

FLORIDA PUBLIC SERVICE COMMISSION

COMMISSION CONFERENCE AGENDA

CONFERENCE DATE AND TIME: Tuesday, May 5, 2020, 9:30 a.m.

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

DATE ISSUED: April 23, 2020

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 item number.

Because the Commission is operating under a state of emergency due to COVID-19, all public participation must be telephonic or by written comment. To participate informally, affected persons must either: (1) request the opportunity to address the Commission telephonically on an item listed on the agenda by contacting the Office of General Counsel at (850) 413-6199 by noon on May 4, 2020; or (2) file any written comments for a particular item in the applicable Docket file by noon on May 4, 2020.

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 Florida Administrative Code Rules 25-22.0021 (agenda conference participation) and 25-22.0022 (oral argument). Conference agendas, staff recommendations, vote sheets, and transcripts are available online at <http://www.floridapsc.com>, by selecting *Conferences & Meeting Agendas* and *Commission Conferences of the FPSC*. An official vote of "move staff" denotes that the Item's recommendations were approved.

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 or 850-413-6770 (Florida Relay Service, 1-800-955-8770 Voice or 1-800-955-8771 TDD). Assistive Listening Devices are available upon request from 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 FPSC 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*.

EMERGENCY CANCELLATION OF CONFERENCE: If a named storm or some other state of emergency requires cancellation of the Conference, Commission staff will attempt to give timely notice. Notice of cancellation will be provided on the Commission's website (<http://www.floridapsc.com>) under the Hot Topics link on the home page. Cancellation can also be confirmed by calling the Office of Commission Clerk at 850-413-6770.

If you have any questions, contact the Office of Commission Clerk at 850-413-6770 or Clerk@psc.state.fl.us.

Table of Contents
Commission Conference Agenda
May 5, 2020

1**	Consent Agenda	1
2**PAA	Docket No. 20200118-EU – Amended unopposed joint motion to modify Order PSC-2012-0425-PAA-EU regarding weighted average cost of capital methodology.....	2
3**PAA	Docket No. 20200062-EI – Request for approval of change in rate used to capitalize allowance for funds used during construction (AFUDC) from 6.46% to 6.07%, effective January 1, 2020, by Duke Energy.....	3
4**PAA	Docket No. 20190118-WU – Application for increase in water rates in Gulf County by Lighthouse Utilities Company, Inc.	4
5**PAA	Docket No. 20200058-EG – Petition for approval of 2020 demand-side management plan, by Orlando Utilities Commission.	9
6**PAA	Docket No. 20190080-WS – Application for limited proceeding rate increase in Brevard County, by Aquarina Utilities, Inc.	10
7**PAA	Docket No. 20190166-WS – Application for increase in water rates in Highlands County by HC Waterworks, Inc.....	13
8**	Docket No. 20200120-GU – Petition for approval of emergency modification to tariff, by Sebring Gas System, Inc.	18

ITEM NO.

CASE

1**	Consent Agenda						
PAA	A) Application for Certificate of Authority to Provide Telecommunications Service. <table><thead><tr><th><u>DOCKET NO.</u></th><th><u>COMPANY NAME</u></th></tr></thead><tbody><tr><td>20200066-TX</td><td>Spectrum Fiberlink Florida, LLC</td></tr><tr><td>20200098-TX</td><td>MasTec Network Solutions, LLC</td></tr></tbody></table>	<u>DOCKET NO.</u>	<u>COMPANY NAME</u>	20200066-TX	Spectrum Fiberlink Florida, LLC	20200098-TX	MasTec Network Solutions, LLC
<u>DOCKET NO.</u>	<u>COMPANY NAME</u>						
20200066-TX	Spectrum Fiberlink Florida, LLC						
20200098-TX	MasTec Network Solutions, LLC						
PAA	B) Docket No. 20200109-EQ – Petition for approval of standard offer contract, by Florida Public Utilities Company. <table><thead><tr><th><u>DOCKET NO.</u></th><th><u>COMPANY NAME</u></th></tr></thead><tbody><tr><td>20200109-EQ</td><td>Florida Public Utilities Company</td></tr></tbody></table>	<u>DOCKET NO.</u>	<u>COMPANY NAME</u>	20200109-EQ	Florida Public Utilities Company		
<u>DOCKET NO.</u>	<u>COMPANY NAME</u>						
20200109-EQ	Florida Public Utilities Company						

Recommendation: The Commission should approve the action requested in the dockets referenced above and close these dockets.

ITEM NO.

CASE

2**PAA

Docket No. 20200118-EU – Amended unopposed joint motion to modify Order PSC-2012-0425-PAA-EU regarding weighted average cost of capital methodology.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Fay

Staff: AFD: Cicchetti, D. Buys, Hightower

GCL: Brownless, Lherisson

Issue 1: Should the Commission approve the attached Amended Unopposed Joint Motion filed on March 26, 2020, to modify the methodology approved by Order No. PSC-2012-0425-PAA-EU to calculate the weighted average cost of capital on clause-approved investments in Docket Nos. 20200001-EI, 20200002-EG, and 20200007-EI, respectively, the Fuel and Purchased Power Cost Recovery Clause, the Energy Conservation Cost Recovery Clause, the Environmental Cost Recovery Clause, and any future cost recovery clauses that involve the recovery of a rate of return on investment?

Recommendation: Yes. The Commission should approve the Amended Unopposed Joint Motion addressing the methodology for calculating the allowable rate of return on clause-approved investments.

Issue 2: Should this docket be closed?

Recommendation: If no person whose substantial interests are affected by this proposed agency action files a timely protest within 21 days of the issuance of the order, a consummating order should be issued and this docket should be closed. If a timely protest is filed, this docket should remain open to address the evidentiary issues presented.

ITEM NO.

CASE

3**PAA

Docket No. 20200062-EI – Request for approval of change in rate used to capitalize allowance for funds used during construction (AFUDC) from 6.46% to 6.07%, effective January 1, 2020, by Duke Energy.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Administrative

Staff: AFD: Richards, D. Buys, Cicchetti

GCL: Trierweiler

Issue 1: Should the Commission approve DEF's request to decrease its AFUDC rate from 6.46 percent to 6.07 percent?

Recommendation: Yes. The appropriate AFUDC rate for DEF is 6.07 percent based on a 13-month average capital structure for the period ended December 31, 2019.

Issue 2: What is the appropriate monthly compounding rate to achieve the requested 6.07 percent annual AFUDC rate?

Recommendation: The appropriate compounding rate to maintain an annual rate of 6.07 percent is 0.491920 percent.

Issue 3: Should the Commission approve DEF's requested effective date of January 1, 2020, for implementing the revised AFUDC rate?

Recommendation: Yes. The revised AFUDC rate should be effective as of January 1, 2020, for all purposes.

Issue 4: Should this docket be closed?

Recommendation: 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, this docket should be closed upon the issuance of a consummating order.

ITEM NO.

CASE

4**PAA

Docket No. 20190118-WU – Application for increase in water rates in Gulf County by Lighthouse Utilities Company, Inc.

Critical Date(s): 05/05/20 (5-Month Effective Date Waived)

Commissioners Assigned: All Commissioners

Prehearing Officer: Clark

Staff: AFD: D. Andrews, Blocker, Norris, Thurmond

ECO: Bruce, Hudson

ENG: Knoblauch, Ramos

GCL: Schrader

(Proposed Agency Action - Except for Issue Nos. 19 and 20)

Issue 1: Is the quality of service provided by Lighthouse satisfactory?

Recommendation: Yes. Lighthouse has been responsive to customer complaints, and is working to address the issues noted in the DEP Consent Order through the pro forma plant improvements discussed in Issue 4. Therefore, staff recommends that the overall quality of service for Lighthouse be considered satisfactory.

Issue 2: Are the infrastructure and operating conditions of Lighthouse's water system in compliance with DEP regulations?

Recommendation: Yes. Lighthouse's water treatment facility is currently in compliance with DEP regulations.

Issue 3: What adjustments, if any, should be made to account for the audit adjustments related to rate base?

Recommendation: Based on the audit adjustments agreed to by the Utility, the following adjustments should be made to rate base and net operating income as set forth in the staff analysis portion of staff's memorandum dated April 23, 2020.

Plant	\$136,039
Accumulated Depreciation	(\$148,937)
CIAC	\$41,275
Accum. Amortization of CIAC	(\$5,256)
Depreciation Expense	\$6,396
CIAC Amortization Expense	\$1,303

Issue 4: What adjustments, if any, should be made to the Utility's pro forma plant?

Recommendation: No adjustments are necessary to the Utility's pro forma plant request. However, adjustments should be made to decrease both pro forma accumulated depreciation and depreciation expense by \$19,272. Additionally, pro forma property taxes should be increased by \$13,522.

ITEM NO.

CASE

4**PAA

Docket No. 20190118-WU – Application for increase in water rates in Gulf County by Lighthouse Utilities Company, Inc.

(Continued from previous page)

Issue 5: What are the used and useful (U&U) percentages of Lighthouse's WTP, storage, and distribution system?

Recommendation: Staff recommends Lighthouse's WTP, storage, and distribution system be considered 100 percent U&U. Staff recommends that a 6.8 percent adjustment to operating expenses for chemicals and purchased power should be made for excessive unaccounted for water (EUW).

Issue 6: What is the appropriate working capital allowance?

Recommendation: The appropriate working capital allowance is \$72,127. As such, working capital should be decreased by \$8,954.

Issue 7: What is the appropriate rate base for the test year ended December 31, 2018?

Recommendation: Consistent with staff's other recommended adjustments, the appropriate rate base for the test year ended December 31, 2018, is \$1,535,766.

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 10.55 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 rate associated with the capital structure for the test year ended December 31, 2018?

Recommendation: The appropriate weighted average cost of capital for the test year ended December 31, 2018 is 8.01 percent.

Issue 10: What are the appropriate test year revenues for Lighthouse's water system?

Recommendation: The appropriate test year revenues are \$757,270, which is an increase of \$57,722 to the Utility's adjusted test year revenues.

Issue 11: What adjustments, if any, should be made to the account for the audit adjustments related to operating expenses?

Recommendation: Based on the audit adjustments agreed to by Lighthouse, O&M expense should be decreased by \$38,285 and taxes other than income (TOTI) should be reduced by \$2,294.

Issue 12: What adjustments, if any, should be made to the Utility's test year O&M expenses?

Recommendation: An adjustment should be made to decrease purchased power expense by \$3,498 and reduce chemicals expense by \$557. Rent expense should be increased by \$1,547. Additionally, miscellaneous expense should be increased by \$2,290.

ITEM NO.

CASE

4**PAA

Docket No. 20190118-WU – Application for increase in water rates in Gulf County by Lighthouse Utilities Company, Inc.

(Continued from previous page)

Issue 13: What adjustments, if any, should be made to the Utility's salaries and wages expense?

Recommendation: An adjustment should be made to reduce salaries and wages - officers expense by \$40,000.

Issue 14: Should any adjustments be made to account for the Utility's pro forma expense?

Recommendation: Yes. Adjustments should be made to increase purchased power expense by \$4,572 and to increase chemicals expense by \$2,295.

Issue 15: What is the appropriate amount of rate case expense and over what period should it be amortized?

Recommendation: The appropriate amount of rate case expense is \$96,040. This expense should be recovered over four years for an annual expense of \$24,010. Therefore, annual rate case expense should be increased by \$373 from the expense included in the MFRs.

Issue 16: What is the appropriate revenue requirement for the test year ended December 31, 2018?

Recommendation: The following revenue requirement should be approved.

Test Year Revenues	\$ Increase	Revenue Requirement	% Increase
\$757,270	\$154,963	\$912,233	20.46%

Issue 17: What are the appropriate rate structures and rates for Lighthouse's water system?

Recommendation: The recommended rate structures and monthly water rates are shown on Schedule No. 4 of staff's memorandum dated April 23, 2020. 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.

ITEM NO.

CASE

4**PAA

Docket No. 20190118-WU – Application for increase in water rates in Gulf County by Lighthouse Utilities Company, Inc.

(Continued from previous page)

Issue 18: What are the appropriate initial customer deposits for Lighthouse’s water system?

Recommendation: The appropriate initial customer deposit should be \$67 for the residential 5/8 inch by 3/4 inch meter size. The initial customer deposits for all other residential meter sizes and all general service meter sizes should be two times the average estimated bill for water. The approved initial customer deposits should be effective for services rendered or connections made on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475, F.A.C. The Utility should be required to collect the approved deposits until authorized to change them by the Commission in a subsequent proceeding.

Issue 19: What is the appropriate amount by which rates should be reduced to reflect the removal of the amortized rate case expense, as required by Section 367.081(8), F.S.?

Recommendation: The water rates should be reduced, as shown on Schedule No. 4 of staff’s memorandum dated April 23, 2020, to remove the annual amortization of rate case expense grossed-up for RAFs. The decrease in rates should become effective immediately following the expiration of the rate case expense recovery period. Lighthouse 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 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. Lighthouse 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

4**PAA

Docket No. 20190118-WU – Application for increase in water rates in Gulf County by Lighthouse Utilities Company, Inc.

(Continued from previous page)

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 revised tariff sheets and customer notice have been filed by the Utility and approved by staff, and the Utility has notified staff that the adjustments for all the applicable NARUC USOA primary accounts have been made. Once these actions are complete, this docket should be closed administratively.

ITEM NO.

CASE

5**PAA

Docket No. 20200058-EG – Petition for approval of 2020 demand-side management plan, by Orlando Utilities Commission.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Brown

Staff: ENG: Phillips, Ellis

GCL: Passidomo, Murphy

Issue 1: Is OUC’s DSM Plan projected to meet the annual numeric conservation goals established by the Commission in the 2019 Goalsetting Order?

Recommendation: Yes. The DSM Plan proposed by OUC is projected to meet or exceed the annual numeric conservation goals approved by the Commission in the 2019 Goalsetting Order. OUC’s 2020 DSM Plan is a continuation, with some modifications and additions, of its DSM plan approved by the Commission in 2015. OUC’s DSM Plan is not projected to be cost-effective based upon the RIM Test. However, the Commission should allow OUC to continue programs considering OUC’s status as a municipal utility, where the local governing body is given the latitude to make decisions regarding local community investment in energy efficiency. OUC’s local governing body will make its own determination as to whether expenditures are reasonable and prudent and will decide if it is necessary to modify and or remove programs.

Staff also recommends that OUC file its administrative program standards for all programs within 30 days of the Consummating Order being issued in this docket. Staff further recommends that the Commission grant staff administrative authority to review and approve these standards.

Issue 2: 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 PAA Order, a Consummating Order should be issued. If the Commission approves any programs, the programs should become effective on the date of the Consummating Order. However, if a protest is filed within 21 days of the issuance of the PAA Order, the programs should not be implemented until after the resolution of the protest. In either event, the docket should remain open for staff’s verification that the program standards have been filed by the utility and approved by staff. When the PAA issues become final and the program standards have been approved, this docket should be closed administratively.

ITEM NO.

CASE

6**PAA

Docket No. 20190080-WS – Application for limited proceeding rate increase in Brevard County, by Aquarina Utilities, Inc.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Fay

Staff: ENG: Doehling, Lewis

AFD: Norris, Sowards

ECO: Bruce, Hudson

GCL: Murphy

(Proposed Agency Action - Except for Issues 4 and 5)

Issue 1: Should the Commission approve Aquarina's request for a limited proceeding?

Recommendation: Yes. The Commission should approve the Utility's request for a limited proceeding rate increase as modified by staff. Aquarina should be allowed an annual increase of \$2,560 or 1.54 percent, for potable water, resulting in an adjusted revenue requirement of \$168,365. Regarding non-potable water, the Utility should be allowed an annual increase of \$2,108, or 0.85 percent, resulting in an adjusted revenue requirement of \$248,891. For wastewater, the Utility should be allowed an annual increase of \$1,387, or 0.77 percent, resulting in an adjusted revenue requirement of \$182,016. The adjusted revenue requirements are reflected on Schedule Nos. 3-A, 3-B, and 3-C of staff's memorandum dated April 23, 2020.

Issue 2: What are the appropriate water and wastewater rates?

Recommendation: The appropriate rates for Aquarina are shown on Schedule Nos. 4-A and 4-B of staff's memorandum dated April 23, 2020. 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 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.

ITEM NO.

CASE

6**PAA

Docket No. 20190080-WS – Application for limited proceeding rate increase in Brevard County, by Aquarina Utilities, Inc.

(Continued from previous page)

Issue 3: What are the appropriate initial customer deposits for Aquarina’s water and wastewater service?

Recommendation: The appropriate initial customer deposits for the residential 5/8 inch x 3/4 inch meter should be \$82 for water and \$87 for wastewater. 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 services rendered or connections made on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475, F.A.C. The Utility should be required to collect the approved deposits until authorized to change them by the Commission in a subsequent proceeding.

Issue 4: What is the appropriate amount by which rates should be reduced to reflect the removal of the amortized rate case expense?

Recommendation: The water rates should be reduced, as shown on Schedule Nos. 4-A and 4-B of staff’s memorandum dated April 23, 2020, to remove the annual amortization of rate case expense grossed-up for RAFs. The decrease in rates should become effective immediately following the expiration of the rate case expense recovery period. 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. (Procedural Agency Action)

ITEM NO.

CASE

6**PAA

Docket No. 20190080-WS – Application for limited proceeding rate increase in Brevard County, by Aquarina Utilities, Inc.

(Continued from previous page)

Issue 5: Should the recommended rates be approved for Aquarina on a temporary basis, subject to refund, in the event of a protest filed by a substantially affected person or party?

Recommendation: Yes. The recommended rates should be approved for the Utility on a temporary basis, subject to refund, in the event of a protest filed by a substantially affected person or party. 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 Aquarina should be subject to the refund provisions discussed in the staff analysis portion of staff's memorandum dated April 23, 2020. 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 Clerk's office no later than the 20th of every 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. (Procedural Agency Action)

Issue 6: Should this docket be closed?

Recommendation: If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, a consummating order should be issued. The docket should remain open for staff's verification that the revised tariff sheets and customer notice have been filed by the Utility and approved by staff. Once these actions are complete, this docket should be closed administratively.

ITEM NO.

CASE

7**PAA

Docket No. 20190166-WS – Application for increase in water rates in Highlands County by HC Waterworks, Inc.

Critical Date(s): 05/13/20 (5-Month Effective Date (PAA Rate Case))

Commissioners Assigned: All Commissioners

Prehearing Officer: Fay

Staff: ENG: Lewis, Johnson, Knoblauch, Ramos

AFD: Norris, Thurmond

ECO: Bethea, Hudson

GCL: Schrader

(Proposed Agency Action - Except for Issues 17, 18 and 19)

Issue 1: Is the quality of service provided by HC Waterworks satisfactory?

Recommendation: No. While the Utility is in compliance with the DEP and customer complaints have declined overall since 2016, there are still many customer complaints on the pressure, color, and smell of the water provided by HC. Pursuant to Rule 25-30.433(1)(d), F.A.C., customer testimony, comments, and complaints shall be considered in the determination of the quality of service provided by the Utility. Therefore, the overall quality of service should be considered unsatisfactory due to the high number of customer complaints and the Utility's Return on Equity (ROE) should be reduced by 50 basis points.

Issue 2: Are the infrastructure and operating conditions of HC Waterworks, Inc.'s water systems in compliance with DEP regulations?

Recommendation: Yes. HC's water system infrastructure and operating conditions are currently in compliance with the DEP.

Issue 3: Should the audit adjustments to rate base to which the Utility agrees be made?

Recommendation: Yes. Plant should be decreased by \$7,383 and accumulated depreciation should be decreased by \$1,021. A corresponding adjustment should be made to decrease depreciation expense by \$261.

Issue 4: Should further adjustments be made to test year rate base?

Recommendation: Yes, plant should be increased by \$31,138 and accumulated depreciation should be decreased by \$7,707. A corresponding adjustment should be made to decrease depreciation expense by \$1,463.

ITEM NO.

CASE

7**PAA

Docket No. 20190166-WS – Application for increase in water rates in Highlands County by HC Waterworks, Inc.

(Continued from previous page)

Issue 5: What are the used and useful (U&U) percentages of HC Waterworks, Inc.’s water treatment plant (WTP), storage, and water distribution system?

Recommendation: HC’s WTP should be considered 89.9 percent U&U, and its storage should be considered 100 percent U&U. The Utility’s water distribution system should be considered 100 percent U&U. Additionally, staff recommends an adjustment of 2.23 percent be made to purchased power and chemical expenses for excessive unaccounted for water (EUW). To reflect the appropriate U&U percentages, staff recommends an increase to plant of \$35,793 and an increase to accumulated depreciation of \$7,419. Additionally, CIAC and accumulated amortization of CIAC should be decreased by \$1,944 and \$219, respectively. Collectively, these adjustments decrease the Utility’s non-U&U component by \$30,098 (\$35,793 - \$7,419 + \$1,944 + \$219). Corresponding adjustments should be made to increase net depreciation expense by \$929. Further, a corresponding adjustment should be made to increase property tax by \$504.

Issue 6: Should any adjustments be made to the Utility’s pro forma plant?

Recommendation: Yes. Pro forma plant should be increased by \$56,499. Corresponding adjustments should also be made to increase accumulated depreciation by \$14,030 and depreciation expense by \$14,030. Additionally, property taxes should be increased by \$3,219.

Issue 7: What is the appropriate working capital allowance?

Recommendation: The appropriate working capital allowance is \$49,885. As such, the working capital allowance should be increased by \$1,586.

Issue 8: What is the appropriate rate base for the test year ended June 30, 2019?

Recommendation: Consistent with staff’s other recommended adjustments, the appropriate rate base for the test year ended June 30, 2019, is \$3,116,734.

Issue 9: What is the appropriate return on equity?

Recommendation: Based on the Commission’s leverage formula currently in effect and staff’s recommended adjustment for unsatisfactory quality of service discussed in Issue 1, the appropriate return on equity (ROE) is 9.17 percent with an allowed range of plus or minus 100 basis points.

Issue 10: What is the appropriate weighted average cost of capital based on the proper components, amounts, and cost rates associated with the capital structure for the test year ended June 30, 2019?

Recommendation: The appropriate weighted average cost of capital for the test year ended June 30, 2019, is 7.14 percent.

ITEM NO.

CASE

7**PAA

Docket No. 20190166-WS – Application for increase in water rates in Highlands County by HC Waterworks, Inc.

(Continued from previous page)

Issue 11: What are the appropriate test year revenues for HC Waterworks’ water system?

Recommendation: The appropriate test year revenues for HC’s water system are \$561,027, which is a decrease of \$14,708 to the Utility’s recorded test year revenues.

Issue 12: Should further adjustments be made to the Utility’s O&M expense?

Recommendation: Yes. O&M expense should be increased by \$9,503.

Issue 13: What is the appropriate amount of rate case expense?

Recommendation: The appropriate amount of rate case expense is \$7,915. This expense should be recovered over four years for an annual expense of \$1,979. Therefore, annual rate case expense should be increased by \$493.

Issue 14: What is the appropriate revenue requirement for the test year ended June 30, 2019?

Recommendation: Staff recommends the following revenue requirement be approved.

Test Year Revenue	\$ Increase	Revenue Requirement	% Increase
\$561,027	\$182,937	\$743,964	32.61%

Issue 15: What are the appropriate rate structures and rates for HC Waterworks’ water system?

Recommendation: The recommended rate structures and monthly water rates are shown on Schedule No. 4 of staff’s memorandum dated April 23, 2020. 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 this notice.

Issue 16: What are the appropriate water initial customer deposits for HC Waterworks?

Recommendation: The appropriate initial customer deposits should be \$108 for the residential 5/8 inch x 3/4 inch meter size for water. The initial customer deposits for all other residential meter sizes and all general service meter sizes should be two times the average estimated bill for water. The approved initial customer deposits should be effective for 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.

ITEM NO.

CASE

7**PAA

Docket No. 20190166-WS – Application for increase in water rates in Highlands County by HC Waterworks, Inc.

(Continued from previous page)

Issue 17: What is the appropriate amount by which rates should be reduced to reflect the removal of the amortized rate case expense?

Recommendation: The water rates should be reduced, as shown on Schedule No. 4 of staff's memorandum dated April 23, 2020, to remove the annual amortization of rate case expense grossed-up for RAFs. The decrease in rates should become effective immediately following the expiration of the rate case expense recovery period. HC 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. (Procedural Agency Action)

Issue 18: In determining whether any portion of the interim water 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 using the same data used to establish final rates, excluding rate case expense and other items not in effects during the interim period. The revised revenue requirements for the interim collection period should be compared to the amount of interim revenues granted. Based on this methodology, no refund is necessary.(Procedural Agency Action)

Issue 19: 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 Commissioners Uniform System of Accounts (NARUC 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. HC 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. (Procedural Agency Action)

ITEM NO.

CASE

7**PAA

Docket No. 20190166-WS – Application for increase in water rates in Highlands County by HC Waterworks, Inc.

(Continued from previous page)

Issue 20: 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 Proposed Agency Action Order, a Consummating Order should be issued. The docket should remain open for staff's verification that the revised tariff sheets and customer notice have been filed by the Utility and approved by staff, and the Utility has provided staff with proof that the adjustments for all applicable NARUC USOA accounts have been made. Once these actions are complete, this docket should be closed administratively.

ITEM NO.

CASE

8**

Docket No. 20200120-GU – Petition for approval of emergency modification to tariff, by Sebring Gas System, Inc.

Critical Date(s): 06/08/20 (60-Day Suspension Date)

Commissioners Assigned: All Commissioners

Prehearing Officer: Administrative

Staff: ECO: Coston

GCL: Crawford

(Tariff Filing)

Issue 1: Should the Commission approve Sebring's proposed modifications to Tariff Sheet No. 48?

Recommendation: Yes, the Commission should approve the modifications to Tariff Sheet No. 48, effective May 5, 2020.

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 tariff 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.