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PAUL RENNER
Speaker of the House of Representatives

February 2, 2024

VIA: ELECTRONIC FILING

Adam Teitzman
Office of Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Docket No. 20230071-WS – In Re: Application for staff-assisted rate case in Polk County by Pinecrest Utilities, LLC. (Pinecrest or Utility)

Dear Mr. Teitzman:

The Office of Public Counsel (OPC) respectfully submits its concerns with the Commission staff's report filed December 22, 2023, regarding the amount for common equity, the annualized revenues, and the gallons for flushing.

Common Equity

On Schedule No. 2 on page 31 of the staff report, it shows \$94,067 for common equity. The \$94,067 amount was partly derived by zeroing out the negative amounts of \$12,281 for member's equity and \$23,377 for retained earnings. The Commission's practice is to zero out negative common equity balance not individual components of common equity. In accordance with Commission practice, the common equity balance should be lowered to capture the actual negative balances for member's equity and retained earnings. The effect of these adjustments should decrease the overall cost of capital and revenue requirement, all other things being equal.

Annualize Revenues

In Issue 6 on page 14 of the staff report, staff utilized test year billing units and current rates to test the reasonableness of the Utility's operating revenues. The Commission staff also made a revenue adjustment to increase miscellaneous revenues by \$68. In Issue 12 on page 23 of the staff report, the Commission staff is recommending increases to miscellaneous service charges. In accordance with the Commission's practice of making known and measurable changes, the

incremental amounts should be annualized to derive operating revenues from miscellaneous service charges.

The OPC notes that there were no violation reconnection charges or meter tampering charges assessed in the test year. However, if the Utility charged any such charges in the three years prior to the test year and any in 2023, it is appropriate to impute the most recent five-year average number of assessments at the recommended charge amounts in the test year operating revenues. Such revenue imputation adjustments are akin to amortizing non-recurring expenses pursuant to Rule 25-30.433, Florida Administrative Code (F.A.C.).

Gallons for Flushing

Based on the Utility's 2015-2022 Annual Reports, Pincrest reported the following information:

<u>Year</u>	<u>Customers</u>	<u>Gallons of Finished Water from Wells</u>	<u>Accounted for Gallons through Flushing, Etc.</u>	<u>Percentage of Flushing to Total Gallons</u>
2015	125	7,377,000	696,000	9.43%
2016	132	8,271,000	152,000	1.84%
2017	133	9,771,000	97,000	0.99%
2018	133	13,811,000	6,872,000	49.76%
2019	142	17,067,000	10,165,000	59.56%
2020	143	14,449,000	7,548,000	52.24%
2021	143	16,046,000	9,105,000	56.74%
2022	140	12,493,000	7,382,000	59.09%

The OPC has a concern regarding the apparently excessive level of gallons for flushing and the associated operation & maintenance (O&M) expenses, such as chemicals and purchased power. In 2022, Pincrest recorded a total of \$13,237 for chemicals and purchased power. This represents an increase of over 175% from the total of \$4,241 for chemical and purchased power in 2015. The increase in flushing gallons between 2015 and 2022 is over 960%. There has been no documentation or information provided or contained in the docket file for this case that supports such a drastic increase in gallons for flushing and/or sustaining a flushing regiment of over 59% of the total finished gallons from wells. It is the utility's burden to prove costs are reasonable.¹

In response to Staff's Fifth Data Request, the Utility stated the following:

¹ *Florida Power Corp. v. Cresse*, 413 So. 2d 1187, 1191 (Fla. 1982).

The utility does not keep exact records of flushing because each flush point is not metered. We generally flush for a certain time period. When flushing dead end lines, we flush until the water runs clear as opposed to a time period. There are numerous factors that go into the flushing calculations in that we have variable flushing actions that are not consistent such as a customer water complaint, operator water sampling, meter repair, replacement or installation. (my company policy is to flush for 5 minutes after a new meter is installed or repaired)

There are some flushing items we do consistently as part of routine maintenance.

1. We flush the Hydro tank once per month. 5,000 gallons, 4" pipe for 10 minutes.
2. We have a 2" flushing valve that is done for 10 minutes once per week.
3. We have a 1" flushing valve that is done for 10 minutes once per week.
4. Star Terrace dead end line is a 1" blow off valve that is done once per week for 15 Minutes.

There is flushing we do at the water plant that is not metered. (these are small amounts).

1. As needed flushing for cleaning at the chlorine POE and tank.
2. Backflushing of Aqua Mag pump and screen filter.

The OPC contends that the information provided by the Utility in its response above is inadequate. Pinecrest should identify the specific dates and gallons flushed² or keep a log documenting the estimating methodology used for each distinct flushing occurrence.³ Unaccounted for water is all water produced that is not documented in the records of a utility as having been sold to customers or for which a utility has otherwise accounted. Rule 25-30.4325, F.A.C., describes excessive unaccounted for water as water in excess of ten percent of the amount produced for which a utility cannot account.

Without further support or justification for the Utility's reported flushing gallons, the OPC contends that the Utility should only be afforded an allowance for flushing gallons equal to 10% of the total finished gallons from wells. The resulting percentage of finished gallons after the 10%

² Order No. PSC-2017-0428-PAA-WS, page 4, issued November 7, 2017, in Docket No. 20160195-WS, In re: Application for staff-assisted rate case in Lake County by Lakeside Waterworks, Inc.

³ Order No. PSC-2004-0358-FOF-WS, page 13, issued April 5, 2004, in Docket No. 20020407-WS, In re: Application for rate increase in Polk County by Cypress Lakes Utilities, Inc.

Adam Teitzman
February 2, 2024
Page 4

amount and gallons of water sold to customers should be used to reduce chemicals and purchased power expenses. This would equate to 49.09% and an O&M expense reduction of \$6,498.

Respectfully submitted,

Bart Fletcher

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Legislative Analyst

CC: Parties of Record