEDINGS

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, 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 or judicial review 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 Commission's decision on this tariff is interim in nature and will become final, unless a person whose substantial interests are affected by the proposed action files 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 April 1, 2020.

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

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