

# FLORIDA PUBLIC SERVICE COMMISSION

## COMMISSION CONFERENCE AGENDA

**CONFERENCE DATE AND TIME:** Tuesday, November 1, 2016, 1:30 p.m.

**LOCATION:** Betty Easley Conference Center, Joseph P. Cresse Hearing Room 148

**DATE ISSUED:** October 21, 2016

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### NOTICE

Persons affected by Commission action on certain items on this agenda may be allowed to address the Commission, either informally or by oral argument, when those items are taken up for discussion at this conference. These items are designated by double asterisks (\*\*\*) next to the agenda item number.

To participate informally, affected persons need only appear at the agenda conference and request the opportunity to address the Commission on an item listed on agenda. Informal participation is not permitted: (1) on dispositive motions and motions for reconsideration; (2) when a recommended order is taken up by the Commission; (3) in a rulemaking proceeding after the record has been closed; or (4) when the Commission considers a post-hearing recommendation on the merits of a case after the close of the record. The Commission allows informal participation at its discretion in certain types of cases (such as declaratory statements and interim rate orders) in which an order is issued based on a given set of facts without hearing.

See Rule 25-22.0021, F.A.C., concerning agenda conference participation and Rule 25-22.0022, F.A.C., concerning oral argument.

Conference agendas, staff recommendations, and vote sheets are available from the PSC website, <http://www.floridapsc.com>, by selecting *Conferences & Meeting Agendas* and *Commission Conferences of the FPSC*. Once filed, a verbatim transcript of the Commission Conference will be available from this page by selecting the conference date, or by selecting *Clerk's Office* and the Item's docket number (you can then advance to the *Docket Details* page and the Document Filings Index for that particular docket). An official vote of "move staff" denotes that the Item's recommendations were approved. If you have any questions, contact the Office of Commission Clerk at (850) 413-6770 or [Clerk@psc.state.fl.us](mailto:Clerk@psc.state.fl.us).

In accordance with the Americans with Disabilities Act, persons needing a special accommodation to participate at this proceeding should contact the Office of Commission Clerk no later than five days prior to the conference at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, 1-800-955-8770 (Voice) or 1-800-955-8771 (TDD), Florida Relay Service. Assistive Listening Devices are available at the Office of Commission Clerk, Gerald L. Gunter Building, Room 152.

The Commission Conference has a live video broadcast the day of the conference, which is available from the PSC website. Upon completion of the conference, the archived video will be available from the website by selecting *Conferences & Meeting Agendas*, then *Audio and Video Event Coverage*.

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**ITEM NO.**

**CASE**

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1\*\*

**Consent Agenda**

PAA

A) Application for Certificate of Authority to Provide Telecommunications Service.

<u>DOCKET NO.</u>	<u>COMPANY NAME</u>
160212-TX	TNE Telephone, Inc.
160205-TX	Synergem Technologies, Inc.

B) Docket No. 160196-EI - Application for authority to issue and sell securities during 12 months ending December 31, 2017, by Duke Energy Florida, LLC.

Application of Duke Energy Florida, LLC (DEF or Company) seeks authority to issue, sell or otherwise incur during 2017 up to \$1.5 billion of any combination of equity securities, long-term debt securities, and other long-term obligations. Additionally, the Company requests authority to issue, sell, or otherwise incur during 2017 and 2018, up to \$1.5 billion outstanding at any time of short-term debt securities and other obligations.

In connection with this application, DEF confirms that the capital raised pursuant to this application will be used in connection with the regulated activities of the Company and not the unregulated activities of its unregulated affiliates.

Staff has reviewed the Company's projected capital expenditures. The amount requested by the Company exceeds its expected capital expenditures. The additional amount requested exceeding the projected capital expenditures allows for financial flexibility with regard to unexpected events such as hurricanes, financial market disruptions, and other unforeseen circumstances. Staff believes the requested amounts are appropriate. Staff recommends DEF's petition to issue securities be approved.

ITEM NO.

CASE

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1\*\*

Consent Agenda

(Continued from previous page)

- C) Docket No. 160200-EI - Application for authority to issue and sell securities for 12 months ending December 31, 2017, by Tampa Electric Company.

Tampa Electric Company (Tampa Electric or Company) seeks the authority to issue, sell and/or exchange equity securities and issue, sell, exchange and/or assume long-term or short-term debt securities and/or to assume liabilities or obligations as guarantor, endorser, or surety during calendar year 2017. The Company also seeks authority to enter into interest swaps or other derivatives instruments related to debt securities during calendar year 2017.

The amount of all equity and long-term debt securities issued, sold, exchanged or assumed and liabilities and obligations assumed or guaranteed as guarantor, endorser, or surety will not exceed in the aggregate \$1.2 billion during the year 2017, including any amounts issued to retire existing long-term debt securities. The maximum amount of short-term debt outstanding at any one time will be \$0.9 billion during calendar year 2017. This application is for both Tampa Electric and its local gas distribution division, People Gas System.

In connection with this application, the Company confirms that the capital raised pursuant to this application will be used in connection with the activities of the Company's regulated electric and gas operations and not the unregulated activities of the utilities or their affiliates.

Staff has reviewed the Company's projected capital expenditures. The amount requested by the Company exceeds its expected capital expenditures. The additional amount requested exceeding the projected capital expenditures allows for financial flexibility with regards to unexpected events such as hurricanes, financial market disruptions, and other unforeseen circumstances. Staff believes the requested amounts are appropriate. Staff recommends Tampa Electric's petition to issue securities be approved.

ITEM NO.

CASE

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1\*\*

Consent Agenda

(Continued from previous page)

- D) Docket No. 160213-EI – Application for authority to issue and sell securities during calendar year 2017 and 2018 pursuant to Section 366.04, F.S., and Chapter 25-8, F.A.C., by Florida Power & Light Company.

Florida Power & Light Company (FPL or Company) seeks authority to issue and sell and/or exchange any combination of long-term debt and equity securities and/or to assume liabilities or obligations as guarantor, endorser, or surety in an aggregate amount not to exceed \$6.1 billion during calendar year 2017. In addition, FPL seeks permission to issue and sell short-term securities during the calendar years 2017 and 2018 in an amount or amounts such that the aggregate principal amount of short-term securities outstanding at the time of and including any such sale shall not exceed \$4.0 billion.

In connection with this application, FPL confirms that the capital raised pursuant to this application will be used in connection with the activities of FPL and FPL's regulated subsidiaries and not the unregulated activities of FPL or its unregulated subsidiaries or affiliates.

Staff has reviewed the Company's projected capital expenditures. The amount requested by the Company exceeds its expected capital expenditures. The additional amount requested exceeding the projected capital expenditures allows for financial flexibility with regards to unexpected events such as hurricanes, financial market disruptions and other unforeseen circumstances. Staff believes the requested amounts are appropriate. Staff recommends FPL's petition to issue securities be approved.

ITEM NO.

CASE

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1\*\*

Consent Agenda

(Continued from previous page)

- E) Docket No. 160214-EI – Application for authority to issue and sell securities and to receive common equity contributions during 12 months ending December 31, 2017, pursuant to Chapter 25-8, F.A.C., and Section 366.04, F.S., by Gulf Power Company.

Gulf Power Company (Gulf Power or Company) seeks authority to receive equity funds from and/or issue common equity securities to its parent company, Southern Company (Southern); issue and sell long-term debt and equity securities; and issue and sell short-term debt securities during 2017. The amount of common equity contributions received from and issued to Southern, the amount of other equity securities issued, and the maximum principal amount of long-term debt securities issued will total not more than \$750 million. The maximum principal amount of short-term debt at any one time will total not more than \$500 million.

In connection with this application, Gulf Power confirms that the capital raised pursuant to this application will be used in connection with the regulated electric operations of Gulf Power and not the unregulated activities of the utility or its affiliates.

Staff has reviewed the Company's projected capital expenditures. The amount requested by the Company exceeds its expected capital expenditures. The additional amount requested exceeding the projected capital expenditures allows for financial flexibility with regards to unexpected events such as hurricanes, financial market disruptions and other unforeseen circumstances. Staff believes the requested amounts are appropriate. Staff recommends Gulf Power's petition to issue securities be approved.

**Recommendation:** The Commission should approve the actions requested in the dockets referenced above and close Docket Nos. 160212-TX and 160205-TX. For monitoring purposes, Docket Nos. 160196-EI, 160200-EI, 160213-EI, and 160214-EI should remain open until April 26, 2018, to allow the Companies time to file the required Consummation Reports.

**ITEM NO.**

**CASE**

2\*\*PAA

**Docket No. 160101-WS** – Application for increase in water and wastewater rates in Charlotte, Highlands, Lake, Lee, Marion, Orange, Pasco, Pinellas, Polk, and Seminole Counties by Utilities, Inc. of Florida.

**Critical Date(s):** 10/30/16 (60-Day Suspension Date Waived by Company to 11/1/16); 1/8/2017 (Petition for Waiver deemed approved if not granted within 90 das of receipt)

**Commissioners Assigned:** All Commissioners

**Prehearing Officer:** Brisé

**Staff:** AFD: Norris, Frank, Wolmers

ECO: Bruce, Friedrich, Hudson, Johnson

ENG: P. Buys, Ellis, Graves, Knoblauch, Lee, Matthews

GCL: Trierweiler, Janjic, Taylor

**(For Issues 1-4, Decision on Suspension of Rates and Interim Rates - Participation is at the discretion of the Commission. For Issue 5 - Proposed Agency Action - Interested Persons May Participate.)**

**Issue 1:** Should the Utility's proposed final water and wastewater rates be suspended?

**Recommendation:** Yes. The Utility's proposed final water and wastewater rates should be suspended.



**ITEM NO.**

**CASE**

2\*\*PAA

**Docket No. 160101-WS** – Application for increase in water and wastewater rates in Charlotte, Highlands, Lake, Lee, Marion, Orange, Pasco, Pinellas, Polk, and Seminole Counties by Utilities, Inc. of Florida.

(Continued from previous page)

**Issue 2:** Should any interim revenue increase be approved?

**Recommendation:** Yes, the Utility should be authorized to collect annual water and wastewater revenues as indicated below.

Water Systems	Adjusted Test Year Revenues	Revenue Increase	% Increase	Revenue Requirement
Lake Placid	\$69,017	\$10,189	14.76%	\$79,206
UIF-Marion	\$161,079	80,785	50.15%	241,864
UIF-Pinellas	\$157,855	14,309	9.06%	172,164
UIF-Pasco	\$901,930	56,674	6.28%	958,604
UIF-Seminole	\$1,014,857	<u>186,352</u>	18.36%	<u>1,201,209</u>
Total		<u>\$348,309</u>		<u>\$2,653,047</u>

Wastewater Systems	Adjusted Test Year Revenues	Revenue Increase	% Increase	Revenue Requirement
Lake Placid	\$72,314	\$638	0.88%	\$72,952
Tierra Verde	\$992,530	69,084	6.96%	1,061,614
UIF-Marion	\$47,826	31,438	65.73%	79,264
UIF-Pasco	\$505,980	<u>108,280</u>	21.40%	<u>614,260</u>
Total		<u>\$209,440</u>		<u>\$1,828,090</u>

In addition, seven systems appear to be earning above their maximum return on equity (ROE). As such, revenues should be collected subject to refund with interest, as shown below.

System	Revenue Held Subject to Refund	Percentage
UIF-Seminole-Wastewater	(\$138,594)	(16.61%)
LUSI-Water	(143,546)	(2.63%)
Labrador-Wastewater	(134,838)	(20.87%)
Pennbrooke-Wastewater	(47,924)	(9.35%)
Longwood-Wastewater	(17,559)	(2.18%)
Eagle Ridge-Wastewater	(24,112)	(2.07%)
Cypress Lakes-Water	<u>(24,335)</u>	(6.87%)
Total	<u>(\$530,908)</u>	

**ITEM NO.**

**CASE**

2\*\*PAA

**Docket No. 160101-WS** – Application for increase in water and wastewater rates in Charlotte, Highlands, Lake, Lee, Marion, Orange, Pasco, Pinellas, Polk, and Seminole Counties by Utilities, Inc. of Florida.

(Continued from previous page)

**Issue 3:** What are the appropriate interim water and wastewater rates?

**Recommendation:** The service rates for UIF in effect as of December 31, 2015, should be increased as shown below to generate the recommended revenue increase for the interim period.

System	% Rate Increase
Lake Placid-Water	14.81%
Tierra Verde-Wastewater	6.96%
UIF-Marion -Water	50.88%
UIF-Marion -Wastewater	66.14%
UIF-Pinellas -Water	9.14%
UIF-Pasco -Water	6.38%
UIF-Pasco -Wastewater	21.49%
UIF-Seminole -Water	18.67%

The rates, as shown on Schedule Nos. 4-A and 4-B of staff’s memorandum dated October 20, 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 the required security has been filed, 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.

**Issue 4:** What is the appropriate security to guarantee the interim increase?

**Recommendation:** A cumulative corporate undertaking is acceptable contingent upon receipt of the written guarantee of the parent company, Utilities, Inc. (UI or company), and written confirmation that the cumulative outstanding guarantees on behalf of UI-owned utilities in other states will not exceed \$2 million (inclusive of all Florida utilities). UI should be required to file a corporate undertaking on behalf of its subsidiaries to guarantee any potential refunds of revenues collected under interim conditions. UI’s guaranteed amount subject to refund should be \$759,084. Pursuant to Rule 25-30.360(6), F.A.C., the Utility should provide a report by the 20th of each month indicating the monthly and total revenue collected subject to refund. Should a refund be required, the refund should be with interest and in accordance with Rule 25-30.360, F.A.C.

**ITEM NO.**

**CASE**

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2\*\*PAA

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**Docket No. 160101-WS** – Application for increase in water and wastewater rates in Charlotte, Highlands, Lake, Lee, Marion, Orange, Pasco, Pinellas, Polk, and Seminole Counties by Utilities, Inc. of Florida.

(Continued from previous page)

**Issue 5:** Should the Commission grant the Utility's Petition for Waiver or Variance of Schedule E-14, of Commission Form PSC/AFD 19-W (11/93), as incorporated by reference in Rule 25.30-437, F.A.C.?

**Recommendation:** Yes. The Commission should grant UIF's Petition for Waiver of the Rule.

**Issue 6:** Should this docket be closed?

**Recommendation:** The docket should remain open pending the Commission's final action on the Utility's requested rate increase.

**ITEM NO.**

**CASE**

3\*\*PAA

**Docket No. 160074-EQ** – Petition for approval of new standard offer rate schedule for energy purchases from cogenerators and renewable facilities and for approval of standard offer contract for purchased of firm capacity and energy, by Florida Public Utilities Company.

**Critical Date(s):** None

**Commissioners Assigned:** All Commissioners

**Prehearing Officer:** Edgar

**Staff:** ENG: Lee

GCL: Murphy

**Issue 1:** Should the Commission approve the new Standard Offer Rate Schedule and Standard Offer Contract filed by Florida Public Utilities Company?

**Recommendation:** Yes. FPUC's new Standard Offer Rate Schedule and Standard Offer Contract conform to all the requirements of Rule 25-17.0825 and Rules 25-17.200 through 25-17.310, F.A.C., and reflect the avoidable costs associated with FPUC's power purchase agreements. Staff recommends that the Rate Schedule and Standard Offer Contract filed by FPUC be approved as filed.

**Issue 2:** Should this docket be closed?

**Recommendation:** Yes. This docket should be closed upon issuance of a consummating order, unless a person whose substantial interests are affected by the Commission's decision files a protest within 21 days of the issuance of the Commission's Proposed Agency Action Order. Potential signatories should be aware that, if a timely protest is filed, FPUC's Standard Offer Contract may subsequently be revised.

**ITEM NO.**

**CASE**

4\*\*

**Docket No. 160128-EI** – Petition for approval to include in base rates the revenue requirement for the Hines chillers uprate project, by Duke Energy Florida, LLC.

**Docket No. 160178-EI** – Petition for limited proceeding for approval to include in base rates the revenue requirement associated with the acquisition of the Osprey Plant and Phase 2 of the Hines chiller uprate project, by Duke Energy Florida, LLC.

**Critical Date(s):** Docket No. 160178-EI: Waiver of 60-day time limit (DN 07427-16)

**Commissioners Assigned:** All Commissioners

**Prehearing Officer:** Edgar

**Staff:** ENG: Lee

AFD: Slemkewicz

ECO: Guffey, Wu

GCL: Janjic

**Issue 1:** Should the Commission approve DEF’s proposed revenue requirement of \$47,982,181 for Osprey Plant, along with the proposed depreciation rate and methodology for the Osprey Plant?

**Recommendation:** No. The revenue requirement for the Osprey Plant should be \$47,836,801. The proposed depreciation rate and methodology for the Osprey Plant should be approved. In addition, DEF should be required to file annual reports with the Commission, detailing the actual outage costs incurred and the accounting treatment associated with the Osprey outage cost deferral, in its year-end earnings surveillance reports for 2017 through 2019.

**Issue 2:** Should the Commission approve DEF’s proposed tariffs and associated charges?

**Recommendation:** Yes. If the Commission approves Issue 1, the Commission should give staff administrative authority to approve tariffs and associated charges that implement the Commission vote regarding the Osprey Plant. The charges should go into effect with the first billing cycle in February 2017. If the acquisition of the Osprey Plant is delayed, then the tariffs should become effective at the time the Osprey Plant is acquired.

**Issue 3:** Should DEF’s motion requesting withdrawal of the tariffs for Phase 1 of the Hines Project approved in Docket 160128-EI be approved?

**Recommendation:** Yes, DEF’s motion requesting withdrawal of the tariffs for Phase 1 of the Hines Project approved in Docket 160128-EI should be approved.

**ITEM NO.**

**CASE**

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4\*\*

**Docket No. 160128-EI** – Petition for approval to include in base rates the revenue requirement for the Hines chillers uprate project, by Duke Energy Florida, LLC.

**Docket No. 160178-EI** – Petition for limited proceeding for approval to include in base rates the revenue requirement associated with the acquisition of the Osprey Plant and Phase 2 of the Hines chiller uprate project, by Duke Energy Florida, LLC.

(Continued from previous page)

**Issue 4:** Should these dockets be closed?

**Recommendation:** Yes. If Issues 1 and 2 are approved, the tariff related to the Osprey acquisition should go into effect with the first billing cycle in February 2017. If a protest is filed within 21 days of the issuance of the order, the tariff should remain in effect, with any revenues held subject to refund, pending resolution of the protest. If no timely protest is filed, Docket No. 160178-EI should be closed upon the issuance of a consummating order. If Issue 3 is approved, Docket No. 160128-EI should be closed.

**ITEM NO.**

**CASE**

5\*\*

**Docket No. 160023-WU** – Application for transfer of majority organizational control of Sunny Shores Water Company, Inc., holder of Certificate No. 578-W in Manatee County, from Jack E. Mason to Jack E. Mason, II and Debbie A. Mason.

**Critical Date(s):** 11/24/16 (8-Month Suspension Date)

**Commissioners Assigned:** All Commissioners

**Prehearing Officer:** Administrative

**Staff:** ENG: Watts

AFD: Norris, Sowards

ECO: Hudson, Johnson

GCL: Leathers

**(Tariff Filing for Issue 2.)**

**Issue 1:** Should the application for transfer of majority organizational control of Sunny Shores Water Company, Inc. in Manatee County from Jack E. Mason to Jack E. Mason, II and Debbie A. Mason be approved?

**Recommendation:** Yes. The transfer of majority organizational control from Jack E. Mason to Jack E. Mason, II and Debbie A. Mason, is in the public interest and should be approved effective the date of the Commission vote. The resultant order should serve as the water certificate, with the territory described in Attachment A of staff's memorandum dated October 20, 2016. The existing rates and charges should remain in effect until a change is authorized by the Commission in a subsequent proceeding. The tariffs reflecting the transfer should be effective for services rendered or connections made on or after the stamped approval date on the tariffs, pursuant to Rule 25-30.475, Florida Administrative Code (F.A.C.).

**Issue 2:** Should Sunny Shores' request for a late payment charge of five percent of the total customer's bill be approved?

**Recommendation:** No. Sunny Shores' request to implement a late payment charge of five percent of the total customer's bill should not be approved. However, staff's recommended late payment charge of \$5 should be approved. The charge should be effective for services rendered on or after the stamped approval date on the tariff, pursuant to Rule 25-30.475, F.A.C. In addition, the approved charge should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. Sunny Shores should provide proof of the date that the notice was given within 10 days of the date of the notice.

**ITEM NO.**

**CASE**

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5\*\*

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**Docket No. 160023-WU** – Application for transfer of majority organizational control of Sunny Shores Water Company, Inc., holder of Certificate No. 578-W in Manatee County, from Jack E. Mason to Jack E. Mason, II and Debbie A. Mason.

(Continued from previous page)

**Issue 3:** Should this docket be closed?

**Recommendation:** No. The docket should remain open pending staff's verification that the revised tariff sheets and customer notice have been filed by Sunny Shores and approved by staff. If a protest is filed within 21 days of the issuance date of the Order, the tariff sheets should remain in effect with the charges held subject to refund pending resolution of the protest. If no timely protest is filed, a consummating order should be issued and, once staff verifies that the notice of the charge has been given to customers, the docket should be administratively closed.



**ITEM NO.**

**CASE**

6\*\*PAA

**Docket No. 130209-SU** – Application for expansion of certificate (CIAC) (new wastewater line extension charge) by North Peninsula Utilities Corp.

**Critical Date(s):** None

**Commissioners Assigned:** All Commissioners

**Prehearing Officer:** Edgar

**Staff:** ENG: Lewis, King

ECO: Bruce

GCL: Janjic, Crawford

**(Proposed Agency Action for Issue 2.)**

**Issue 1:** Should North Peninsula Utilities Corporation’s proposed territory amendment be approved?

**Recommendation:** Yes in part and no in part. It is in the public interest to amend wastewater certificate number 249-S to include the territory as described in Attachment A of staff’s memorandum dated October 20, 2016, with the exception of the addition identified as Area 4 (i.e., Capri Drive), effective the date of the Commission’s vote. The resultant order should serve as NPUC’s amended certificate and should be retained by the Utility. If the Commission agrees with staff’s recommendation, the Utility should revise its territorial description to exclude Area 4 and file the revision within ten (10) days of the Commission’s vote.

**Issue 2:** What are the appropriate service availability charges for NPUC?

**Recommendation:** New customers requesting service should be required to either install the mains necessary to connect to the Utility and donate those lines to the Utility, or the Utility may extend the required lines and collect a main extension charge based on whether a road crossing and force main are required. A main extension charge associated with a road crossing of \$762 per equivalent residential connection (ERC) and a main extension charge with no road crossing of \$444 per ERC should be approved. The recommended main extension charges should be based on an estimated 250 gallons per day per ERC of treated wastewater demand. Also, staff recommends a force main extension charge of \$1.25 per linear foot where the Utility will need to extend its force main to provide service. The Utility should be required to file tariffs reflecting the revised service availability policy and charges. The approved service availability policy and charges should be effective for connections made on or after the stamped approval date of the tariff, pursuant to Rule 25-30.475, F.A.C.

**ITEM NO.**

**CASE**

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6\*\*PAA

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**Docket No. 130209-SU** – Application for expansion of certificate (CIAC) (new wastewater line extension charge) by North Peninsula Utilities Corp.

(Continued from previous page)

**Issue 3:** 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, and the docket should remain open for staff's verification that the revised tariff sheets have been filed by the Utility and approved by staff. If a protest is filed within 21 days of the issuance of the Order, the tariff should remain in effect subject to refund pending the resolution of the protest, and the docket should remain open.

**ITEM NO.**

**CASE**

7\*\*PAA

**Docket No. 150010-WS** – Application for staff-assisted rate case in Brevard County by Aquarina Utilities, Inc.

**Critical Date(s):** Waived (15-Month Effective Date (SARC))

**Commissioners Assigned:** All Commissioners

**Prehearing Officer:** Brisé

**Staff:** ENG: Lewis, King

AFD: Fletcher, Mouring, Smith II

ECO: Bruce

GCL: Murphy

**(Proposed Agency Action - Except for Issue Nos. 11, 17, and 18.)**

**Issue 1:** Should the quality of service provided by Aquarina be considered satisfactory?

**Recommendation:** Yes. The overall quality of service provided by Aquarina should be considered satisfactory.

**Issue 2:** What are the used and useful percentages (U&U) of Aquarina’s water treatment plant (WTP), WTP storage, distribution system, wastewater treatment plant, collection system, non-potable plant, non-potable distribution system, and non-potable storage?

**Recommendation:** Staff is recommending the following U&U percentages for Aquarina’s water, wastewater, and non-potable systems:

<b>Plant</b>	<b>U&amp;U Percentage</b>
Water Treatment Plant	81.0 Percent
Water Distribution	62.6 Percent
Water Plant Storage	46.7 Percent
Wastewater Plant	55.9 Percent
Wastewater Collection System	65.4 Percent
Non-Potable Plant	100 Percent
Non-Potable Distribution	100 Percent
Non-Potable Storage	61.0 Percent

Staff also recommends that no adjustments to operating expenses be made for excessive unaccounted for water (EUW) or excessive inflow & infiltration (I&I).

**Issue 3:** What is the appropriate average test year potable water rate base, non-potable water rate base, and wastewater rate base for Aquarina?

**Recommendation:** The appropriate average test year potable water, non-potable water, and wastewater rate bases are \$170,153, \$172,587, and (\$2,091), respectively.

**ITEM NO.**

**CASE**

7\*\*PAA

**Docket No. 150010-WS** – Application for staff-assisted rate case in Brevard County by Aquarina Utilities, Inc.

(Continued from previous page)

**Issue 4:** What is the appropriate return on equity and overall rate of return for Aquarina Utilities, Inc.?

**Recommendation:** The appropriate return on equity (ROE) is 11.16 percent with a range of 10.16 percent to 12.16 percent. The appropriate overall rate of return is 3.66 percent.

**Issue 5:** What are the appropriate test year revenues for Aquarina’s water and wastewater system?

**Recommendation:** The appropriate test year revenues for Aquarina’s water and wastewater systems are \$268,677 (\$170,848 potable + \$97,829 non-potable) and \$161,821, respectively.

**Issue 6:** What is the appropriate test year water and wastewater operating expenses for Aquarina Utilities, Inc.?

**Recommendation:** The appropriate amount of operating expense for the Utility is \$152,028 for potable water, \$240,466 for non-potable water, and \$169,664 for wastewater.

**Issue 7:** What is the appropriate revenue requirement for potable and non-potable water?

**Recommendation:** The appropriate revenue requirement is \$158,255 for potable water, resulting in an annual decrease of \$12,593 (or -7.37 percent). The appropriate revenue requirement is \$246,783 for non-potable water, resulting in an annual increase of \$148,954 (or 152.26 percent).

**Issue 8:** Should the Commission utilize the operating ratio methodology as an alternative means to calculate the wastewater revenue requirement for Aquarina, and, if so, what is the appropriate margin?

**Recommendation:** Yes. The Commission should utilize the operating ratio methodology for calculating wastewater revenue requirement for Aquarina. The margin should be 6.60 percent of O&M expenses.

**Issue 9:** What is the appropriate wastewater revenue requirement?

**Recommendation:** The appropriate wastewater revenue requirement is \$179,094, resulting in an annual increase of \$17,273 (or 10.67 percent).

**ITEM NO.**

**CASE**

7\*\*PAA

**Docket No. 150010-WS** – Application for staff-assisted rate case in Brevard County by Aquarina Utilities, Inc.

(Continued from previous page)

**Issue 10:** What are the appropriate rate structures and rates for Aquarina’s water and wastewater systems?

**Recommendation:** The recommended rate structures and monthly water and wastewater rates are shown on Schedule Nos. 4-A and 4-B of staff’s memorandum dated October 20, 2016. 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.

**Issue 11:** 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 367.0816, F.S?<sup>1</sup>

**Recommendation:** The water and wastewater rates should be reduced as shown on Schedule Nos. 4-A and 4-B of staff’s memorandum dated October 20, 2016, 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 367.0816, F.S. Aquarina 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.

**Issue 12:** Should Aquarina’s miscellaneous service charges be revised?

**Recommendation:** Yes. Aquarina’s miscellaneous service charges should be revised. The charges should be effective on or after the stamped approval date on the tariff, pursuant to Rule 25-30.475, F.A.C. In addition, the approved charges 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.

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<sup>1</sup>Section 367.0816, F.S., was repealed effective July 1, 2016. The Statute was in effect at the time Aquarina filed its staff-assisted rate case, therefore, the Statute applies.

**ITEM NO.**

**CASE**

7\*\*PAA

**Docket No. 150010-WS** – Application for staff-assisted rate case in Brevard County by Aquarina Utilities, Inc.

(Continued from previous page)

**Issue 13:** Should Aquarina’s request for direct debit charge be approved?

**Recommendation:** Yes. Aquarina’s request for a direct debit charge should be approved. The direct debit charge should be effective on or after the stamped approval date on the tariff, pursuant to Rule 25-30.475, F.A.C. In addition, the approved charge 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.

**Issue 14:** Should Aquarina be authorized to collect Non-Sufficient Funds (NSF) charges?

**Recommendation:** Yes. Aquarina should be authorized to collect NSF charges for both systems. Staff recommends that Aquarina revise its tariffs to reflect the NSF charges currently set forth in Section 68.065, F.S. The NSF charges should be effective on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475(1), F.A.C. Furthermore, the charges should not be implemented until staff has approved the proposed customer notice. The Utility should provide proof of the date the notice was given within 10 days of the date of the notice.

**Issue 15:** Should Aquarina’s existing service availability charges be revised, and if so, what are the appropriate charges?

**Recommendation:** No. The appropriate service availability charges are the Utility’s existing charges for the potable and non-potable water systems. The wastewater main extension charge should be discontinued.

**ITEM NO.**

**CASE**

7\*\*PAA

**Docket No. 150010-WS** – Application for staff-assisted rate case in Brevard County by Aquarina Utilities, Inc.

(Continued from previous page)

**Issue 16:** Should the Commission approve a Phase II increase for pro forma items for Aquarina?

**Recommendation:** Yes. The Commission should approve a Phase II revenue requirement associated with pro forma items. The Utility’s Phase II revenue requirement is \$171,277 for potable water, \$252,165 for non-potable water, and \$185,657 for wastewater, which equates to increases of 8.23 percent, 2.18 percent, and 3.34 percent, respectively, over the Phase I revenue requirements. Staff recommends that the potable water rates remain unchanged for Phase II. The Phase II wastewater rates should be designed to produce revenues of \$185,002, excluding miscellaneous revenues.

Implementation of the Phase II rates is conditioned upon Aquarina completing the pro forma items within 12 months of the issuance of a consummating order in this docket. The Utility should be required to submit a copy of the final invoices and cancelled checks or other payment confirmation documentation for all pro forma plant items. The Utility should be allowed to implement the above rates once all pro forma items have been completed and documentation provided showing that the improvements have been made. Once verified by staff, the 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. The rates should not be implemented until notice has been received by the customers. Aquarina should provide proof of the date notice was given within 10 days of the date of the notice. If the Utility encounters any unforeseen events that will impede the completion of the pro forma items, the Utility should immediately notify the Commission in writing.

**ITEM NO.**

**CASE**

7\*\*PAA

**Docket No. 150010-WS** – Application for staff-assisted rate case in Brevard County by Aquarina Utilities, Inc.

(Continued from previous page)

**Issue 17:** Should the recommended rates 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?

**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. Aquarina 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 October 20, 2016. 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.

**Issue 18:** Should the Utility be required to notify the Commission 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. The Utility should be required to notify the Commission, in writing, that it has adjusted its books in accordance with the Commission’s decision. Aquarina should submit a letter within 90 days of the final order in this docket, confirming that the adjustments to all the applicable NARUC USOA accounts have been made to the Utility’s books and records. In the event the Utility needs additional time to complete the adjustments, notice should be provided within seven days prior to deadline. Upon providing good cause, staff should be given administrative authority to grant an extension of up to 60 days.



**ITEM NO.**

**CASE**

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7\*\*PAA

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**Docket No. 150010-WS** – Application for staff-assisted rate case in Brevard County by Aquarina Utilities, Inc.

(Continued from previous page)

**Issue 19:** 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 outstanding Phase I pro forma items have been completed, 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. Also, the docket should remain open to allow staff to verify that the Phase II pro forma items have been completed, and the Phase II rates properly implemented. Once these actions are complete, this docket should be closed administratively.

**ITEM NO.**

**CASE**

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8\*\*PAA

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**Docket No. 160194-EU** – Joint petition for approval of amendment to territorial agreement in Alachua County by the City of Alachua and Duke Energy Florida, LLC.

**Critical Date(s):** None

**Commissioners Assigned:** All Commissioners

**Prehearing Officer:** Brisé

**Staff:** ECO: Whitchurch, Guffey, Coston

GCL: Taylor

**Issue 1:** Should the Commission approve the proposed territorial agreement between the City of Alachua and DEF?

**Recommendation:** Yes. The proposed agreement is an extension of the existing agreement set to expire in 2016. It is in the public interest and will enable Alachua and DEF to better serve their current and future customers. It eliminates any potential uneconomic duplication of facilities and staff believes it will not cause a decrease in the reliability of electric service. Staff recommends that the Commission should approve the proposed territorial agreement between Alachua and DEF.

**Issue 2:** Should this docket be closed?

**Recommendation:** If no protest is filed by a person whose substantial interests are affected within 21 days of the issuance of the Order, this docket should be closed upon the issuance of a Consummating Order.

**ITEM NO.**

**CASE**

9

**Docket No. 160204-EI** – Petition for approval of tariff changes to implement approved generation base rate adjustment, by Tampa Electric Company.

**Critical Date(s):** Pursuant to Order No. PSC-13-0443-FOF-EI the tariff is effective with the first billing cycle of January 2017 or the in-service date of the Polk Conversion Project, whichever is later.

**Commissioners Assigned:** All Commissioners

**Prehearing Officer:** Administrative

**Staff:** ECO: Guffey

GCL: Brownless

**(Participation is at the discretion of the Commission.)**

**Issue 1:** Should the Commission approve Tampa Electric’s tariff changes to implement the Polk GBRA increase approved in the Settlement Order?

**Recommendation:** Yes, the Commission should approve Tampa Electric’s tariff changes to implement the Polk GBRA increase approved in the Settlement Order. Pursuant to the Settlement Order, the Polk GBRA rate changes should become effective with the first billing cycle of January 2017, or the commercial in-service date of the Polk Conversion Project, whichever is later. Tampa Electric should notify its customers of the approved new rates in the December 2016 bills.

**Issue 2:** Should this docket be closed?

**Recommendation:** Yes, if the Commission approves Issue I, this docket should be closed.

**ITEM NO.**

**CASE**

10\*\*

**Docket No. 160198-GU** – Petition for approval of safety, access, and facility enhancement program (SAFE) true-up and associated cost recovery factors, by Florida City Gas.

**Critical Date(s):** 8-Month Effective Date: 04/30/17 (60-day suspension date waived by the utility)

**Commissioners Assigned:** All Commissioners

**Prehearing Officer:** Administrative

**Staff:** ECO: Ollila

GCL: Taylor

**Issue 1:** Should the Commission approve City Gas' proposed SAFE surcharges for 2017?

**Recommendation:** Yes. The Commission should approve City Gas' proposed 2017 SAFE surcharge factors with an effective date of the first billing cycle of 2017.

**Issue 2:** Should this docket be closed?

**Recommendation:** If Issue 1 is approved and a protest is filed within 21 days of the issuance of the order, the tariffs should remain in effect, with any revenues held subject to refund, pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order.

**ITEM NO.**

**CASE**

11\*\*

**Docket No. 160201-GU** – Petition for approval of 2015 true-up, projected 2016 true-up and 2017 revenue requirements and surcharges associated with cast iron/bare steel pipe replacement rider, by Peoples Gas System.

**Critical Date(s):** 8-Month Effective Date: 05/01/17 (60-day suspension date waived by the utility)

**Commissioners Assigned:** All Commissioners

**Prehearing Officer:** Administrative

**Staff:** ECO: Ollila

GCL: Trierweiler

**Issue 1:** Should the Commission approve Peoples' proposed rider surcharges for 2017?

**Recommendation:** Yes. The Commission should approve Peoples' proposed 2017 rider surcharges for each rate class commencing with bills rendered for meter readings taken on and after January 1, 2017.

**Issue 2:** Should this docket be closed?

**Recommendation:** If Issue 1 is approved and a protest is filed within 21 days of the issuance of the order, the tariffs should remain in effect, with any revenues held subject to refund, pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order.

**ITEM NO.**

**CASE**

12\*\*PAA

**Docket No. 150181-WU** – Application for staff-assisted rate case in Duval County by Neighborhood Utilities, Inc.

**Critical Date(s):** 01/12/17 (15-Month Effective Date (SARC))

**Commissioners Assigned:** All Commissioners

**Prehearing Officer:** Edgar

**Staff:** ECO: Hudson, Johnson

AFD: Mouring, Smith II

ENG: P. Buys, King

GCL: Corbari

**(Proposed Agency Action - Except for Issue Nos. 9, 10, and 18.)**

**Issue 1:** Is the quality of service provided by Neighborhood Utilities, Inc. satisfactory?

**Recommendation:** Yes. In its previous rate case, Neighborhood's quality of service was deemed marginal due to its failure to provide routine maintenance on plant facilities, problems related to maintaining chlorine residuals, and customers not receiving boil water notices. The utility is in compliance with Department of Environmental Protection's (DEP) chemical standards and the last enforcement from DEP was a warning letter in 2009. Neighborhood corrected all but one deficiency from its last DEP survey and requested pro forma items to maintain its plant facilities and to correct the last deficiency. The utility also corrected the issues with notifying customers of boil water notices. Therefore, staff recommends that the overall quality of service provided by Neighborhood should be considered satisfactory.

**Issue 2:** What is the used and useful percentage (U&U) of Neighborhood Utilities, Inc.'s water treatment plant and distribution system?

**Recommendation:** Neighborhood's water treatment plant (WTP) and distribution system should be considered 100 percent U&U. Additionally, there appears to be no excessive unaccounted for water. Therefore, staff does recommend no adjustment be made to operating expenses for chemicals and purchased power.

**Issue 3:** What is the appropriate average test year rate base for Neighborhood?

**Recommendation:** The appropriate average test year rate base is \$160,840.

**Issue 4:** What is the appropriate return on equity and overall rate of return for Neighborhood?

**Recommendation:** The appropriate return on equity (ROE) is 11.16 percent with a range of 10.16 percent to 12.16 percent. The appropriate overall rate of return is 6.62 percent.

**Issue 5:** What are the appropriate test year revenues for Neighborhood's water system?

**Recommendation:** The appropriate test year revenues for Neighborhood's water system are \$141,920.

**ITEM NO.**

**CASE**

12\*\*PAA

**Docket No. 150181-WU** – Application for staff-assisted rate case in Duval County by Neighborhood Utilities, Inc.

(Continued from previous page)

**Issue 6:** What is the appropriate test year operating expenses for Neighborhood?

**Recommendation:** The appropriate amount of test year operating expense for the utility is \$176,221.

**Issue 7:** What is the appropriate revenue requirement?

**Recommendation:** The appropriate revenue requirement is \$186,869, resulting in an annual increase of \$44,949 (or 31.67 percent).

**Issue 8:** What are the appropriate rate structure and rates for Neighborhood's water system?

**Recommendation:** The recommended rate structure and monthly water rates are shown on Schedule No. 4 of staff's memorandum dated October 20, 2016. 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.

**Issue 9:** 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 367.0816 F.S.?

**Recommendation:** The water rates should be reduced to remove rate case expense grossed up for RAFs and amortized over a four-year period, as shown on Schedule No. 4-A of staff's memorandum dated October 20, 2016. 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. Neighborhood 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.

**ITEM NO.**

**CASE**

12\*\*PAA

**Docket No. 150181-WU** – Application for staff-assisted rate case in Duval County by Neighborhood Utilities, Inc.

(Continued from previous page)

**Issue 10:** Should the recommended rates 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?

**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. Neighborhood 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 October 20, 2016. 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.

**Issue 11:** What are the appropriate amount, terms, and conditions for the escrow account established for the meter replacement program?

**Recommendation:** The utility should be required to escrow \$1,030 every month. The appropriate terms and conditions of the escrow account are set forth in the analysis portion of staff’s memorandum dated October 20, 2016.

**Issue 12:** Should Neighborhood's miscellaneous service charges be revised?

**Recommendation:** Yes. Neighborhood’s miscellaneous service charges should be revised. The charges should be effective on or after the stamped approval date on the tariff, pursuant to Rule 25-30.475, F.A.C. In addition, the approved charges 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.



**ITEM NO.**

**CASE**

12\*\*PAA

**Docket No. 150181-WU** – Application for staff-assisted rate case in Duval County by Neighborhood Utilities, Inc.

(Continued from previous page)

**Issue 13:** Should Neighborhood's request to implement a late payment charge be approved?

**Recommendation:** Yes. Neighborhood's request to implement a late payment charge should be approved. Neighborhood should be allowed to implement a late payment charge of \$4.30. Neighborhood should be required to file a proposed customer notice to reflect the Commission-approved charge. The approved charge should be effective for services 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 charge should not be implemented until staff has approved the proposed customer notice. The utility should provide proof of the date notice was given no less than ten days after the date of the notice.

**Issue 14:** Should Neighborhood be authorized to collect Non-Sufficient Funds Charges (NSF)?

**Recommendation:** Yes. Neighborhood should be authorized to collect NSF charges. Staff recommends that Neighborhood revise its tariffs to reflect the NSF charges currently set forth in Section 68.065, F.S. The NSF charges should be effective on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475(1), F.A.C. Furthermore, the charges should not be implemented until staff has approved the proposed customer notice. The utility should provide proof of the date the notice was given within 10 days of the date of the notice.

**Issue 15:** What are the appropriate initial customer deposits for Neighborhood's water service?

**Recommendation:** The appropriate water initial customer deposit should be \$58 for the residential 5/8" x 3/4" meter size based on staff's recommended rates. 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 service. The approved initial customer deposits should be effective for connections made on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475, F.A.C. In addition, the utility should refund those deposits that have met the refund requirements of Rule 25-30.311(5), F.A.C., within 60 days of the issuance of a consummating order in this matter. The utility should file a refund report within 30 days of the completion of the customer deposit refunds. Neighborhood should be on notice that it may be subject to a show cause proceeding by the Commission, including penalties, if customer deposits are not refunded pursuant to Commission rules.

**ITEM NO.**

**CASE**

12\*\*PAA

**Docket No. 150181-WU** – Application for staff-assisted rate case in Duval County by Neighborhood Utilities, Inc.

(Continued from previous page)

**Issue 16:** What are the appropriate meter installation charges?

**Recommendation:** The appropriate meter installation charges of \$206 for the 5/8" x 3/4" meters and all other meter sizes should be at actual cost. The meter installation charge may only be collected from new connections to the utility's water system. The approved meter installation charges should be effective for service rendered on or after the stamped approval date of the tariff, pursuant to Rule 25-30.475, F.A.C.

**Issue 17:** What is the appropriate manner in which the utility should handle estimated bills?

**Recommendation:** The utility should handle estimated bills in the manner prescribed in Rule 25-30.335, F.A.C. The utility should submit a sample bill displaying the appropriate designation for estimated bills within 30 days of the consummating order. In addition, Neighborhood should be put on notice that, in the future, it may be subject to a show cause proceeding by the Commission, including penalties for failure to comply with Rule 25-30.335, F.A.C.

**Issue 18:** Should the utility be required to notify the Commission 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. The utility should be required to notify the Commission, in writing, that it has adjusted its books in accordance with the Commission's decision. Neighborhood should submit a letter within 90 days of the final order in this docket, confirming that the adjustments to all the applicable NARUC USOA accounts have been made to the utility's books and records. In the event the utility needs additional time to complete the adjustments, notice should be provided within seven days prior to deadline. Upon providing good cause, staff should be given administrative authority to grant an extension of up to 60 days.

**ITEM NO.**

**CASE**

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12\*\*PAA

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**Docket No. 150181-WU** – Application for staff-assisted rate case in Duval County by Neighborhood Utilities, Inc.

(Continued from previous page)

**Issue 19:** Should this docket be closed?

**Recommendation:** No. Except for the granting of temporary rates in the event of protest, the four year rate reduction, and proof of adjustments of books and records, which are final actions, 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 will 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. Also, the docket should remain open to allow staff to verify that the customer deposits have been properly refunded. Once the above actions are completed this docket will be closed administratively.

**ITEM NO.**

**CASE**

13\*\*PAA

**Docket No. 160030-WS** – Application for increase in water rates in Lee County and wastewater rates in Pasco County by Ni Florida, LLC.

**Critical Date(s):** 11/1/2016 (5-Month Effective Date Waived Through November 1, 2016)

**Commissioners Assigned:** All Commissioners

**Prehearing Officer:** Graham

**Staff:** ECO: Bruce, Hudson

AFD: Brown

ENG: Hill

GCL: Mapp

**(Proposed Agency Action - Except Issue Nos. 15 and 20.)**

**Issue 1:** Is the quality of service provided by Ni Florida satisfactory?

**Recommendation:** Yes. Staff recommends that the condition of the water distribution system and wastewater collection systems are satisfactory. It also appears that the utility has attempted to address customers' concerns. Therefore, staff recommends that the overall quality of service for the Ni Florida water and wastewater systems in Lee and Pasco Counties is satisfactory.

**Issue 2:** Should the audit adjustments to which the utility and staff agree be made?

**Recommendation:** Yes. Based on the audit adjustments agreed to by the utility and staff, increases of \$6,568 and \$3,634 should be made to wastewater contribution-in-aid-of construction (CIAC) and deferred income taxes, respectively. Wastewater operating expense should also be increased by \$2,845 to reflect the appropriate level of amortization expense.

**Issue 3:** Should any audit adjustments contested by the utility be made?

**Recommendation:** Yes. Ni Florida's test year Operations & Maintenance (O&M) expenses should be reduced by \$10,277 for water and \$39,742 for wastewater. Taxes other than income (TOTI) should be decreased by \$835 for water and \$1,378 for wastewater.

**Issue 4:** Should any adjustments be made to the utility's pro forma plant additions and associated expenses?

**Recommendation:** Yes. The appropriate amount of pro forma plant additions net of retirements is \$299,194 for wastewater. Ni Florida's wastewater pro forma plant should be increased by \$32,306, accumulated depreciation reduced by \$44,844, depreciation expense reduced by \$735, and property taxes increased by \$10,037. In addition, accumulated deferred income taxes (ADITs) should be reduced by \$596.

**ITEM NO.**

**CASE**

13\*\*PAA

**Docket No. 160030-WS** – Application for increase in water rates in Lee County and wastewater rates in Pasco County by Ni Florida, LLC.

(Continued from previous page)

**Issue 5:** What are the used and useful (U&U) percentages for Ni Florida's water and wastewater systems?

**Recommendation:** Ni Florida's water distribution system should be considered 100 percent U&U and its wastewater collection system should be considered 100 percent U&U. Staff recommends that wastewater purchased power and purchased wastewater expenses should be reduced by 1.81 percent for excessive I&I. No adjustment is recommended for excessive unaccounted for water (EUW).

**Issue 6:** What is the appropriate working capital allowance?

**Recommendation:** The appropriate working capital allowance is \$77,050 for water and \$217,123 for wastewater. As such, the working capital allowance should be decreased by \$4,534 for water and \$65,795 for wastewater.

**Issue 7:** What is the appropriate rate base for the test year ending December 31, 2015?

**Recommendation:** Consistent with staff's other recommended adjustments, the appropriate rate base for the test year ended December 31, 2015, is \$340,468 for water and \$3,964,854 for wastewater.

**Issue 8:** What is the appropriate return on equity?

**Recommendation:** Based on the Commission leverage formula currently in effect, the appropriate return on equity (ROE) is 9.56 percent with an allowed range of plus or minus 100 basis points.

**Issue 9:** What is the appropriate weighted average cost of capital including the proper components, amounts, and cost rates associated with the capital structure?

**Recommendation:** The appropriate weighted average cost of capital for the test year ended December 31, 2015 is 8.11 percent.

**Issue 10:** Should any further adjustments be made to test year revenues?

**Recommendation:** Yes. Test year revenues for the Ni Florida's water system and wastewater systems should be increased by \$159 and \$10,075, respectively.

**Issue 11:** What is the appropriate amount of current rate case expense?

**Recommendation:** The appropriate amount of rate case expense for the instant case is \$95,082. This expense should be recovered over four years for an annual expense of \$4,992 for water and \$18,779 for wastewater. Thus, Ni Florida's requested annual rate case expense should be reduced by \$3,636 for water and \$13,575 for wastewater from the respective levels of expense included in the MFRs.

**Issue 12:** Should additional adjustments be made to test year O&M expenses?

**Recommendation:** Yes. Based on adjustments set forth above, staff recommends decreasing O&M expense by \$20,724 for water and \$136,054 for wastewater. Adjustments to O&M expense are shown on Schedule No. 3-C of staff's memorandum dated October 20, 2016.

**ITEM NO.**

**CASE**

13\*\*PAA

**Docket No. 160030-WS** – Application for increase in water rates in Lee County and wastewater rates in Pasco County by Ni Florida, LLC.

(Continued from previous page)

**Issue 13:** What is the appropriate revenue requirement for the test year ended in December 31, 2015?

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

	Test Year Revenue	\$ Increase/ (Decrease)	Revenue Requirement	% Increase/ (Decrease)
Water	\$224,606	\$65,265	\$289,872	29.06%
Wastewater	\$1,952,477	\$311,050	\$2,263,527	15.93%

**Issue 14:** What are the appropriate rate structures and rates for Ni Florida's water and wastewater systems?

**Recommendation:** The recommended rate structures and monthly water and wastewater rates are shown on Schedule Nos. 4-A and 4-B of staff's memorandum dated October 20, 2016. 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.

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**Issue 15:** 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,<sup>2</sup> Florida Statutes?

**Recommendation:** The water and wastewater rates should be reduced as shown on Schedule Nos. 4-A and 4-B of staff’s memorandum dated October 20, 2016, 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 367.0816, F.S., Ni Florida 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.

**Issue 16:** Should the Commission approve Ni Florida’s proposed rates for reconnection and meter re-reads based on a contract with Pasco County?

**Recommendation:** Yes. Staff recommends that Ni Florida’s proposed violation reconnection charge of \$125.00 and \$187.50 during normal business hours and after hours, respectively, and a \$20.00 meter re-read based on a contract with Pasco County should be approved.

**Issue 17:** What are the appropriate customer deposits for Ni Florida's water and wastewater systems?

**Recommendation:** The appropriate initial customer deposits should be \$51 and \$91 for the residential 5/8 inch x 3/4 inch meter size for water and wastewater, respectively. 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 and wastewater. The approved initial customer deposits should be effective for 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.

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<sup>2</sup>Section 367.0816, F.S., was repealed by Laws 2016, c. 2016-216, § 5, effective July 1, 2016. However, the statute was implemented in this case because it was effective at the time the application was filed.

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**Issue 18:** Should Ni Florida's existing service availability charges be revised, and if so, what are the appropriate charges?

**Recommendation:** Yes. Ni Florida's existing wastewater service availability charges should be revised. For the wastewater system, a main extension charge of \$1,405 per ERC and a plant capacity charge of \$2,500 per ERC should be approved. The recommended service availability charges should be based on an estimated 173 gallons per day per ERC of treated wastewater demand. For water, the utility should continue to not have service availability charges. The approved service availability charges should be effective for service rendered on or after the stamped approval date of the tariff, pursuant to Rule 25-30.475, F.A.C.

**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 appropriate 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 revised revenue requirements for the interim collection period should be compared to the amount of interim revenues granted. This results in a refund of 8.44 percent for water and 0.92 percent for wastewater. The refund should be made with interest in accordance with Rule 25-30.360(4), F.A.C. The Utility should be required to submit proper refund reports, pursuant to Rule 25-30.360(7), F.A.C. The Utility should treat any unclaimed refunds as Contributions in Aid of Construction (CIAC), pursuant to Rule 25-30.360(8), F.A.C. Further, the letter of credit should be released upon staff's verification that the required refunds have been made.

**Issue 20:** Should the utility be required to notify, 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. The utility should be required to notify the Commission, in writing, that it has adjusted its books in accordance with the Commission's decision. Ni Florida should submit a letter within 90 days of the final order in this docket, confirming that the adjustments to all the applicable NARUC USOA accounts have been made to the utility's books and records. In the event the utility needs additional time to complete the adjustments, notice should be provided within seven days prior to deadline. Upon providing good cause, staff should be given administrative authority to grant an extension of up to 60 days.



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**Issue 21:** 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 outstanding Phase I pro forma items have been completed, 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.