

FLORIDA PUBLIC SERVICE COMMISSION

Item 7

VOTE SHEET

FILED 8/7/2018
DOCUMENT NO. 05127-2018
FPSC - COMMISSION CLERK

August 7, 2018

Docket No. 20170230-WU – Application for staff-assisted rate case in Pasco County by Orange Land Utilities, LLC.

Issue 1: Is the quality of service provided by Orange Land Utilities, LLC satisfactory?

Recommendation: Staff recommends that the overall quality of service provided by Orange Land is satisfactory.

APPROVED

Issue 2: What are the used and useful (U&U) percentages of Orange Land Utilities, LLC’s WTP and distribution system?

Recommendation: Orange Land’s WTP and distribution system should continue to be considered 100 percent U&U. There appears to be no excessive unaccounted for water (EUW); therefore, staff recommends that no adjustment be made to operating expenses for chemicals and purchased power.

APPROVED

COMMISSIONERS ASSIGNED: All Commissioners

COMMISSIONERS’ SIGNATURES

MAJORITY

DISSENTING

[Handwritten signatures in blue ink on four lines]

REMARKS/DISSENTING COMMENTS: *oral Modification, assigned DN 05115-2018, is attached.*

Staff given administrative authority to make fall-out adjustments.

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Issue 3: What is the appropriate average test year rate base for Orange Land Utilities, LLC?

Recommendation: The appropriate average test year rate base for Orange Land is \$29,381.

APPROVED

Issue 4: What is the appropriate return on equity and overall rate of return for Orange Land Utilities, LLC?

Recommendation: The appropriate return on equity (ROE) is 10.32 percent with a range of 9.32 percent to 11.32 percent. The appropriate overall rate of return is 8.46 percent.

APPROVED

Issue 5: What are the appropriate test year revenues for Orange Land Utilities, LLC?

Recommendation: The appropriate test year revenues for Orange Land's water system are \$22,617.

APPROVED

Issue 6: What is the appropriate amount of operating expense for Orange Land Utilities, LLC?

Recommendation: The appropriate amount of operating expense for Orange Land is

~~-\$25,240.~~ \$ 25,494 .

APPROVED as modified

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Issue 7: What is the appropriate revenue requirement for Orange Land Utilities, LLC?

Recommendation: The appropriate revenue requirement is ~~\$27,727~~ resulting in an annual increase of ~~\$5,110~~ (~~22.60~~ percent).
23.72 *\$27,981* *\$5,364*

APPROVED *as modified*

Issue 8: What is the appropriate rate structure and rates for Orange Land Utilities, LLC's water system?

Recommendation: The recommended rate structure and monthly water rates are shown on Schedule No. 4 of staff's memorandum date July 26, 2018. 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 10 days of the date of the notice.

APPROVED

Issue 9: What are the appropriate initial customer deposits for Orange Land Utilities, LLC water system?

Recommendation: The appropriate initial customer deposit should be \$64 for the residential 5/8 inch x 3/4 inch meter size. The initial customer deposits for all other residential meter sizes and all general service meter sizes should be two times the average estimated bill for water. The approved initial customer deposits should be effective for services rendered or connections made on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475, F.A.C. The Utility should be required to collect the approved deposits until authorized to change them by the Commission in a subsequent proceeding.

APPROVED

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Issue 10: What is the appropriate amount by which rates should be reduced in four years after the published effective date to reflect the removal of the amortized rate case expense as required by Section 367.081(8) F.S.?

Recommendation: The rates should be reduced as shown on Schedule No. 4 of staff's memorandum dated July 26, 2018, to remove rate case expense grossed-up for RAFs 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 367.081(8), F.S. Orange Land 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 11: Should the recommended rates be approved for Orange Land Utilities, LLC on a temporary basis, subject to refund with interest, in the event of a protest filed by a party other than the Utility?

Recommendation: Yes. Pursuant to Section 367.0814(7), F.S., the recommended rates should be approved for the Utility on a temporary basis, subject to refund with interest, in the event of a protest filed by a party other than the Utility. Orange Land 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 temporary rates should not be implemented until staff has approved the proposed notice, and the notice has been received by the customers. Prior to implementation of any temporary rates, the Utility should provide appropriate security. If the recommended rates are approved on a temporary basis, the rates collected by the Utility should be subject to the refund provisions discussed in the analysis portion of staff's memorandum dated July 26, 2018. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., the Utility should file reports with the Commission's Office of Commission Clerk no later than the 20th of each month indicating the monthly and total amount of money subject to refund at the end of the preceding month. The report filed should also indicate the status of the security being used to guarantee repayment of any potential refund.

APPROVED

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Issue 12: Should Orange Land Utilities, LLC be required to notify the Commission in writing that it has adjusted its books in accordance with the Commission's decision?

Recommendation: Yes. Orange Land should be required to notify the Commission in writing, that it has adjusted its books in accordance with the Commission's decision. Orange Land should submit a letter within 90 days of the final order in this docket, confirming that it has made the adjustments to all applicable National Association of Regulatory Commissioners (NARUC) Uniform System of Accounts (USOA). In the event the Utility needs additional time to complete the adjustments, notice should be provided within seven days prior to the deadline. Upon providing good cause, staff should be given administrative authority to grant an extension of up to 60 days.

APPROVED

Issue 13: 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, and the utility has provided staff with proof that the adjustments for all the applicable NARUC USOA primary accounts have been made. Once these actions are complete, this docket should be closed administratively.

APPROVED

Brandy Butler

From: Asha Maharaj-Lucas
Sent: Tuesday, August 07, 2018 7:55 AM
To: Tom Ballinger; Commission Clerk; CLK - Agenda Staff; Commission Suite
Cc: Mark Futrell; Kate Hamrick; Mary Anne Helton; Andrew Maurey; Greg Shafer; Judy Harlow; Braulio Baez
Subject: RE: Request to make oral modification to staff's recommendation for Item # 7 of the August 7, 2018 Commission Conference
Attachments: Orangeland Requested Oral Modification.docx

From: Braulio Baez
Sent: Tuesday, August 07, 2018 7:45 AM
To: Tom Ballinger
Cc: Mark Futrell; Asha Maharaj-Lucas; Kate Hamrick; Mary Anne Helton; Andrew Maurey; Greg Shafer; Judy Harlow
Subject: Re: Request to make oral modification to staff's recommendation for Item # 7 of the August 7, 2018 Commission Conference

Approved

Sent from my T-Mobile 4G LTE Device

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

From: Tom Ballinger <TBalling@PSC.STATE.FL.US>
Date: 8/7/18 7:40 AM (GMT-05:00)
To: Braulio Baez <BBaez@PSC.STATE.FL.US>
Cc: Mark Futrell <MFutrell@PSC.STATE.FL.US>, Asha Maharaj-Lucas <AMaharaj@psc.state.fl.us>, Kate Hamrick <KHamrick@psc.state.fl.us>, Mary Anne Helton <MHelton@PSC.STATE.FL.US>, Andrew Maurey <AMaurey@PSC.STATE.FL.US>, Greg Shafer <GShafer@PSC.STATE.FL.US>, Judy Harlow <JHarlow@PSC.STATE.FL.US>
Subject: Request to make oral modification to staff's recommendation for Item # 7 of the August 7, 2018 Commission Conference

Staff is requesting approval to make an oral modification to its recommendation filed in Docket No. 20170230-WU, Application for staff-assisted rate case in Pasco County by Orange Land Utilities, LLC., currently scheduled for the August 7, 2018 agenda conference (Item 7).

Yesterday afternoon, staff realized that we had inadvertently used a retirement value from the previous staff report which impacts Issues 3, 6, and 7. The net impact is an increase of \$254.00 to the recommended annual revenue requirement. Attached is a word document in type/strike format highlighting the requested changes.

Staff is also requesting administrative authority to recalculate rates following the Commission's vote on this item.

Please let me know if you need any further information.

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

Issue 3, pages 7 and 8

Orange Land has requested several pro forma plant projects. The pro forma projects include replacement of a hydropneumatic tank, flow meter, well-house roof, and electrical panel, as well as a meter replacement program. The Utility obtained two bids for the hydropneumatic tank, well-house roof, and electrical panel projects and the lowest bids were selected for each respective project. The replacement of the flow meter was completed by Orange Land, and the Utility will also be completing the work for the meter replacement program. As such, staff increased UPIS by ~~\$9,531~~ ~~-\$8,032~~.

**Table 3-1
Pro Forma Projects**

| Description | Pro Forma Cost | Retirement | Net Amount | Net Depreciation Expense | Net Acc. Depreciation |
|-----------------------------|-----------------|---|---------------------------------------|---------------------------------|---------------------------------------|
| Hydro Hydro Tank | \$10,274 | (\$7,706) (\$9,205) | \$2,568 \$1,069 | \$86 \$36 | \$7,364 \$8,863 |
| Meter Replacement | 3,450 | (2,587) | 863 | \$51 | \$2,384 |
| Well-House Roof | 700 | 0 | 700 | \$26 | (\$26) |
| Electrical Panel | 5,122 | 0 | 5,122 | \$301 | (\$301) |
| Flow Meter | <u>278</u> | <u>0</u> | <u>278</u> | <u>\$9</u> | <u>(\$9)</u> |
| Total | <u>\$19,824</u> | (\$10,293) (\$11,792) | <u>\$9,531</u> \$8,032 | <u>\$472</u> \$422 | <u>\$9,412</u> \$10,911 |

Source: Document Nos. 02337-2018, 02338-2018, and 04327-2018.

Staff's net adjustment to UPIS is an increase of ~~\$10,397~~ ~~\$8,898~~ (\$866 + ~~\$9,531~~ ~~-\$8,032~~). Therefore, staff recommends that the appropriate UPIS balance is ~~\$62,638~~ ~~-\$61,139~~.

Accumulated Depreciation

Orange Land recorded a test year accumulated depreciation balance of \$44,378. Staff increased accumulated depreciation by \$825 to include an averaging adjustment. Staff also decreased accumulated depreciation by ~~\$9,412~~ ~~\$10,911~~ to reflect pro forma additions and corresponding retirements. Staff's adjustments result in a net decrease to accumulated depreciation of ~~\$8,587~~ ~~\$10,086~~ (~~\$9,412~~ ~~\$10,911~~ - \$825). Staff recommends an accumulated depreciation balance of ~~\$35,791~~ ~~\$34,292~~.

Issue 6, page 11

Recommendation: The appropriate amount of operating expense for Orange Land is ~~\$25,494~~ ~~\$25,240~~.

Issue 6, Page 14

Depreciation Expense (Net of Amortization of CIAC)

- Orange Land recorded depreciation expense of \$751 during the test year. Staff calculated depreciation expense associated with the pro forma plant additions and retirements the Utility requested. These additions result in an increase of ~~\$472~~ ~~\$422~~. As such, staff recommends depreciation expense of ~~\$1,223~~ ~~\$1,173~~.

Taxes Other Than Income (TOTI)

Orange Land recorded a TOTI balance of \$1,943 during the test year. Staff increased property tax expense by ~~\$313~~ ~~\$121~~ as a corresponding adjustment to the pro forma plant additions. Staff also decreased TOTI by \$53 to reflect the appropriate amount of a property tax bill received by the Utility in November of 2017. Additionally, staff decreased payroll taxes by \$198 as a corresponding adjustment to staff's recommended adjustment to salaries and wages expense. Staff increased the Regulatory Assessment Fees (RAFs) by \$12 to reflect the adjusted test year revenues. This results in a net ~~increase~~ ~~decrease~~ of ~~\$74~~ ~~\$118~~ ($-\$53 - \$198 + \$12 + \del{\$313} \del{\$121}$).

In addition, as discussed in Issue 7, revenues have been increased by ~~\$5,364~~ ~~\$5,110~~ to reflect the change in revenue required to cover expenses and allow the recommended return on investment. As a result, TOTI should be increased by ~~\$241~~ ~~\$230~~ to reflect RAFs of 4.5 percent on the change in revenues. Staff's adjustments result in a net increase of ~~\$315~~ ~~\$112~~ ($\del{\$74} \del{\$118} + \del{\$241} \del{\$230}$). Therefore, staff recommends TOTI of ~~\$2,258~~ ~~\$2,055~~.

Operating Expenses Summary

The application of staff's recommended adjustments to Orange Land's test year operating expenses results in operating expenses of ~~\$25,494~~ ~~\$25,240~~. Operating expenses are shown on Schedule No. 3-A. The related adjustments are shown on Schedule Nos. 3-B and 3-C.

Issue 7, page 15

Recommendation: The appropriate revenue requirement is ~~\$27,981~~ \$27,727 resulting in an annual increase of ~~\$5,364~~ \$5,110 (~~23.72~~ 22.60 percent). (Frank)

Staff Analysis: Orange Land should be allowed an annual increase of ~~\$5,364~~ \$5,110 (~~23.72~~ 22.60 percent). The calculations are shown below in Table 7-1.

**Table 7-1
Revenue Requirement**

| | |
|----------------------------------|---------------------------------|
| Adjusted Rate Base | \$29,381 |
| Rate of Return | x 8.46% |
| Return on Rate Base | 2,487 2,528 |
| Adjusted O&M Expense | 22,013 |
| Depreciation Expense (Net) | 1,223 1,173 |
| Taxes Other Than Income | 2,017 1,825 |
| Test Year RAFs | <u>241</u> 230 |
| Revenue Requirement | 27,981 27,727 |
| Less Adjusted Test Year Revenues | <u>22,617</u> |
| Annual Increase | <u>5,364</u> 5,110 |
| Percent Increase | <u>23.72%</u> 22.60% |