

FLORIDA PUBLIC SERVICE COMMISSION

SPECIAL COMMISSION CONFERENCE AGENDA

CONFERENCE DATE AND TIME: Thursday, August 3, 2017, 9:30 a.m.*

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

DATE ISSUED: July 24, 2017

NOTICE

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). If you have any questions, contact the Office of Commission Clerk at (850) 413-6770 or 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*.

*Special Commission Conference will begin immediately after Commission Conference, which will begin at 9:30 a.m. in Betty Easley Conference Center, Joseph P. Cresse Hearing Room 148

ITEM NO.

CASE

1

Docket No. 20160101-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): Statutory 8-month clock extended to August 3, 2017

Commissioners Assigned: All Commissioners

Prehearing Officer: Brisé

Staff: AFD: Norris, Andrews, D. Buys, Frank, Galloway, Mick, Richards, Sowards

ECO: Bruce, Friedrich, Hudson, Johnson

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

GCL: Trierweiler, Janjic, Mapp, Taylor

(Post Hearing Decision, Participation Limited to Commissioners and Staff)

Issue 1: DROPPED.

Issue 2: DROPPED.

Issue 3: Is the overall quality of service provided by the Utility satisfactory, and, if not, what systems have quality of service issues and what action should be taken by the Commission?

Recommendation: Staff recommends the quality of service for all systems except Cross Creek, Eagle Ridge, LUSI, and Summertree, be deemed satisfactory. For the Cross Creek, Eagle Ridge, and LUSI systems, staff recommends the quality of service be deemed marginal. The Utility should file, with the Division of Engineering, a report on the status of compliance with DEP requirements for each marginal system within six months of the issuance of the Commission's Order in this rate proceeding. For the Summertree system, staff recommends the quality of service remain unsatisfactory and a 100-basis point reduction applied to staff's recommended return on equity for the Summertree system.

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Issue 4: What is the total ERCs applicable to Florida, by county, and by system as of December 31, 2015, for allocation purposes?

Recommendation: The total ERCs by system, as shown in the table below, should be used to allocate costs among the UIF systems after all appropriate adjustments, including the removal of non-UIF costs, are made. For costs shared by ACME Florida Legends Irrigation (ACME) that were not removed by UIF, 841 water ERCs should be used for allocation purposes.

ERCs by UIF Systems for Allocation

UIF System	Water	Wastewater	Total
Cypress Lakes	1,266.3	1,204.5	2,470.8
Eagle Ridge	-	2,527.6	2,527.6
Labrador	762.7	756.7	1,519.4
Lake Placid	141.1	143.1	284.2
Longwood	-	1,695.5	1,695.5
LUSI	11,739.9	3,630.8	15,370.7
Mid-County	-	5,622.2	5,622.2
Pennbrooke	1,488.0	1,240.0	2,728.0
Sandalhaven	-	1,229.0	1,229.0
Sanlando	13,853.9	11,145.7	24,999.6
Tierra Verde	-	2,095.2	2,095.2
UIF-Marion	548.8	76.4	625.2
UIF-Orange	310.5	-	310.5
UIF-Pasco	2869.5	1245.2	4,114.7
UIF-Pinellas	430.1	-	430.1
UIF-Seminole	2711.5	1474.5	4,186.0
Total	<u>36,122.3</u>	<u>34,086.4</u>	<u>70,208.7</u>

Issue 5: What adjustments, if any, should be made to account for the audit adjustments related to rate base?

Recommendation: Adjustments should be made to rate base as set forth in the analysis portion in Tables 5-2 and 5-3 of staff’s memorandum dated July 21, 2017.

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Issue 6: What are the appropriate amounts of regulatory assets for each system that is associated with the Utility's Project Phoenix Financial/Customer Care Billing System?

Recommendation: Consistent with the Commission's previous decisions, UIF should be authorized to create regulatory assets and a regulatory liability as reflected in the table below. In addition, the balances for Sanlando should be increased by \$832 for water and \$649 for wastewater to reflect the annual amortization of the regulatory assets previously authorized by the Commission.

System	Regulatory Asset/Liability		Annual Amortization	
	Water	Wastewater	Water	Wastewater
Cypress Lakes	\$7,173	\$6,587	\$1,793	\$1,647
Eagle Ridge	0	3,421	0	855
Lake Placid	689	769	172	192
Pennbrooke	(1,113)	(892)	(278)	(223)
UIF-Orange	368	0	92	0
UIF-Pasco	3,401	1,476	850	369
UIF-Pinellas	510	0	127	0
UIF-Seminole	<u>3,214</u>	<u>1,748</u>	<u>803</u>	<u>437</u>
Total	<u>\$14,242</u>	<u>\$13,109</u>	<u>\$3,554</u>	<u>\$3,277</u>

Issue 7: Should any adjustments be made to test year plant-in-service balances?

Recommendation: Yes. Engineering fees in the amount of \$3,821 for the Sandalhaven wastewater system should be capitalized. A corresponding adjustment should be made to increase accumulated depreciation and depreciation expense by \$116.

Issue 8: What adjustments, if any, need to be made to rate base to appropriately reflect the impacts of the abandonment and decommissioning of the Summertree water supply assets?

Recommendation: To reflect the appropriate retirement adjustments for UIF-Pasco water, plant and accumulated depreciation should be increased by \$1,071,092 and \$1,511,576, respectively. Also, contributions in aid of construction (CIAC) should be decreased by \$3,633 and accumulated amortization of CIAC should be increased by \$73,154.

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Issue 9: Should adjustments be made to the Utility's pro forma plant additions?

Recommendation: Yes. Staff recommends that pro forma plant additions should be increased by \$4,567,153 resulting in a total balance of pro forma additions of \$35,878,520. Table 9-3 of staff's memorandum dated July 21, 2017, shows that plant additions for water should be increased by \$129,776 and increased by \$4,437,377 for wastewater. The adjustments in Table 9-3 are based on the recommended amount for each pro forma project discussed in this issue.

Issue 10: What are the appropriate plant retirements to be made in this docket?

Recommendation: Plant retirements should be \$2,535,669 for water and \$3,352,506 for wastewater. As such, plant should be increased by \$8,922,014 for water and \$1,111,915 for wastewater. Accumulated depreciation should be increased by \$8,922,014 for water and \$2,550,706 for wastewater. Depreciation expense should be increased by \$237,951 for water and \$61,684 for wastewater. Taxes Other than Income should be decreased by \$29,552 for wastewater. In addition, increases of \$193,156 and \$30,496 to amortization expense are necessary for Longwood and Sandalhaven respectively, to recognize the loss on retirement of the wastewater treatment plants.

Issue 10A: DROPPED.

Issue 10B: DROPPED.

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Issue 11: Do any water systems have excessive unaccounted for water and, if so, what systems and what adjustments are necessary, if any?

Recommendation: Yes, there are nine water systems that have excessive unaccounted for water (EUW). Staff’s recommended adjustments to purchased water, purchased power, and chemical expenses are shown in the table below.

System Name	EUW (%)	Staff’s Recommended Adjustment (\$)
Labrador	4.6	(\$460)
Lake Placid	3.06	(\$108)
Pasco Orangewood	7.66	(\$1,234)
Marion	1.35	(\$203)
Pinellas Lake Tarpon	10.2	(\$415)
Seminole Little Wekiva	4.81	(\$66)
Seminole Oakland Shores	2.23	(\$282)
Seminole Phillips	1.56	(\$28)
Seminole Weathersfield	1.31	(\$338)
Seminole Ravenna Park	0	\$0

Issue 12: Do any wastewater systems have excessive infiltration and/or inflow and, if so, what systems and what adjustments are necessary, if any?

Recommendation: Yes, three wastewater systems have excessive infiltration and/or inflow. UIF Pasco Wis Bar has 17.22 percent, Sandalhaven has 8.37 percent, and UIF Seminole Lincoln Heights has 32.9 percent. Staff recommends decreasing O&M expense, based on these percentages for the three systems, by \$35,616, \$30,452, and \$61,068, respectively.

Issue 13: What are the appropriate used and useful percentages for the water treatment and related facilities of each water system?

Approved Stipulation: All water treatment and related facilities should be 100 percent used and useful.

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Issue 14: What are the appropriate used and useful percentages for the water storage and related facilities of each water system?

Approved Stipulation: All water storage and related facilities should be 100 percent used and useful.

Issue 15: What are the appropriate used and useful percentages for the water distribution and related facilities of each water system?

Approved Stipulation: All water distribution and related facilities should be 100 percent used and useful.

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Issue 16: What are the appropriate used and useful percentages for the wastewater treatment and related facilities of each wastewater system?

Recommendation: The appropriate used and useful percentages are shown in the table below.

System	Facilities	U&U (Percent)
Cypress Lakes	WWTP	100.00
Eagle Ridge	WWTP	100.00
Labrador	WWTP	79.94
Lake Placid	WWTP	29.79
Longwood	WWTP	100.00
LUSI	WWTP	58.78
Mid-County	WWTP	93.67
Pennbrooke	WWTP	100.00
Sandalhaven	EWD Capacity	95.88
Sandalhaven	Transmission	100.00
Sanlando	WWTP	100.00
UIF-Marion	WWTP	68.65

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The appropriate fall-out adjustments are shown in the table below.

System - WWTP	Rate Base	Depreciation Expense (Net)	TOTI
Labrador	(\$289,404)	(\$14,181)	(\$2,180)
Lake Placid	(89,807)	(7,418)	(816)
LUSI	(727,208)	(39,964)	(1,742)
Mid-County	(67,761)	(5,926)	(460)
Sandalhaven	(17,533)	(598)	(1,050)
UIF-Marion	(16,641)	(2,011)	(140)
Total	<u>(\$1,208,354)</u>	<u>(\$70,098)</u>	<u>(\$6,388)</u>

Issue 17: What are the appropriate used and useful percentages for the collection lines and related facilities of each wastewater system?

Approved Stipulation: All collection lines should be 100 percent used and useful.

Issue 18: Should any adjustments be made to test year accumulated depreciation?

Recommendation: Yes. The appropriate adjustments are reflected in Table 18-1 in the analysis portion of staff’s memorandum dated July 21, 2017.

Issue 19: Should any adjustments be made to test year CIAC balances?

Recommendation: Yes. However, all necessary adjustments to CIAC are discussed in Issues 5 and 8. No additional adjustments to test year CIAC are necessary for this issue.

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Issue 20: Should any adjustments be made to test year accumulated amortization of CIAC?

Recommendation: Yes. The appropriate accumulated amortization of CIAC adjustments are as follows:

System	Water	Wastewater
Lake Placid	(\$722)	(\$25,258)
Mid-County	0	(123,809)
Sanlando	0	(13,749)
Total	(\$722)	(\$162,816)

Staff recommends a net reduction to test year accumulated amortization of CIAC of \$722 for water and \$162,816 for wastewater.

Issue 21: What is the appropriate working capital allowance?

Recommendation: The appropriate working capital allowance is \$1,130,422 for water and \$3,030,342 for wastewater. As such, the working capital allowance should be increased by \$166,896 for water and \$1,654,561 for wastewater. The total adjustment for each system is reflected in Table 21-6 in the analysis portion of staff’s memorandum dated July 21, 2017.

Issue 22: What is the appropriate rate base for the adjusted December 31, 2015, test year? (Fall-out)

Recommendation: Consistent with other recommended adjustments, the appropriate 13-month average rate base is \$52,396,017 for the water systems and \$60,230,106 for the wastewater systems.

Issue 23: Should any adjustments be made to Deferred Tax Debits - Tap Fees Post 2000 included in the Accumulated Deferred Income Tax balance?

Recommendation: Yes. The full amount of Deferred Tax Debits – Post 2000 Tap Fees should be removed from the Accumulated Deferred Income Tax (ADIT) balance in the MFRs. This results in an adjustment to increase the credit balance of ADITs in the capital structure by \$2,750,246 on a UIF consolidated basis.

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Issue 24: What is the appropriate amount of accumulated deferred taxes to include in the capital structure?

Recommendation: The appropriate amount of accumulated deferred income taxes to include in the capital structure is \$16,643,096. This reflects an increase of \$6,553,231 related to pro forma plant additions, an increase of \$2,750,246 related to the removal of the debit deferred taxes for tap fees post 2000 as discussed in Issue 23, and an increase of \$608 for a corresponding adjustment related to U&U in Issue 16, for a total increase of \$9,304,085.

Issue 25: What is the appropriate amount of customer deposits to include in the capital structure?

Approved Stipulation: \$232,022.

Issue 26: What is the appropriate cost rate for customer deposits for the test year?

Approved Stipulation: As provided by Rule 25-30.311, F.A.C., the customer deposit cost rate should be 2.0 percent. The customer deposit cost rate contained in the capital structure for the Lake Placid system should be reduced to 2.0 percent.

Issue 27: What is the appropriate cost rate for short-term debt for the test year?

Approved Stipulation: The appropriate cost rate for the short-term debt for the test year should be 2.32 percent.

Issue 28: What is the appropriate cost rate for long-term debt for the test year?

Recommendation: The appropriate cost rate for long-term debt for the test year ended December 31, 2015, is 6.70 percent.

Issue 29: What is the appropriate capital structure to use for rate setting purposes?

Recommendation: Staff recommends that a consolidated capital structure consisting of 49.27 percent common equity, 46.33 percent long-term debt, and 4.40 percent short-term debt as a percentage of investor sources be used for rate setting purposes to correspond to the consolidated rates recommended by staff in Issues 61 and 64. The consolidated water and wastewater rate base should be reconciled to investor sources of capital only, and specific adjustments should be made to increase the ADIT balance to \$16,643,096 as recommended in Issue 24, and increase the customer deposit balance to \$232,022 as stipulated in Issue 25.

Issue 30: What is the appropriate return on equity (ROE) for rate setting purposes?

Recommendation: The appropriate ROE for rate setting purposes is 10.40 percent for all systems except for the Summertree system based on the Commission's approved leverage formula and an equity ratio of 49.27 based on investor sources of capital. The ROE applicable for the Summertree system is 9.40 percent if the Commission approves the staff recommendation in Issue 3 regarding quality of service.

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Issue 31: What is the appropriate weighted average cost of capital including the proper components, amounts and cost rates associated with the capital structure?

Recommendation: Based on the proper components, amounts, and cost rates associated with the capital structure for the test year ended December 31, 2015, the appropriate weighted average cost of capital on a consolidated basis for UIF for purposes of setting rates in this proceeding is 7.08 percent for all systems except the Summertree system. If the Commission approves the 100 basis point reduction in Issue 3 for the Summertree system, the appropriate weighted average cost of capital for the Summertree system is 6.66 percent.

Issue 32: What are the appropriate test year revenues?

Recommendation: The appropriate test year revenues for UIF’s water and wastewater systems are \$13,737,592 and \$15,551,992, respectively.

Issue 33: What adjustments, if any, should be made to account for the audit adjustments related to net operating income?

Recommendation: Adjustments should be made to operating expense as set forth in Tables 33-2 and 33-3 in the conclusion section of the analysis portion of staff’s memorandum dated July 21, 2017.

Issue 34: Should any adjustment be made to salaries and wages expense?

Recommendation: Yes. Salaries and wages expense for Sandalhaven should be decreased by \$47,495. Accordingly, the appropriate level of salaries and wages expense for Sandalhaven to reflect the retirement of the WWTP, as ordered in Commission Order No. PSC-16-0013-SU, is \$98,504.

Issue 35: Should any adjustments be made to employee pensions and benefits expense?

Recommendation: Yes. Pensions and benefits expense for Sandalhaven should be reduced by \$13,782 to reflect the retirement of the WWTP. Additionally, pensions and benefits expense should be reduced by \$119,878, allocated across all systems as shown in Table 35-1 of staff’s memorandum dated July 21, 2017.

Issue 36: Are the costs allocated from WSC appropriate and reasonable, and are the allocation factors appropriate going forward?

Recommendation: The costs and allocation factors from WSC are appropriate, with the exception of allocated depreciation expense associated with a Fixed Asset Clean Up adjustment. Depreciation expense should be decreased by \$86,263 to remove the Fixed Asset Clean Up adjustment. The specific system adjustments are reflected in the table below.

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System	% Allocation	Water	Wastewater	Total
Cypress Lakes	3.48%	(\$1,556)	(\$1,480)	(\$3,036)
Eagle Ridge	3.56%	0	(3,106)	(3,106)
Labrador	2.14%	(937)	(930)	(1,867)
Lake Placid	0.40%	(173)	(176)	(349)
LUSI	21.63%	(14,424)	(4,461)	(18,885)
Longwood	2.39%	0	(2,083)	(2,083)
Mid-County	7.91%	0	(6,908)	(6,908)
Pennbrooke	3.84%	(1,828)	(1,524)	(3,352)
Sandalhaven	1.73%	0	(1,510)	(1,510)
Sanlando	35.19%	(17,022)	(13,694)	(30,716)
Tierra Verde	2.95%	0	(2,574)	(2,574)
UIF-Seminole	5.89%	(3,332)	(1,812)	(5,143)
UIF-Orange	0.44%	(381)	0	(381)
UIF-Pasco	5.79%	(3,526)	(1,530)	(5,056)
UIF-Pinellas	0.61%	(528)	0	(528)
UIF-Marion	0.88%	(674)	(94)	(768)
Total		<u>(\$44,382)</u>	<u>(\$41,881)</u>	<u>(\$86,263)</u>

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Issue 37: Should any adjustments be made to purchased water expense?

Recommendation: Yes. Purchased water expense should be increased by \$117,206 for UIF-Pasco and decreased by \$61,485 for UIF-Seminole.

Issue 38: Should any adjustments be made to purchased sewage expense?

Recommendation: Yes. Purchased sewage expense for UIF-Pasco wastewater should be decreased by \$11,088.

Issue 39: Should any adjustments be made to sludge removal expense?

Recommendation: Yes, adjustments should be made to reduce sludge removal expense by \$21,000 for LUSI to account for savings due to the sludge dewatering project, by \$3,600 for Mid County to remove costs for services received outside the test year, and by \$13,455 for Sandalhaven to remove expenses for the decommissioned WWTP.

Issue 40: Should any adjustment be made to purchased power expense?

Recommendation: Yes. In addition to adjustments to purchased power expense addressed in Issues 11 and 12, the adjustments identified in the table below are appropriate.

System	Staff Recommended Adjustment (\$)	
	Water	Wastewater
LUSI	3,631	(9,831)
Longwood	0	(7,147)
Sandalhaven	0	(3,637)
Sanlando	(9,671)	9,671

Issue 41: Should any adjustment be made to chemical expense?

Recommendation: Yes. In addition to the adjustments for chemical expense addressed in Issues 11 and 12, staff recommends reductions of \$7,266 for Eagle Ridge, \$4,220 for Mid County, and \$3,145 for Sandalhaven.

Issue 42: Should any adjustment be made to material and supplies expense?

Recommendation: Yes. Materials and supplies expense should be reduced by \$59,610 as shown in Table 42-1 of staff's memorandum dated July 21, 2017.

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Issue 43: Should any adjustment be made to contractual services - engineering expense?

Recommendation: Yes. As agreed to by UIF and OPC, reductions of \$1,920 to water and \$1,549 to wastewater should be made to Lake Placid to remove and amortize the cost of permit renewal. Reductions of \$1,904 should be made to Mid-County to remove and amortize costs related to permit renewal. Decreases of \$3,321 to Sandalhaven and \$6,000 (\$3,325 for water and \$2,675 for wastewater) to Sanlando should be made due to the inclusion of the costs for pro forma expense.

Issue 44: Should any adjustment be made to contractual services - legal expense?

Approved Stipulation: Yes, the additional legal expenses associated with the prior rate case should not be included in the adjusted test year in this case. Therefore, Labrador water expenses should be reduced by \$505 and Labrador wastewater expenses should be reduced by \$501.

Issue 45: Should any adjustment be made to contractual services - testing expense?

Recommendation: Yes. An adjustment to reduce this expense for the LUSI water system by \$1,425 should be made due to invoices being outside the established test year.

Issue 46: Should any adjustment be made to contractual services – other expense?

Recommendation: Yes. Contractual services – other expense should be decreased by \$3,020 for Labrador’s water system, by \$4,980 for Labrador’s wastewater system, by \$4,700 for Mid-County, by \$864 for Sandalhaven, and by \$2,827 for UIF-Marion’s water system.

Issue 47: Should any adjustment be made to equipment rental expense?

Recommendation: Yes. Equipment rental expense should be reduced by \$5,593 for the Sanlando wastewater system.

Issue 48: Should any adjustment be made to transportation expense?

Approved Stipulation: Yes, the utility included in the Tierra Verde system a posting of fuel and fleet repairs that should have been allocated across all Florida systems. Since the Utility does not have consolidated rates at this time, the allocations should be adjusted as follows.

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Table 48-1
Transportation Adjustments

Cypress Lakes – Water	\$107
Cypress Lakes – Wastewater	101
Eagle Ridge – Wastewater	212
Labrador – Water	64
Labrador - Wastewater	64
Lake Placid – Water	12
Lake Placid – Wastewater	12
Longwood – Wastewater	142
LUSI – Water	986
LUSI – Wastewater	305
Mid-County – Wastewater	472
Pennbrooke – Water	125
Pennbrooke – Wastewater	104
Sandalhaven – Wastewater	103
Sanlando – Water	1,164
Sanlando – Wastewater	936
Tierra Verde - Wastewater	(\$5,723)

Issue 49: What is the appropriate amount of rate case expense?

Recommendation: The appropriate amount of rate case expense is \$1,040,038. This expense should be amortized over four years for an annual expense of \$260,010. Based on the Utility’s original filing, the annual amortization of rate case expense should be decreased by \$78,064. The specific system adjustments are reflected on the respective 3-C schedules of staff’s memorandum dated July 21, 2017.

Issue 50: How should unamortized rate case expense from prior dockets be treated for purposes of determining the revenue requirements in this proceeding?

Recommendation: Unamortized rate case expense should be removed for all prior dockets for each respective system, with the exception of unamortized rate case expense associated with the UI Generic Docket that has yet to commence recovery. As such, the unamortized rate case expense reflected in UIF’s original filing should be decreased by \$997,991 (-\$993,504 + \$513) and \$1,037,543 (-\$1,044,872 + \$7,329) for water and wastewater, respectively. A corresponding adjustment should be made to decrease the

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amortization of rate case expense by \$248,259 and \$259,390 for water and wastewater, respectively.

Issue 51: Should any adjustment be made to miscellaneous expense?

Recommendation: Yes. Adjustments should be made to reduce miscellaneous expense by \$6,896 for Cypress Lakes, by \$122 for Labrador water and \$121 for Labrador wastewater, by \$900 for Lake Placid wastewater, by \$4,000 for Mid-County, by \$10,270 for Sandalhaven, and by \$2,526 for Sanlando water and \$2,032 for Sanlando wastewater.

Issue 52: How should the cost savings, if any, resulting from the proposed consolidation of tariffs and accounting records be reflected in rates?

Recommendation: Based on the evidence in the record, no adjustment should be made in the current rate proceeding.

Issue 53: Should any further adjustment be made to the Utility's test year and pro forma O&M expense?

Recommendation: Adjustments should be made as set forth in previous issues. No further adjustments are necessary.

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Issue 54: Should any adjustments be made to test year depreciation expense?

Recommendation: All adjustments to test year depreciation expense are reflected as corresponding adjustments in previous issues. As such, adjustments should be made as set forth in Issues 7, 9, 10, 16, 18, 33, and 56. No further adjustments are necessary.

Issue 55: Should any adjustments be made to test year amortization of CIAC expense?

Recommendation: All adjustments to test year amortization of CIAC expense are reflected as corresponding adjustments in previous issues. As such, adjustments should be made as set forth in Issues 10, 16, 20, 33, and 56. No further adjustments are necessary.

Issue 56: What adjustments, if any, need to be made to net operating income to appropriately reflect the impacts of the abandonment and decommissioning of the Summertree water supply assets?

Recommendation: Amortization Expense should be increased by \$46,750, and O&M expense should be decreased by \$68,609. Further, TOTI should be reduced by \$9,933.

Issue 57: Did the Company receive any salvage value as a result of decommissioning the Sandalhaven Wastewater Treatment Plant and related assets? If yes, what adjustment should be made to flow the salvage value received to ratepayers. If no, has the Company prudently attempted to recover any value from the decommissioned assets on behalf of ratepayers?

Approved Stipulation: No adjustment is appropriate because no salvage value was received. The cost of removal was net of any potential salvage.

Issue 58: Should any adjustments be made to test year taxes other than income expense?

Recommendation: Based on staff's adjustments to test year revenues and to remove the Utility's requested increase, RAFs should be reduced by \$118,486 for the water systems and \$192,259 for the wastewater systems. To reflect staff's recommended total revenue increase, RAFs should be increased by \$89,679 for the water systems and \$158,402 for the wastewater systems. In total, TOTI should be decreased by \$28,807 (-\$118,486 + \$89,679) for the water systems and \$33,857 (-\$192,259 + \$158,402) for the wastewater systems.

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Issue 59: What is the appropriate revenue requirement for the adjusted December 31, 2015 test year?

Recommendation: Consistent with staff’s recommendation of rate base, cost of capital, and net operating income adjustments, staff recommends a total revenue requirement of \$15,730,457 for water and \$19,072,345 for wastewater. Additionally, the revenue requirement impact associated with an ROE reduction for Summertree customers is \$38,650, pending the Commission’s decision on Issue 3 regarding quality of service and any other fall out issues. The revenue requirements for each of the Utility’s systems are reflected in Schedule Nos. 3-A, and 3-B, as well as in Attachment A of staff’s memorandum dated July 21, 2017.

Issue 60: What, if any, limits should be imposed on subsidy values that could result if stand alone rates are converted to a consolidated rate structure for the water and wastewater systems?

Recommendation: Staff recommends a water subsidy limit of \$14.38 at 7,000 gallons, and a wastewater subsidy limit of \$19.17 at 8,000 gallons.

Issue 61: Which water systems, if any, should be consolidated into a single rate structure?

Recommendation: Staff recommends all water systems be consolidated into a single rate structure.

Issue 62: What are the appropriate rate structures and rates for the water systems?

Recommendation: The recommended rate structures and monthly water rates, including the Summertree ROE penalty credit, are included in Schedule Nos. 4 and 4-A of staff’s memorandum dated July 21, 2017. The Utility should file revised tariff sheets and proposed customer notices 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 sheets, 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 notices and the notices have 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 63: What are the appropriate private fire protection charges?

Approved Stipulation: The fire protection rate should be established, pursuant to Commission Rule 25-30.465.

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Issue 64: Which wastewater systems, if any, should be consolidated into a single rate structure?

Recommendation: Staff recommends all wastewater systems be consolidated into a single rate structure.

Issue 65: What are the appropriate rate structures and rates for the wastewater systems?

Recommendation: Staff's recommended wastewater rates are shown on Schedule Nos. 4 and 4-B of staff's memorandum dated July 21, 2017. 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 sheets provided customers have received notice, pursuant to Rule 25-30.475, F.A.C. The Utility should provide proof of noticing within 10 days of rendering its approved notice.

Issue 66: What are the appropriate miscellaneous service charges?

Recommendation: Staff recommends the miscellaneous service charges shown in Table 66-3 of its memorandum dated July 21, 2017, should be approved for all of UIF's systems. The Utility should be required to file a proposed customer notice and tariff to reflect the Commission-approved charges. The approved 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. In addition, the approved charges should not be implemented until staff has approved the proposed customer notice. UIF should provide proof of the date notice was given no less than 10 days after the date of the notice.

Issue 67: What is the appropriate late payment charge?

Recommendation: The appropriate late payment charge for UIF is \$6.40. The Utility should file a revised tariff sheet and a proposed customer notice to reflect the Commission-approved late payment charge. This approved charge should be effective for service rendered on or after the stamped approval date on the tariff sheets provided customers have received notice. The tariff sheets should be approved upon staff's verification that the tariffs are consistent with the Commission's decision and that the proposed customer notice is adequate, pursuant to Rule 25-30.475, F.A.C. The Utility should provide proof of its noticing within 10 days of rendering its approved notice.

Issue 68: What are the appropriate reuse rates?

Approved Stipulation: \$7.64 BFC plus \$1.45 per thousand gallons.

Issue 69: What are the appropriate customer deposits?

Approved Stipulation: The amount of customer deposits should be established, pursuant to Commission Rule 25-30.311, F.A.C.

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Issue 70: What are the appropriate meter installation charges?

Approved Stipulation: A uniform meter installation charge of \$208 should be approved, with all other meter sizes at actual cost.

Issue 71: What are the appropriate customer connection, main extension, plant capacity, and system capacity charges?

Recommendation: The customer connection charge should be at actual cost for all water and wastewater systems. The existing main extension and plant capacity charges should remain unchanged. The system capacity charge for Tierra Verde should be reflected as a plant capacity charge in the Utility's tariff. The connection charge for UIF-Seminole should also be reflected as a plant capacity charge in the Utility's tariff. For water and wastewater systems that will require additional facilities to serve new customers, staff recommends that developers should be required to donate or contribute the lines and facilities to the Utility consistent with the existing service availability policy. The Utility should file revised tariff sheets and a proposed customer notice. UIF should provide notice to customers who have requested service within the 12 calendar months prior to the month the application was filed to the present. The approved charges should be effective for connections made on or after the stamped approval date on the tariff sheets. The Utility should provide proof of noticing within 10 days of rendering its approved notice.

Issue 72: What are the appropriate guaranteed revenue charges?

Approved Stipulation: The guaranteed revenue charge for the Sandalhaven system should be equal to the respective BFC for Sandalhaven.

Issue 73: What are the appropriate Allowance for Funds Prudently Invested (AFPI) charges?

Recommendation: The appropriate AFPI charges are the existing charges for each respective system, which do not exceed the number of applicable equivalent residential connections (ERCs). Staff recommends that the tariffs should be revised to reflect the number of remaining ERCs to which AFPI charges apply. For Longwood and Sandalhaven, the tariffs should be revised to reflect the remaining ERCs of 432 and 794, respectively, as of December 31, 2015. The AFPI charges for LUSI's Lake Groves' water and wastewater systems and LUSI - Others should be discontinued. Staff recommends that a new docket be opened with a full audit in order to determine the amount of overcollection of AFPI charges and the disposition of the overcollection.

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Issue 74: In determining whether any portion of the interim increase granted should be refunded, how should the refund be calculated, and what is the amount of the refund, if any?

Recommendation: The appropriate refunds are as follows:

System	Interim Revenue Requirement	Adjusted Interim Revenue Requirement	Refund Amount	Refund Percentage
Lake Placid – Water	\$79,206	\$77,065	\$2,140	2.70%
Lake Placid – Wastewater	\$72,952	\$69,239	\$3,713	5.09%
UIF-Marion – Wastewater	\$79,264	\$61,221	\$18,042	22.76%
UIF-Pasco – Wastewater	\$614,260	\$517,611	\$96,649	15.73%
Eagle Ridge – Wastewater	(\$24,112)	N/A	\$12,869	1.12%
Labrador – Wastewater	(\$134,838)	N/A	\$112,578	17.75%

The refunds 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, pursuant to Rule 25-30.360(8), F.A.C. Further, the corporate undertaking should be released upon staff’s verification that the required refunds have been made.

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Issue 75: What is the appropriate amount by which rates should be reduced after the established effective date of the approved tariff to reflect the removal of the amortized rate case expense?

Recommendation: UIF’s water and wastewater rates should be reduced as shown on Schedule Nos. 4-A and 4-B respectively, of staff’s memorandum dated July 21, 2017. This is to remove rate case expense, grossed up for RAFs, which is being amortized over a four-year period and will result in a reduction of \$174,386 for water and \$143,412 for wastewater. The decrease in rates should become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.081(8), F.S. UIF should be required to file revised tariff sheets no later than one month prior to the actual date of the required rate reduction. The Utility should also be required to file a proposed customer notice setting the lower rates and the reason for the reduction. If UIF 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, and the reduction in the rates due to the amortized rate case expense.

Issue 76: What is the appropriate amount and mechanism by which rates should be reduced to reflect the removal of any unamortized rate case expense?

Recommendation: UIF’s unamortized rate case expense as shown on Table 76-2 of staff’s memorandum dated July 21, 2017, should be recovered through surcharges and removed at the respective systems’ expiration date of the amortization period in accordance with Section 367.0816, F.S. The applicable surcharge for each system is shown on Schedule Nos. 4-A and 4-B of staff’s memorandum dated July 21, 2017. UIF should be required to remove the surcharge for each system immediately following the expiration of the four year rate case expense recovery period established in previous orders and shown on Table 76-2. UIF 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 UIF 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.

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Issue 77: How should the Utility address future index and pass through filings?

Approved Stipulation: If the Commission approves consolidation, UIF should be required to file its future index and pass through filings in the same manner as the consolidation was approved.

Issue 78: How should the Utilities treat its in-state FPSC-regulated accounting, filing, and reporting requirements?

Recommendation: If the Commission approves rate consolidation, UIF should be allowed to consolidate its in-state FPSC-regulated accounting, filing, and reporting requirements in the same manner as the consolidation is approved. For Commission purposes, UIF should maintain separate plant and CIAC subsidiary ledgers for its individual systems.

Issue 79: Did the Utility appropriately record the Commission Ordered Adjustments to the books and records? If not, what action, should be taken?

Recommendation: Yes. The Utility booked all Commission Ordered Adjustments (COAs) prior to the submission of the MFRs for this instant rate proceeding. Audit staff made adjustments to certain applicable systems as appropriate. Thus, no additional action is necessary.

Issue 80: Did the Utility properly provide support to the auditors for pool vehicles and special equipment as well as the calculation for determining transportation expense per vehicle, and payroll schedules by employee to audit staff as in prior rate cases? If not, what action, if any, should be taken?

Recommendation: No; however, the evidence in this docket does not support any substantive impairments for staff or any party to fully evaluate salaries and wages and transportation expenses. Accordingly, no further action is required.

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Issue 81: 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 any Commission ordered adjustments. UIF 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.

Issue 82: Should this docket be closed?

Recommendation: No. This docket should remain open for staff's verification that the Utility has completed the recommended refunds, the revised tariff sheets, and customer notices have been filed by UIF and that the Utility has notified the Commission in writing that the adjustments for all applicable NARUC USOA primary accounts have been made. Once these actions are complete, this docket should be closed administratively.