

FLORIDA PUBLIC SERVICE COMMISSION

Item 4

VOTE SHEET

May 5, 2015

FILED MAY 05, 2015
DOCUMENT NO. 02574-15
FPSC - COMMISSION CLERK

Docket No. 140060-WS – Application for increase in water and wastewater rates in Seminole County by Sanlando Utilities Corporation.

Issue 1: Is the quality of service provided by Sanlando satisfactory?

Recommendation: Yes. Staff recommends that the quality of service provided by Sanlando, be considered satisfactory. The Utility is currently meeting all applicable DEP water and wastewater quality standards, and appears to be responsive to its customers and to the DEP.

APPROVED

COMMISSIONERS ASSIGNED: All Commissioners

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

[Handwritten signatures in blue ink]

Lori Ely
Julie

REMARKS/DISSENTING COMMENTS:

See oral modifications attached (DNs 02441-15 and 02529-15).

Docket No. 140060-WS – Application for increase in water and wastewater rates in Seminole County by Sanlando Utilities Corporation.

(Continued from previous page)

Issue 2: Should the audit adjustments to rate base and operating expense to which the Utility and staff agree be made?

Recommendation: Yes. Based on the audit adjustments agreed to by the Utility and staff, adjustments should be made to rate base and net operating income as set forth in the analysis portion of staff's memorandum dated April 23, 2015.

APPROVED

Issue 3: Should any adjustment be made to the Utility's Project Phoenix Financial/Customer Care Billing System (Phoenix Project)?

Recommendation: Yes. Adjustments should be made to reduce accumulated depreciation by \$26,326 for water and \$20,777 for wastewater and reduce depreciation expense by \$26,326 for water and \$20,777 for wastewater. In addition, consistent with the Commission's previous decisions, Sanlando should be authorized to create a regulatory asset of \$5,925. The annual amortization of the regulatory asset is \$1,481 per year, or \$832 for water and \$649 for wastewater.

APPROVED

Issue 4: Should any further adjustments be made to test year rate base?

Recommendation: Yes. Plant should be reduced by \$112,706 for water and \$27,535 for wastewater. Accumulated depreciation should be increased by \$126,680 for water and \$115,219 for wastewater. CIAC should be increased by \$15,383 for water. Accumulated amortization of CIAC should be decreased by \$17,836 for water and \$24,862 for wastewater. Additionally, depreciation expense should be increased by \$15,494 for water and \$212,775 for wastewater. Amortization of CIAC should be increased for water and wastewater by \$256,503 and \$159,012, respectively.

APPROVED

Docket No. 140060-WS – Application for increase in water and wastewater rates in Seminole County by Sanlando Utilities Corporation.

(Continued from previous page)

Issue 5: Should any adjustments be made to the Utility's pro forma plant?

Recommendation: Yes. Water plant should be increased by \$37,029 and wastewater plant should be decreased by \$59,420. Corresponding adjustments should be made to increase water and wastewater accumulated depreciation by \$3,086 and \$249,954, respectively. Depreciation expense should also be increased by \$3,086 for water and decreased by \$14,988 for wastewater. Additionally, pro forma property taxes should be increased by \$527 for water and ~~decreased by \$6,532~~ for wastewater.

increased \$55,296

APPROVED
as modified

Issue 6: What are the Used and Useful percentages of the Utility's water treatment plant, wastewater treatment plant, storage facilities, wastewater collection system, water distribution system, and reuse water system?

Recommendation: Consistent with the Utility's last rate case, Sanlando's water and wastewater treatment plants, storage facilities, water distribution and wastewater collection systems, and reuse facilities should continue to be considered 100 percent U&U.

APPROVED

Issue 7: What is the appropriate working capital allowance?

Recommendation: The appropriate working capital allowance is \$211,256 for water and \$255,887 for wastewater. As such, the working capital allowance should be increased by \$47,237 for water and \$40,312 for wastewater.

APPROVED

Issue 8: What is the appropriate rate base for the test year ended December 31, 2013?

Recommendation: The appropriate 13-month average rate base for the test year ended December 31, 2013, is ~~\$8,756,187~~ for water and \$14,051,164 for wastewater.

#8,808,839

APPROVED
as modified

Docket No. 140060-WS – Application for increase in water and wastewater rates in Seminole County by Sanlando Utilities Corporation.

(Continued from previous page)

Issue 9: What is the appropriate return on equity?

Recommendation: Based on the Commission leverage formula currently in effect, the appropriate return on equity (ROE) is 10.53 percent with an allowed range of plus or minus 100 basis points.

APPROVED

Issue 10: What is the appropriate weighted average cost of capital including the proper components, amounts, and cost rates associated with the capital structure for the test year ended December 31, 2013?

Recommendation: The appropriate weighted average cost of capital for the test year ended December 31, 2013 is 7.94 percent.

APPROVED

Issue 11: What is the appropriate amount of test year revenues for the Utility's water and wastewater systems?

Recommendation: The appropriate test year revenues for Sanlando's water and wastewater systems are \$4,115,972 and \$3,905,490, respectively.

APPROVED

Issue 12: Should any adjustments be made to the Utility's pro forma expense?

Recommendation: Yes. Staff recommends the Commission approve \$73,731 of pro forma wastewater expense for annual inspection activities. In addition, wastewater amortization expense should be increased by \$2,298.

APPROVED

Docket No. 140060-WS – Application for increase in water and wastewater rates in Seminole County by Sanlando Utilities Corporation.

(Continued from previous page)

Issue 13: Should any adjustment be made to the Utility's salaries and wages expense?

Recommendation: Yes. Salaries and wages expense should be decreased by the amounts included in Issue 2, Audit Adjustments Agreed to by the Utility and staff. In addition, Employee Pensions and Benefits expense should be further decreased by \$5,794 and \$4,573, for water and wastewater, respectively.

Salaries and Wages expense should be increased by \$22,309 for water and by \$17,607 for wastewater. Further,

APPROVED
as modified

Issue 14: Should further adjustments be made to the Utility's O&M expense?

Recommendation: Yes. O&M expense should be increased by \$34,060 for water and decreased by \$91,693 for wastewater.

APPROVED

Issue 15: What is the appropriate amount of rate case expense?

Recommendation: The appropriate amount of rate case expense is \$180,942. This expense should be recovered over four years for an annual expense of \$45,236. Therefore, annual rate case expense should be decreased by \$6,449 for water and \$5,090 for wastewater from the respective levels of expense included in the MFRs.

APPROVED

Issue 16: Should further adjustments be made to taxes other than income?

Recommendation: Yes. Property taxes should be increased by \$449 for water and decreased by \$1,868 for wastewater. In addition, Regulatory Assessment Fees (RAFs) should be increased by \$1,927 for water and decreased by \$869 for wastewater.

APPROVED

Docket No. 140060-WS – Application for increase in water and wastewater rates in Seminole County by Sanlando Utilities Corporation.

(Continued from previous page)

Issue 17: What is the appropriate revenue requirement for the test year ended December 31, 2013?

Recommendation: Staff recommends the following revenue requirement should be approved.

	Test Year Revenue	\$ Increase/ (Decrease)	Revenue Requirement	% Increase/ (Decrease)
Water	\$4,115,972	(\$250,461) (\$221,024)	\$3,865,511 \$3,894,948	(6.09%) (5.37%)
Wastewater	\$3,905,490	\$748,919 \$832,301	\$4,654,409 \$4,737,791	19.18% 21.31%

APPROVED
as modified

Issue 18: What are the appropriate rate structures and rates for Sanlando's water and wastewater systems?

Recommendation: The recommended rate structures and monthly water and wastewater rates are shown on Schedule Nos. 4-A through 4-D, respectively, of staff's memorandum dated April 23, 2015. The Utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rates should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The Utility should provide proof of the date notice was given within ten days of the date of the notice.

APPROVED

Issue 19: In determining whether any portion of the interim water and wastewater revenue increase granted should be refunded, how should the refund be calculated, and what is the amount of the refund, if any?

Recommendation: The proper refund amount should be calculated by using the same data used to establish final rates, excluding rate case expense and other items not in effect during the interim period. The total net difference between the combined water and wastewater interim revenue requirements granted and the combined interim collection period revenue should be used because of the reallocation of wastewater revenues. No refund is required because the total interim collection period revenue requirement calculated is greater than the total interim revenue requirement granted. *As a result, the corporate undertaking amount of \$59,819 should be released.*

APPROVED
as modified

Docket No. 140060-WS – Application for increase in water and wastewater rates in Seminole County by Sanlando Utilities Corporation.

(Continued from previous page)

Issue 20: What is the appropriate amount by which rates should be reduced four years after the established effective date to reflect the removal of the amortized rate case expense as required by Section 367.0816, F.S.?

Recommendation: The water and wastewater rates should be reduced as shown on Schedule Nos. 4-A and 4-B of staff's memorandum dated April 23, 2015, to remove rate case expense grossed up for regulatory assessment fees and amortized over a four-year period. The decrease in rates should become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.0816, F.S. Sanlando should be 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 should 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.

APPROVED

Issue 21: Should the Utility be required to provide proof, within 90 days of an effective order finalizing this docket, that it has adjusted its books for all the applicable National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts (USOA) associated with the Commission-approved adjustments?

Recommendation: Yes. To ensure that the Utility adjusts its books in accordance with the Commission's decision, Sanlando should provide proof, within 90 days of the final order in this docket, that the adjustments to all the applicable NARUC USOA accounts have been made to the Utility's books and records. The Utility's support documentation should include a list, by issue, of all rate base and cost of capital Commission-ordered adjustments and a reference to where the corresponding bookkeeping entries can be found in the general ledger that is provided.

APPROVED

Vote Sheet

May 5, 2015

Item 4

Docket No. 140060-WS – Application for increase in water and wastewater rates in Seminole County by Sanlando Utilities Corporation.

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Issue 22: Should this docket be closed?

Recommendation: No. 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 should be issued. The docket should 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 should be closed administratively.

APPROVED

Christopher Cooney

From: Selena Chambers
Sent: Thursday, April 30, 2015 1:46 PM
To: Commissioners & Staffs; Braulio Baez; Apryl Lynn; Lisa Harvey; Tom Ballinger; Charlie Beck
Cc: CLK - Agenda Staff; Jacqueline Moore; Kate Hamrick; Robert Graves; Paul Vickery; Patti Zellner; Terri Fleming; Keino Young; Jennifer Crawford; Selena Chambers
Subject: FW: Request to make oral modification to Item# 4 on the May 5, 2015 Commission Conference, Docket # 140060-WS
Attachments: Correction to Schedule 4-B.DOC
Importance: High

Please see the approved request and the attached addition to Item 4.

Thank you,

Selena Chambers

Executive Assistant to
Braulio Baez, Executive Director
Florida Public Service Commission
850.413.6053

From: Braulio Baez
Sent: Thursday, April 30, 2015 1:28 PM
To: Tom Ballinger
Cc: Lisa Harvey; Kate Hamrick; Selena Chambers; Charlie Beck; Mary Anne Helton; Terri Fleming; Carlotta Stauffer; Rachel Arnold; Paul Vickery
Subject: RE: Request to make oral modification to Item# 4 on the May 5, 2015 Commission Conference, Docket # 140060-WS

Approved

Sent from my T-Mobile 4G LTE Device

----- Original message -----

From: Tom Ballinger <TBalling@PSC.STATE.FL.US>
Date: 04/30/2015 1:15 PM (GMT-05:00)
To: Braulio Baez <BBaez@PSC.STATE.FL.US>
Cc: Lisa Harvey <LSHarvey@PSC.STATE.FL.US>, Kate Hamrick <KHamrick@psc.state.fl.us>, Selena Chambers <SChamber@psc.state.fl.us>, Charlie Beck <cbeck@psc.state.fl.us>, Mary Anne Helton <MHelton@PSC.STATE.FL.US>, Terri Fleming <TFleming@PSC.STATE.FL.US>, Carlotta Stauffer

<CStauffe@PSC.STATE.FL.US>, Rachel Arnold <RArnold@PSC.STATE.FL.US>, Paul Vickery
<PVickery@PSC.STATE.FL.US>

Subject: Request to make oral modification to Item# 4 on the May 5, 2015 Commission Conference, Docket # 140060-WS

It has come to my attention that Schedule 4-B of the above referenced item contains a typographical error. The correction does not impact the overall staff recommendation and a type/strike version is attached. Please let me know if you approve of this request.

Tom Ballinger
Director, Division of Engineering
Florida Public Service Commission
(850) 413-6680

**SANLANDO UTILITIES CORPORATION
MONTHLY WATER RATES
TEST YEAR ENDED DECEMBER 31, 2013**

**SCHEDULE NO. 4-B
DOCKET NO. 140060-WS**

	UTILITY CURRENT RATES (1)	COMMISSION APPROVED INTERIM	UTILITY REQUESTED FINAL	STAFF RECOMMENDED RATES	4 YEAR RATE REDUCTION
<u>Residential, Bulk, and General Service</u>					
Base Facility Charge by Meter Size:					
5/8"X3/4"	\$4.45	\$4.56	\$5.20	\$4.45	\$0.09
3/4"	\$6.69	\$6.86	\$7.80	\$6.68	\$0.13
1"	\$11.14	\$11.42	\$13.00	\$11.13	\$0.22
1-1/2"	\$22.29	\$22.84	\$26.00	\$22.25	\$0.44
2"	\$36.66	\$37.57	\$41.60	\$35.60	\$0.70
3"	\$71.31	\$73.08	\$78.00	\$71.20	\$1.39
4"	\$111.43	\$114.19	\$130.00	\$111.25	\$2.18
6"	\$222.85	\$228.38	\$260.00	\$222.50	\$4.36
8"	\$401.60	\$411.56	\$416.00	\$356.00	\$6.97
Charge per 1,000 Gallons - Residential					
0-6,000 Gallons	\$0.88	\$0.90	\$1.03	\$0.93	\$0.02
6,001-10,000 Gallons	\$0.96	\$0.98	\$1.12	\$1.39	\$0.03
10,001-15,000 Gallons	\$1.44	\$1.48	\$1.67	\$1.53	\$0.03
Over 15,000 Gallons	\$1.91	\$1.96	\$2.22	\$2.32	\$0.05
Charge per 1,000 Gallons - Bulk, and General Service					
	\$1.41	\$1.44	\$1.64	\$1.60	\$0.03
<u>Private Fire Protection</u>					
1-1/2"	\$1.86	\$1.91	\$2.17	\$1.85	\$0.04
2"	\$2.97	\$3.04	\$3.46	\$2.97	\$0.06
4"	\$9.28	\$9.51	\$10.83	\$9.27	\$0.18
6"	\$18.58	\$19.04	\$21.67	\$18.54	\$0.36
8"	\$33.47	\$34.30	\$39.00	\$29.67	\$0.58
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>					
6,000 Gallons	\$9.73	\$9.96	\$11.38	\$10.03	
15,000 Gallons	\$20.77	\$21.28	\$24.21	\$22.54	
20,000 Gallons	\$30.32	\$31.08	\$35.31	\$34.14	

Angela Charles

From: Selena Chambers
Sent: Monday, May 04, 2015 3:14 PM
To: Commissioners & Staffs; Braulio Baez; Apryl Lynn; Lisa Harvey; Charlie Beck; Andrew Maurey; Tom Ballinger; Jim Dean
Cc: CLK - Agenda Staff; Jacqueline Moore; Kate Hamrick; Robert Graves; Paul Vickery; Patti Zellner; Terri Fleming; Keino Young; Jennifer Crawford; Selena Chambers; Mary Anne Helton; Cheryl Bulecza-Banks; Kyesha Mapp
Subject: FW: Request for Oral Modification to Item 4 on May 5, 2015 Commission Conference, Docket No. 140060-WS, Application for increase in water and wastewater rates by Sanlando Utilities Corporation
Attachments: Sanlando Oral Modification Schedules.docx
Importance: High

Please see the approved request and the attached addition to Item 4.

Thank you,

Selena Chambers

Executive Assistant to
Braulio Baez, Executive Director
Florida Public Service Commission
850.413.6053

From: Selena Chambers **On Behalf Of** Braulio Baez
Sent: Monday, May 04, 2015 3:10 PM
To: Andrew Maurey; Braulio Baez; Lisa Harvey
Cc: Kate Hamrick; Tom Ballinger; Jim Dean; Mary Anne Helton
Subject: RE: Request for Oral Modification to Item 4 on May 5, 2015 Commission Conference, Docket No. 140060-WS, Application for increase in water and wastewater rates by Sanlando Utilities Corporation

Approved.

From: Andrew Maurey
Sent: Monday, May 04, 2015 2:39 PM
To: Braulio Baez; Lisa Harvey
Cc: Selena Chambers; Kate Hamrick; Tom Ballinger; Jim Dean; Mary Anne Helton
Subject: Request for Oral Modification to Item 4 on May 5, 2015 Commission Conference, Docket No. 140060-WS, Application for increase in water and wastewater rates by Sanlando Utilities Corporation

From: Cheryl Bulecza-Banks
Sent: Monday, May 04, 2015 12:12 PM

To: Andrew Maurey

Subject: Request for Oral Modification to Item 4 on May 5, 2015 Commission Conference, Docket No. 140060-WS, Application for increase in water and wastewater rates by Sanlando Utilities Corporation

As a result of information filed by Sanlando Utilities Corporation (Sanlando or Utility) late last week, staff requests approval to make an oral modification to Item 4 scheduled for the May 5, 2015 Commission Conference. Staff's proposed modification relates to taxes other than income associated with pro forma plant addressed in Issue 5 (page 14) and salaries and wages expense addressed in Issue 13 (page 27) of staff's recommendation regarding Sanlando's application for a file and suspend rate case. Staff is also correcting Schedule No. 1-C for a formula error related to Issue 3, and a scrivener error in Issue 4. The effect of this modification is captured in fall out Issues 8 (Rate Base) 17 (Revenue Requirement), 18 (Rates), and 19 (Interim Refund.) Staff requests administrative authority to adjust rates after the Commission vote on all issues in this case.

Subsequent to filing its recommendation, staff determined that modifications are necessary in order to reflect the appropriate amount of property taxes associated with pro form plant. To reflect the appropriate amount of property taxes associated with staff's recommended pro forma plant, taxes other than income should be increased by \$55,296. As a result, the following modifications should be made to Issue 5.

Issue 5: Should any adjustments be made to the Utility's pro forma plant? (page 14)

Recommendation: Yes. Water plant should be increased by \$37,029 and wastewater plant should be decreased by \$59,420. Corresponding adjustments should be made to increase water and wastewater accumulated depreciation by \$3,086 and \$249,954, respectively. Depreciation expense should also be increased by \$3,086 for water and decreased by \$14,988 for wastewater. Additionally, pro forma property taxes should be increased by \$527 for water and ~~decreased~~ **increased** by ~~\$6,532~~ **\$55,296** for wastewater. (Graves, D. Buys)

On page 17

Conclusion

Based on the above, staff recommends that water plant should be increased by \$37,029 and wastewater plant should be decreased by \$59,420. Corresponding adjustments should be made to increase water and wastewater accumulated depreciation by \$3,086 and \$249,954, respectively. Depreciation expense should also be increased by \$3,086 for water and decreased by \$14,988 for wastewater. Additionally, pro forma property taxes should be increased by \$527 for water and ~~decreased~~ **increased** by ~~\$6,532~~ **\$55,296** for wastewater.

Issue 13: Should any adjustment be made to the Utility's salaries and wages expense? (page 27)

Recommendation: Yes. Salaries and wages expense should be decreased by the amounts included in Issue 2, Audit Adjustments Agreed to by the Utility and staff. In addition, **Salaries and Wages expense should be increased by \$22,309 for water and by \$17,607 for wastewater. Further,** Employee Pensions and Benefits expense should be further decreased by \$5,794 and \$4,573, for water and wastewater, respectively. (D. Buys)

Staff Analysis: In its MFRs, the Utility reflected water and wastewater salaries and wages expense of \$716,973 and \$503,889, respectively. In the audit of UI affiliate transactions for Sanlando and Labrador Utilities, Inc. (Labrador), audit staff compared the most current annualized salaries and the allocated salaries, benefits, and payroll taxes for Sanlando to the total adjusted amounts in the Utility's filing. Adjustments were made to

reflect the variances between the amounts in the audited schedules and the amounts in the MFRs. The Utility agreed with the audit findings and the resulting adjustments to the expenses are reflected in Table 13-1, which are also shown in Issue 2.

Table 13-1

Audit Adjustments		
	Water	Wastewater
Salaries and Wages	(\$49,932)	\$22,519
Payroll Taxes	(\$7,698)	(\$6,017)
Pensions and Benefits	(\$14,411)	(\$11,077)
Total	(\$72,041)	\$5,425

The schedules provided to the audit staff by the Utility contained the most recent salary expenses at the end of April 2014, plus an increase of 3 percent to reflect the Utility’s 2015 salaries and wages expense. Staff believes that the 3 percent increase for 2015 represents a pro forma expense that is outside of the test year and normally would be disallowed. The Commission, however, has previously allowed recovery of operation and maintenance (O&M) expenses that reflect increases associated with inflation, and recognized that reducing expenses back to the amount approved in the Utility’s last rate case would effectively remove an increase the Commission has already granted in prior index applications. The Commission approved index increases for Sanlando in 2012 and 2013 for a total O&M increase of approximately 4 percent. Disallowance of the 3 percent increase for 2015 would result in decreasing the Utility’s salaries and wages and payroll taxes expenses below the amount previously approved by the Commission through the index increases. **Consequently, staff recommends no adjustment to salaries and payroll taxes other than the adjustment for the audit finding.**

As discussed in Issue 15, staff recommended the removal of in-house staff fees associated with processing the instant docket. As such, Salaries and Wages expense should be increased by \$22,309 for water and \$17,607 for wastewater.

No changes to the remainder of the staff analysis.

Formula Error in Schedule C-1

On Schedule 1-C, page 59, under the heading Accumulated Depreciation, line 2, the amount listed for water, (\$26,326), should not be in parentheses. As stated in the recommendation statement related to Issue 3 (page 9), water accumulated depreciation should be decreased, thus, the number \$26,326, should be positive.

Scrivener Error in Issue 4

The numbers contained in the recommendation statement are correct and thus, there is no revenue requirement impact of this correction. The accumulated depreciation number in the body of staff’s analysis is being changed to reflect the correct number as stated in the recommendation statement.

Issue 4: Should any further adjustments be made to test year rate base? (page 12)

Recommendation: Yes. Plant should be reduced by \$112,706 for water and \$27,535 for wastewater. Accumulated depreciation should be increased by \$126,680 for water and \$115,219 for wastewater. CIAC should be increased by \$15,383 for water. Accumulated amortization of CIAC should be decreased by \$17,836 for water and \$24,862 for wastewater. Additionally, depreciation expense should be

increased by \$15,494 for water and \$212,775 for wastewater. Amortization of CIAC should be increased for water and wastewater by \$256,503 and \$159,012, respectively. (Norris)

Staff Analysis: Staff has reviewed the test year rate base components along with other support documentation. As such, staff believes further adjustments are necessary to the Utility’s rate base, as discussed below.

Sanlando Audit Finding Nos. 1 and 2

The staff audit report for Sanlando was filed on October 23, 2014. The Utility’s response to the audit was received on January 30, 2015. In its response, the Utility contested Audit Finding Nos. 1, 2, 17, and 18. Only Finding Nos. 1 and 2 will be discussed in this issue, while the other audit findings are addressed elsewhere in this recommendation.

In regard to Audit Finding No. 1, audit staff identified Commission Ordered Adjustments (COAs) from Order No. PSC-13-0085-PAA-WS that were incorrectly booked to the Utility’s general ledger on May 31, 2013. In addition to erroneous plant adjustments, the Utility used incorrect depreciation rates. Audit staff requested more information and an explanation of the adjustment schedules; however, the Utility did not respond to these requests in a timely manner. Although the Utility contested Audit Finding No. 1, it failed to provide an explanation as to why it disagreed. As such, audit staff calculated the effect of the COAs on the test year for the instant proceeding and compared the balance to the Utility’s filing. Based on this analysis, plant should be reduced by \$112,706 for water and \$27,535 for wastewater. Accumulated depreciation should be increased by \$126,680 for water and ~~\$117,089~~ **\$115,219** for wastewater. (The remainder of the staff analysis is unaffected.)

FALL OUT ISSUES

Issue 8: What is the appropriate rate base for the test year ended December 31, 2013? (page 21)

Recommendation: The appropriate 13-month average rate base for the test year ended December 31, 2013, is ~~\$8,756,187~~ **\$8,808,839** for water and \$14,051,164 for wastewater. (D. Buys)

Staff Analysis:

In its MFRs, the Utility recorded rate base of \$8,535,204 for water and \$14,862,863 for wastewater. Staff calculated Sanlando’s water and wastewater rate bases using the Utility’s MFRs with adjustments as recommended in the preceding issues. Accordingly, staff recommends that the appropriate 13-month average rate base for the test year ended December 31, 2013, is ~~\$8,756,187~~ **\$8,808,839** for water and \$14,051,164 for wastewater. Staff’s recommended water and wastewater rate bases are shown on Schedule Nos. 1-A and 1-B, respectively. The adjustments are shown on Schedule No. 1-C.

Issue 17: What is the appropriate revenue requirement for the test year ended December 31, 2013? (page 45)

Recommendation: Staff recommends the following revenue requirement should be approved.

	Test Year Revenue	\$ Increase/ (Decrease)	Revenue Requirement	% Increase/ (Decrease)
Water	\$4,115,972	(\$250,461) (\$221,024)	\$3,865,511 \$3,894,948	(6.09%) (5.37%)

Wastewater	\$3,905,490	\$748,919	\$4,654,409	19.18%
		\$832,301	\$4,737,791	21.31%

(D. Buys)

Staff Analysis: In its filing, Sanlando requested revenue requirements to generate annual revenue of \$4,823,551 for water and \$4,473,063 for wastewater. These requested revenue requirements represent revenue increases of \$654,796, or approximately 15.70 percent, for water, and \$537,442, or approximately 13.66 percent, for wastewater.

Consistent with staff's recommendations concerning rate base, cost of capital, and operating income issues, staff recommends approval of rates designed to generate a water revenue requirement of ~~\$3,865,511~~ \$3,894,948, and a wastewater revenue requirement of ~~\$4,654,409~~ \$4,737,791. Staff's recommended water revenue requirement of ~~\$3,865,511~~ \$3,894,948 is ~~\$250,461~~ \$221,024 less than staff's adjusted test year revenue of ~~\$4,654,409~~ \$3,894,948 or a decrease of ~~6.09~~ 5.37 percent. Staff's recommended wastewater revenue requirement exceeds staff's adjusted test year revenue by ~~\$748,919~~ \$832,301, or ~~19.18~~ 21.31 percent. These recommended pre-repression revenue requirements will allow the Utility the opportunity to recover its expenses and earn a 7.94 percent return on its investment in water and wastewater rate base.

Issue 18: What are the appropriate rate structures and rates for Sanlando's water and wastewater systems? (page 46)

Rates will be revised based on the Commission's vote in this case.

Issue 19: In determining whether any portion of the interim water and wastewater revenue increase granted should be refunded, how should the refund be calculated, and what is the amount of the refund, if any? (page 52)

Recommendation:

The proper refund amount should be calculated by using the same data used to establish final rates, excluding rate case expense and other items not in effect during the interim period. The total net difference between the combined water and wastewater interim revenue requirements granted and the combined interim collection period revenue should be used because of the reallocation of wastewater revenues. No refund is required because the total interim collection period revenue requirement calculated is greater than the total interim revenue requirement granted. As a result, the corporate undertaking amount of \$59,819 should be released. (D. Buys)

Staff Analysis: The Commission authorized Sanlando to collect interim water rates, subject to refund, pursuant to Section 367.082, F.S. The approved interim revenue requirement for water of \$4,270,819 represented an increase of \$102,527 or 2.46 percent. The Utility did not request an interim revenue increase for wastewater.

According to Section 367.082, F.S., any refund should be calculated to reduce the rate of return of the Utility during the pendency of the proceeding to the same level within the range of the newly authorized rate of return. Adjustments made in the rate case test period that do not relate to the period that interim rates are in effect should be removed. Rate case expense is an example of an adjustment which is recovered only after final rates are established.

In this proceeding, the test period for establishment of interim and final rates is the 12-month period ended December 31, 2013. Sanlando's approved interim rates did not include any provisions for pro forma or projected operating expenses or plant. The interim increase was designed to allow recovery of actual interest expense, and the lower limit of the last authorized range for equity earnings.

To establish the proper refund amount, staff calculated adjusted interim period revenue requirements utilizing the same data used to establish final rates. Rate case expense was excluded because this item is prospective in nature and did not occur during the interim collection period. Using the principles discussed above, the interim test year revenue requirements of \$4,270,819 for water and \$3,935,620 for wastewater, granted in Order PSC-14-0591-PCO-WS, issued October 22, 2014, are greater than the final revenue requirement for water by ~~9.88~~ 9.18 percent and less than the final revenue requirement for wastewater by ~~18.05~~ 20.18 percent. This would result in a ~~9.88~~ 9.18 percent water refund and no refund for wastewater.

However, as stated in Issue 18, staff is recommending that wastewater revenues of \$625,000 related to the Utility's reuse system be shifted and reallocated to the water system. Because of the reallocation of these revenues, staff recommends using Sanlando's total company revenue requirement for determining whether an interim refund is warranted. This methodology is consistent with the Commission's decision in the Utility's last two rate cases. No refund is required because the total interim collection period revenue requirement calculated is greater than the total interim revenue requirement granted. As a result, the corporate undertaking amount of \$59,819 should be released.

Sanlando Utilities Corporation
Schedule of Water Rate Base
Test Year Ended 12/31/13

Schedule No. 1-A
Docket No. 140060-WS

Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year
1 Plant in Service	\$26,039,977	(\$1,497,684)	\$24,542,293	(\$657,328)	\$23,884,965
2 Land and Land Rights	97,286	(18)	97,268	0	97,268
3 Accumulated Depreciation	(15,022,215)	1,146,809	(13,875,406)	405,497	(13,469,909)
4 CIAC	(11,147,950)	(463)	(11,148,413)	1,298,924	(9,849,489)
5 Amortization of CIAC	8,755,443	0	8,755,443	(820,695)	7,934,748
6 Construction Work in Progress	174,744	(174,744)	0	0	0
7 Working Capital Allowance	<u>0</u>	<u>164,019</u>	<u>164,019</u>	<u>47,237</u>	<u>211,256</u>
8 Rate Base	<u>\$8,897,285</u>	<u>(\$362,081)</u>	<u>\$8,535,204</u>	<u>\$273,635</u>	<u>\$8,808,839</u>

Sanlando Utilities Corporation
Schedule of Wastewater Rate Base
Test Year Ended 12/31/13

Schedule No. 1-B
Docket No. 140060-WS

Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year
1 Plant in Service	\$27,282,234	\$4,818,824	\$32,101,058	(\$379,560)	\$31,721,498
2 Land and Land Rights	203,894	-14	203,880	0	203,880
3 Accumulated Depreciation	(15,335,542)	(948,640)	(16,284,182)	11,377	(16,272,805)
4 CIAC	(11,976,178)	(420)	(11,976,598)	68,564	(11,908,034)
5 Amortization of CIAC	10,603,129	0	10,603,129	(552,391)	10,050,738
6 Construction Work in Progress	1,792,058	(1,792,058)	0	0	0
7 Working Capital Allowance	<u>0</u>	<u>215,575</u>	<u>215,575</u>	<u>40,312</u>	<u>255,887</u>
8 Rate Base	<u>\$12,569,595</u>	<u>\$2,293,267</u>	<u>\$14,862,862</u>	<u>(\$811,698)</u>	<u>\$14,051,164</u>

Sanlando Utilities Corporation
Adjustments to Rate Base
Test Year Ended 12/31/13

Schedule No. 1-C
Docket No. 140060-WS

Explanation	Water	Wastewater
<u>Plant In Service</u>		
1 Reflect audit adjustments agreed to by Utility and staff. (Issue 2)	(\$581,651)	(\$292,605)
2 Reflect appropriate adjustments for Phoenix Project. (Issue 3)	0	0
3 Test year plant adjustments (Issue 4)	(112,706)	(27,535)
4 Reflect the appropriate pro forma plant. (Issue 5)	<u>37,029</u>	<u>(59,420)</u>
Total	<u>(\$657,328)</u>	<u>(\$379,560)</u>
<u>Accumulated Depreciation</u>		
1 Reflect audit adjustments agreed to by Utility and staff. (Issue 2)	\$508,937	\$355,773
2 Reflect appropriate adjustments for Phoenix Project. (Issue 3)	26,326	20,777
3 Test year plant adjustments. (Issue 4)	(126,680)	(115,219)
4 Reflect the appropriate pro forma accumulated depreciation. (Issue 5)	<u>(3,086)</u>	<u>(249,954)</u>
Total	<u>\$405,497</u>	<u>\$11,377</u>
<u>CIAC</u>		
1 Reflect audit adjustments agreed to by Utility and staff. (Issue 2)	\$1,314,307	\$68,564
2 Test year plant adjustments. (Issue 4)	(15,383)	0
Total	<u>\$1,298,924</u>	<u>\$68,564</u>
<u>Accumulated Amortization of CIAC</u>		
1 Reflect audit adjustments agreed to by Utility and staff. (Issue 2)	(\$802,859)	(\$527,529)
2 Test year plant adjustments. (Issue 4)	<u>(17,836)</u>	<u>(24,862)</u>
Total	<u>(\$820,695)</u>	<u>(\$552,391)</u>
<u>Working Capital</u>		
1 Reflect audit adjustments agreed to by Utility and staff. (Issue 2)	\$27,695	\$21,854
2 Reflect appropriate adjustments for Phoenix Project. (Issue 3)	2,496	1,948
3 Reflect appropriate working capital allowance per Rule 25-30.433, F.A.C. (Issue 7)	<u>17,046</u>	<u>16,510</u>
Total	<u>\$47,237</u>	<u>\$40,312</u>

Sanlando Utilities Corporation
Capital Structure-Simple Average
Test Year Ended 12/31/13

Schedule No. 2
Docket No. 140060-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	\$180,000,000	\$0	\$180,000,000	(\$168,894,856)	\$11,105,144	47.46%	6.64%	3.15%
2 Short-term Debt	9,315,385	0	9,315,385	(8,740,943)	574,442	2.46%	2.82%	0.07%
3 Preferred Stock	0	0	0	0	0	0.00%	0.00%	0.00%
4 Common Equity	170,208,617	0	170,208,617	(159,708,965)	10,499,652	44.87%	10.53%	4.73%
5 Customer Deposits	49,549	0	49,549	0	49,549	0.21%	6.00%	0.01%
6 Deferred Income Taxes	<u>1,169,279</u>	<u>0</u>	<u>1,169,279</u>	<u>0</u>	<u>1,169,279</u>	<u>5.00%</u>	0.00%	<u>0.00%</u>
7 Total Capital	<u>\$360,742,830</u>	<u>\$0</u>	<u>\$360,742,830</u>	<u>(\$337,344,764)</u>	<u>\$23,398,066</u>	<u>100.00%</u>		<u>7.96%</u>
Per Staff								
8 Long-term Debt	\$180,000,000	\$0	\$180,000,000	(\$169,161,454)	\$10,838,546	47.41%	6.64%	3.15%
9 Short-term Debt	9,315,385	0	9,315,385	(8,754,467)	560,918	2.45%	2.82%	0.07%
10 Preferred Stock	0	0	0	0	0	0.00%	0.00%	0.00%
11 Common Equity	170,208,617	0	170,208,617	(159,959,651)	10,248,966	44.83%	10.53%	4.72%
12 Customer Deposits	49,549	0	49,549	0	49,549	0.22%	2.00%	0.00%
13 Deferred Income Taxes	<u>1,169,279</u>	<u>(7,254)</u>	<u>1,162,025</u>	<u>0</u>	<u>1,162,025</u>	<u>5.08%</u>	0.00%	<u>0.00%</u>
14 Total Capital	<u>\$360,742,830</u>	<u>(\$7,254)</u>	<u>\$360,735,576</u>	<u>(\$337,875,572)</u>	<u>\$22,860,004</u>	<u>100.00%</u>		<u>7.94%</u>
						LOW	HIGH	
					RETURN ON EQUITY	<u>9.53%</u>	<u>11.53%</u>	
					OVERALL RATE OF RETURN	<u>7.49%</u>	<u>8.39%</u>	

**Sanlando Utilities Corporation
Statement of Water Operations
Test Year Ended 12/31/13**

**Schedule No. 3-A
Docket No. 140060-WS**

	Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1	Operating Revenues:	<u>\$4,076,016</u>	<u>\$747,535</u>	<u>\$4,823,551</u>	<u>(\$707,579)</u>	<u>\$4,115,972</u>	<u>(\$221,024)</u> -5.37%	<u>\$3,894,948</u>
	Operating Expenses							
2	Operation & Maintenance	\$2,054,858	\$12,890	\$2,067,748	(\$9,361)	\$2,058,387	\$0	\$2,058,387
3	Depreciation	911,369	(3,903)	907,466	(19,487)	887,979	0	887,979
4	Amortization	0	0	0	(416,853)	(416,853)	0	(416,853)
5	Taxes Other Than Income	478,042	(16,637)	461,405	(36,636)	424,769	(9,946)	414,823
6	Income Taxes	<u>380,867</u>	<u>36,995</u>	<u>417,862</u>	<u>(87,511)</u>	<u>330,351</u>	<u>(79,428)</u>	<u>250,922</u>
7	Total Operating Expense	<u>3,825,136</u>	<u>29,345</u>	<u>3,854,481</u>	<u>(569,848)</u>	<u>3,284,633</u>	<u>(89,375)</u>	<u>3,195,259</u>
8	Operating Income	<u>\$250,880</u>	<u>\$718,190</u>	<u>\$969,070</u>	<u>(\$137,731)</u>	<u>\$831,339</u>	<u>(\$131,649)</u>	<u>\$699,690</u>
9	Rate Base	<u>\$8,897,285</u>		<u>\$8,535,204</u>		<u>\$8,808,839</u>		<u>\$8,808,839</u>
10	Rate of Return	<u>2.82%</u>		<u>11.35%</u>		<u>9.44%</u>		<u>7.94%</u>

Sanlando Utilities Corporation
Statement of Wastewater Operations
Test Year Ended 12/31/13

Schedule No. 3-B
Docket No. 140060-WS

	Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1	Operating Revenues:	<u>\$3,888,457</u>	<u>\$584,605</u>	<u>\$4,473,062</u>	<u>(\$567,572)</u>	<u>\$3,905,490</u>	<u>\$832,301</u> 21.31%	<u>\$4,737,791</u>
	Operating Expenses							
2	Operation & Maintenance	\$2,009,026	\$9,667	\$2,018,693	(\$24,414)	\$1,994,279	\$0	\$1,994,279
3	Depreciation	538,829	257,934	796,763	152,576	949,339	0	949,339
4	Amortization	0	0	0	(295,310)	(295,310)	0	(295,310)
5	Taxes Other Than Income	384,902	129,786	514,688	21,001	535,689	37,454	573,142
6	Income Taxes	<u>39</u>	<u>249,466</u>	<u>249,505</u>	<u>(148,355)</u>	<u>101,150</u>	<u>299,101</u>	<u>400,252</u>
7	Total Operating Expense	<u>2,932,796</u>	<u>646,853</u>	<u>3,579,649</u>	<u>(294,502)</u>	<u>3,285,147</u>	<u>336,555</u>	<u>3,621,702</u>
8	Operating Income	<u>\$955,661</u>	<u>(\$62,248)</u>	<u>\$893,413</u>	<u>(\$273,070)</u>	<u>\$620,343</u>	<u>\$495,747</u>	<u>\$1,116,090</u>
9	Rate Base	<u>\$12,569,595</u>		<u>\$14,862,862</u>		<u>\$14,051,164</u>		<u>\$14,051,164</u>
10	Rate of Return	<u>7.60%</u>		<u>6.01%</u>		<u>4.41%</u>		<u>7.94%</u>

Sanlando Utilities Corporation
Adjustment to Operating Income
Test Year Ended 12/31/13

Schedule No. 3-C
Docket No. 140060-WS

Explanation	Water	Wastewater
<u>Operating Revenues</u>		
1 Remove requested final revenue increase	(\$654,796)	(\$537,442)
2 To reflect the appropriate amount of annualized revenues.	<u>(52,783)</u>	<u>(30,130)</u>
Total	<u>(\$707,579)</u>	<u>(\$567,572)</u>
<u>Operation and Maintenance Expense</u>		
1 Reflect audit adjustments agreed to by Utility and staff. (Issue 2)	(\$53,488)	(\$14,397)
2 Reflect appropriate amount for Salaries, Wages, Pensions and Benefits. (Issue 11)	16,515	13,034
3 Reflect appropriate amount of operating expense. (Issue 12)	34,060	(91,693)
4 Reflect proforma operating expense. (Issue A)	0	73,731
5 Reflect the appropriate rate case expense. (Issue 13)	<u>(6,449)</u>	<u>(5,090)</u>
Total	<u>(\$9,362)</u>	<u>(\$24,414)</u>
<u>Depreciation Expense</u>		
1 Reflect audit adjustments agreed to by Utility and staff. (Issue 2)	(\$11,741)	(\$24,434)
2 Reflect appropriate depreciation expense for Project Phoenix. (Issue 3)	(26,326)	(20,777)
3 Reflect appropriate test year plant adjustments. (Issue 4)	15,494	212,775
4 Reflect corresponding adjustments for proforma plant. (Issue 5)	3,086	(14,988)
Total	<u>(\$19,487)</u>	<u>\$152,576</u>
<u>Amortization - Other Expense</u>		
1 Reflect audit adjustments agreed to by Utility and staff. (Issue 2)	(\$161,182)	(\$139,245)
2 Reflect revenue impact of regulatory asset for Project Phoenix (Issue 3)	832	649
3 Reflect appropriate test year plant adjustments. (Issue 4)	(256,503)	(159,012)
4 Reflect additional proforma cost to retire Des Pinar WWTP. (Issue 5)	<u>0</u>	<u>2,298</u>
Total	<u>(\$416,853)</u>	<u>(\$295,310)</u>
<u>Taxes Other Than Income</u>		
1 RAFs on revenue adjustments above.	(\$31,841)	(\$25,541)
2 Reflect audit adjustments agreed to by Utility and staff for payroll taxes. (Issue 2)	(7,698)	(6,017)
3 Reflect the appropriate pro forma property taxes. (Issue 5)	527	55,296
4 Reflect increase in property taxes for 2014. (Issue B)	449	(1,868)
5 Audit Finding 18 - reflect appropriate amount of RAFs. (Issue B)	<u>1,927</u>	<u>(869)</u>
Total	<u>(\$36,636)</u>	<u>\$21,001</u>