

FLORIDA PUBLIC SERVICE COMMISSION

Item 14

VOTE SHEET

September 13, 2016

FILED SEP 13, 2016
DOCUMENT NO. 07486-16
FPSC - COMMISSION CLERK

Docket No. 140186-WU – Application for staff-assisted rate case in Brevard County by Brevard Waterworks, Inc.

Issue 1: What is the appropriate revenue requirement for Phase II?

Recommendation: The appropriate revenue requirement for Phase II is \$140,321.

APPROVED with oral modification.

COMMISSIONERS ASSIGNED: All Commissioners

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

[Handwritten signatures in blue ink on majority lines]

[Empty lines for dissenting signatures]

REMARKS/DISSENTING COMMENTS:

Oral Modification, assigned DN 07419-16, is attached.

(Continued from previous page)

Issue 2: What is the appropriate rate structure and rates for Phase II?

Recommendation: The Phase II rate decrease of 15 percent for water should be applied as an across-the-board decrease to the existing Phase I rates. The rates, as shown on Schedule No. 4 of staff's memorandum dated August 31, 2016, should 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. The utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. 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 that the notice was given within 10 days of the date of the notice.

APPROVED

Issue 3: Should this docket be closed?

Recommendation: No. In the event of a protest, the recommended rates should be implemented and staff will file a subsequent recommendation to address the appropriate monies to be held subject to refund, if any. Brevard should file revised tariffs 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. 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

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

Executive Assistant to

Braulio Baez, Executive Director

Florida Public Service Commission

Telephone: (850)413-6053

kshoaf@psc.state.fl.us

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.