

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: September 22, 2022

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Engineering (M. Watts, Ramos) *TB*
Division of Accounting and Finance (Bennett, Sowards) *ALM*
Division of Economics (Bethea, Hudson) *JGH*
Office of the General Counsel (Stiller, J. Crawford) *JSC*

RE: Docket No. 20200185-WS – Application for certificates to provide water and wastewater service in Lake and Sumter Counties, by Gibson Place Utility Company, LLC.

AGENDA: 10/04/22 – Regular Agenda – Proposed Agency Action - Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Clark

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Case Background

On July 22, 2020, Gibson Place Utility Company, LLC (GPU, Gibson, or Utility) filed its application for original water and wastewater certificates in Sumter County. The area is in the Southwest Florida Water Management District (SWFWMD) and is not in a water use caution area.

Concurrent with its application for original water and wastewater certificates, the Utility also filed a petition for a temporary waiver of Rules 25-30.033(1)(p) and (q), Florida Administrative Code (F.A.C.), in order to bifurcate the certification and rate setting aspects of the case. The Florida Public Service Commission (Commission) granted Certificate Nos. 677-W and 577-S to

GPU to provide water and wastewater service in Sumter County, and granted its request for temporary rule waiver.¹ In the Order granting the waiver, the Commission required GPU to file a status update every six months from the date of the Order as to: (1) the status of the Utility's permitting with the Florida Department of Environmental Protection (DEP) and the SWFWMD, and (2) the anticipated date of the commencement of the Utility's operations.

On July 27, 2021, GPU filed an application for an amendment of its service territory to delete a portion of the territory that would be developed at a different pace than the remaining territory. This request for territory deletion was granted.² The territory that was deleted will serve two separate areas, one consisting of high-density commercial customers, and the other consisting of some commercial customers with mostly multi-family residential units. The remaining territory, to be served by GPU, will consist of single family age-restricted housing units. On April 25, 2022, Middleton Utility Company, LLC (Middleton) filed an application for original water and wastewater certificates to serve the territory deleted from GPU.³ Middleton and GPU have the same parent company, Holding Company of The Villages, Inc. Staff's recommendation regarding Middleton's application is scheduled to be presented at the November 1, 2022 Agenda Conference.

GPU filed the required status reports on May 24, 2021, November 10, 2021, February 17, 2022, and March 29, 2022. On April 19, 2022, GPU filed the supporting financial information required to establish rates and charges. This recommendation addresses the initial rates and charges for the Utility's water and wastewater services. The Commission has jurisdiction pursuant to Sections 367.031, 367.045, 367.081, 367.091 and 120.452, Florida Statutes (F.S.).

¹ Order No. PSC-17-0059-PAA-WS, issued February 24, 2017, in Docket No. 20160220-WS, *In re: Application for original water and wastewater certificates in Sumter County, by South Sumter Utility Company, LLC.*

² Order No. PSC-2022-0049-FOF-WS, issued January 31, 2022, in Docket No. 20210125-WS, *In re: Application for amendment of Certificate Nos. 677-W and 577-S to delete territory in Lake and Sumter Counties, by Gibson Place Utility Company, LLC.*

³ Docket No. 20220088-WS, *In re: Application for certificates to provide water and wastewater service and approval of initial rates and charges in Sumter County, by Middleton Utility Company, LLC.*

Discussion of Issues

Issue 1: What are the appropriate water and wastewater rates and return on investment for Gibson Place Utility Company, LLC?

Recommendation: Staff's recommended water and wastewater rates, shown on Schedule Nos. 4-A and 4-B, are reasonable and should be approved. The approved rates 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 charge the approved rates until authorized to change them by the Commission in a subsequent proceeding. A return on equity (ROE) of 7.84 percent with a range of plus or minus 100 basis points should also be approved. (Bennett, Bethea, Hudson)

Staff Analysis:

Projected Rate Base

Consistent with Commission practice in applications for original certificates, rate base is identified only as a tool to aid in setting initial rates and is not intended to formally establish rate base. Based on GPU's growth projections, the Utility anticipates operating at 80 percent of its design capacity in 2026. The Utility's proposed water and wastewater rate base calculations, as well as staff adjustments, are described below.

The Utility proposed plant in service balances of \$47,755,289 for water and \$111,533,582 for wastewater. Staff does not have any adjustments to GPU's proposed balances. Therefore, staff recommends a plant in service balance of \$47,755,289 for water and \$111,533,582 for wastewater.

The Utility proposed land balances of \$151,008 for water and \$1,617,500 for wastewater. Staff does not have any adjustments to GPU's proposed balances. Therefore, staff recommends a land balance of \$151,008 for water and \$1,617,500 for wastewater.

GPU proposed an accumulated depreciation balance of \$3,438,665 for water and \$12,114,001 for wastewater. Based on staff's calculations, accumulated depreciation for water should be reduced by \$1,773 to account for a rounding error. Staff does not have any adjustments for wastewater. As such, staff recommends an accumulated depreciation balance of \$3,436,892 for water and \$12,114,001 for wastewater.

In its filing, GPU proposed contributions in aid of construction (CIAC) balances of \$20,167,016 for water and \$45,442,029 for wastewater. As discussed further below, staff has recommended an adjustment to the plant capacity charges, as well as an updated meter installation charge that was not included in GPU's proposed CIAC calculation. As a result, staff recommends an adjustment to increase CIAC by \$3,854,889 for water and decrease CIAC by \$4,047,133 for wastewater. Based on these adjustments, staff recommends CIAC balances of \$24,021,905 for water and \$41,394,896 for wastewater.

The Utility proposed an accumulated amortization of CIAC balance of \$1,027,813 for water and \$3,285,601 for wastewater. As discussed further below, staff has recommended an adjustment to

the plant capacity charges, as well as an updated meter installation charge that was not included in GPU's proposed CIAC calculation. Additionally, using the depreciation rates pursuant to Rule 25-30.140, F.A.C., staff has adjusted accumulated amortization of CIAC to reflect the use of the proper accounts in determining amortization rates for the plant capacity and main extension charges. As a result, staff recommends adjustments to increase accumulated amortization by \$1,249,711 for water, and \$2,093,101 for wastewater. Based on the adjustments above, staff recommends accumulated amortization of CIAC balances of \$2,277,524 for water and \$5,378,702 for wastewater.

GPU proposed a working capital allowance of \$120,158 for water and \$259,389 for wastewater based on the one-eighth of the estimated operation and maintenance (O&M) expenses for each system. The Commission has previously allowed this methodology in original certificate cases as the O&M expenses are just an estimate.⁴ Staff does not have any adjustments to the Utility's proposed working capital allowance. Therefore, staff recommends a working capital allowance of \$120,158 for water and \$259,389 for wastewater.

In total, the Utility proposed a rate base of \$25,448,587 for water and \$59,140,042 for wastewater. Based on the adjustments discussed above, staff recommends that the rate base be decreased by \$2,603,405 for water and increased by \$6,140,234 for wastewater. As such, staff recommends an adjusted rate base of \$22,845,182 for water and \$65,280,276 for wastewater be approved. Rate base calculations for the water and wastewater systems are shown on Schedule Nos. 1-A and 1-B, respectively. Staff's adjustments are shown on Schedule No. 1-C.

Cost of Capital

GPU proposed an ROE of 7.88 percent, based on the leverage formula in effect at the time of filing. However, staff recommends the Utility's ROE be based on the current leverage formula in effect.⁵ Using the current leverage formula, staff recommends an ROE of 7.84 percent. As such, staff recommends an overall cost of capital of 7.76 percent. The appropriate ROE for GPU is 7.84 percent, with a range of plus or minus 100 basis points, as shown on Schedule No. 2.

Net Operating Income

The Utility projected net operating income (NOI) for the water and wastewater systems of \$1,982,444 and \$4,607,009, respectively. Based on the adjustments above, staff calculated an NOI of \$1,772,798 for water and \$5,065,785 for wastewater. The calculated NOI for the water and wastewater systems are shown on Schedule Nos. 3-A and 3-B, respectively.

Operation and Maintenance Expenses

GPU proposed total O&M expenses of \$961,268 for water and \$2,075,109 for wastewater. Staff believes no adjustments are necessary and therefore recommends O&M expenses of \$961,268 for water and \$2,075,109 for wastewater.

⁴Order No. PSC-2018-0271-PAA-WS, issued May 30, 2018, in Docket No. 20160220-WS, *In re: Application for original water and wastewater certificates in Sumter County, by South Sumter Utility Company, LLC.*, p. 4.

⁵Order No. PSC-2022-0208-PAA-WS, issued June 15, 2022, in Docket No. 20220006-WS, *In re: Water and wastewater industry annual reestablishment of authorized range of return on common equity of water and wastewater utilities pursuant to Section 367.081(4)(f), F.S.*

Net Depreciation Expense

The Utility reflected depreciation expense, net of CIAC amortization expense, of \$760,015 for water and \$2,653,855 for wastewater. Based on staff's adjustments to rate base, corresponding adjustments should be made to decrease net depreciation expense by \$387,949 for water and by \$371,128 for wastewater. These adjustments result in net depreciation expense of \$372,066 for water and \$2,282,727 for wastewater.

Amortization Expense

The Utility reflected amortization expense balance of \$10,681 for water and wastewater to reflect amortization of organization costs. Organization costs are typically recorded in Accounts 301 and 351 and amortized pursuant to Rule 25-30.140, F.A.C. As such, staff has reclassified the organization costs for water and wastewater as depreciation expenses and included them in its calculation of net depreciation expense above.

Taxes Other Than Income

In its filing, GPU included taxes other than income (TOTI) expense of \$803,972 for water and \$1,832,839 for wastewater. GPU's calculation of proposed property tax expense for each system was based on the Sumter County millage rate from 2020. In addition, staff discovered the Utility's calculation of net plant for water was understated. Staff recalculated the property tax expense for each system using the most recent millage rate and net plant totals and recommends an adjustment be made to increase property tax expense by \$65,428 for water and decrease property expense by \$61,554 for wastewater. Staff also made a corresponding adjustment to decrease regulatory assessment fees (RAFs) by \$25,579 for water and increase regulatory assessment fees by \$726 for wastewater to reflect staff's recommended revenue requirement. Therefore, staff recommends a TOTI balance of \$843,821 for water and \$1,772,011 for wastewater.

Revenue Requirement

The Utility's projected revenues include O&M expenses, net depreciation expense, taxes other than income, as well as a return on investment. Staff notes that because GPU is a limited liability company, it has no income tax expense. The Utility proposed revenue requirements for water and wastewater of \$4,518,380 and \$11,179,493, respectively. Staff recommends adjusted revenue requirements of \$3,949,953 for water and \$11,195,631 for wastewater to be used to set initial rates for service. The calculation of GPU's projected water and wastewater revenue requirements are shown on Schedule Nos. 3-A and 3-B, respectively. Staff's adjustments are shown on Schedule No. 3-C.

Rates and Rate Structure

Gibson structured its proposed rates in accordance with Rule 25-30.033(2), F.A.C., which requires that a base facility and usage rate structure, as defined in Rule 25-30.437(6), F.A.C., be utilized for metered service. The Utility's proposed rates were designed to generate the Utility's requested revenue requirements of \$4,518,380 for its water system and \$11,179,493 for its wastewater system.

Staff's recommended water rates on Schedule No. 4-A reflect staff's recommended revenue requirement of \$3,949,953 for the water system less projected miscellaneous revenues of \$69,904. Consistent with the Utility's proposed rate structure, staff recommends a traditional

base facility charge (BFC) and gallonage charge rate structure with an additional gallonage charge for discretionary usage for residential water customers. Gibson proposed a discretionary threshold of 3,000 gallons for its residential water customers. The Utility proposed recovering 40 percent of the revenues through the BFC. Staff believes the Utility's proposed water rate structure is reasonable and consistent with the Commission's methodology in determining water rate structures.

Staff's recommended wastewater rates on Schedule No. 4-B reflect staff's recommended revenue requirement of \$11,195,631 for the wastewater system less projected miscellaneous revenues of \$69,904. The Utility's proposed wastewater rate structure consists of a BFC, gallonage charge, and gallonage cap of 10,000 gallons for residential customers. The Utility proposed recovering 50 percent of the revenues through the BFC. Staff believes the Utility's proposed wastewater rate structure is reasonable and consistent with the Commission's methodology in determining wastewater rate structures.

The Utility's proposed rates also include water and wastewater bulk service rates. The bulk service rates are for Middleton. Middleton will be a reseller and purchasing water and wastewater treatment from Gibson. The Utility designed the bulk service rates based on common plant and expenses of both Gibson and Middleton. The Utility included RAFs in the calculation of proposed bulk service rates.

Section 367.145(1), F.S., states in part:

The Commission shall set by rule a regulatory assessment fee that each utility must pay once a year...the amount of the regulatory assessment fee shall not exceed 4.5 percent of the gross revenues of the utility derived from intrastate business, excluding sales for resale made to a regulated company. (emphasis added)

Currently, Middleton is seeking approval for an original certificate to provide water and wastewater service.⁶ It is Commission practice to include an allowance for RAFs in a Utility's rate calculation, thereby allowing the utility the opportunity to recover the expense through rates. If the Commission approves Middleton's application, it would be a regulated utility. As a result, pursuant to Section 367.145(1), F.S., Gibson cannot recover RAFs through the bulk rate it proposes to assess Middleton. Therefore, staff's recommended bulk service water and wastewater rates exclude an allowance for RAFs.

Further, Gibson designed its bulk service water and wastewater rates based on the meter sizes that will provide service to Middleton, which consists of three 8-inch meters and five 12-inch meters. In accordance with the standards provided by the American Water Works Association, which the Commission has historically accepted, an 8-inch meter is defined as 80 equivalent residential connections (ERCs) and a 12-inch meter is defined as 215 ERCs, which equate to a total of 1,315 [(3 x 80)+ (5 x 215)] ERCs. However, Middleton is proposing to provide services to 6,862 ERCs, which is substantially more than the ERCs based on the meter sizes. This

⁶ See Docket No. 20220088, *In re: Application for certificates to provide water and wastewater service and approval of initial rates and charges in Sumter County, by Middleton Utility Company, LLC*.

disparity between the calculation of the metered ERCs and the number of ERCs behind the meter of the bulk customer could result in subsidization of Middleton's customer base by Gibson's customer base. A bulk service rate based solely on the size of the meters would not accurately measure the demand placed upon the Utility's system by Middleton.

Staff believes Middleton should be billed based on the number of ERCs behind the meter and not based on the meters through which it will receive services. The Commission has found in prior instances the appropriateness of going behind the meter to bill for services.⁷ In order to equitably distribute cost among the customers to be served by Gibson, Middleton's ERCs, behind the meter, of 6,862 should be equated to an ERC in accordance with Gibson's defined ERC. Based on the demographics of Gibson's and Middleton's customer bases, Gibson proposed an ERC defined as 80 gallons per day (gpd) while Middleton proposed an ERC defined as 225 gpd. Middleton's proposed ERC is a factor of 2.8125 (225 gpd/80 gpd) more than Gibson's proposed ERC. As a result, staff recommends the appropriate number of ERCs for designing the bulk service rates for Middleton is 19,300 (6,862 ERCs x 2.8125).

Based on the above, staff's recommended water and wastewater rates, shown on Schedule Nos. 4-A and 4-B, are reasonable and should be approved. The approved rates 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 charge the approved rates until authorized to change them by the Commission in a subsequent proceeding. A ROE of 7.84 percent with a range of plus or minus 100 basis points should also be approved.

⁷ Order No. PSC-96-0596-FOF-WS, issued May 7, 1996, in Docket No. 950186-WS, *In re: Request for approval of new class of service to provide for bulk service in Citrus County by Rolling Oaks Utilities, Inc.*

Issue 2: What are the appropriate miscellaneous service charges for Gibson Place Utility Company, LLC?

Recommendation: The appropriate miscellaneous service charges are shown on Schedule No. 4-C and should be approved. The Utility should file revised tariff sheets to reflect the Commission-approved charges. The approved charges 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. Gibson should be required to charge the approved miscellaneous service charges until authorized to change them by the Commission in a subsequent proceeding. (Bethea, Hudson)

Staff Analysis: Section 367.091, F.S., authorizes the Commission to establish miscellaneous service charges. Gibson’s request was accompanied by its reason for requesting the charges as well as the cost justification required by Section 367.091(6), F.S. The purpose of these charges is to place the burden for requesting or causing these services on the cost causer rather than the general body of ratepayers.

Premises Visit and Violation Reconnection Charges

The Utility requested initial connection, normal reconnection, violation reconnection, and premise visit charges of \$46.05 during normal business hours. Additionally, Gibson requested that its violation reconnection charge for its wastewater system be actual cost pursuant to Rule 25-30.460(1)(c), F.A.C. It should be noted that Gibson’s request for initial connection and normal reconnection charges do not conform to the miscellaneous service charges rule. Effective June 24, 2021, Rule 25-30.460, F.A.C., was amended to remove initial connection and normal reconnection charges.⁸ The definitions for initial connection charges and normal reconnection charges were subsumed in the definition of the premises visit charge. Therefore, Gibson’s proposed initial connection and normal reconnection charges are obsolete based on the revised rule.

The Utility’s cost justification for its requested premises visit and water violation reconnection charge is shown below in Table 2-1. Staff believes the premises visit and water violation reconnection charges are reasonable and should be approved pursuant to Rule 25-30.460, F.A.C. Gibson’s requested wastewater violation reconnection charge should be actual cost pursuant to Rule 25-30.460(1)(c), F.A.C.

Table 2-1
Premises Visit and Water Violation Reconnection Charge Cost Justification

Field Labor	\$34.92
Administrative Labor	\$11.13
Total	\$46.05

Source: Utility’s Cost Justification

Late Payment Charge

The Utility requested a \$5.50 late payment charge to recover administrative and supply costs for processing late payment notices. The Utility’s cost justification for its requested late payment

⁸ Order No. PSC-2021-0201-FOF-WS, issued June 4, 2020, in Docket No. 20200240-WS, *In re: Proposed amendment of Rule 25-30.460, F.A.C., Application for Miscellaneous Service Charges.*

charge is shown below on Table 2-2. Staff believes the requested late payment charge is reasonable and should be approved.

**Table 2-2
 Late Payment Cost Justification**

Labor	\$4.59
Supplies/Postage	\$.75
Mark Up for RAFs	.26
Calculated Total	\$5.60
Requested Charge	\$5.50

Source: Utility's Cost Justification

Nonsufficient Funds Charges (NSF)

The Utility requested NSF charges pursuant to Section 68.065, F.S. Staff believes that Gibson should be authorized to collect NSF charges consistent with Section 68.065, F.S., which allows for the assessment of charges for the collection of worthless checks, drafts, or orders of payment. As currently set forth in Section 68.065(2), F.S., the following NSF charges may be assessed:

- 1) \$25, if the face value does not exceed \$50,
- 2) \$30, if the face value exceeds \$50 but does not exceed \$300,
- 3) \$40, if the face value exceeds \$300,
- 4) or 5 percent of the face amount of the check, whichever is greater.

The Utility's proposed and staff's recommended miscellaneous service charges are shown below in Tables 2-3 and 2-4.

**Table 2-3
 Utility Proposed Miscellaneous Service Charges**

	<u>Normal Hours</u>	<u>After Hours</u>
Initial Connection Charge	\$46.05	N/A
Normal Reconnection Charge	\$46.05	N/A
Violation Reconnection Charge	Actual Cost	Actual Cost
Premises Visit Charge (in lieu of disconnection)	\$46.05	N/A
Late Payment Charge	\$5.50	
NSF Charges	Pursuant to Section 68.065, F.S.	

Table 2-4
Staff Recommended Miscellaneous Service Charges

	<u>Normal Hours</u>	<u>After Hours</u>
Violation Reconnection Charge - Water	\$46.05	Actual Cost
Violation Reconnection Charge -Wastewater	Actual Cost	Actual Cost
Premises Visit Charge	\$46.05	N/A
Late Payment Charge	\$5.50	
NSF Charges	Pursuant to Section 68.065, F.S.	

The appropriate miscellaneous service charges are shown in Schedule No. 4-C and should be approved. The Utility should file revised tariff sheets to reflect the Commission-approved charges. The approved charges 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. Gibson should be required to charge the approved miscellaneous service charges until authorized to change them by the Commission in a subsequent proceeding.

Issue 3: Should the meter tampering charge requested by Gibson Place Utility Company, LLC be approved?

Recommendation: Yes. The Utility's requested meter tampering charge of actual cost should be approved. The approved charge should be effective for service rendered on or after the stamped approval date on the tariff pursuant to Rule 25-30.475, F.A.C. Gibson should be required to charge the approved charge until authorized to change it by the Commission in a subsequent proceeding. (Bethea, Hudson)

Staff Analysis: Rule 25-30.320(2)(i), F.A.C., provides that a customer's service may be discontinued without notice in the event of tampering with the meter or other facilities furnished or owned by the Utility. In addition, Rule 25-30.320(2)(j), F.A.C., provides that a customer's service may be discontinued in the event of an unauthorized or fraudulent use of service. The rule allows Gibson to require the customer to reimburse the Utility for all changes in piping or equipment necessary to eliminate the illegal use and to pay an amount reasonably estimated as the deficiency in revenue resulting from the customer's fraudulent use before restoring service.

Based on the above, the Utility's requested meter tampering charge of actual cost should be approved. The approved charge should be effective for service rendered on or after the stamped approval date on the tariff pursuant to Rule 25-30.475, F.A.C. Gibson should be required to charge the approved charge until authorized to change it by the Commission in a subsequent proceeding.

Issue 4: Should the Utility's request to implement a backflow prevention assembly testing charge be approved?

Recommendation: Yes. The Utility's requested backflow prevention assembly testing charge for general service customers at actual cost should be approved. The approved charge should be effective for service rendered on or after the stamped approval date on the tariff pursuant to Rule 25-30.475, F.A.C. Gibson should be required to charge the approved charge until authorized to change it by the Commission in a subsequent proceeding. (Bethea, Hudson)

Staff Analysis: The Utility requested a backflow prevention assembly testing charge to recover the costs the Utility would incur for performing annual testing on behalf of non-compliant commercial customers. The DEP requires customers with cross-connections into the water system to install a backflow prevention assembly on the potable water line. In addition, the DEP requires that certain backflow prevention assemblies be field-tested at least once a year by a certified contractor. The residential customers of Gibson are not required to annually test their backflow prevention assembly devices because the type of assembly they will have, a double check valve, cannot be tested, but the DEP recommends it be replaced every five to ten years pursuant to Rule 62-555.360, F.A.C., and it is typically at the customer's expense.

It is the responsibility of the customer to annually test their backflow prevention assembly. The Utility would only administer this charge if a general service customer fails to test their backflow prevention device in accordance with the DEP requirements. This charge would be imposed after 30 days' notice to the customer and would include an estimate of the amount which will be charged. This noticing period will provide the customer a final opportunity to come into compliance before Gibson performs the necessary testing on the customer's behalf. The Utility is requesting this charge at actual cost in order to pass on the amount it will incur from a contractor performing the necessary testing. Staff believes the Utility's requested charge is reasonable and consistent with the Commission's approval of a backflow prevention assembly testing charge in a prior docket.⁹

Based on the above, the Utility's requested backflow prevention assembly testing charge for general service customers at actual cost should be approved. The approved charge should be effective for service rendered on or after the stamped approval date on the tariff pursuant to Rule 25-30.475, F.A.C. Gibson should be required to charge the approved charge until authorized to change it by the Commission in a subsequent proceeding.

⁹ Order No. PSC-2018-0271-PAA-WS, issued May 30, 2018, in Docket No. 20160220-WS, *In re: Application for original water and wastewater certificates in South Sumter County by South Sumter Utility Company, LLC.*

Issue 5: Should the collection device cleaning charge requested by Gibson Place Utility Company, LLC be approved?

Recommendation: Yes. The Utility's requested collection device cleaning charge at actual cost for general service customers should be approved. The approved charge should be effective for service rendered on or after the stamped approval date on the tariff pursuant to Rule 25-30.475, F.A.C. Gibson should be required to charge the approved charge until authorized to change it by the Commission in a subsequent proceeding. (Bethea, Hudson)

Staff Analysis: Gibson requested a collection device cleaning charge at actual cost for general service customers who fail to perform the required actions after receiving written notice from the Utility with an estimate of potential charges. Cleaning the collection device helps prevent damage and operational problems in the wastewater collection and treatment system by removing fats, oil, and grease (FOG) from the wastewater stream prior to it entering the collection system. Once FOG is introduced into the wastewater system, it then cools, solidifies, accumulates and restricts wastewater flow within the pipes. Restaurants are the most common type of general service customer to have higher concentrations of FOG in their discharged wastewater.

Gibson is requiring all customers with a grease interceptor be required to have a quarterly cleaning schedule, provide a cleaning manifest to the Utility, and perform any needed maintenance that has been identified by the customer's grease interceptor cleaning contractor. If a cleaning manifest is not received by the Utility on time or if necessary maintenance has not been performed, a reminder letter will be sent to the customer with an estimate of charges for cleaning the grease interceptor and giving the customer 15 days to come into compliance. If the customer fails to come into compliance by the notified deadline, the Utility will hire a contractor to perform the cleaning and the contractor's cost will be passed through to the general service customer at the actual cost to the Utility.

Staff believes the Utility's proposed collection device cleaning charge is a reasonable, proactive approach to avoid operational problems in the Utility's collection and treatment facilities. The Utility's request is consistent with Rule 20-30.225(6), F.A.C., which provides that Gibson may require that each customer be responsible for cleaning and maintaining sewer laterals to the point of delivery. Staff believes the Utility's requested charge is reasonable and consistent with the Commission's approval of a collection device cleaning charge in a prior docket.¹⁰

Therefore, staff recommends the Utility's request to charge a collection device cleaning charge is reasonable and should be approved. This charge may be levied if circumstances are consistent with those discussed in this issue and will be set forth in the Utility's tariff. The approved charge should be effective for service rendered on or after the stamped approval date on the tariff pursuant to Rule 25-30.475, F.A.C. The Utility should be required to charge the approved charge until authorized to change it by the Commission in a subsequent proceeding.

¹⁰ Order No. PSC-2018-0271-PAA-WS, issued May 30, 2018, in Docket No. 20160220-WS, *In re: Application for original water and wastewater certificates in South Sumter County by South Sumter Utility Company, LLC*.

Issue 6: Should the temporary meter deposit requested by Gibson Place Utility Company, LLC be approved?

Recommendation: Yes. The Utility's requested temporary meter deposit for general service customers at actual cost pursuant to Rules 25-30.315 and 25-30.345, F.A.C., is reasonable and should be approved. The approved deposit should be effective for service rendered on or after the stamped approval date on the tariff pursuant to Rule 25-30.475, F.A.C. Gibson should be required to collect the approved deposit, which covers the anticipated costs of installing and removing facilities and materials for temporary service, until authorized to change it by the Commission in a subsequent proceeding. (Bethea, Hudson)

Staff Analysis: Gibson requested a temporary meter deposit for general service customers consistent with Rules 25-30.315 and 25-30.345, F.A.C., which allows the Utility to charge an applicant a reasonable charge to defray the costs of installing and removing facilities and materials for temporary service. This deposit would be collected from commercial entities requesting a temporary meter for construction activities. Once temporary meter service is terminated, Gibson will credit the customer with the reasonable salvage value of the service facilities and materials consistent with Rules 25-30.315 and 25-30.345, F.A.C.

Based on the above, the Utility's requested temporary meter deposit for general service customers at actual cost pursuant to Rules 25-30.315 and 25-30.345, F.A.C., is reasonable and should be approved. The approved deposit should be effective for service rendered on or after the stamped approval date on the tariff pursuant to Rule 25-30.475, F.A.C. Gibson should be required to collect the approved deposit, which covers the anticipated costs of installing and removing facilities and materials for temporary service, until authorized to change it by the Commission in a subsequent proceeding.

Issue 7: Should the Utility's requested initial customer deposits be approved?

Recommendation: No. The appropriate initial customer deposits are \$46 for water and \$95 for wastewater service for the residential 5/8" x 3/4" 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. The approved customer deposits should be effective for service rendered on or after the stamped approval date on the tariff 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. (Bethea)

Staff Analysis: Rule 25-30.311, F.A.C., contains criteria for collecting, administering, and refunding customer deposits. Rule 25-30.311(1), F.A.C., requires that each company's tariff shall contain its specific criteria for determining the amount of initial deposits. The Utility requested initial customer deposits of \$55.76 for water and \$129.56 for wastewater for the residential 5/8" x 3/4" meter sizes and two times the average estimated monthly bill for all others. Customer deposits are designed to minimize the exposure of bad debt expense for the Utility and, ultimately, the general body of rate payers. In addition, collection of customer deposits is consistent with one of the fundamental principles of rate making which ensures that the cost of providing service is recovered from the cost causer.

Rule 25-30.311(7), F.A.C., authorizes utilities to collect new or additional deposits from existing customers not to exceed an amount equal to the average actual charge for water and/or wastewater service for two billing periods for the 12-month period immediately prior to the date of notice. The two billing periods reflect the lag time between the customer's usage and the Utility's collection of the revenues associated with that usage. Commission practice has been to set initial customer deposits equal to two months bills based on the average consumption for a 12-month period for each class of customers. Staff reviewed the projected billing data provided in Gibson's application and determined that the anticipated average residential usage will be approximately 2,430 gallons per month for both water and wastewater. Consequently, the average residential monthly bill will be approximately \$23.23 for water and \$47.49 for wastewater service, based on staff's recommended rates.

Based on the above, the appropriate initial customer deposits are \$46 for water and \$95 for wastewater service for the residential 5/8" x 3/4" meter size. The initial customer deposit for all other residential meter sizes and all general service meter sizes should be two times the average estimated bill. The approved customer deposits should be effective for service rendered on or after the stamped approval date on the tariff 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.

Issue 8: What are the appropriate service availability charges for Gibson Place Utility Company, LLC?

Recommendation: The appropriate service availability charges are a meter installation charge of \$571.50 for the residential 5/8" x 3/4" meter size and actual cost for all other residential and general service meter sizes. The main extension charge of \$823 per ERC and plant capacity charge of \$306 per ERC for the Utility's water system should be approved. Additionally, a main extension charge of \$1,131 per ERC and a plant capacity charge of \$1,034 per ERC for the Utility's wastewater system should be approved. The recommended main extension and plant capacity charges should be based on an estimated 80 gallons per day (gpd) of water demand. The approved charges should be effective for connections made on or after the stamped approval date on the tariff pursuant to Rule 25-30.475, F.A.C. The Utility should be required to charge the approved charges until authorized to change them by the Commission in a subsequent proceeding. (Bethea, Hudson)

Staff Analysis: Gibson requested a meter installation charge of \$571.50 for 5/8" x 3/4" meters and actual cost for all other meter sizes, plant capacity charge of \$928 per ERC, and a main extension charge of \$823 per ERC for its water system. Additionally, the Utility requested a main extension charge of \$1,130 per ERC and a plant capacity charge of \$2,737 per ERC for its wastewater system. Gibson's service availability charges anticipate providing bulk service to Middleton. Gibson will be providing service to only its customers and Middleton, the bulk service customer. The Utility proposed that only the plant capacity charge be applicable to Middleton and not the main extension charge because Middleton will have its own internal distribution system. Further, according to the Utility, the requested charges are in compliance with Rule 25-30.580, F.A.C., in that design capacity the CIAC will not be in excess of 75 percent, and will not be less than the percentage of facilities and plant represented by the distribution and collection systems.

Rule 25-30.580(1)(a), F.A.C., provides that the maximum amount of CIAC, net of amortization, should not exceed 75 percent of the total original cost, net of accumulated depreciation, of the Utility's facilities and plant when the facilities and plant are at their design capacity. The maximum guideline is designed to ensure that the Utility retains an investment in the system. Rule 25-30.580(1)(b), F.A.C., provides that the minimum amount of CIAC should not be less than the percentage of such facilities and plant that is represented by the distribution and collection systems.

Meter Installation Charges

Gibson is requesting approval of a meter installation charge of \$571.50 for 5/8" x 3/4" meters. All other meter sizes will be installed at the Utility's actual cost. The Utility's proposed meter installation charge of \$571.50 is based on the estimated cost to install remote read water meters and the required backflow prevention device for the 5/8" x 3/4" meter size. Staff recommends the meter installation charges are reasonable and should be approved.

Main Extension Charges

The main extension charge is designed to allow customers to pay their pro rata share of the cost of the water distribution and wastewater collection systems, which is installed by the Utility. The Utility's main extension charge was designed based on the meter size ERCs for its service area.

Typically, the Commission approves main extension charges based on the average cost of the distribution and collection systems and the anticipated capacity in ERCs. The Utility’s methodology is consistent with the manner in which the Commission develops main extension charges. Therefore, the Utility’s requested charges of \$823 for water and \$1,131 for wastewater should be approved.

Plant Capacity Charges

A plant capacity charge allows the Utility to recover each customer’s pro rata share of the cost of treatment facilities and stay within the guidelines prescribed in Rule 25-30.580, F.A.C., which provides minimum and maximum guidelines for designing service availability charges. The Utility proposed plant capacity charges of \$928 for water and \$2,737 for wastewater, which result in contribution levels of 46.63 percent for water and 46.20 percent for wastewater. Gibson’s plant capacity charges were designed based on the meter size ERCs for both Gibson and Middleton.

Typically, the Commission approves plant capacity charges based on the average cost of the water and wastewater treatment facilities and the anticipated capacity in ERCs. The Utility designed its plant capacity charge on 13,693 ERCs. However, staff believes the number of ERCs for designing the charge should be based on the average daily demand capacity and the defined ERC in gallons per day (gpd). The Utility defined an ERC as 80 gallons gpd. The Utility indicated that the average daily demand capacity for the water treatment facilities is 3.32 million gallons per day (mgd) and the wastewater treatment facilities is 2.9 mgd, which results in capacity in ERCs of 41,500 (3,320,000/80) for water and 36,250 (2,900,000/80) for wastewater. As a result, staff recommends plant capacity charges of \$306 for water and \$1,034 for wastewater.

Staff’s recommended main extension and plant capacity charges result in projected contribution levels of 46.21 percent for both water and wastewater, which is similar to the contribution levels proposed by the Utility. Staff believes this is consistent with Rule 25-30.580, F.A.C., and will allow Gibson to maintain an appropriate level of investment in its system. Table 8-1 below displays the Utility’s proposed and staff’s recommended service availability charges for its water and wastewater systems.

**Table 8-1
 Service Availability Charges**

Charge	Utility Proposed		Staff Recommended	
	Water	Wastewater	Water	Wastewater
Meter Installation Charge	\$571.50	N/A	\$571.50	N/A
Main Extension Charge ERC =80 gpd	\$823	\$1,130	\$823	\$1,131
Plant Capacity Charge ERC = 80 gpd	\$928	\$2,737	\$306	\$1,034

Source: Utility’s Cost Justification and Staff Calculations

Based on the above, the appropriate service availability charges are a meter installation charge of \$571.50 for the residential 5/8" x 3/4" meter size and actual cost for all other residential and general service meter sizes. The main extension charge of \$823 per ERC and plant capacity charge of \$306 per ERC for the Utility's water system should be approved. Additionally, a main extension charge of \$1,131 per ERC and a plant capacity charge of \$1,034 per ERC for the Utility's wastewater system should be approved. The recommended main extension and plant capacity charges should be based on an estimated 80 gpd of water demand. The approved charges should be effective for connections made on or after the stamped approval date on the tariff pursuant to Rule 25-30.475, F.A.C. The Utility should be required to charge the approved charges until authorized to change them by the Commission in a subsequent proceeding.

Issue 9: 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. (Stiller)

Staff Analysis: 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.

Gibson Place Utilities, LLC		Schedule No. 1-A	
Schedule of Water Rate Base		20200185-WS	
80% Design Capacity			
Description	Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year
1 Plant in Service	\$47,755,289	\$0	\$47,755,289
2 Land and Land Rights	151,008	0	151,008
3 Accumulated Depreciation	(3,438,665)	1,773	(3,436,892)
4 CIAC	(20,167,016)	(3,854,889)	(24,021,905)
5 Amortization of CIAC	1,027,813	1,249,711	2,277,524
6 Working Capital Allowance	<u>120,158</u>	<u>0</u>	<u>120,158</u>
7 Rate Base	<u>\$25,448,587</u>	<u>(\$2,603,405)</u>	<u>\$22,845,182</u>

Gibson Place Utilities, LLC		Schedule No. 1-B		
Schedule of Wastewater Rate Base		20200185-WS		
80% Design Capacity				
Description	Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	
1 Plant in Service	\$111,533,582	\$0	\$111,533,582	
2 Land and Land Rights	1,617,500	0	1,617,500	
3 Accumulated Depreciation	(12,114,001)	0	(12,114,001)	
4 CIAC	(45,442,029)	4,047,133	(41,394,896)	
5 Amortization of CIAC	3,285,601	2,093,101	5,378,702	
6 Working Capital Allowance	<u>259,389</u>	<u>0</u>	<u>259,389</u>	
7 Rate Base	<u>\$59,140,042</u>	<u>\$6,140,234</u>	<u>\$65,280,276</u>	

Gibson Place Utilities, LLC		Schedule No. 1-C	
Adjustments to Rate Base		20200185-WS	
80% Design Capacity			
Explanation	Water	Wastewater	
Accumulated Depreciation To reflect appropriate level of accumulated depreciation.	<u>\$1,773</u>	<u>\$0</u>	
CIAC To reflect appropriate level of CIAC.	<u>\$3,854,889</u>	<u>(\$4,047,133)</u>	
Accumulated Amortization of CIAC To reflect appropriate level of accumulated amortization of CIAC.	<u>\$1,249,711</u>	<u>\$2,093,101</u>	

Gibson Place Utilities, LLC							Schedule No. 2	
Capital Structure							20200185-WS	
80% Design Capacity								
Description	Total Capital	Subtotal Adjusted Capital	Pro rata Adjustments	Capital Reconciled to Rate Base	Ratio	Cost Rate	Weighted Cost	
Per Utility								
1 Long-term Debt	\$0	\$0	\$0	\$0	0.00%	0.00%	0.00%	
2 Short-term Debt	0	0	0	0	0.00%	0.00%	0.00%	
3 Preferred Stock	0	0	0	0	0.00%	0.00%	0.00%	
4 Common Equity	83,382,247	83,382,247	0	83,382,247	98.57%	7.88%	7.76%	
5 Customer Deposits	1,206,383	1,206,383	0	1,206,383	1.43%	2.00%	0.03%	
6 Tax Credits-Zero Cost	0	0	0	0	0.00%	0.00%	0.00%	
7 Deferred Income Taxes	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>	0.00%	<u>0.00%</u>	
8 Total Capital	<u>\$84,588,630</u>	<u>\$84,588,630</u>	<u>\$0</u>	<u>\$84,588,630</u>	<u>100.00%</u>		<u>7.79%</u>	
Per Staff								
9 Long-term Debt	\$0	\$0	\$0	\$0	0.00%	0.00%	0.00%	
10 Short-term Debt	0	0	0	0	0.00%	0.00%	0.00%	
11 Preferred Stock	0	0	0	0	0.00%	0.00%	0.00%	
12 Common Equity	83,382,247	83,382,247	3,536,827	86,919,074	98.63%	7.84%	7.73%	
13 Customer Deposits	1,206,383	1,206,383	0	1,206,383	1.37%	2.00%	0.03%	
14 Tax Credits-Zero Cost	0	0	0	0	0.00%	0.00%	0.00%	
15 Deferred Income Taxes	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>	0.00%	<u>0.00%</u>	
16 Total Capital	<u>\$84,588,630</u>	<u>\$84,588,630</u>	<u>\$3,536,827</u>	<u>\$88,125,457</u>	<u>100.00%</u>		<u>7.76%</u>	
					LOW	HIGH		
RETURN ON EQUITY					<u>6.84%</u>	<u>8.84%</u>		
OVERALL RATE OF RETURN					<u>6.77%</u>	<u>8.75%</u>		

Gibson Place Utilities, LLC				Schedule No. 3-A	
Statement of Water Operations				20200185-WS	
80% of Design Capacity					
Description	Test Year Per Utility	Staff Adjustments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	<u>\$4,518,380</u>	<u>\$0</u>	<u>\$4,518,380</u>	<u>(\$568,427)</u> -12.58%	<u>\$3,949,953</u>
Operating Expenses					
2 Operation & Maintenance	\$961,268	0	\$961,268		\$961,268
3 Net Depreciation	760,015	(387,949)	372,066		372,066
4 Amortization	10,681	(10,681)	0		0
5 Taxes Other Than Income	803,972	65,428	869,400	(25,579)	843,821
6 Income Taxes	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
7 Total Operating Expense	<u>2,535,936</u>	<u>(333,202)</u>	<u>2,202,734</u>	<u>(25,579)</u>	<u>2,177,155</u>
8 Operating Income	<u>\$1,982,444</u>	<u>\$333,202</u>	<u>\$2,315,646</u>	<u>(\$542,847)</u>	<u>\$1,772,798</u>
9 Rate Base	<u>\$25,448,587</u>		<u>\$22,845,182</u>		<u>\$22,845,182</u>
10 Rate of Return	<u>7.79%</u>		<u>10.14%</u>		<u>7.76%</u>

Gibson Place Utilities, LLC					Schedule No. 3-B	
Statement of Wastewater Operations					20200185-WS	
80% of Design Capacity						
	Description	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1	Operating Revenues:	<u>\$11,179,493</u>	<u>\$0</u>	<u>\$11,179,493</u>	<u>\$16,138</u> 0.14%	<u>\$11,195,631</u>
	Operating Expenses					
2	Operation & Maintenance	\$2,075,109	\$0	\$2,075,109		\$2,075,109
3	Depreciation	2,653,855	(371,128)	2,282,727		2,282,727
4	Amortization	10,681	(10,681)	0		0
5	Taxes Other Than Income	1,832,839	(61,554)	1,771,285	726	1,772,011
6	Income Taxes	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
7	Total Operating Expense	<u>6,572,484</u>	<u>(443,363)</u>	<u>6,129,121</u>	<u>726</u>	<u>6,129,847</u>
8	Operating Income	<u>\$4,607,009</u>	<u>\$443,363</u>	<u>\$5,050,372</u>	<u>\$15,412</u>	<u>\$5,065,785</u>
9	Rate Base	<u>\$59,140,042</u>		<u>\$65,280,276</u>		<u>\$65,280,276</u>
10	Rate of Return	<u>7.79%</u>		<u>7.74%</u>		<u>7.76%</u>

Gibson Place Utilities, LLC		Schedule No. 3-C	
Adjustments to Operating Income		20200185-WS	
80% Design Capacity			
Explanation	Water	Wastewater	
Depreciation Expense - Net			
1 To reclassify CIAC amortization expense to depreciation expense.	\$10,681	\$10,681	
2 To reflect correct amortization rate for CIAC.	<u>(387,949)</u>	<u>(371,128)</u>	
Total	<u>(\$377,268)</u>	<u>(\$360,447)</u>	
Amortization-Other Expense			
To reclassify amortization expense to net depreciation expense.	<u>(\$10,681)</u>	<u>(\$10,681)</u>	
Taxes Other Than Income			
To reflect the appropriate amount of property taxes.	<u>\$65,428</u>	<u>(\$61,554)</u>	

GIBSON PLACE UTILITIES, LLC		SCHEDULE NO. 4-A	
MONTHLY WATER RATES		DOCKET NO. 20200185-WS	
	UTILITY REQUESTED RATES	STAFF RECOMMENDED RATES	
<u>Residential and General Service</u>			
Base Facility Charge by Meter Size			
5/8" X 3/4"	\$14.11	\$12.29	
3/4"	\$21.17	\$18.44	
1"	\$35.28	\$30.73	
1-1/2" Turbine	\$70.55	\$61.45	
2" Turbine	\$112.88	\$98.32	
3" Turbine	\$246.93	\$215.08	
Charge per 1,000 gallons- Residential Service			
0-3,000 gallons	\$5.44	\$4.50	
Over 3,000 gallons	\$6.80	\$5.62	
Charge per 1,000 gallons- General Service	\$5.65	\$4.67	
<u>Bulk Service</u>			
Base Facility Charge by Meter Size			
8"	\$520.33	N/A	
12"	\$1,398.12	N/A	
Base Facility Charge (ERCs behind the meter)	N/A	\$29,143.00	
Charge per 1,000 gallons - Bulk Service	\$1.57	\$1.04	
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
3,000 Gallons	\$30.43	\$25.79	
6,000 Gallons	\$50.83	\$42.65	
10,000 Gallons	\$78.03	\$65.13	

GIBSON PLACE UTILITIES, LLC		SCHEDULE NO. 4-B	
MONTHLY WASTEWATER RATES		DOCKET NO. 20200185-WS	
	UTILITY REQUESTED RATES	STAFF RECOMMENDED RATES	
<u>Residential Service</u>			
Base Facility Charge- All Meter Sizes	\$43.75	\$39.62	
Charge per 1,000 gallons- Residential 10,000 gallon cap	\$8.66	\$3.24	
<u>General Service</u>			
Base Facility Charge by Meter Size			
5/8" X 3/4"	\$43.75	\$39.62	
3/4"	\$65.63	\$59.43	
1"	\$109.38	\$99.05	
1-1/2" Turbine	\$218.77	\$198.10	
2" Turbine	\$350.03	\$316.96	
3" Turbine	\$765.89	\$693.35	
Charge per 1,000 gallons - General Service	\$10.39	\$3.88	
<u>Bulk Service</u>			
Base Facility Charge by Meter Size			
8"	\$2,607.60	N/A	
12"	\$7,007.92	N/A	
Base Facility Charge (ERCs behind the meter)		\$231,214.00	
Charge per 1,000 gallons - Bulk Service	\$6.09	\$5.83	
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
3,000 Gallons	\$69.73	\$49.34	
6,000 Gallons	\$95.71	\$59.06	
10,000 Gallons	\$130.35	\$72.02	

Schedule No. 4-C

Gibson Place Utilities, LLC

Staff Recommended Miscellaneous Service Charges

	<u>Normal Hours</u>	<u>After Hours</u>
Violation Reconnection Charge - Water	\$46.05	Actual Cost
Violation Reconnection Charge -Wastewater	Actual Cost	Actual Cost
Premises Visit Charge	\$46.05	N/A
Late Payment Charge		\$5.50
NSF Charges	Pursuant to Section 68.065, F.S.	