

# FLORIDA PUBLIC SERVICE COMMISSION

## SPECIAL COMMISSION CONFERENCE AGENDA

**CONFERENCE DATE AND TIME:** Thursday, April 8, 2021, 9:30 a.m.

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

**DATE ISSUED:** April 20, 2021

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### 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](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.

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*.

**ITEM NO.**

**CASE**

1

**Docket No. 20200139-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):** 04/30/21 (8-Month Effective Date)

**Commissioners Assigned:** All Commissioners

**Prehearing Officer:** Fay

**Staff:** AFD: Norris, Andrews, Bennett, Blocker, D. Buys, Cicchetti, Osorio, Thurmond  
ECO: Bethea, Bruce, Hudson, Sibley  
ENG: Doehling, Ellis, King, Kistner, Knoblauch, Maloy, Ramos, Thompson  
GCL: Trierweiler, Lherisson

**(Post-Hearing Decision - Participation is Limited to Commissioners and Staff)**

**Issue 1:** 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:** Yes, staff recommends that UIF's overall quality of service is satisfactory. However, the quality of service for the Pennbrooke, Sanlando (Wekiva Hunt Club), and Mid-County systems should be deemed marginal, with no penalty. The reductions to the Utility's ROE from prior quality of service determinations should be removed. Further, staff recommends the secondary water quality reporting and testing requirements, pursuant to Order No. PSC-16-0505-PAA-WS for Summertree be discontinued.

**Issue 2:** Should any adjustments be made to test year plant-in-service balances?

**Recommendation:** Staff recommends no further adjustments to the adjusted test year plant-in-service balances. Adjustments to pro forma plant additions should be made as set forth and discussed in Issue 3.

**Issue 3:** Should adjustments be made to the Utility's pro forma plant additions?

**Recommendation:** Yes. Pro forma plant additions should be decreased by \$150,054 for water and \$1,276,038 for wastewater. Corresponding adjustments should also be made to decrease accumulated depreciation and depreciation expense by \$1,861 for water and \$67,329 for wastewater. Additionally, property taxes should be decreased by \$2,328 for water and \$7,778 for wastewater. Adjustments to pro forma plant retirements should be made as set forth in Issue 4.

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**Issue 4:** What are the appropriate plant retirements to be made in this docket?

**Recommendation:** Staff recommends plant retirements associated with pro forma additions in the amount of \$688,891 for water and \$8,247,148 for wastewater. As such, plant and accumulated depreciation should be decreased by \$9,090 for water and \$34,706 for wastewater, along with the following corresponding adjustments. Contributions in aid of construction (CIAC) and accumulated amortization of CIAC should be increased by \$23,857 for water and decreased by \$104,784 for wastewater. Depreciation expense should be increased by \$976 for water and \$1,657 for wastewater. CIAC amortization should be increased by \$1,111 for water and \$14,061 for wastewater.

**Issue 5:** Do any water systems have excessive unaccounted for water and, if so, what systems and what adjustments are necessary, if any?

**Approved Type II Stipulation:** Yes, as follows: Lake Placid – 10.00%; LUSI (Four Lakes) – 1.90%; Golden Hills – 8.80%; Sanlando 2.10% and Little Wekiva 5.50%. Adjustments should be made to purchased power, chemicals and purchased water/wastewater as appropriate.

**Issue 6:** Do any wastewater systems have excessive infiltration and/or inflow and, if so, what systems and what adjustments are necessary, if any?

**Approved Type II Stipulation:** Yes, as follows: Summertree – 2.14%; Orangewood – 5.72% and Ravenna Park – 11.25%. Adjustments should be made to purchased power, chemicals and purchased water/wastewater as appropriate.

**Issue 7:** What are the appropriate used and useful percentages for the water treatment and related facilities of each water system?

**Approved Type II Stipulation:** All water treatment and related facilities are 100% used and useful.

**Issue 8:** What are the appropriate used and useful percentages for the water storage and related facilities of each water system?

**Approved Type II Stipulation:** All water storage and related facilities are 100% used and useful.

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**Issue 9:** 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 for UIF’s wastewater systems are shown in the table below. To reflect the appropriate non-U&U percentages applied to all components of rate base, staff recommends a further decrease of \$284,620 to rate base, \$28,459 to depreciation expense, and \$9,743 to property tax expense.

<b>System</b>	<b>Facilities</b>	<b>U&amp;U (Percent)</b>
Cypress Lakes	WWTP	100.00
Eagle Ridge	WWTP	100.00
Labrador	WWTP	100.00
Lake Placid	WWTP	29.79
LUSI Barrington	WWTP	100.00
LUSI Lake Groves	WWTP	65.00
Mid-County	WWTP	100.00
Pennbrooke	WWTP	100.00
Sandalhaven	EWD Capacity	42.24
Sandalhaven	Transmission	100.00
Sanlando	WWTP	100.00
UIF-Marion	WWTP	74.78

**Issue 10:** What are the appropriate used and useful percentages for the water distribution and related facilities of each water system?

**Approved Type II Stipulation:** All water distribution and related facilities are 100% used and useful.

**Issue 11:** What are the appropriate used and useful percentages for the collection lines and related facilities of each wastewater system?

**Approved Type II Stipulation:** All collection lines are 100% used and useful.

**Issue 12:** Should any adjustments be made to test year accumulated depreciation?

**Recommendation:** Staff recommends no further adjustments to the adjusted test year accumulated depreciation balances. All necessary adjustments to accumulated depreciation associated with pro forma additions should be made as set forth and discussed in Issues 3 and 4.

**Issue 13:** Should any adjustments be made to test year CIAC balances?

**Recommendation:** Staff recommends no further adjustments to the adjusted test year CIAC balances. All necessary adjustments to CIAC associated with pro forma additions should be made as set forth and discussed in Issue 4.

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**Issue 14:** Should any adjustments be made to test year accumulated amortization of CIAC?

**Recommendation:** Staff recommends no further adjustments to the adjusted test year accumulated amortization of CIAC balances. All necessary adjustments to accumulated amortization of CIAC associated with pro forma additions should be made as set forth and discussed in Issue 4.

**Issue 15:** DROPPED.

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**Issue 16:** What is the appropriate working capital allowance?

**Recommendation:** The appropriate working capital allowance is \$1,795,933 for water and \$2,577,454 for wastewater. As such, the working capital allowance should be decreased by \$2,355,199 for water and \$2,973,713 for wastewater.

**Issue 17:** What is the appropriate rate base for the adjusted December 31, 2019 test year?

**Recommendation:** Consistent with recommended adjustments, the appropriate 13-month average rate base is \$54,410,589 for water and \$85,280,139 for wastewater.

**Issue 18:** 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 \$12,510,275. This amount includes \$7,156,450 shown on UIF's balance sheet, as well as \$5,353,825 related to the flow back of protected accumulated deferred income taxes associated with the Tax Cut and Jobs Act of 2017 (TCJA), amortized over 21.51 years.

**Issue 19:** What is the appropriate amount of customer deposits to include in the capital structure?

**Approved Type II Stipulation:** \$248,501 (0.18% of the capital structure)

**Issue 20:** What is the appropriate cost rate for short-term debt for the test year?

**Approved Type II Stipulation:** 4.04%

**Issue 21:** What is the appropriate cost rate for long-term debt for the test year?

**Approved Type II Stipulation:** 5.78%

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**Issue 22:** What is the appropriate return on equity (ROE) for the test year?

**Recommendation:** The appropriate ROE for the test year ended December 31, 2019 is 9.90 percent with a range of plus or minus 100 basis points.

**Issue 23:** 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 capital structure consists of 49.39 percent common equity, 45.58 percent long-term debt, and 5.03 percent short-term debt as a percentage of investor sources. Based on the proper components, amounts, and cost rates associated with the capital structure for the 13-month average test year ended December 31, 2019, as discussed in Issues 18 through 22, the appropriate weighted average cost of capital for UIF for purposes of setting rates in this proceeding is 7.02 percent.

**Issue 24:** What are the appropriate test year revenues?

**Recommendation:** The appropriate test year revenues for UIF's water and wastewater systems are \$16,621,916 and \$20,308,695, respectively. UIF's test year revenues should be increased by \$17,989 for water and \$2,813 for wastewater.

**Issue 25:** What is the appropriate amount of rate case expense?

**Approved Type II Stipulation:** The appropriate amount of rate case expense is \$743,084. This should be amortized over four years for an annual expense of \$185,771. Based on the Utility's original request for amortization of rate case expense of \$197,144, annual amortization of rate case expense should be decreased by \$11,373. Pursuant to Order No. PSC-2019-0363-PAA-WS, \$39,727 of the total rate case expense is appellate and remand rate case expense related to Docket No. 20160101-WS.

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**Issue 26:** Should any adjustment be made to the Utility's proposed pro forma expense?

**Recommendation:** Yes. Pro forma expenses should be decreased by \$145,884 for water and \$350,418 for wastewater.

**Issue 27:** Should any further adjustments be made to the Utility's test year O&M expenses?

**Recommendation:** Yes. Test year O&M expenses should be decreased by \$55,135 for water and \$55,617 for wastewater.

**Issue 28:** Should any adjustments be made to operating expense amortizations?

**Approved Type II Stipulation:** Yes, pursuant to Order No. PSC-2017-0361-FOF-WS, the amortization expense associated with early retirements should be \$46,750 for the Summertree water system, \$193,294 for the Longwood wastewater system, and \$30,511 for the Sandalhaven wastewater system. Therefore, amortization expense should be increased by \$46 and \$121,916 for water and wastewater, respectively.

**Issue 29:** Should any adjustments be made to test year taxes other than income?

**Recommendation:** Yes. Test year taxes other than income (TOTI) should be decreased by \$134,050 for water and \$339,107 for wastewater.

**Issue 30:** Should any adjustments be made to test year depreciation expense?

**Recommendation:** Staff recommends no further adjustments to the adjusted test year depreciation expense. All necessary adjustments to depreciation expense should be made as set forth and discussed in Issues 3, 4, and 9.

**Issue 31:** Should any adjustments be made to test year amortization of contributions in aid of construction (CIAC) expense?

**Recommendation:** Staff recommends no further adjustments to the adjusted test year CIAC amortization. All necessary adjustments to CIAC amortization should be made as set forth and discussed in Issues 4 and 9.



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**Issue 32:** What is the appropriate amount of test year income taxes?

**Recommendation:** The appropriate amount of test year income taxes is \$375,393 for water and \$111,993 for wastewater. In addition, as discussed in Issue 33, staff has calculated a revenue increase of \$1,747,370 for water and \$4,715,496 for wastewater. As a result, income taxes should be increased by \$420,938 for water and \$1,135,954 for wastewater to reflect the change in revenues.

The Commission has discretion regarding the period over which to amortize unprotected excess deferred income taxes. Staff recommends a 5-year amortization period is reasonable and recommends the Commission approve a 5-year amortization.

Staff believes a composite state corporate income tax rate of 5.348 percent, as opposed to 4.458 percent or 5.5 percent, is reasonable and represents an equitable balancing of interests between customers and shareholders. Consequently, staff recommends the Commission approve a state corporate income tax rate of 5.348 percent.

**Issue 33:** What is the appropriate revenue requirement for the adjusted December 31, 2019 test year?

**Recommendation:** The appropriate revenue requirement is \$18,369,286 for water and \$25,024,191 for wastewater.

**Issue 34:** What are the appropriate rate structures and rates for the water systems?

Approved Type II Stipulation: The appropriate rate structure is a continuation of the existing rate structure and the percentage increase should be applied as an across-the-board increase to service rates at the time of filing. To determine the appropriate percentage increase to apply to the service rates, miscellaneous revenues of \$363,563 should be removed from the test year revenues.

The fall-out percentage increase to service rates is as follows:

**Table 34-1  
Percentage Service Rate Increase – Water**

	<u>Water</u>
1 Total Test Year Revenues	\$16,621,916
2 Less: Miscellaneous Revenues	<u>\$363,563</u>
3 Test Year Revenues from Service Rates	\$16,258,353
4 Revenue Increase	<u>\$1,747,370</u>
5 Percentage Service Rate Increase (Line 4 / Line 3)	10.75%

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**Issue 35:** What are the appropriate private fire protection charges?

**Type II Stipulation:** The appropriate private fire protection charges for UIF should be calculated based on one-twelfth of the respective base facility charge pursuant to Rule 25-30.465, F.A.C.

**Issue 36:** What are the appropriate rate structures and rates for the wastewater systems?

**Approved Type II Stipulation:** The appropriate rate structure is a continuation of the existing rate structure and the percentage increase should be applied as an across-the-board increase to service rates at the time of filing. To determine the appropriate percentage increase to apply to the service rates, miscellaneous revenues of \$333,719 should be removed from the test year revenues.

The fall-out percentage increase to service rates is as follows:

**Table 36-1  
Percentage Service Rate Increase – Wastewater**

	<u>Wastewater</u>
1 Total Test Year Revenues	\$20,308,695
2 Less: Miscellaneous Revenues	<u>\$333,719</u>
3 Test Year Revenues from Service Rates	\$19,974,976
4 Revenue Increase	<u>\$4,715,496</u>
5 Percentage Service Rate Increase (Line 4 / Line 3)	23.61%

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**Issue 37:** What are the appropriate reuse rates?

**Approved Type II Stipulation:** The appropriate rate structure is a continuation of the existing rate structure and the percentage increase should be applied as an across-the-board increase to service rates at the time of filing. To determine the appropriate percentage increase to apply to the service rates, miscellaneous revenues of \$333,719 should be removed from the test year revenues.

The fall-out percentage increase to service rates is as follows:

**Table 37-1  
 Percentage Service Rate Increase – Wastewater**

	<u>Wastewater</u>
1 Total Test Year Revenues	\$20,308,695
2 Less: Miscellaneous Revenues	<u>\$333,719</u>
3 Test Year Revenues from Service Rates	\$19,974,976
4 Revenue Increase	<u>\$4,715,496</u>
5 Percentage Service Rate Increase (Line 4 / Line 3)	23.61%

**Issue 38:** What are the appropriate customer deposits?

**Type II Stipulation:** The appropriate customer deposits for UIF should reflect an average of two months service for residential customers with a 5/8" x 3/4" meter and two times the average customer bill for all other meter sizes.

**Issue 39:** What are the appropriate guaranteed revenue charges?

**Approved Type II Stipulation:** The guaranteed revenue charges should remain unchanged.

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**Issue 40:** Should a new Allowance for Funds Used During Construction (AFUDC) rate be established? If yes, what is the appropriate AFUDC rate and when will it be effective?

**Recommendation:** No. A new AFUDC rate should not be established in this docket. UIF should be required to file with the Commission a request to change its AFUDC rate pursuant to Rule 25-30.116, F.A.C. within 30 days after the issuance of the Final Order in this docket.

**Issue 41:** Should the Utility's request for a Sewer and Water Improvement Mechanism (SWIM) be approved? If yes, what is the amount of the first year revenue requirement?

**Recommendation:** No. UIF's request for a SWIM program should be denied.

**Issue 42:** 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 proper refund amount should be calculated by using the same data used to establish final rates, excluding rate case expense and incomplete pro forma projects, which were not in effect during the interim period. No interim refund should be required because the total interim collection period revenue requirement calculated is greater than the total interim revenue requirement granted. As a result, the corporate undertaking amount of \$1,810,655 should be released.

**Issue 43:** What is the appropriate amount by which rates should be reduced after the established effective date 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. 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 \$101,427 for water and \$93,098 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 of 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.

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**Issue 44:** 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 applicable NARUC USOA accounts have been made to the Utility's books and records. In the event that the Utility needs additional time to complete the adjustments, notice should be provided within seven days prior to the deadline. Upon providing good cause, staff should be given administrative authority to grant an extension of up to 60 days.

**Issue 45:** Should this docket be closed?

**Recommendation:** No. This docket should remain open for staff's verification that the Utility has filed the revised tariff sheets, customer notices have been filed, 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.