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Commission Conference Agenda
July 11, 2023

Item 1

FILED 6/28/2023
DOCUMENT NO. 03842-2023
FPSC - COMMISSION CLERK

State of Florida

Public Service Commission

CAPITAL CIRCLE OFFICE CENTER ● 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: June 28, 2023

TO: Office of Commission Clerk (Teitzman)

FROM: Office of Industry Development and Market Analysis (Mallow, CH Fogleman)
Office of the General Counsel (Imig) AEH

RE: Application for Certificate of Authority to Provide Telecommunications Service

AGENDA: 7/11/2023 - Consent Agenda - Proposed Agency Action - Interested Persons May Participate

SPECIAL INSTRUCTIONS: None

Please place the following Application for Certificate of Authority to Provide Telecommunications Service on the consent agenda for approval.

DOCKET NO.	COMPANY NAME	CERT. NO.
20230040-TX	LIVEWIRE TELECOM LLC	8980

The Commission is vested with jurisdiction in this matter pursuant to Section 364.335, Florida Statutes. Pursuant to Section 364.336, Florida Statutes, certificate holders must pay a minimum annual Regulatory Assessment Fee if the certificate is active during any portion of the calendar year. A Regulatory Assessment Fee Return Notice will be mailed each December to the entity listed above for payment by January 30.

Item 2

State of Florida

Public Service Commission

CAPITAL CIRCLE OFFICE CENTER ● 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: June 28, 2023

TO: Office of Commission Clerk (Teitzman)

FROM: Office of Industry Development and Market Analysis (Williams, Fogleman) CH
Office of the General Counsel (Imig, Harper) AEH

RE: Docket No. 20230047-TP – Commission approval of Florida Telecommunications Relay, Inc.'s fiscal year 2023-2024 proposed budget.

AGENDA: 07/11/23 – Regular Agenda – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: Anticipate the need for sign language interpreters and assisted listening devices. Please place near the beginning of the agenda to reduce interpreter costs.

Case Background

The Telecommunications Access System Act of 1991 (TASA) established a statewide telecommunications relay system. Section 427.704(1), Florida Statutes (F.S.), provides that the Florida Public Service Commission (Commission) shall establish, implement, promote, and oversee the administration of the statewide telecommunications access system to provide access to telecommunications relay services by persons who are deaf, hard of hearing, or speech impaired. TASA provides for the purchase and distribution of specialized telecommunications devices as defined in Section 427.703(11), F.S. As defined by Section 427.703(16), F.S., this system is to provide telecommunications service for deaf or hard of hearing persons that is functionally equivalent to the service provided to hearing persons.

The telecommunications access system provides deaf or hard of hearing persons access to basic telecommunications services by using a specialized Communications Assistant that relays information between the deaf or hard of hearing person and the other party to the call. The primary function of the telecommunications access system is accomplished by the deaf or hard of hearing person using a Telecommunications Device for the Deaf (TDD). The person using the TDD types a message to the Communications Assistant who in turn voices the message to the other party or types the message to a Captioned Telephone that displays real-time captions of the conversation.

Florida Telecommunications Relay, Inc. (FTRI), a non-profit corporation formed by the local exchange telephone companies, was selected by the Commission to serve as the telecommunications access system administrator. FTRI is primarily responsible for the purchase and distribution of specialized telecommunications equipment. As part of this process, FTRI contracts with other organizations to assist in the distribution of equipment and provide customer training on the proper use of the equipment and the relay service. FTRI also conducts marketing to raise awareness of available specialized equipment and related relay service. Finally, FTRI pays the relay services provider that is selected by the Commission through a request for proposals process. The current relay service provider is T-Mobile USA, Inc. (T-Mobile).

FTRI, as the TASA Administrator, is funded through the Telecommunications Relay Service (TRS) surcharge. This surcharge was capped by the Florida Legislature at a maximum of $0.25 per switched access line (landline) per month. The Florida Legislature limited collection of the surcharge to only 25 lines per account billed. Only local exchange telecommunications companies are required to collect and remit this surcharge to FTRI. The initial TRS surcharge was set at $0.05 per access line per month.[1] Since then, the Commission has changed the surcharge to meet FTRI's budgetary needs. The monthly surcharge is currently $0.10 per access line.

As part of its oversight responsibilities of the telecommunications access system, the Commission reviews and approves a budget submitted by FTRI on an annual basis. On March 30, 2023, FTRI submitted for approval its proposed Fiscal Year 2023/2024 budget, which is included as Attachment A to this recommendation. FTRI also compared its proposed budget to the Commission-approved budget, as well as the estimated revenue and expenses, for Fiscal Year 2022/2023. FTRI's estimated revenue and expenses were based on actual data from the first two quarters and estimated data for the third and fourth quarters of the current fiscal year.

Staff sent data requests to FTRI on a number of issues included in its Fiscal Year 2022/2023 estimate of expenses and its proposed Fiscal Year 2023/2024 budget. FTRI's responses to staff's data requests are included in the docket file. On May 15, 2023, FTRI filed third quarter financial information. With this updated information, staff formulated its own estimated expenses for Fiscal Year 2022/2023, which is reflected in Attachment B.

This recommendation addresses FTRI's proposed budget and recommended TRS surcharge for Fiscal Year 2023/2024. The TRS surcharge is the only rate the Commission establishes for

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[1] Order No. 24581, issued May 24, 1991, in Docket No. 910496-TP, *In re: Implementation of Florida Telecommunications Access System Act of 1991*.

telecommunications companies. The Commission is vested with jurisdiction pursuant to Chapter 427, F.S.

Discussion of Issues

Issue 1: Should the Commission approve FTRI's proposed iPad/Samsung Tablet Pilot Project (Tablet Pilot)?

Recommendation: No. Staff recommends the Commission deny FTRI's proposed Tablet Pilot based on the absence of statutory authority. (Williams, Fogleman, Imig, Harper)

Staff Analysis:
As part of FTRI's proposed budget for Fiscal Year 2023/2024, FTRI included a Tablet Pilot (see Attachment C). FTRI notes that equipment distribution and client servicing has been declining because clients and potential clients are transitioning to newer advanced technologies. The purpose of the Tablet Pilot is to address this issue by offering more advanced technologies as part of its equipment distribution program.

FTRI's stated purpose of the Tablet Pilot is to make available iPad and Samsung (Android) Tablets for underserved Floridians with hearing loss, including those who are Deaf, hard of hearing, Deafblind, and those with speech disabilities. The tablets will be pre-loaded with communication applications. FTRI also seeks to evaluate the effectiveness of using these tablets with Wi-Fi broadband connection for the purposes of the communication application. The tablets will not connect directly to cellular networks and the cost associated with Internet access is not supported by the pilot. FTRI also states that:

> It is our goal for this iPad/Samsung Tablet Pilot Project to become permanent once [the] State Legislature makes changes to TASA to allow FTRI to continue offering telecommunications equipment with broadband connectivity, including iPad/Samsung Tablets.

<u>Tablet Procurement</u>
FTRI seeks approval to purchase up to 220 iPad and/or Samsung S6 Lite (Android) Tablets. FTRI intends to purchase these tablets with warranty and support agreements through Teltex, a disability equipment supplier. FTRI projected start-up funding of $221,600 during the first year of the pilot project. The initial cost (as of 8/30/22 per Teltex) for each device is as follows: iPad 64GB Wi-Fi with a 10.2" screen or Samsung S6 Lite 64GB Wi-Fi with 10.4" screen, at $980.00 for Deaf and Hard of Hearing or $1,280.00 for Speech Disabilities. The Tablet Pilot budget proposes 200 TDD tablets and 20 tablets with the additional speech disability software.

<u>Qualification Process</u>
FTRI initially proposed to set income-eligibility for Deaf customers at 200 percent of the federal poverty level, and for individuals who are hard of hearing or speech impaired at 400 percent of the federal poverty level. Those receiving benefits from Supplemental Security Income/Social Security Disability Insurance, Veterans Affairs, Social Security, Supplemental Nutrition Program for Women, Infants, and Children, or Welfare would be exempt from this financial eligibility requirement. However, in response to a staff data request, FTRI modified its proposal to set a uniform financial eligibility threshold of 200 percent of the 2023 Federal Poverty Guidelines

(income of less than $29,160 for one person). Clients can also be eligible to participate in the Tablet Pilot if they meet Lifeline eligibility requirements.[2]

Other States
FTRI notes that some state programs are able to distribute more advanced types of equipment. In response to a staff data request, FTRI reports a survey it conducted via Telecommunications Equipment Distribution Program Association (TEDPA) members in November 2022 that showed at least 14 states have distribution programs providing various types of iPad and/or Android devices. FTRI also stated that Teltex has deployed over 20,000 Apple and Android devices to at least 25 state programs as of June 1, 2023.

According to FTRI, two states reported that they use a state relay surcharge on landlines to cover the cost of iPad and Android devices. Furthermore, of the 21 states that responded to FTRI's survey, 14 have both landline and wireless surcharges, and 3 states responded that they rely on public funding instead of a surcharge to pay for the wireless services.

Legal Barriers
Because the TRS industry is evolving and basic TRS and Captioned Telephone Service (CapTel or CTS) users are transitioning to Internet Protocol (IP) Relay,[3] Video Relay Service (VRS),[4] IP CTS,[5] and Wireless Service,[6] FTRI's Tablet Pilot may benefit FTRI's clients' current needs. The TASA statute provides that the specialized telecommunications devices and the relay service should utilize "state-of-the-art" technologies and encourages the incorporation of new beneficial technologies as they are developed.[7] However, the question is whether tablets fall within that category in the context of TASA, which also provides in relevant part:

> 'Specialized telecommunications device' means a TDD, a volume control handset, a ring signaling device, or any other customer premises **telecommunications equipment specifically designed or used to provide basic access to telecommunications services** for a hearing impaired, speech impaired, or dual sensory impaired person.[8]

Furthermore, TDD is defined as:

[2] Currently, eligibility programs include: SNAP, Medicaid, Federal Public Housing Assistance, Supplemental Security Income, Veterans or Survivors Pension Program.
[3] IP Relay allows people who have difficulty hearing or speaking to communicate using a computer and the Internet, rather than a Text Telephone (TTY) and a telephone line.
[4] VRS enables persons with hearing disabilities who use American Sign Language to communicate with voice telephone users through video equipment, rather than through typed text. Video equipment links the VRS user with a TRS operator so that the VRS user and the operator can see and communicate by signed conversation.
[5] IP captioned telephone service allows users to simultaneously listen and read the text of what the other party in a telephone conversation has said, where the connection carrying the captions between the service and the user is via an IP addressed and routed link.
[6] Wireless services offer applications such as text, instant messaging, and video chat.
[7] Section 427.702(g), F.S. and Section 427.702(3)(c), F.S.
[8] Section 427.703(14), F.S.

> 'Telecommunications device for the deaf' or 'TDD' means a mechanism **which is connected to a standard telephone line**, operated by means of a keyboard, and used to transmit or receive signals through telephone lines.[9]

The Tablet Pilot equipment is basically a computer tablet. Consumers can use such tablets for browsing the web, reading and sending email, viewing and taking photos, watching videos, listening to music, playing games, and reading e-books. Software can be purchased for other productivity functions, such as drafting documents, creating spreadsheets, developing presentations, and editing photographs. While additional applications may be available that provide assistance to the deaf and hard of hearing community, staff believes that a tablet is not a specialized telecommunications device specifically designed or used to provide basic access to telecommunications service for a hearing impaired, speech impaired, or dual sensory impaired person. Thus, such computer tablets are not supported by TASA. Furthermore, the statutory definition for TDD equipment is even more restrictive, requiring that equipment be connected by a standard telephone line, which is not an option for either tablet proposed in the pilot project.

FTRI acknowledges that it intends to make the Tablet Pilot permanent once legislation is passed to authorize the use of such equipment. If the TASA statute is not updated before the end of the first-year project, FTRI has indicated that it may request second-year funding from the Commission. Staff contends that such a change in legislation is necessary for either a permanent or a pilot program. Simply limiting the number of tablets and scope of participants as FTRI proposes does not address the statutory barriers.

Further, even if the statute explicitly allowed for the use of such equipment as proposed in the Tablet Pilot, there remains a potential fairness/subsidization issue as to paying for such devices. Although access line revenues to support the relay program continue to decline as consumers move away from landlines in favor of other technologies, the current TASA statute allows for a surcharge to be applied only to basic telecommunications access lines.[10] Thus, basic telecommunications service customers would be paying for computer tablets under FTRI's proposed program, rather than just basic access to telecommunications services as TASA is currently designed.

<u>Other Funding Sources</u>

Although staff understands the potential benefits of the Tablet Pilot, staff recommends that the Tablet Pilot be denied based on the current statute. However, staff believes nothing prevents FTRI from pursuing external funding for this or similar projects. Section 427.705(5)(c), F.S., provides for FTRI to apply for, contract for, receive, and expend for the purposes of this part any appropriation, grant, gift, or donation from the Federal Government or any other public or private source. Staff encourages FTRI to pursue such options, particularly in the absence of statutory changes granting authority to distribute advanced equipment. Potential funding and/or partner organizations may include: Florida Office of Broadband, Florida Alliance for Assistive Technology (FAAST), Florida Department of Education - Division of Vocational Rehabilitation (DVR), federal grants, and grants from corporate foundations.

[9] Section 427.703(11), F.S.
[10] Section 427.704(4)(a)(1), F.S.

Conclusion

Staff recommends the Commission deny FTRI's proposed Tablet Pilot based on the absence of statutory authority.

However, if the Commission chooses to approve the Tablet Pilot, staff recommends FTRI's Tablet Pilot expense should not be subject to supplemental funding requests during Fiscal Year 2023/2024. In addition, the Commission should require FTRI to provide a status report with its quarterly financial filings providing information on the number of participants, dollars spent per client, vendor expense, and any additional pertinent information.

Issue 2: Should the Commission approve FTRI's proposed budget as presented in Attachment A for Fiscal Year 2023/2024?

Recommendation: No. Staff recommends the Commission modify FTRI's proposed budget expenses of $3,734,638 to increase relay service expense by $159,924, decrease TDD equipment expense by $196,000, decrease Volume Control Phone (VCP) Speech Impaired equipment expense by $25,600, and approve a total budget expense of $3,672,962 for Fiscal Year 2023/2024, effective upon issuance of the consummating order. (Williams, Fogleman, Imig, Harper)

Staff Analysis:

Traditional Telecommunications Relay Service

The traditional TRS cost to FTRI as approved in the T-Mobile contract is currently $1.60 per session minute. T-Mobile's projections indicate that traditional TRS minutes of use during Fiscal Year 2023/2024 will decrease by 23 percent from the current fiscal year. It has been observed that traditional relay users are transitioning to the following services:

- IP Relay
- VRS
- IP CTS
- Wireless Service

CapTel Service

The CapTel cost to FTRI as approved in the T-Mobile contract is currently $1.67 per session minute. CapTel service uses a specialized telephone that provides captioning of the incoming call for a deaf or hard of hearing person. T-Mobile's projections show that CapTel minutes of use during Fiscal Year 2023/2024 will decline by 35 percent from the current fiscal year. CapTel users are also transitioning to other forms of advanced services as listed above.

Florida Telecommunications Relay, Inc. Budget

Attachment A reflects FTRI's Fiscal Year 2023/2024 proposed budget, which was reviewed and adopted by FTRI's Board of Directors prior to filing with the Commission. FTRI submitted its budget on March 30, 2023, projecting total expenses of $3,734,638. FTRI presented two options for the TRS surcharge. FTRI proposed the Commission establish a surcharge of $0.07 per line, which would result in total surcharge revenue of $2,413,410. As an option, FTRI proposed a $0.09 TRS surcharge that would generate total surcharge revenue of $3,102,955.

In addition, FTRI is expected to generate significantly more interest income than in previous years through investments in an Investment Trust Money Market account and 3-month T-bills. Interest income is projected to be $682,040 during Fiscal Year 2023/2024, resulting in total operating revenue of $3,095,450 at the $0.07 surcharge and $3,784,995 at the $0.09 surcharge. Staff will address both surcharge options in Issue 3 of the recommendation.

T-Mobile's forecasted Fiscal Year 2023/2024 traditional TRS minutes of use are 651,963, while its forecasted CapTel minutes of use are 153,345. FTRI's proposed TRS and CapTel service provider expense for Fiscal Year 2023/2024 is $1,139,303. For comparison, the Commission-approved budget for the current fiscal year reflected traditional TRS minutes of 851,208 and CapTel minutes of 237,981, with a total TRS and CapTel service provider expense of $1,759,361.

Analysis

Staff developed an estimate of FTRI's final expenses for Fiscal Year 2022/2023, which is presented in Attachment B. Staff used actual data from the first three quarters and took an average of those three quarters to estimate the fourth. Staff's estimates were then used as one element in evaluating FTRI's proposed budget, along with analyzing past Commission-approved FTRI budgets to identify and evaluate ongoing cost reduction measures.

Below is staff's review of selected items from FTRI's proposed budget expense by category.

Category I – Relay Services

Category I captures Dual Party Relay (DPR) provider expenses for traditional TRS and CapTel service currently provided by T-Mobile. In Fiscal Year 2022/2023, basic TRS and CapTel minutes of use decreased from the prior fiscal year. Based on continued advancements in technology, along with the expansion of consumer choice, it appears that minutes of use for these services will continue to decline.

The relay service expenses are calculated using the minutes of use as projected by T-Mobile and relay service contract rates. The proposed budget presented $1,139,303 in relay service expense. However, staff determined that this total expense was calculated using the previous contract rates of $1.35 for TRS and $1.69 for CapTel. The correct contract rates are $1.60 for TRS and $1.67 for CapTel, which when applied to the forecasted minutes of use increases relay service expense by $159,924, resulting in total expense of $1,299,227.

Category II – Equipment & Repairs

Category II expenses reflect the purchase of equipment to be distributed to clients and the repairs that FTRI must make to keep the equipment in working order. FTRI has requested $623,058 for Fiscal Year 2023/2024. FTRI's proposed budget represents a $246,353 increase in expense from the current Commission-approved budget. The proposed increase in equipment and repairs expense is largely associated with its proposed Tablet Pilot. The Tablet Pilot is comprised of a $196,000 increase in TDD equipment expense and a $25,600 increase in VCP Speech Impaired equipment expense. Implementation of the proposed Tablet Pilot would represent 90 percent of the increase in expense for Category II. As discussed in Issue 1, staff recommends not approving the additional equipment expense related to the Tablet Pilot based the absence of statutory authority.

Staff recommends approval of $401,458 for equipment and repairs expense.

Category III – Equipment Distribution & Training

Category III reflects the cost of distributing equipment throughout the state and the training of consumers in the use of that equipment. FTRI's proposed budget requests $315,766 for distribution and training, which reflects a $95,046 increase from the current Commission-approved budget.

Expenses related to Regional Distribution Centers (RDCs) are the largest component of Category III expenses. FTRI's proposed budget for RDCs is $249,291, which is $46,845 higher than the current Commission-approved budget. Staff supports FTRI's efforts to expand the quantity of RDCs and provide adequate funding to increase RDC contributions to FTRI's equipment distribution efforts.

Staff believes FTRI's proposed budget for Category III expense is reasonable for budgeting purposes and provides FTRI flexibility while continuing to negotiate fees with the RDCs.

Category IV – Outreach

Outreach efforts are designed to promote FTRI's equipment distribution services and to raise awareness about Florida relay service. FTRI's proposed Fiscal Year 2023/2024 Outreach budget increases expense by $26,783.

FTRI employs various forms of communication in its outreach strategy. FTRI plans to continue advertising in newspapers using free-standing insert ads (flyers) in markets where effective. However, FTRI acknowledges that it has witnessed rapid changes in the newspaper industry. In response, FTRI will utilize other print tools such as direct mail post cards and coupon book advertisements. FTRI also plans to continue expanding its digital marketing campaign, including increased use of banner ads on websites, as well as targeted email and social media campaigns.

The Commission has encouraged FTRI to research and consider more technologically advanced and cost-effective forms of outreach. For example, the Commission encouraged FTRI to consider adding an online chat function to help with customer inquiries. FTRI implemented the chat function, termed "FTRI Chat", in its proposed Fiscal Year 2022/2023 budget. Staff believes FTRI's proposed budget for Category IV expense is reasonable.

Category V – General & Administrative

Category V reflects expenses associated with FTRI's operations, such as office and furnishings, employee compensation, contracted services (auditors, attorney and computer consultants), computers, and other operating expenses. FTRI is proposing $1,094,079 for Fiscal Year 2023/2024, which represents a $24,770 increase in Category V expense from the current Commission-approved budget. Staff believes FTRI's Category V expenses are reasonable.

Conclusion

Staff recommends the Commission modify FTRI's proposed budget expenses of $3,734,638 to increase relay service expense by $159,924, decrease TDD equipment expense by $196,000, decrease VCP Speech Impaired equipment expense by $25,600, and approve a total budget expense of $3,672,962 for Fiscal Year 2023/2024, effective upon issuance of the consummating order.

Issue 3: What TRS surcharge should the Commission approve for Fiscal Year 2023/2024?

Recommendation: Staff recommends the Commission approve FTRI's optional proposal to reduce the TRS surcharge to $0.09. Staff recommends the Commission order all local exchange companies to bill the $0.09 TRS surcharge for Fiscal Year 2023/2024, effective September 1, 2023. (Williams, Fogleman, Imig, Harper)

Staff Analysis: Based on current industry trends, FTRI estimates that access lines will decrease at the rate of approximately eight percent from the current fiscal year as more consumers transition from landline phones. Holding the TRS surcharge constant, a decrease in access lines results in a decrease in revenues to support FTRI's activities. FTRI's proposal to reduce the TRS surcharge from $0.10 to $0.07 per access line places further downward pressure on revenues. FTRI's justification for reducing the surcharge by this amount is to reduce the reserve account. FTRI also filed an optional proposal to reduce the TRS surcharge to $0.09 per access line for the Commission's consideration.

If approved, a surcharge of $0.09 is expected to generate $3,102,955 in surcharge revenue, resulting in total operating revenue of $3,784,995 when combined with interest income. This represents a $112,033 surplus for Fiscal Year 2023/2024.[11] Staff estimates that FTRI's revenue less expenses at the current fiscal year-end will result in a surplus of $520,074, which will be added to the operating account for 2023/2024.

Staff notes that reducing the surcharge to $0.07 would generate surcharge revenue of $2,413,410, resulting in total operating revenue of $3,095,450 when combined with interest income. This would result in a budget shortfall of $577,513. By comparison, a $0.08 surcharge would result in a budget shortfall of $232,740. In previous years, the Commission has allowed FTRI to draw from the reserve account to cover shortfalls in the approved budget.

FTRI maintains a reserve account with a current balance of approximately $23 million. The reserve account represents funds that were originally set aside in anticipation that the Federal Communications Commission (FCC) might delegate intrastate costs associated with Video Relay Service (VRS) and Internet Protocol Caption Telephone Service (IP-CTS) to states. FTRI explained that based on its review and understanding, there is no indication that the FCC will delegate VRS and IP-CTS authority to states in the foreseeable future. Given the overall size of the surplus account, and the expected surplus from the current fiscal year, staff believes a reduction in the surcharge is reasonable.

Staff supports the $0.09 option because it balances the budget more precisely assuming the Commission approves staff's recommended expense adjustments in Issue 2. Further, maintaining the reserve account at or near current levels provides financial flexibility and support if FTRI obtains authority in the future to distribute more advanced equipment.

[11] Budget surplus and shortfalls for each TRS surcharge are calculated using staff's recommended budget expense amounts.

Conclusion

Staff recommends the Commission approve FTRI's optional proposal to reduce the TRS surcharge to $0.09. Staff recommends the Commission order all local exchange companies to bill the $0.09 TRS surcharge for Fiscal Year 2023/2024, effective September 1, 2023.

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. (Imig, Harper)

Staff Analysis: At the conclusion of the protest period, if no protest is filed this docket should be closed upon the issuance of a consummating order.

Florida Telecommunications Relay, Inc.
Fiscal Year 2023/2024 Budget @ 7 cents surcharge

		2022/2023 APPROVED BUDGET	2022/2023 ESTIMATED REV & EXPEND	2023/2024 BUDGET	Estimated to Budget VARIANCE 2022/2023 2023/2024	Budget to Budget VARIANCE 2022/2023 2023/2024
	OPERATING REVENUE					
1	Surcharges	3,956,784	3,747,530	2,413,410	(1,334,120)	(1,543,374)
2	Interest Income	1,521	171,653	682,040	510,387	680,519
	TOTAL OPERATING REVENUE	3,958,305	3,919,183	3,095,450	-823,733	-862,855
	OTHER REVENUE/FUNDS					
3	Surplus Account	19,075,296	19,026,533	19,024,958	(1,575)	(50,338)
	TOTAL REVENUE	23,033,601	22,945,716	22,120,408	(825,309)	(913,193)
	OPERATING EXPENSES					
	CATEGORY I - RELAY SERVICES					
4	DPR Provider	1,759,361	1,759,361	1,139,303	(620,058)	(620,058)
	SUBTOTAL-CATEGORY I	1,759,361	1,759,361	1,139,303	(620,058)	(620,058)
	CATEGORY II - EQUIPMENT & REPAIRS					
5	TTY/TDD	0	0	196,000	196,000	196,000
6	CapTel Phone Equipment	0	0	0	0	0
7	VCP Hearing Impaired	225,523	353,463	273,454	(80,009)	47,931
8	VCP Speech Impaired	0	0	25,600	25,600	25,600
9	TeliTalk Speech Aid	39,800	22,388	24,875	2,487	(14,925)
10	In-Line Amplifier	67,137	70,767	70,370	(397)	3,233
11	ARS Signaling Equip	540	682	665	(17)	125
12	VRS Signaling Equip	5,269	2,473	3,569	1,096	(1,700)
13	Accessories & Supplies	100	63	100	37	0
14	Telecomm Equip Repair	38,336	29,908	28,425	(1,483)	(9,911)
	SUBTOTAL-CATEGORY II	376,705	479,744	623,058	143,314	246,353
	CATEGORY III - EQUIPMENT DISTRIBUTION & TRAINING					
15	Freight-Telecomm Equip	17,806	41,968	41,475	(493)	23,669
16	Regional Distr Centers	202,446	221,635	249,291	27,656	46,845
17	Training Expense	468	468	25,000	24,532	24,532
	SUBTOTAL-CATEGORY III	220,720	264,071	315,766	51,695	95,046
	CATEGORY IV - OUTREACH					
18	Outreach Expense	535,650	535,650	562,433	26,783	26,783

Florida Telecommunications Relay, Inc.
Fiscal Year 2023/2024 Budget @ 7 cents surcharge

		2022/2023 APPROVED BUDGET	2022/2023 ESTIMATED REV & EXPEND	2023/2024 BUDGET	Estimated to Budget VARIANCE 2022/2023 2023/2024	Budget to Budget VARIANCE 2022/2023 2023/2024
	SUBTOTAL-CATEGORY IV	535,650	535,650	562,433	26,783	26,783
	CATEGORY V - GENERAL & ADMINISTRATIVE					
19	Advertising	0	0	0	0	0
20	Accounting/Auditing	20,588	25,090	26,698	1,608	6,110
21	Legal	30,288	28,755	37,790	9,035	7,502
22	Computer Consultation	6,960	7,632	6,210	(1,422)	(750)
23	Dues & Subscriptions	1,380	1,638	1,700	62	320
24	Office Equipment Purchase	21,048	13,129	15,650	2,521	(5,398)
25	Office Equipment Lease	1,713	1,931	1,747	(184)	34
26	Insurance-Hlth/Life/Dsblty	180,943	126,825	189,179	62,354	8,236
27	Insurance-Other	11,034	10,351	11,405	1,054	371
28	Office Expense	10,097	12,263	12,762	499	2,665
29	Postage	2,951	2,993	3,100	107	149
30	Printing	750	350	750	400	0
31	Rent	94,877	94,950	94,950	0	73
32	Utilities	4,356	5,188	5,086	(102)	730
33	Retirement	89,941	75,684	88,469	12,785	(1,472)
34	Employee Compensation	526,525	418,892	521,992	103,100	(4,533)
35	Taxes - Payroll	39,316	30,428	39,932	9,504	616
36	Taxes - Unemplmt Comp	70	63	70	7	0
37	Taxes - Licenses	61	61	61	0	0
38	Telephone	19,500	16,967	17,178	211	(2,322)
39	Travel & Business	4,055	3,303	12,000	8,697	7,945
40	Equipment Maint.	631	1,164	1,350	186	719
41	Employee Training/Dev	225	0	500	500	275
42	Meeting & Interpreter Exp	2,000	4,275	5,500	1,225	3,500
	SUBTOTAL-CATEGORY V	1,069,309	881,932	1,094,079	212,147	24,770
	TOTAL EXPENSES	3,961,745	3,920,758	3,734,638	(186,120)	(227,107)
	REVENUE LESS EXPENSES	19,071,856	19,024,958	18,385,769	(639,189)	(686,087)

Florida Telecommunications Relay, Inc.
Fiscal Year 2023/2024 Budget @ 9 cents surcharge

		2022/2023 APPROVED BUDGET	2022/2023 ESTIMATED REV & EXPEND	2023/2024 BUDGET	Estimated to Budget VARIANCE 2022/2023 2023/2024	Budget to Budget VARIANCE 2022/2023 2023/2024
	OPERATING REVENUE					
1	Surcharges	3,956,784	3,747,530	3,102,955	(644,575)	(853,829)
2	Interest Income	1,521	171,653	682,040	510,387	680,519
	TOTAL OPERATING REVENUE	3,958,305	3,919,183	3,784,995	-134,188	-173,310
	OTHER REVENUE/FUNDS					
3	Surplus Account	19,075,296	19,026,533	19,024,958	(1,575)	(50,338)
	TOTAL REVENUE	23,033,601	22,945,716	22,809,953	(135,763)	(223,648)
	OPERATING EXPENSES					
	CATEGORY I - RELAY SERVICES					
4	DPR Provider	1,759,361	1,759,361	1,139,303	(620,058)	(620,058)
	SUBTOTAL-CATEGORY I	1,759,361	1,759,361	1,139,303	(620,058)	(620,058)
	CATEGORY II - EQUIPMENT & REPAIRS					
5	TTY/TDD	0	0	196,000	196,000	196,000
6	CapTel Phone Equipment	0	0	0	0	0
7	VCP Hearing Impaired	225,523	353,463	273,454	(80,009)	47,931
8	VCP Speech Impaired	0	0	25,600	25,600	25,600
9	TeliTalk Speech Aid	39,800	22,388	24,875	2,487	(14,925)
10	In-Line Amplifier	67,137	70,767	70,370	(397)	3,233
11	ARS Signaling Equip	540	682	665	(17)	125
12	VRS Signaling Equip	5,269	2,473	3,569	1,096	(1,700)
13	Accessories & Supplies	100	63	100	37	0
14	Telecomm Equip Repair	38,336	29,908	28,425	(1,483)	(9,911)
	SUBTOTAL-CATEGORY II	376,705	479,744	623,058	143,314	246,353
	CATEGORY III - EQUIPMENT DISTRIBUTION & TRAINING					
15	Freight-Telecomm Equip	17,806	41,968	41,475	(493)	23,669
16	Regional Distr Centers	202,446	221,635	249,291	27,656	46,845
17	Training Expense	468	468	25,000	24,532	24,532
	SUBTOTAL-CATEGORY III	220,720	264,071	315,766	51,695	95,046
	CATEGORY IV - OUTREACH					
18	Outreach Expense	535,650	535,650	562,433	26,783	26,783
	SUBTOTAL-CATEGORY IV	535,650	535,650	562,433	26,783	26,783

Florida Telecommunications Relay, Inc.
Fiscal Year 2023/2024 Budget @ 9 cents surcharge

		2022/2023 APPROVED BUDGET	2022/2023 ESTIMATED REV & EXPEND	2023/2024 BUDGET	Estimated to Budget VARIANCE 2022/2023 2023/2024	Budget to Budget VARIANCE 2022/2023 2023/2024
CATEGORY V - GENERAL & ADMINISTRATIVE						
19	Advertising	0	0	0	0	0
20	Accounting/Auditing	20,588	25,090	26,698	1,608	6,110
21	Legal	30,288	28,755	37,790	9,035	7,502
22	Computer Consultation	6,960	7,632	6,210	(1,422)	(750)
23	Dues & Subscriptions	1,380	1,638	1,700	62	320
24	Office Equipment Purchase	21,048	13,129	15,650	2,521	(5,398)
25	Office Equipment Lease	1,713	1,931	1,747	(184)	34
26	Insurance-Hlth/Life/Dsblty	180,943	126,825	189,179	62,354	8,236
27	Insurance-Other	11,034	10,351	11,405	1,054	371
28	Office Expense	10,097	12,263	12,762	499	2,665
29	Postage	2,951	2,993	3,100	107	149
30	Printing	750	350	750	400	0
31	Rent	94,877	94,950	94,950	0	73
32	Utilities	4,356	5,188	5,086	(102)	730
33	Retirement	89,941	75,684	88,469	12,785	(1,472)
34	Employee Compensation	526,525	418,892	521,992	103,100	(4,533)
35	Taxes - Payroll	39,316	30,428	39,932	9,504	616
36	Taxes - Unemplmt Comp	70	63	70	7	0
37	Taxes - Licenses	61	61	61	0	0
38	Telephone	19,500	16,967	17,178	211	(2,322)
39	Travel & Business	4,055	3,303	12,000	8,697	7,945
40	Equipment Maint.	631	1,164	1,350	186	719
41	Employee Training/Dev	225	0	500	500	275
42	Meeting & Interpreter Exp	2,000	4,275	5,500	1,225	3,500
	SUBTOTAL-CATEGORY V	1,069,309	881,932	1,094,079	212,147	24,770
	TOTAL EXPENSES	3,961,745	3,920,758	3,734,638	(186,120)	(227,107)
REVENUE LESS EXPENSES		19,071,856	19,024,958	19,075,315	50,356	3,459

STAFF'S BUDGET COMPARISON

	2022/2023 APPROVED BUDGET	2022/2023 FTRI ESTIMATED	2022/2023 FPSC STAFF ESTIMATED	2023/2024 FPSC STAFF PROPOSED BUDGET	2023/2024 FTRI PROPOSED BUDGET @ $.09
REVENUE					
Surcharge	3,956,784	3,747,530	3,747,530	3,102,955	3,102,955
Interest	1,521	171,653	171,653	682,040	682,040
TOTAL OPERATING REVENUE	3,958,305	3,919,183	3,919,183	3,784,995	3,784,995
Surplus Account	19,075,296	19,026,533	19,026,533	19,024,958	19,024,958
TOTAL REVENUE	23,033,601	22,945,716	22,945,716	22,809,953	22,809,953
OPERATING EXPENSES					
CATEGORY I - RELAY SERVICES					
DPR Provider	1,759,361	1,759,361	1,415,629	1,299,227	1,139,303
SUBTOTAL CATEGORY I	1,759,361	1,759,361	1,415,629	1,299,227	1,139,303
CATEGORY II - EQUIPMENT & REPAIRS					
TDD Equipment	-	-	-	-	196,000
Large Print TDD	-	-	-	-	-
VCO/HCO-TDD	-	-	-	-	-
VCO-Telephone	-	-	-	-	-
Dual Sensory Equipment	-	-	-	-	-
CapTel Phone Equipment	-	-	-	-	-
VCP Hearing Impaired	225,523	353,463	277,260	273,454	273,454
VCP Speech Impaired	-	-	-	-	25,600
TeliTalk Speech Aid	39,800	22,388	26,533	24,875	24,875
Jupiter Speaker Phone (InferaRed/Hands Free)	-	-	-	-	-
In Line Amplifier	67,137	70,767	77,551	70,370	70,370
ARS-Signaling Equipment	540	682	-	665	665
VRS-Signaling Equipment	5,269	2,473	-	3,569	3,569
Equipment Accessories/Supplies	100	63	33	100	100
Telecom Equipment Repair	38,336	29,908	30,367	28,425	28,425
SUBTOTAL CAT II	376,705	479,744	411,744	401,458	623,058
CATEGORY III - EQUIPMENT DISTRIBUTION & TRAINING					
Freight - Telecomm Equipment	17,806	41,968	40,187	41,475	41,475
Regional Distribution Centers	202,446	221,635	217,931	249,291	249,291
Workshop Expense	-	-	-	-	-
Training Expense for RDCs	468	468	624	25,000	25,000
SUBTOTAL CAT III	220,720	264,071	258,741	315,766	315,766

STAFF'S BUDGET COMPARISON

	2022/2023 APPROVED BUDGET	2022/2023 FTRI ESTIMATED	2022/2023 FPSC STAFF ESTIMATED	2023/2024 FPSC STAFF PROPOSED BUDGET	2023/2024 FTRI PROPOSED BUDGET @ $.09
Outreach Expense	535,650	535,650	455,939	562,433	562,433
SUBTOTAL CAT IV	535,650	535,650	455,939	562,433	562,433
CATEGORY V - GENERAL AND ADMINISTRATIVE					
Advertising	-	-	-	-	-
Accounting/Audit	20,588	25,090	32,113	26,698	26,698
Legal	30,288	28,755	19,505	37,790	37,790
Consultation-Computer	6,960	7,632	4,599	6,210	6,210
Dues/Subscriptions	1,380	1,638	865	1,700	1,700
Office Furniture	-	-	-	-	-
Office Equipment Purchase	21,048	13,129	6,159	15,650	15,650
Office Equipment Lease	1,713	1,931	1,745	1,747	1,747
Leasehold Improvements	-	-	-	-	-
Insurance -Health/Life/Disability	180,943	126,825	111,607	189,179	189,179
Insurance-Other	11,034	10,351	10,064	11,405	11,405
Office Expense	10,097	12,263	12,069	12,762	12,762
Postage	2,951	2,993	1,379	3,100	3,100
Printing	750	350	-	750	750
Rent	94,877	94,950	95,145	94,950	94,950
Utilities	4,356	5,188	5,124	5,086	5,086
Retirement	89,941	75,684	77,733	88,469	88,469
Employee Compensation	526,525	418,892	419,971	521,992	521,992
Temporary Employment	-	-	-	-	-
Taxes - Payroll	39,316	30,428	31,611	39,932	39,932
Taxes - Unemployment Comp	70	63	9	70	70
Taxes - Licenses	61	61	81	61	61
Telephone	19,500	16,967	16,864	17,178	17,178
Travel & Business Expense	4,055	3,303	4,404	12,000	12,000
Equipment Maintenance	631	1,164	1,352	1,350	1,350
Employee Training	225	-	-	500	500
Meeting Expense	2,000	4,275	4,656	5,500	5,500
Miscellaneous	-	-	-	-	-
SUBTOTAL CAT V	1,069,309	881,932	857,056	1,094,079	1,094,079
TOTAL EXPENSES	3,961,745	3,920,758	3,399,109	3,672,962	3,734,638
REVENUES LESS EXPENSES	(3,440)	(1,575)	520,074	112,033	50,357

2023-2024 Florida FTRI/PSC - iPad/Tablet Pilot Project:

Tablets with Telecommunication and Communication Apps

Introduction

Florida Telecommunications Relay, Inc. (FTRI), a not-for-profit statewide program that provides landline telecommunications devices for eligible Floridians with hearing loss as well as those with speech disabilities, requests approval from Public Service Commission to initiate an **iPad/Tablet Pilot Project** during SFY 2023-2024.

The purpose of this proposed FTRI iPad/Tablet Pilot Project is twofold:

> First, to make available iPad and Samsung (Android) Tablets for underserved Floridians with hearing loss, including those who are Deaf, hard of hearing, Deafblind, and those with speech disabilities. The versatile iPad and Samsung Tablets will be pre-loaded with Telecommunication and Communication applications (Apps).
>
> Secondly, to evaluate effectiveness on the use of iPad and Samsung Tablets via IP/wireless/Wi-Fi/broadband connections.

This pilot project will examine whether people who are Deaf and hard of hearing as well as those with speech disabilities will embrace and benefit more with iPad or Samsung (Android) Tablets instead of with FTRI's current offerings of landline devices, including Teletypewriter for the Deaf (TTY), amplified phones, and Telitalk. This pilot project will also examine benefits of telecommunication and communication Apps (i.e., captioned relay service, video relay service, real-time text, speech to text). It is also important to mention other valuable benefits of these tablets. For instance, these iPad and Samsung Tablets provide greater flexibility and better mobility among these population groups, in or outside of their homes. Secondly, wireless texts or Apps provide for safety and disaster/hurricane advance notices, warnings, and updates, either at home or anywhere. None of current FTRI's inventory of TTY and amplified or captioned phones offer these important features.

Background and Justification for Project

According to FCCDHH 2015 Biennial Report (www.fccdhh.org), over 2.5 million Floridians have hearing loss and around 1.5 million individuals have speech disabilities (www.nidcd.nih.giov/health/quick - statistics - voice). Many lack or have limited access to phones. FTRI has distributed over 670,000 devices, including TTYs and amplified phones. Since its inception, FTRI has served over 571,000 eligible Floridians who are Deaf, hard of hearing, and Deafblind, and those with speech disabilities. Over 337,000 Floridians with hearing loss or speech disabilities still use FTRI devices.

Telecommunications Access Systems Act (TASA) (FS 427.701-.708), a state law, now over 30 years old, has not been updated since its inception in 1991 to address ongoing rapid changes in telecommunications systems and infrastructure, including broadband.

According to **Public Service Commission** (PSC)**,** TASA limits FTRI to only provide landline telecommunications devices with analog technology or POTS (Plain Old Telephone Service) to individuals with hearing loss or speech disabilities. In the "**Report on the Status of Competition in the Telecommunications Industry**" by PSC to the State Legislature dated December 31, 2021, the landlines (analog) are both fast disappearing and replaced with VOIP (Voice Over Internet Protocol) in the coming years. This report also states that "residential access lines totaled over 400,000 as of December 2021, representing a decline of 19.1 percent from the previous year," and "for the five-year period from 2017 through 2021, the total number of traditional wirelines (*landlines*) decreased by over 1.3 million, a decline of 53.7 percent" (Page 11). Also, the wireless networks are proliferating and contributing to further demise of landline service, and per this report, there are over 22 million wireless subscriptions (Page 20). Therefore, it is of utmost urgency that FTRI start offering a choice of newer equipment that are more compatible with broadband. Our current inventory of analog devices is fast becoming obsolete due to loss of landlines.

One example, Teletypewriter for the Deaf (TTY), which is 40-years old and uses analog technology, does not operate effectively with today's newer digital/VOIP via local exchange carriers (phone companies) and is not compatible with wireless/internet technology. In comparison, I-Pad and Samsung (Android) Tablets as provided by Teltex offer several text and video communication Apps. These tablets, in addition to smartphones, are in a great demand and are preferred by individuals with hearing loss. Specialized tablets can assist those with speech disabilities with dexterity issues so they can communicate more effectively via Apps. Because of TASA, FTRI is prohibited from offering devices that work with broadband but offers few available specialized dual-functioning phones that work with either landline (analog), or Bluetooth (to connect with existing cellular phone service).

Broadband, including cellular communications, is a fast-growing phenomenon that most Floridians take for granted for use in their daily functions, at home and work. While today's devices that work with broadband technology are in a greater demand, TASA still prohibits FTRI from obtaining and distributing wireless equipment, using landline phone surcharges. Through this unique **iPad/Samsung Tablet Pilot Project**, we hope to both offer eligible Floridians with hearing loss and speech disorders an opportunity to get these tablets and evaluate their use with IP/wireless/ Wi-Fi/broadband connections. We need to examine whether these tablets benefit our consumers better than what FTRI offers with its landline equipment.

Comparison Between FTRI and Other State Programs

Many states have a state administrator to oversee a similar statewide program like FTRI. Unlike Florida, other states offer their consumers with hearing loss a wide choice of telecommunications equipment, including broadband (i.e., iPad, Android). To see an example of one state program in our neighbor State of Georgia, visit https://www.gcdhh.org/equipment (Click on TEDP).

The FTRI iPad/Samsung Tablet Pilot Project

The FTRI iPad/Samsung Tablet Pilot Project will work with Teltex (www.teltex.com), the largest supplier of telecommunications equipment and services for Deaf and Hard of Hearing Telecommunications Equipment Distribution programs (TEDPs) in the country. Teltex reports that as of September 6, 2022, there are currently 25 state programs offering wireless equipment through Teltex with three additional state programs looking to add wireless programs to their TEDPs

Which Tablets will be Offered?

The **iPad (Apple)** is the iPad 9th generation Wi-Fi only tablet with 64GB of memory size. This is a 10.2" retina display tablet, with the A13 Bionic Chip. The 9th generation iPad is the most basic iPad that all State TEDPs currently purchase. This iPad, costing $980.00 each, includes the latest iPad OS (Apple iPad Operating System), the native Apple apps (for example, App Store, Mail, Messages) and the pre-loaded consumer specific app package for communication (for example, the Deaf & Hard of Hearing App Package includes VRS, IPCTS, and Video Call apps, while the Speech Package includes VRS and AAC apps).

The **Samsung S6 Lite Tablet** (Android) is a Wi-Fi only tablet with 64GB of memory size. This is a 10.4" TFT LCD screen with the Snapdragon 720G processor. The Samsung S6 Lite, costing $980.00 each, includes the latest Android OS, the native Android apps (for example, App Store, Mail, Messages, etc) and the pre-loaded consumer specific app package for communication (for example, the Deaf & Hard of Hearing App Package includes VRS, IPCTS, and Video Call apps, while the Speech Package includes VRS and AAC apps).

There is also a version of these tablets benefitting consumers with speech disabilities. These specialized tablets for this population cost $1280.00 each. The price difference between the Deaf & Hard of Hearing iPad/Android Tablet and the Speech Disabiled Tablets are because of the cost of added Alternative Augmentative Communication (AAC) apps. For an iPad or a Tablet to benefit individuals with Speech Disabilities, an AAC app must be provided with the device – and the average cost of an AAC app is +/- $300. This $300 amount gives State TEDPs the flexibility to provide an AAC app, and if the consumer requests a different AAC app for greater accessibility, Teltex can pull the original app from the tablet and remotely send a new AAC app with no additional cost to the State TEDP (while the device is covered by TeltexCare).

Please note, 99.9% of Speech Consumers request and receive an iPad as opposed to an Android Tablet, as AAC apps are developed in higher numbers for the iPad than the Android platform – though new apps are being developed and added to the Android App Store constantly.

In addition, there is no volume discount available for both **iPad** and **Samsung** Tablets, and Teltex encourages the State EDP to order on demand as opposed to bulk purchasing, ensuring the program has access to the latest devices available and never stuck with older and outdated equipment.

Project Funding Needs - How Many Tablets?

Up to 220 iPad and/or Samsung S6 Lite (Android) Tablets will be purchased directly and initially through Teletex with a projected start-up funding of $221,600 during the first year of this Pilot Project. The initial cost (as of 8/30/22 per Teltex) for each device is as follows: iPad 64GB Wi Fi comes with a 10.2" Screen ($980.00 for Deaf and Hard of Hearing, or $1280.00 for Speech Disabilities), and Samsung S6 Lite 64GB Wi Fi comes with 10.4" Screen ($980.00 for Deaf and Hard of Hearing, or $1280.00 for Speech Disabilities.

The following is our proposed budget breakdown:

iPad and/or Samsung S6 Lite (Android)	#		Cost per Unit	
Deaf/hard of hearing	200	x	$980.00 =	$196,000
Speech Disabilities	20	x	$1280.00 =	$ 25,600
Total Costs for I-Pad Project (First Year)				$221,600

Note 1: FTRI will assign responsibilities of I-Pad Pilot Project Coordinator to its unfilled Distribution Program Coordinator (DPC) position. The increase in outreach travel budget will also cover travel/on-site promotions/outreach/education/training for I-Pad/Samsung Tablets.

Note 2: FTRI will provide office space and use its equipment and utilities as an in-kind contribution to this project.

Note 3: Should the demand by consumers for iPad/Samsung tablets exceed our budget, FTRI will request approval from PSC to draw additional funds from reserve/savings account to accommodate an increase in orders of I-Pads/Samsung tablets.

Note 4: FTRI will offer iPad Pro for consumers who are Deaf-Blind but with low-vision as an option only if Teltex has this product.

Qualification Process

The tablets will be distributed on a loan basis like what FTRI currently does with other telecommunications devices. However, income-eligibility process will also be utilized to limit the tablets to individuals who are unable to afford these tablets. Initial focus will be on reaching out to Deaf customers who currently utilize FTRI's analog TTYs or captioned phones since landlines are disappearing in a few years. The preliminary plan is to set income-eligibility for Deaf customers at 200% of the federal poverty level, and for individuals who are hard of hearing or speech impaired at 400% of the federal poverty level. Those relying on SSI/SSDI, VA, Social Security, WC, Welfare, etc. will be exempted from this financial eligibility requirement.

To qualify for an iPad/Samsung Tablet, the individual must:

1. Be a legal resident of Florida with proof of address.
2. Have a documented hearing or speech disability.
3. Meet a qualifying income-level to obtain I-Pad or Samsung (Android) Tablet.

Set-Up and Procedures

FTRI, through its main office in Tallahassee, will oversee this iPad/Samsung Tablet Pilot Project. FTRI will also work with its local Regional Distribution Centers (RDCs) to assist and provide training to consumers receiving the tablets directly from Teltex.

The new combined position of Distribution Program Coordinator (DPC)/iPad Tablet Pilot Project Coordinator will include duties such as: responding to public inquiries, reviewing, and approving new applications, ensuring proper shipments of tablets directly to qualified consumers' homes, and working with RDCs to serve and train customers receiving tablets.

The iPad Tablet Coordinator will also work with Teltex which handles shipping, maintenance, and repair of these tablets.

To start the pilot project, the new iPad Tablet Pilot Project Coordinator will conduct the following steps:

1. Announce availability of iPad/Samsung Tablets to the General Public
2. Create a new separate application form for Tablets and posting of this separate application link on the Website.
3. Determine which documents are required to qualify for one of the Tablets including hearing loss or speech disability, and proof of service
4. Develop qualifications, including income levels, to qualify for a tablet.
5. Create agreement and instruction forms on using iPad/Samsung Tablets
6. Identify accessories to include with iPad/Samsung Tablets
7. Set-Up coordination with Teltex for direct shipping and maintenance of iPad/Samsung Tablets.

8. Develop iPad and Samsung Tablets Guide and Instructions with assistance from Teltex
9. Coordinate with and assist RDCs regarding customer training on use of iPad and/or Samsung Tablets

The role of Teltex in this I-Pad/Samsung Tablet Pilot Project:

The cost differential between MSRP on this model of iPad/Samsung and what Teltex propose is directly related to the Wireless Program Services, known as Teltex Care. Teltex Care is a unique program designed by Teltex specific for state government programs that serve individuals with disabilities and is not available through any other outlets. When an iPad is purchased directly from Apple or an Android tablet direct from Samsung, the device arrives with the charger, a charging cable and one-year limited warranty. Consumers are left to work directly with the manufacturer (Apple or Samsung) for all operational and service issues.

As Teltex noticed that State Equipment Distribution Programs (EDPs) require a more comprehensive service and support package, it designed Teltex Care to reflect this. Teltex Care is an all-encompassing three-year warranty of hardware and software and covers replacement of defective or accidental damaged units without charging the consumer or Program an additional fee. In addition, consumers work directly with Teltex for all warranty needs, and there is never an additional charge placed on the consumer for repair and/or replacement of units covered under TeltexCare. Teltex Care includes:

Purchasing

Teltex is an authorized Government Contractor for both Apple and Android, offering the full line of wireless products; plus, Teltex is the strategic partner for State & Local Government Disability Programs for Apple. Teltex simplifies FTRI purchasing process by accepting our purchase orders and individual unit versus multi-unit ordering.

Warehousing

All equipment is warehoused in a secure climate-controlled building equipped with alarms and sprinkler systems. All our equipment and the equipment of other programs are heavily insured, and all data files are remotely stored offsite. All Wireless equipment is sourced via Apple's and Android's State & Local Government Channel, complying with Teltex's agreements as an Authorized Government Contractor. Teltex provides State Agencies with a secure warehouse in Kearney, Missouri.

Laser Etching for Asset Management

Teltex laser etches in a large easy to read font with logo, the wireless device with the State Agency's name, logo, and asset tag number. In addition, other information such as "Not for Resale" or any other information the program requires can be etched. The laser etching protects the State Agency's return on investment by reducing the risk for waste, fraud (such as reselling the device) and abuse. In addition, the Otterbox case can be laser etched with the identical large easy to read font and logo as the wireless device.

Warranty

All wireless devices purchased from Teltex include an all-encompassing three-year warranty of hardware and software coverage for 3 years. TeltexCare covers replacement of defective or accidental damaged units without charging the consumer or Program an additional fee. In addition, consumers work directly with Teltex for all warranty needs, and there is never an additional charge placed on the consumer for repair and/or replacement of units covered by TeltexCare.

Customer abuse, or intentional neglect or damage caused by the wireless device being removed from the protective case may void the warranty.

Teltex processes 100% of all services through our in-house Technical Department. All Teltex's customer service, technical support and TeltexCare warranty services are provided at Teltex's Kearney, Missouri location. All services provided to the State and to consumers are performed domestically, never internationally, and by Teltex staff members-never contractors or subcontractors.

TeltexCare requires the wireless device to be distributed in an OtterBox Case (or comparable protective case provided by Teltex) for the device's protection. OtterBox Defender cases are the most recognized protective cases for wireless devices, offering the highest level of protection against drops, bending, cracking and more.

Teltex also requires all equipment to be enrolled in the Teltex MDM Servers for the State and/or client to purchase TeltexCare.

Complete list of what type of damage is covered.

- Damages covered under warranty include:
- Apps purchased by State Program
- Electronic and software failures (main control board, charging ports, cameras, all switches, home button, Wi-Fi and cellular modules, speakers, microphones and displays)
- Accidental cracked screens
- Batteries

- Power supplies that are defective
- Charging cables that are defective

Damages not covered under warranty include:

- Lost devices
- Stolen devices
- Missing equipment
- Power supplies
- Cables
- Otterbox
- Intentionally damaged and/or abused wireless devices

Customizing

Each wireless device can be programmed to operate in a variety of ways. The State Agency can decide to give full access to the App Store allowing for a consumer to feel greater connection and usability of the device. Some examples of customizing a device are:

- access to the App Store;
- access to the internet;
- locking down the wireless device into single app mode rendering the equipment useless if the consumer is in violation of the State Program agreement.

Enrolling

Each wireless device is enrolled into a server at Teltex that allows for the following services to be conducted remotely, and reports provided to the State:

- Track and/or locate the device
    - For example, is the device still within the State
- Is the device being used
    - For example, no activity could equate to the device being lost or stolen
- Customization of device
- Application Management & Custom App Store for State
- Send messages to the device and consumer
- Send updates of software and apps to the device
- Push new apps directly to the device
- Remove apps from the device
- Remote diagnostics and fixing of service issues
- Reset screen lock password
- View remaining storage capacity and physical memory

- Configure email accounts
- Ability to help consumer locate device with an alarm.

Packaging & Shipping

Each iPad/Samsung tablet is distributed in a specially designed FTRI box to protect the device and include any accessories the State orders for the consumer (for example, cases, cords, styluses, mounting brackets) All equipment can be drop shipped directly to the client's home in the specialized packaging. "Save the Box" labels will be placed on the inside and outside in the event a consumer must return the equipment.

Support

Teltex provides all operational and technical service directly to the client. This includes any type of repair service, re-installation of apps and operating system updates.

Operational and technical service is provided in the following ways:

- Telephone: Monday – Friday, 8am to 5pm Central via voice or TTY
- Email: iOS@teltex.com
- Website & Social Media: www.iaccessibility.com
- Facebook: www.facebook.com/iOSaccessibility
- Twitter: @i_accessibility
- YouTube

Training

Teltex can provide in-person training to State Programs staff members launching wireless devices. Training includes:

- Introduction to iOS & Android OS devices
- Introduction to TeltexCare
- Warranty
- Service & Support
- Introduction to Accessibility & Native Apps

How to create an Apple ID or Google ID

- How to Access WiFi
- How to make a native operating system video call
- How to Set-Up Email
- How to Set-Up iMessage®

Accessibility Features

- Introduction to Accessibility Apps
- Deaf & Hard of Hearing Apps Package
- Speech Package

Teltex has launched www.iAccessibility.com. iAccessibility.com was designed to offer a new and innovative platform for individuals with disabilities who use wireless devices to have equal and full access to information about the device, apps and accessories. In addition to consumers, the website and accompanying social media provides tools for government agencies deploying wireless devices to individuals with disabilities.

Consumers can access videos 24/7/365 in spoken English, American Sign Language and closed captioned for information and training on operating a wireless device.

Imaging (Pre-Loading Apps)

Teltex images the wireless device with approved apps for telecommunications and communications, specific to the consumer's disability or disabilities. The apps remain property of the State and can be reissued to other wireless devices if the original device is lost, stolen or damaged beyond repair. The imaging of the wireless device allows for consumers to immediately use the device upon receiving it. The breakdown of app packages is included in this packet.

App Package: Deaf & Hard of Hearing

IP Relay

IP (Internet Protocol) Relay is a form of Telecommunications Relay Service (TRS) that enables persons with hearing and speech disabilities to communicate with voice telephone users through mobile equipment. The Communication Assistant facilitates the call.

The wireless device can accomplish this by accessing IP Relay Service (T-Mobile IP Relay) through the built-in Wi-Fi and/or 4G and installed app and using the device touch screen to type outgoing communication to the Communication Assistant and read incoming communication from the Communication Assistant.

Video Relay Service

Video Relay Service (VRS) is a form of Telecommunications Relay Service (TRS) that enables persons with hearing disabilities who use American Sign Language (ASL) to communicate with voice telephone users through video equipment. The Interpreter facilitates communication

The wireless device can accomplish this by accessing Video Relay Service through the built-in Wi-Fi and installed app and using the front facing camera to communicate.

- Convo
- Purple P3
- Sorenson nTouch
- ZVRS Z5

IP Captioned Telephone Service

IPCTS is a form of Telecommunications Relay Service (TRS) that allows a person with hearing loss but who can use his or her own voice and has some residual hearing, to speak directly to the called party and then listen, to the extent possible, to the other party and simultaneously read captions of what the other party is saying.

The wireless device can accomplish this by accessing IP Captioned Telephone Service through the built-in Wi-Fi and installed app, using the wireless device screen to read the captions to communicate while using a landline or wireless phone to speak and use residual hearing.

- CaptionMate
- ClearCaptions
- Hamilton CapTel
- InnoCaption

Video Calls & Video Messaging

Video Calls enable persons with hearing disabilities who use American Sign Language (ASL) or Speech Reading to communicate through their iOS device.

The wireless device can accomplish this by accessing Video Calls through the built-in Wi-Fi and installed apps and using the wireless device front facing camera to communicate.

- Skype
- Glide
- Google Duo
- Marco Polo
- Weather, Emergency Preparedness & General Access

App Package: Speech

Alternative Augmentative Communication

- AAC apps are software applications for mobile devices that can help individuals who are non-speaking or those whose speech is not usually understood by others.
- The consumer can select various text and/or icons, and the wireless device will speak for the consumer.
    - Proloquo2Go[2]

Text to Speech

Consumers can type what they want to say using the wireless keyboard, and the iOS device will speak for them.

- iSpeech TTS
- Say It! Free TTS
- Speak4Me Free

Yes/No

Consumers can touch a Yes icon or No icon on the screen to answer questions

- Yes/No from I Can Do Apps

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Video Calls

- Skype
- Glide
- Google Duo
- Marco Polo
- Weather, Emergency Preparedness & General Access

[2]Please note, Proloquo2Go is the standard Speech app included in the Speech Accessibility Package but can be substituted for any of the AAC apps in the Apple App Store. Additional costs may apply.

App Package: General Accessibility (Weather, Emergency Preparedness & General Access)

- Accuweather
  - Accessible weather
- American Red Cross
  - Emergency, First Aid, Hurricane, Tornado, Earthquake, Wildfire & Flood
  - Emergency preparedness, information, and location-based alerts for emergencies.
- FEMA
  - Emergency preparedness and information in an accessible format.
  - NIXLE One Bridge
  - Location based and accessible public safety information
- YouTube

<u>Access to accessible training videos</u>

App packages for the Deafblind, Blind & Low-Vision, Mobility & Physical and Cognitive/Developmental/Intellectual communities are available.

All wireless devices have the following native iOS and OS apps for telecommunications and communications:

- Mail
- Video Call
- Messages/SMS

Maintenance, Repair, and Refurbishment:

Teltex, the vendor that FTRI currently uses to refurbish our amplified phone and TTY equipment, will also be contracted to provide, ship, maintain, repair, and refurbish returned **iPad/Samsung Tablets**. As stated earlier, Teltex also works with 25-28 TEDPs in other states with shipping, repairing, and servicing these tablets. Each tablet carries a 3-year warranty.

Teltex Care includes the Wireless Equipment (iPad/Android Tablet) Refurbishment Program – which is a must have for State TEDPs that are LOANER programs. The Refurbishment Program allows the State EDP to have the highest return on investment when purchasing the iPad or Android tablet by offering the EDP the ability to reuse purchased iPads and Android tablets that have been returned by consumers and refurbished to like new condition. FTRI currently has a similar refurbishing program set up for their traditional equipment, which is administered by Teltex. The Wireless Equipment Refurbishment Program does not cover the cost of missing or worn peripherals like power supplies, charging cables, screen protectors and cases. As Florida is a loaner State, the Refurbishment Program provided by Teltex is vital to ensuring that devices can be repurposed per the program's requirements.

More information and tutorials are found at this website: www.iAccessibility.com.

Project Evaluation

This **iPad/Samsung Tablet Pilot Project** will involve periodical evaluation of its use and effectiveness with customers who qualify for these iPad/Samsung Tablets. Each customer who receives one will agree to participate in evaluation surveys through mail and/or emails. The customer will be asked to respond to questions that address comfort, ease of use, and any issues/challenges they face in accessing broadband while using the tablet in making calls or using any of the telecommunications or communication Apps. Also, compare their experiences with these tablets with current FTRI current offerings of landline devices (i.e., Teletypewriters for the Deaf (TTY), amplified phones, Telitalk).

A final report will be presented to PSC at the end of the first year of **iPad/Samsung Tablet Pilot Project** along with data and results of evaluation surveys as well as customer satisfaction plus any recommendations for continuation of this project, pending outcome of legislation in updating TASA.

Future of iPad/Samsung Tablet Pilot Project

It is our goal for this **iPad/Samsung Tablet Pilot Project** to become permanent once State Legislature makes changes to TASA to allow FTRI to continue offering telecommunications equipment with broadband connectivity, including iPad/Samsung Tablets. If TASA is not updated by the State Legislature before the end of first-year project, FTRI may request second-year funding from PSC to allow FTRI to continue this project for another year. It is our hope that TASA will be updated by the State Legislature by that time.

3/30/23

Item 3

FILED 6/28/2023
DOCUMENT NO. 03843-2023
FPSC - COMMISSION CLERK

State of Florida

Public Service Commission

CAPITAL CIRCLE OFFICE CENTER ● 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: June 28, 2023

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Accounting and Finance (Richards, Haddix, Higgins) ALM
Division of Economics (Bruce, Hudson) JGH
Division of Engineering (Davis, Ellis, Thompson) TB
Office of the General Counsel (Harper, Sparks) AH

RE: Docket No. 20220157-WU – Applications for staff-assisted rate case in Polk County by Keen Sales, Rentals and Utilities, Inc.

AGENDA: 07/11/23 – Regular Agenda – Proposed Agency Action – Except for Issue Nos. 12, 13, and 14 – Interested Persons May Participate.

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Graham

CRITICAL DATES: 12/09/23 (15-Month Effective Date (SARC))

SPECIAL INSTRUCTIONS: None

Table of Contents

Case Background

Keen Sales, Rentals and Utilities, Inc. (Keen or Utility) is a Class C water utility operating in Polk County. Keen currently owns and operates two water systems in Polk County: Earlene and Ray Keen and Ellison Park Subdivisions (Keen Subdivision) and Lake Region Paradise Island (Paradise Island).

Keen Subdivision provides water service to approximately 126 customers. Keen Subdivision was granted a grandfather certificate in 1997.[1] According to the Utility's 2022 Annual Report, total gross revenues for Keen Subdivision were $61,862, and total operating expenses were $70,660. Keen Subdivision's last rate case was in 2009.[2]

Paradise Island provides water service to approximately 97 customers. The Florida Public Service Commission (Commission) approved the transfer of the facilities of Lake Region Paradise Island to Keen in 2000.[3] According to the Utility's 2022 Annual Report, total gross revenues for Paradise Island were $40,633, and total operating expenses were $89,306. Paradise Island's last rate case was in 2005.[4]

On September 9, 2022, Keen filed its application for a staff-assisted rate case (SARC) which included a request for rate increases for both of the Utility's systems, Keen Subdivision and Paradise Island.[5] Staff selected the test year ended December 31, 2021, for the purposes of determining its recommended rates.

A customer meeting was held on May 23, 2023, in which no customers spoke from either Keen Subdivision or Paradise Island.

The Commission has jurisdiction in this case pursuant to Sections 367.011, 367.081, 367.0812, 367.0814, 367.091, and 367.121, Florida Statutes (F.S.).

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[1]Order No. PSC-1997-0152-FOF-WU, issued February 11, 1997, in Docket No. 19961007-WU, *In re: Application of Keen Sales & Rentals, Inc. for Certificate under Grandfather Rights to Provide Water Service in Polk County.*

[2]Order No. PSC-2009-0716-PAA-WU, issued October 28, 2009, in Docket No. 20090072-WU, *In re: Application for staff-assisted rate case in Polk County by Keen Sales, Rentals and Utilities, Inc.*

[3]Order No. PSC-2000-0913-PAA-WU, issued May 8, 2000, in Docket No. 19970201-WU, *In re: Application for transfer of facilities of Lake Region Paradise Island and amendment of Certificate No. 582-W held by Keen Sales, Rentals and Utilities, Inc. in Polk County.*

[4]Order No. PSC-2005-0442-PAA-WU, issued April 25, 2005, in Docket No. 20040254-WU, *In re: Application for staff-assisted rate increase in Polk County by Keen Sales, Rentals and Utilities, Inc.*

[5]Document No. 06165-2022, filed on September 9, 2022.

Discussion of Issues

Issue 1: Is the quality of service provided by Keen Satisfactory?

Recommendation: Yes. Keen is currently in compliance with the Department of Environmental Protection (DEP) standards; therefore, the quality of service should be considered satisfactory. (Davis)

Staff Analysis: Pursuant to Sections 367.081(2)(a)1 and 367.0812, F.S., and Rule 25-30.433(1), Florida Administrative Code (F.A.C.), in water rate cases the Commission shall determine the overall quality of service provided by the utility. This determination is made from an evaluation of the quality of the utility's product and the utility's attempt to address customer satisfaction. The Rule further states that the most recent chemical analyses for the water system, outstanding citations, violations, and consent orders on file with the DEP and the county health department, and any DEP and county health department officials' testimony concerning quality of service shall be considered. In addition, any customer testimony, comments, or complaints received by the Commission are also reviewed. The operating condition of the water system is addressed in Issue 2.

Quality of the Utility's Product

Keen has two water systems: Keen Subdivision and Paradise Island. In evaluation of the product quality at Keen Subdivision and Paradise Island, staff reviewed compliance with DEP's primary and secondary drinking water standards for each system. Primary standards protect public health while secondary standards regulate contaminants that may impact the taste, odor, and color of drinking water. The most recent comprehensive chemical analyses were performed on December 9, 2021, for Keen Subdivision and on December 8, 2021, for Paradise Island. All results were in compliance with the DEP's standards.

The Utility's Attempt to Address Customer Satisfaction

Staff reviewed the Commission's Consumer Activity Tracking System records, and there were no complaints recorded during the test year and four years prior for Keen. Staff requested all complaints received by the Utility during the test year and four years prior, and the Utility responded that it did not receive any complaints during this timeframe. Staff also requested all complaints received by the DEP during the test year and four years prior, and the DEP responded that it did not receive any complaints for either Keen Subdivision or Paradise Island water systems during this timeframe. Staff conducted a virtual customer meeting on May 23, 2023, but no customers provided comments. There have been no written comments in the docket as of June 12, 2023.

Conclusion

Keen is currently in compliance with DEP standards; therefore, the quality of service should be considered satisfactory.

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

Recommendation: Yes. Staff recommends the infrastructure and operating conditions of Keen's water systems are currently in compliance with DEP regulations. (Davis)

Staff Analysis: Rule 25-30.225(2), F.A.C., requires each water utility to maintain and operate its plant and facilities by employing qualified operators in accordance with the rules of the DEP. Rule 25-30.433(2), F.A.C., requires consideration of whether the infrastructure and operating conditions of the plant and facilities are in compliance with Rule 25-30.225, F.A.C. In making this determination, the Commission must consider testimony of the DEP and county health department officials, sanitary surveys for water systems, citations, violations, and consent orders issued to the utility, customer testimony, comments, and complaints, and utility testimony and responses to the aforementioned items.

Water System Operating Conditions

The Keen Subdivision water system has a permitted capacity of 482,400 gallons per day (gpd). This water system has two wells with pumping capacities of 250 gallons per minute (gpm) and 85 gpm, respectively, and one hydropneumatic storage tank with a capacity of 1,490 gallons. Groundwater from the wells is treated through hypochlorination. Staff reviewed Keen Subdivision's Sanitary Survey Reports conducted by the DEP to determine the Utility's overall water facility compliance. A review of the inspection conducted on January 22, 2021, indicated that Keen Subdivision's water treatment facility is in compliance with the DEP's rules and regulations.

The Paradise Island water system has a permitted capacity of 374,400 gpd. This water system has one well with a pumping capacity of 260 gpm and one hydropneumatic storage tank with a capacity of 3,000 gallons. Groundwater from the well is treated through hypochlorination. Staff reviewed Paradise Island's Sanitary Survey Reports conducted by the DEP to determine the Utility's overall water facility compliance. A review of the inspection conducted on January 5, 2021, indicated that Paradise Island's water treatment facility is in compliance with the DEP's rules and regulations.

Conclusion

Staff recommends that the infrastructure and operating conditions of Keen's water systems are currently in compliance with DEP regulations.

Issue 3: What are the used and useful (U&U) percentages of the Keen Subdivision and Paradise Island water treatment plants (WTP) and water distribution systems?

Recommendation: Keen Subdivision and Paradise Island's WTPs and water distribution systems should be considered 100 percent U&U. Staff recommends no adjustments to purchased power and chemical expenses should be made for excessive unaccounted for water (EUW). (Davis)

Staff Analysis: Staff evaluated each of Keen's water systems separately for purposes of determining U&U percentages and EUW. As stated in Issue 2, Keen Subdivision's water system has two wells with pumping capacities of 250 gpm and 85 gpm, respectively, and one hydropneumatic storage tank with a capacity of 1,490 gallons. Keen Subdivision's water distribution system is composed of 225 feet of 2-inch polyvinyl chloride (PVC) pipe, 1,525 feet of 4-inch PVC pipe, and 4,396 feet of 6-inch PVC pipe. There are six fire hydrants throughout the water distribution system.

Paradise Island's water system has one well with a pumping capacity of 260 gpm, and one hydropneumatic storage tank with a capacity of 3,000 gallons. Paradise Island's water distribution system is composed of 900 feet of 2-inch PVC pipe, 3,300 feet of 4-inch PVC pipe, and 900 feet of 6-inch PVC pipe. There are four fire hydrants throughout the water distribution system.

Used and Useful Percentages

Rule 25-30.4325, F.A.C., addresses the method by which the U&U of a water system is determined. In prior reviews, both systems (Keen Subdivision and Paradise Island) were found to be 100 percent U&U.[6] The Utility has not increased the capacity of its WTPs since rates were last established. The Utility's water distribution systems continue to only provide service to existing customers, the service areas remain built out, and there continues to be no potential for expansion of the service areas. Therefore, consistent with the Commission's previous decisions, staff recommends that the Utility's WTPs and water distribution systems be considered 100 percent U&U.

Excessive Unaccounted for Water

Rule 25-30.4325, F.A.C., additionally provides factors to be considered in determining whether adjustments to operating expenses are necessary for EUW. EUW is defined as "unaccounted for water in excess of 10 percent of the amount produced." Unaccounted for water is all water produced that is not sold, metered, or accounted for in the records of the utility.

EUW is calculated by subtracting both the gallons sold to customers and the gallons used for other services, such as flushing, from the total gallons pumped and purchased for the test year, and dividing by the sum of gallons pumped and purchased. The amount in excess of 10 percent, if any, is the EUW percentage.

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[6]Order No. PSC-2009-0716-PAA-WU, issued October 28, 2009, in Docket No. 20090072-WU, *In re: Application for staff-assisted rate case in Polk County by Keen Sales, Rentals and Utilities, Inc*. and Order No. PSC-2005-0442-PAA-WU, issued April 25, 2005, in Docket No. 20040254-WU, *In re: Application for staff-assisted rate case in Polk County by Keen Sales, Rentals and Utilities, Inc*.

Based on monthly operating reports, Keen Subdivision produced 9,262,324 gallons of water from January 1, 2021, to December 31, 2021. No water was purchased during the test year. From the audit completed by staff, the Utility sold 8,591,000 gallons of water to customers. The Utility estimated 580,395 gallons of water usage for line flushing. The resulting calculation ([9,262,324 + 0 – 8,591,000 – 580,395] / [9,262,324 + 0]) for unaccounted for water is 1.0 percent. Therefore, there is no EUW based on this analysis. Staff recommends that no adjustment be made to purchased power and chemicals for Keen Subdivision.

Based on monthly operating reports, Paradise Island produced 7,723,105 gallons of water from January 1, 2021, to December 31, 2021. No water was purchased during the test year. From the audit completed by staff, the Utility sold 6,668,335 gallons of water to customers. The Utility estimated 502,719 gallons of water usage for line flushing. The resulting calculation ([7,723,105 + 0 – 6,668,335 – 502,719] / [7,723,105 + 0]) for unaccounted for water is 7.1 percent. Therefore, there is no EUW based on this analysis. Staff recommends that no adjustment be made to purchased power and chemicals for Paradise Island.

Conclusion

Keen Subdivision and Paradise Island's WTP and water distribution system should be considered 100 percent U&U. Staff recommends no adjustments to purchased power and chemical expenses should be made for EUW.

Issue 4: What are the appropriate average test year rate base amounts for Keen Subdivision and Paradise Island?

Recommendation: The appropriate average test year rate base for Keen Subdivision is $47,970. The appropriate average test year rate base for Paradise Island is $37,377. (Richards, Davis)

Staff Analysis: The appropriate components of the Utility's rate base include utility plant in service (UPIS), land and land rights, accumulated depreciation, and working capital. Staff selected the test year ended December 31, 2021, for the instant rate case. Commission audit staff determined that the Utility's books and records are in compliance with the National Association of Regulatory Utility Commissioners' Uniform System of Accounts (NARUC USOA). A summary of each component for Keen Subdivision and Paradise Island, and the recommended adjustments are discussed below.

Utility Plant in Service

The Utility recorded UPIS of $221,645 for Keen Subdivision and $92,992 for Paradise Island. Staff made an audit adjustment decreasing UPIS by $18,522 for Keen Subdivision due to lack of supporting documentation. Staff further decreased UPIS by $93 for Keen Subdivision and $189 for Paradise Island to reflect averaging adjustments. Therefore, staff recommends UPIS balance of $203,030 ($221,645 - $18,522 - $93) for Keen Subdivision and $92,804 ($92,992 - $189) for Paradise Island.

Land and Land Rights

The Utility did not record any land and land rights balance for Keen Subdivision. The Utility recorded land and land rights balances of $2,000 for Paradise Island. Staff increased land balance for Keen Subdivision by $578 to reflect the Commission-ordered land balance in the Utility's last rate case, and verified by the Utility in response to Staff's Second Data Request.[7,8] Staff made no adjustments to land and land rights for Paradise Island. Therefore, staff recommends land and land rights balance of $578 for Keen Subdivision and $2,000 for Paradise Island.

Used and Useful

As previously discussed in Issue 3, the Utility's systems are considered 100 percent U&U. Therefore, no U&U adjustments are necessary.

Accumulated Depreciation

The Utility recorded an accumulated depreciation balance of $180,685 for Keen Subdivision and $66,431 for Paradise Island. During the audit, staff made an adjustment decreasing accumulated depreciation by $14,844 for Keen Subdivision due to lack of supporting plant documentation. Additionally, staff made an adjustment decreasing accumulated depreciation for Keen Subdivision by $126 to reflect removal of excess depreciation. Staff made an averaging adjustment decreasing accumulated depreciation by $1,304 for Keen Subdivision and $1,444 for Paradise Island. Therefore, staff recommends accumulated depreciation of $164,412 ($180,685 -

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[7]Order No. PSC-2009-0716-PAA-WU, issued October 28, 2009, in Docket No. 20090072-WU, *In re: Application for staff-assisted rate case in Polk County by Keen Sales, Rentals and Utilities, Inc.*
[8]Document No. 01723-2023, filed on March 3, 2023.

$14,844 - $126 - $1,304) for Keen Subdivision and $64,988 ($66,431 - $1,444) for Paradise Island.

Contributions-in-aid-of-Construction (CIAC)

The Utility did not record any CIAC for Keen Subdivision or Paradise Island. Staff made no adjustments to CIAC, and therefore recommends CIAC balance remain $0 for Keen Subdivision and Paradise Island.

Accumulated Amortization of CIAC

The Utility did not record any accumulated amortization of CIAC for Keen Subdivision or Paradise Island. Staff made no adjustments to accumulated amortization of CIAC, and therefore recommends accumulated amortization of CIAC balance remain $0 for Keen Subdivision and Paradise Island.

Working Capital Allowance

Working capital is defined as the short-term investor-supplied funds that are necessary to meet operating expenses. Consistent with Rule 25-30.433(3), F.A.C., staff used the one-eighth O&M expense (less rate case expense) formula for calculating the working capital allowances. Section 367.081(9), F.S., prohibits a utility from earning a return on the unamortized balance of rate case expense through working capital allowance. As such, staff did not include the annual amortization of rate case expense of $346 for Keen Subdivision, and $324 for Paradise Island. This resulted in adjusted O&M expense balances of $70,190 ($70,536 - $346) for Keen Subdivision and $60,489 ($60,813 - $324) for Paradise Island. Applying this formula, staff recommends a working capital allowance of $8,774 ($70,190 ÷ 8) for Keen Subdivision and $7,561 ($60,489 ÷ 8) for Paradise Island.

Rate Base Summary

Based on the foregoing, staff recommends that the appropriate average test year rate base is $47,970 for Keen Subdivision and $37,377 for Paradise Island. Rate base is shown on Schedule Nos. 1-A and 1-B. The related adjustments are shown on Schedule No. 1-C.

Issue 5: What is the appropriate return on equity and overall rate of return for Keen Subdivision and Paradise Island?

Recommendation: The appropriate return on equity (ROE) for Keen Subdivision and Paradise Island is 10.55 percent with a range of 9.55 percent to 11.55 percent. The appropriate overall rate of return for Keen Subdivision and Paradise Island is 6.12 percent. (Richards)

Staff Analysis: The Utility was not able to provide an interest rate on its long-term debt. As no interest rate was provided, staff used the assumed Baa3 rated utility bond yield of 6.10 percent, consistent with the Commission-approved leverage formula currently in effect.[9]

The Utility recorded negative retained earnings of $114,920 for Keen Subdivision and $587,171 for Paradise Island. It is Commission practice to remove negative retained earnings from the capital structure.[10]

The Utility's capital structure has been reconciled with staff's recommended rate base. The appropriate ROE is 10.55 percent for Keen Subdivision and Paradise Island based on the Commission-approved leverage formula currently in effect.[11]

Staff recommends an ROE of 10.55 percent with a range of 9.55 percent and 11.55 percent, and an overall rate of return of 6.12 percent for Keen Subdivision and Paradise Island. The ROE and overall rate of return are shown on Schedule Nos. 2-A and 2-B.

[9]Order No. PSC-2022-0208-PAA-WS, issued on June 15, 2022, in Docket No. 20220006-WS, *In re: Water and wastewater industry annual reestablishment of authorized range of return on common equity for water and wastewater utilities pursuant to Section 367.081(4)(f), F.S.*
[10]Order No. PSC-2020-0119-PAA-WS, issued April 20, 2020, in Docket No. 20190113-WS, *In re: Application for staff-assisted rate case in Manatee County by Heather Hills Utilities, LLC.*
[11]Order No. PSC-2022-0208-PAA-WS.

Issue 6: What are the appropriate test year operating revenues for Keen's water systems?

Recommendation: The appropriate test year operating revenues for Keen are $68,538 for the Keen Subdivision water system and $42,888 for the Paradise Island water system. (Bruce)

Staff Analysis: For its Keen Subdivision water system, Keen recorded test year operating revenues of $64,388, which represented only service revenues and no miscellaneous revenues during the test year. The Utility had a rate change during the test year.[12] Therefore, to determine the appropriate service revenues for the test year, staff annualized service revenues by applying the number of billing determinants to the Utility's rates effective in September of 2021. As a result, staff determined that service revenues for water should be $68,538, which is an increase of $4,150 ($68,538 - $64,388). Based on the above, staff recommends the appropriate test year operating revenues for the Keen Subdivision water system are $68,538.

For the Paradise Island water system, the Utility recorded test year operating revenues of $44,041, which represented only service revenues and no miscellaneous revenues during the test year. The Utility had a rate change during the test year.[13] Therefore, to determine the appropriate service revenues for the test year, staff annualized service revenues by applying the number of billing determinants to the Utility's rates effective in September of 2021. As a result, staff determined that service revenues for water should be $42,888, which is a decrease of $1,153 ($44,041 - $42,888). Based on the above, staff recommends the appropriate test year operating revenues for the Paradise Island water system are $42,888.

Based on the above, the appropriate test year operating revenues for Keen are $68,538 for the Keen Subdivision water system and $42,888 for the Paradise Island water system.

[12]The Utility had a price index which went into effect on September 12, 2021.
[13]Ibid.

Issue 7: What are the appropriate operating expenses for Keen?

Recommendation: The appropriate amount of operating expenses are $77,869 for Keen Subdivision and $67,656 for Paradise Island. (Richards)

Staff Analysis: The Utility recorded operating expenses of $67,785 for Keen Subdivision and $77,680 for Paradise Island. The test year Operating Expenses have been reviewed by staff including invoices and other supporting documentation. Staff has made several adjustments to the Utility's operating expenses as described below.

Operation and Maintenance Expenses (O&M)

The Utility's common O&M expenses are allocated to Keen Subdivision and Paradise Island based on the number of customers as outlined in the previous Order.[14] The cost allocation is 55 percent to Keen Subdivision and 45 percent to Paradise Island.

Salaries and Wages – Employees (601)

The Utility recorded salaries and wages – employees expense of $18,720 for Keen Subdivision and $22,880 for Paradise Island. Staff increased this account by $4,160 for Keen Subdivision and decreased this account by $4,160 for Paradise Island to reflect the appropriate common cost allocations. Therefore, staff recommends salaries and wages – employees expense of $22,880 ($18,720 + $4,160) for Keen Subdivision and $18,720 ($22,880 - $4,160) for Paradise Island.

Salaries and Wages – Officers and Directors (603)

The Utility recorded salaries and wages – officers and directors of $11,880 for Keen Subdivision and $14,520 for Paradise Island. Staff increased this account by $2,640 for Keen Subdivision and decreased this account by $2,640 for Paradise Island to reflect the appropriate common cost allocations. Therefore, staff recommends salaries and wages – officers and directors expense of $14,520 ($11,880 + $2,640) for Keen Subdivision and $11,880 ($14,520 - $2,640) for Paradise Island.

Employee Pension and Benefits (604)

The Utility recorded employee pension and benefits of $5,492 for Keen Subdivision and $6,712 for Paradise Island. Staff increased this account by $1,357 for Keen Subdivision and decreased this account by $1,108 for Paradise Island to reflect the appropriate common cost allocations. Additionally, staff increased this amount by $112 for Keen Subdivision to reflect the appropriate balance. Therefore, staff recommends employee pension and benefits of $6,961 ($5,492 + $1,357 + $112) for Keen Subdivision and $5,604 ($6,712 - $1,108) for Paradise Island.

Purchased Power (615)

The Utility recorded purchased power expense of $2,606 for Keen Subdivision and $1,547 for Paradise Island. Staff decreased this amount by $21 for Keen Subdivision and increased purchased power expense by $9 for Paradise Island to reflect appropriate system-specific and allocated cost adjustments. Therefore, staff recommends purchased power expense of $2,585 ($2,606 - $21) for Keen Subdivision and $1,556 ($1,547 + $9) for Paradise Island.

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[14]Order No. PSC-2009-0716-PAA-WU, issued October 28, 2009, in Docket No. 20090072-WU, *In re: Application for staff-assisted rate case in Polk County by Keen Sales, Rentals and Utilities, Inc.*

Chemicals Expense (618)

The Utility recorded chemicals expense of $1,337 for Keen Subdivision and $1,150 for Paradise Island. Staff increased this amount by $77 for Keen Subdivision and $82 for Paradise Island to reflect appropriate amounts. Therefore, staff recommends chemicals expense of $1,414 ($1,337 + $77) for Keen Subdivision and $1,232 ($1,150 + $82) for Paradise Island.

Materials and Supplies (620)

The Utility recorded materials and supplies expenses of $613 for Keen Subdivision and $1,071 for Paradise Island. Staff increased this account by $73 for Keen Subdivision and decreased this account by $608 for Paradise Island to reflect appropriate system-specific and allocated cost adjustments. Staff further increased this amount by $61 for Keen Subdivision and $263 for Paradise Island to reflect audit adjustments. Additionally, staff decreased this amount by $88 for Paradise Island to reflect removal of out of test year amounts. Therefore, staff recommends materials and supplies expenses of $747 ($613 + $73 + $61) for Keen Subdivision and $638 ($1,071 - $608 + $263 - $88) for Paradise Island.

Contractual Services – Professional (631)

The Utility recorded contractual services – professional expense of $1,967 for Keen Subdivision and $2,249 for Paradise Island. Staff decreased this account by $23 for Keen Subdivision and $223 for Paradise Island to reflect appropriate system-specific and allocated cost adjustments. Additionally, staff decreased contractual services – professional by $100 for Paradise Island to reflect a five year amortization of the replacement of a curb stop. Therefore, staff recommends contractual services – professional expense of $1,944 ($1,967 - $23) for Keen Subdivision and $1,926 ($2,249 - $223 - $100) for Paradise Island.

Contractual Services – Accounting (632)

The Utility did not record any contractual services – accounting expenses for Keen Subdivision nor Paradise Island. Staff increased this account by $38 for Keen Subdivision and $31 for Paradise Island to reflect the appropriate common cost allocations of filing the Utility's federal tax return. Additionally, staff increased this account by $123 for Keen Subdivision and $100 for Paradise Island to reflect the appropriate common cost allocations of filing the Utility's Annual Report. Therefore, staff recommends contractual services – accounting expense of $161 ($38 + $123) for Keen Subdivision and $131 ($31 + $100) for Paradise Island.

Contractual Services – Testing (635)

The Utility recorded contractual services – testing expenses of $7,479 for Keen Subdivision and $7,422 for Paradise Island. Staff decreased this account by $3,741 for Keen Subdivision and $998 for Paradise Island to reflect appropriate system-specific and allocated cost adjustments. Therefore, staff recommends contractual services – testing expenses of $3,738 ($7,479 - $3,741) for Keen Subdivision and $6,424 ($7,422 - $998) for Paradise Island.

Contractual Services – Other (636)

The Utility recorded contractual services – other expenses of $1,474 for Keen Subdivision and $1,189 for Paradise Island. Staff reduced this account by $1,160 for Keen Subdivision and increased this account by $466 to reflect appropriate system-specific and allocated cost adjustments. Staff decreased this account by $33 for Keen Subdivision and $27 for Paradise Island to reflect the five-year amortization cost of relocating a mailbox. Staff also decreased this account by $644 for Paradise Island to reflect the five-year amortization cost of relocating an electric pole. Additionally, staff increased this account by $676 for Keen Subdivision to reflect audit adjustments. Therefore, staff recommends contractual services – other expense of $957 ($1,474 - $1,160 - $33 + $676) for Keen Subdivision and $984 ($1,189 + $466 - $27 - $644) for Paradise Island.

Rental Expense (640)

The Utility recorded rental expense of $4,860 for Keen Subdivision and $5,940 for Paradise Island. Staff increased this account by $1,080 for Keen Subdivision and reduced this amount by $1,080 for Paradise Island to reflect the appropriate common cost allocations. Therefore, staff recommends rental expense of $5,940 ($4,860 + $1,080) for Keen Subdivision and $4,860 ($5,940 - $1,080) for Paradise Island.

Transportation Expense (650)

The Utility recorded transportation expenses of $210 for Keen Subdivision and $204 for Paradise Island. Staff increased transportation expense for Keen Subdivision by $17 and decreased transportation expense for Paradise Island by $18 to reflect the appropriate common cost allocations. Therefore, staff recommends transportation expenses of $227 ($210 + $17) for Keen Subdivision and $186 ($204 - $18) for Paradise Island.

Insurance Expense (655)

The Utility recorded insurance expenses of $3,143 for Keen Subdivision and $3,444 for Paradise Island. Staff increased this amount by $463 for Keen Subdivision and decreased insurance expense by $494 for Paradise Island to reflect the appropriate common cost allocations. Additionally, staff increased insurance expense by $1,326 for Keen Subdivision to reflect auditing adjustments. Therefore, staff recommends insurance expenses of $4,932 ($3,143 + $463 + $1,326) for Keen Subdivision and $2,950 ($3,444 - $494) for Paradise Island.

Rate Case Expense (665)

The Utility did not record any rate case expense. The Utility is required by Rule 25-22.0407, F.A.C., to mail notices of the rate case overview, final rates, and four-year rate reduction. Staff calculated noticing costs to be $383 for Keen Subdivision and $295 for Paradise Island. In addition to the $1,000 filing fee for each system, staff recommends total rate case expense of $1,383 ($383 + $1,000) for Keen Subdivision and $1,295 ($295 + $1,000) for Paradise Island. Amortized over four years, the annual expense is $346 for Keen Subdivision and $324 for Paradise Island.

Bad Debt Expense (670)

The Utility did not record any bad debt expense for either Keen Subdivision or Paradise Island for the test year. Over the past four years, 2019 through 2022, the Utility recorded what staff believes to be anomalous levels of bad debt expense.[15] Consistent with Commission practice, staff used the remaining three years to calculate a three-year average for each system.

[15]The Utility recorded bad debt expense of $1,812 in its 2020 Annual Report for Keen Subdivision, and $1,856 in its 2019 Annual Report for Paradise Island. Staff did not use these amounts in the three-year average.

Therefore, staff recommends bad debt expense of $59 for Keen Subdivision and $7 for Paradise Island.

Miscellaneous Expense (675)

The Utility recorded miscellaneous expenses of $2,327 for Keen Subdivision and $4,590 for Paradise Island. Staff increased this account by $418 for Keen Subdivision and decreased this account by $830 for Paradise Island to reflect appropriate system-specific and allocated cost adjustments. Additionally, staff decreased miscellaneous expense by $451 for Keen Subdivision and $369 for Paradise Island to reflect removal of non-utility expenses.

Staff further decreased miscellaneous expense by $342 for Keen Subdivision to reflect removal of an out-of-test-year expense. Staff made two additional adjustments increasing miscellaneous expense for Keen Subdivision by $700 and $474 as to reflect reclassification of a licensing fee from taxes other than income (TOTI) and to reflect an audit adjustment, respectively. A summary of staff's adjustments to miscellaneous expense is shown in Table 7-1 below:

Table 7-1
Staff's Adjustments to Miscellaneous Expense

Description	Keen Subdivision	Paradise Island
Appropriate common cost allocations.	$418	($830)
Removal of non-utility expenses.	(451)	(369)
Removal of out-of-test-year expense.	(342)	0
Reclassification of licensing fee from TOTI.	700	0
Audit adjustment.	474	0
Total adjustments to miscellaneous expense.	$799	($1,199)

Source: Staff analysis.

As outlined above in Table 7-1, staff made an adjustment to increase miscellaneous expense by $799 for Keen Subdivision, and decrease miscellaneous expense by $1,199 for Paradise Island. Therefore, staff recommends miscellaneous expense of $3,126 ($2,327 + $799) for Keen Subdivision and $3,391 ($4,590 - $1,199) for Paradise Island

Operation and Maintenance Expense Summary

The Utility recorded O&M expenses of $62,108 for Keen Subdivision and $72,918 for Paradise Island for the test year. Based on the above adjustments, staff recommends the O&M expense balance be increased by $8,428 for Keen Subdivision and decreased by $12,105 for Paradise Island. These adjustments result in a total O&M expense of $70,536 ($62,108 + $8,428) for Keen Subdivision and $60,813 ($72,918 - $12,105) for Paradise Island. Staff's recommended adjustments to O&M expense are shown on Schedule Nos. 3-D and 3-E.

Depreciation Expense

The Utility recorded depreciation expense of $2,780 for Keen Subdivision and $2,780 for Paradise Island. Using the depreciation rates prescribed in Rule 25-30.140, F.A.C., staff increased depreciation expense by $669 for Keen Subdivision and $107 for Paradise Island.

Therefore, staff recommends depreciation expense of $3,449 ($2,780 + $669) for Keen Subdivision and $2,887 ($2,780 + $107) for Paradise Island.

Taxes Other Than Income

The Utility recorded TOTI of $2,897 for Keen Subdivision and $1,982 for Paradise Island. During the staff audit, adjustments were made increasing TOTI by $700 for Keen Subdivision and by $600 for Paradise Island to reflect licensing fees. Staff reversed these adjustments, reclassifying the $700 licensing fee for Keen Subdivision to O&M Account 675, Miscellaneous Expenses. The $600 licensing fee for Paradise Island was already included in O&M Account 675. Additionally, staff increased TOTI by $585 to reflect the appropriate property taxes for Paradise Island. Staff decreased TOTI by $51 for Paradise Island to reflect appropriate regulatory assessment fees (RAFs) based on corrected Utility test year revenues. These adjustments result in a test year TOTI increases of $187 ($700 - $700 + $187) for Keen Subdivision and $533 ($600 - $600 + $585 - $51) for Paradise Island.

As discussed in Issue 9, staff recommends revenues be increased by $17,753 for Keen Subdivision and $32,027 for Paradise Island in order to reflect the change in revenue required to cover expenses and allow an opportunity to achieve a 12 percent operating ratio. As a result, TOTI should be increased by $799 for Keen Subdivision and $1,441 for Paradise Island to reflect RAFs of 4.5 percent on the recommended change in revenues. Therefore, staff recommends TOTI of $3,883 ($2,897 + $187 + $799) for Keen Subdivision and $3,956 ($1,982 + $533 + $1,441) for Paradise Island.

Operating Expense Summary

The Utility recorded operating expenses of $67,785 for Keen Subdivision and $77,680 for Paradise Island. The application of staff’s recommended adjustments to the Utility’s operating expense result in a total operating expense of $77,869 for Keen Subdivision and $67,656 for Paradise Island. Operating expenses are shown on Schedule Nos. 3-A and 3-B, and the related adjustments are shown on Schedule No. 3-C.

Issue 8: Does Keen meet the criteria for application of the operating ratio methodology?

Recommendation: Yes. Keen Subdivision and Paradise Island both meet the requirement for application of the operating ratio methodology for calculating its respective revenue requirements. (Richards)

Staff Analysis: Rule 25-30.4575(2), F.A.C., provides that, in rate cases processed under Rule 25-30.455, F.A.C., the Commission will use the operating ratio methodology to establish the Utility's revenue requirement when its rate base is not greater than 125 percent of O&M expenses, less rate case expense, and the use of the operating ratio methodology does not change the Utility's qualifications for a SARC.

In the instant case, staff has recommended a rate base of $47,970 for Keen Subdivision and $37,377 for Paradise Island. After removal of rate case expense, staff has calculated an adjusted O&M expense of $70,190 ($70,536 - $346) for Keen Subdivision and $60,489 ($60,813 - $324) for Paradise Island. Based on staff's amounts, Keen Subdivision's rate base is 68 percent of its adjusted O&M expenses, and Paradise Island's rate base is 62 percent of its adjusted O&M expenses. Based on these ratios, the Utility qualifies for application of the operating ratio methodology for Keen Subdivision and Paradise Island.

Issue 9: What is the appropriate revenue requirement for Keen?

Recommendation: The appropriate revenue requirement for Keen Subdivision is $86,291, resulting in an annual increase of $17,753 (25.90 percent). The appropriate revenue requirement for Paradise Island is $74,915, resulting in an annual increase of $32,057 (74.67 percent). (Richards)

Staff Analysis: Keen should be allowed an annual increase of $17,753 (25.90 percent) for Keen Subdivision and $32,057 (74.67 percent) for Paradise Island. This should allow the Utility the opportunity to recover its expenses and earn an operating margin of 12 percent pursuant to Rule 25-30.4575, F.A.C. The calculations are shown below in Tables 9-1 and 9-2.

Table 9-1
Keen Subdivision Revenue Requirement

Adjusted O&M Expense	$70,191
Operating Margin (%)	12.00%
Operating Margin ($)	$8,423
Water O&M Expense	70,536
Depreciation Expense	3,449
Taxes Other Than Income	3,883
Revenue Requirement	$86,291
Less Test Year Revenues	$68,538
Annual Increase	$17,753
Percent Increase	25.90%

Source: Staff calculations.

Table 9-2
Paradise Island Revenue Requirement

Adjusted O&M Expense	$60,489
Operating Margin (%)	12.00%
Operating Margin ($)	$7,259
Water O&M Expense	60,813
Depreciation Expense	2,887
Taxes Other Than Income	3,956
Revenue Requirement	$74,915
Less Test Year Revenues	$42,888
Annual Increase	$32,027
Percent Increase	74.67%

Source: Staff calculations.

Issue 10: What are the appropriate rate structures and rates for Keen's water systems?

Recommendation: The recommended rate structure and monthly water rates are shown on Schedule Nos. 4-A and 4-B. 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. (Bruce)

Staff Analysis:

Water Rates

The Utility is located in Polk County in the Southwest Florida Water Management District (SWFWMD). The Utility currently owns and operates two water systems: Keen Subdivision and Paradise Island.

Keen Subdivision

Keen Subdivision provides water service to approximately 126 residential customers and there are no general service customers. A review of the billing data indicates that approximately 2 percent of the residential bills had zero gallons, which signifies a non-seasonal customer base. The average water demand is 5,820 gallons per month. The Utility's current rate structure consists of a base facility charge (BFC) and a three-tier inclining block rate structure. The rate blocks are: (1) 0-6,000 gallons, (2) 6,001-12,000 gallons, and (3) all usage in excess of 12,000 gallons per month. The general service rate structure consists of a BFC and uniform gallonage charge.

Staff performed an analysis of the Utility's billing data for the Keen Subdivision water system in order to evaluate the appropriate rate structure for the residential water customers. The goal of the evaluation was to select the rate design parameters that: (1) produce the recommended revenue requirement; (2) equitably distribute cost recovery among the Utility's customers; (3) establish the appropriate non-discretionary usage threshold for restricting repression; and (4) implement, where appropriate, water conserving rate structures consistent with Commission practice.

In this case, staff recommends that 35 percent of the water revenue be generated from the BFC, which will provide sufficient revenues to design gallonage charges that send the appropriate pricing signals to customers who are using above the non-discretionary level. The average people per household served by the water system is 3; therefore, based on the number of people per household, 50 gallons per day per person, and the number of days per month, the non-discretionary usage threshold should be 5,000 gallons per month.[16] Staff's review of the billing analysis indicates that the discretionary usage above 5,000 gallons represents 47 percent of the

[16]Average person per household was obtained from www.census.gov/quickfacts/polkcounty, Florida.

bills, which account for approximately 29 percent of the water demand. This is considered somewhat high discretionary usage for this customer base.

For this case, staff recommends a continuation of the BFC and a three-tier inclining block rate structure, which includes separate gallonage charges for discretionary and non-discretionary usage for residential water customers. However, staff recommends that the rate blocks be changed to reflect the non-discretionary usage threshold of 5,000 gallons. Therefore, the rate blocks are: (1) 0-5,000 gallons; (2) 5,001-12,000 gallons; and (3) all usage in excess of 12,000 gallons per month. This rate structure sends the appropriate pricing signals because it targets customers with somewhat high consumption levels and minimizes price increases for customers at non-discretionary levels. In addition, the third tier provides an additional pricing signal to customers using in excess of 12,000 gallons of water per month, which represents approximately 5 percent of the usage. General service customers should be billed a BFC and a gallonage charge.

Based on staff's recommended revenue increase of 25.90 percent, the residential consumption can be expected to decline by 307,000 gallons resulting an anticipated average residential demand of 5,613 gallons per month. Staff recommends a 3.6 percent reduction in test year residential gallons for rate setting purposes. As a result, the corresponding reductions are $92 for purchased power expense, $50 for chemical expense, and $7 for RAFs to reflect the anticipated repression, which results in a post-repression revenue requirement of $86,141.

Paradise Island

Paradise Island provides water service to approximately 97 residential customers and there are no general service customers. Approximately 9 percent of the residential bills had zero gallons, which indicates a non-seasonal customer base. The average water demand is 5,719 gallons per month. The Utility's current rate structure consists of a BFC and a three-tier inclining block rate structure. The rate blocks are: (1) 0-5,000 gallons, (2) 5,001-10,000 gallons, and (3) all usage in excess of 10,000 gallons per month. The general service rate structure consists of a BFC and uniform gallonage charge.

Staff performed an analysis of the Utility's billing data for the Paradise Island water system in order to evaluate the appropriate rate structure for the residential water customers. The goal of the evaluation was to select the rate design parameters that: (1) produce the recommended revenue requirement; (2) equitably distribute cost recovery among the Utility's customers; (3) establish the appropriate non-discretionary usage threshold for restricting repression; and (4) implement, where appropriate, water conserving rate structures consistent with Commission practice.

In this case, staff recommends that 30 percent of the water revenue be generated from the BFC, which will provide sufficient revenues to design gallonage charges that send pricing signals to customers using above the non-discretionary level. The average people per household served by the water system is 3; therefore, based on the number of people per household, 50 gallons per day per person, and the number of days per month, the non-discretionary usage threshold should be 5,000 gallons per month.[17] Staff's review of the billing analysis indicates that the

[17]Average person per household was obtained from www.census.gov/quickfacts/polkcounty, Florida.

discretionary usage above 5,000 gallons represents 41 percent of the bills, which account for approximately 37 percent of the water demand. This is considered somewhat high discretionary usage for this customer base.

For this case, staff recommends a continuation of the BFC and a three-tier inclining block rate structure, which includes separate gallonage charges for discretionary and non-discretionary usage for residential water customers. The rate blocks are: (1) 0-5,000 gallons; (2) 5,001-10,000 gallons; and (3) all usage in excess of 10,000 gallons per month. This rate structure sends the appropriate pricing signals because it targets customers with high consumption levels and minimizes price increases for customers at non-discretionary levels. In addition, the third tier provides an additional pricing signal to customers using in excess of 10,000 gallons of water per month, which represents approximately 14 percent of the usage. General service customers should be billed a BFC and a gallonage charge.

Based on staff's recommended revenue increase of 74.67 percent, the residential consumption can be expected to decline by 872,000 gallons resulting in anticipated average residential demand of 4,971 gallons per month. Staff recommends a 13.1 percent reduction in test year gallons for ratesetting purposes. As a result, the corresponding reductions are $204 for purchased power expense, $161 for chemical expense, and $17 for RAFs to reflect the anticipated repression, which results in a post-repression revenue requirement of $74,533.

The recommended rate structure and monthly water rates are shown on Schedule Nos. 4-A and 4-B. 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.

Issue 11: What are the appropriate initial customer deposits for Keen?

Recommendation: The appropriate initial customer deposit should be $110 for the residential 5/8 inch x 3/4 inch meter sizes for Keen Subdivision and Paradise Island. 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. (Bruce)

Staff Analysis: Rule 25-30.311, F.A.C., provides the criteria for collecting, administering, and refunding customer deposits. Customer deposits are designed to minimize the exposure of bad debt expense for the Utility and, ultimately, the general body of ratepayers. An initial customer deposit ensures that the cost of providing service is recovered from the cost causer. Historically, the Commission has set initial customer deposits equal to two times the average estimated bill.[18] Currently, the initial customer deposit for residential and general service 5/8 inch by 3/4 inch meter size is $50 for Keen Subdivision and $92 for Paradise Island, and two times the average estimated bill for all other general service meter sizes. However, this amount does not cover two months' average bills based on staff's recommended rates. The Utility's average monthly residential water usage after repression is 5,613 gallons per customer for Keen Subdivision and 4,971 gallons per customer for Paradise Island. Therefore, the average residential monthly bill based on staff's recommended rates is approximately $55 for Keen Subdivision and Paradise Island.

Staff recommends the appropriate initial customer deposits should be $110 for the residential 5/8 inch x 3/4 inch meter sizes for Keen Subdivision and Paradise Island. 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.

[18]Order No. PSC-2022-0437-PAA-WS, issued December 27, 2022, in Docket No. 20220088-WS, *In re: Application for certificates to provide water and wastewater service and approval of initial rates and charges in Sumter County, by Middleton Utility, LLC.*

Issue 12: What are the appropriate amounts by which rates should be reduced four years after the published effective date to reflect removal of the amortized rate case expenses?

Recommendation: The rates should be reduced as shown on Schedule Nos. 4-A and 4-B, to remove rate case expenses grossed-up for RAFs and amortized over a four-year period. Pursuant to Section 367.081(8), F.S., the decrease in rates should become effective immediately following the expiration of the rate case expense recovery period. Keen should be required to file revised tariffs and a proposed customer notice setting forth the lower rates and rationale no later than one month prior to the effective date of the new rates. If the Utility files revised tariffs reflecting this reduction in conjunction with a price index or pass-through rate adjustments, 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. (Bruce, Haddix)

Staff Analysis: Section 367.081(8), F.S., requires that the rates be reduced by the amount of the rate case expense previously included in rates immediately following the expiration of the recovery period. With respect to Keen, the reduction, will reflect the removal of revenue associated with the amortization of rate case expense and the gross-up for RAFs. The total reduction is $362 for Keen Subdivision, and $339 for Paradise Island.

Staff recommends that the rates should be reduced as shown on Schedule Nos. 4-A and 4-B, to remove rate case expense grossed-up for RAFs and amortized over a four-year period. Pursuant to Section 367.081(8), F.S., the decrease in rates should become effective immediately following the expiration of the rate case expense recovery period. Keen should be required to file revised tariffs and a proposed customer notice setting forth the lower rates and rationale no later than one month prior to the effective date of the new rates. If the utility files revised tariffs reflecting 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 rates due to the amortized rate case expense.

Issue 13: Should the recommended rates be approved for Keen on a temporary basis, subject to refund with interest, in the event of a protest filed by a party other than the Utility?

Recommendation: Yes. Pursuant to Section 367.0814(7), F.S., the recommended rates should be approved for the Utility on a temporary basis, subject to refund with interest, in the event of a protest filed by a party other than the Utility. Keen Sales Rental and Utilities should file revised tariff sheets and a proposed customer notice reflecting the Commission-approved rates. The approved rates should be effective for services 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 temporary rates should not be implemented until staff has approved the proposed notice, and the notice has been received by the customers. Further, prior to implementing any temporary rates, the Utility should provide appropriate financial security.

If the recommended rates are approved on a temporary basis, the rates collected by the Utility should be subject to the refund provisions discussed below in the staff analysis. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., the Utility should file reports with the Commission's Office of Commission Clerk no later than the 20th of each month indicating both the current monthly and total amount 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. (Haddix)

Staff Analysis: This recommendation proposes an increase in rates. A timely protest might delay a rate increase resulting in an unrecoverable loss of revenue to the Utility. Therefore, pursuant to Section 367.0814(7), F.S., in the event of a protest filed by a party other than the Utility, staff recommends that the proposed rates be approved on a temporary basis. Keen should file revised tariff sheets and a proposed customer notice reflecting 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 temporary rates should not be implemented until staff has approved the proposed notice, and it has been received by the customers. The additional revenue produced by staff's recommended rates and collected by the Utility should be subject to the refund provisions discussed below.

Keen should be authorized to initiate the temporary rates upon staff's approval of an appropriate security for the potential refund and cost of the proposed customer notice. Security should be in the form of either a bond or letter of credit in the amount of $12,236 for Keen Subdivision and $22,074 for Paradise Island. Alternatively, the Utility may establish an escrow agreement with an independent financial institution.

If the Utility chooses a bond for security the potential refund, the bond should contain wording to the effect that it will be terminated only under the following conditions:

1. The Commission approves the rate increase; or,

2. If the Commission denies the increase, the Utility shall refund the amount collected that is attributable to the increase.

If the Utility chooses a letter of credit for securing the potential refund, the letter of credit should contain the following conditions:

1. The letter of credit is irrevocable for the period it is in effect.

2. The letter of credit will be in effect until a final Commission order is rendered, either approving or denying the rate increase.

If security is provided through an escrow agreement, the following conditions should be part of the agreement:

1. The Commission Clerk, or his or her designee, must be a signatory to the escrow agreement.

2. No monies in the escrow account may be withdrawn by the Utility without the prior written authorization of the Commission Clerk, or his or her designee

3. The escrow account shall be an interest bearing account.

4. If a refund to the customers is required, all interest earned by the escrow account shall be distributed to the customers.

5. If a refund to the customers is not required, the interest earned by the escrow account to a Commission representative at all times.

6. All information on the escrow account shall be available from the holder of the escrow account to a Commission representative all the times.

7. The amount of revenue subject to refund shall be deposited in the escrow account within seven days of receipt.

8. This escrow account is established by the direction of the Florida Public Service Commission for the purpose(s) set forth in its order requiring such account. Pursuant to Consentino v. Elson, 263 So.2d 253 (Fla. 3d DCA 1972), escrow accounts are not subject to garnishments.

9. The account must specify by whom and on whose behalf such monies were paid.

In no instance should the maintenance and administrative costs associated with the refund be borne by the customers. These costs are the responsibility of, and should be borne by, the Utility. Irrespective of the form of security chosen by the Utility, an account of all monies received as a result of the rate increase should be maintained by the Utility. If a refund is ultimately required, it should be paid with interest calculated pursuant to Rule 25-30.360(4), F.A.C.

The Utility should maintain a record of the amount of the bond, and the amount of revenue that are subject to refund. 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.

Issue 14: Should Keen be required to notify the Commission within 90 days of an effective order finalizing this docket, that it has adjusted its books for all the applicable National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts?

Recommendation: Yes. Keen should be required to notify the Commission, in writing, that it has adjusted its books in accordance with the Commission's decision. Keen should submit a letter within 90 days of the Commission's final order in this docket, confirming that the adjustments to all applicable NARUC USOA primary accounts have been made to the Utility's books and records. In the event the Utility needs additional time to complete the adjustments, a notice providing good cause should be filed not less than seven days prior to the deadline. Upon providing a notice of good cause, staff should be given administrative authority to grant an extension of up to 60 days. (Richards)

Staff Analysis: Keen should be required to notify the Commission, in writing, that it has adjusted its books in accordance with the Commission's decision. Keen should submit a letter within 90 days of the Commission's final order in this docket, confirming that the adjustments to all the applicable NARUC USOA primary accounts have been made to the Utility's books and records. In the event the Utility needs additional time to complete the adjustments, a notice providing good cause should be filed not less than seven days prior to the deadline. Upon providing a notice of good cause, staff should be given administrative authority to grant an extension of up to 60 days.

Issue 15: 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. Once these actions are complete, this docket should be closed administratively. (Sparks)

Staff Analysis: 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. Once these actions are complete, this docket should be closed administratively.

KEEN SALES, RENTALS AND UTILITIES, INC. **SCHEDULE NO. 1-A**
KEEN SUBDIVISION **DOCKET NO. 20220157-WU**
TEST YEAR ENDED 12/31/2021
SCHEDULE OF WATER RATE BASE

	DESCRIPTION	BALANCE PER UTILITY	STAFF ADJUST.	BALANCE PER STAFF
1.	UTILITY PLANT IN SERVICE	$221,645	($18,615)	$203,030
2.	LAND & LAND RIGHTS	0	578	578
3.	ACCUMULATED DEPRECIATION	(180,685)	16,274	(164,412)
4.	CIAC	0	0	0
5.	ACCUMULATED AMORT. CIAC	0	0	0
6.	WORKING CAPITAL ALLOWANCE	0	8,774	8,774
	WATER RATE BASE	$40,959	$7,011	$47,970

KEEN SALES, RENTALS AND UTILITIES, INC. **SCHEDULE NO. 1-B**
PARADISE ISLAND **DOCKET NO. 20220157-WU**
TEST YEAR ENDED 12/31/2021
SCHEDULE OF WATER RATE BASE

	DESCRIPTION	BALANCE PER UTILITY	STAFF ADJUST.	BALANCE PER STAFF
1.	UTILITY PLANT IN SERVICE	$92,992	($189)	$92,804
2.	LAND & LAND RIGHTS	2,000	0	2,000
3.	ACCUMULATED DEPRECIATION	(66,431)	1,444	(64,988)
4.	CIAC	0	0	0
5.	ACCUMULATED AMORT. CIAC	0	0	0
6.	WORKING CAPITAL ALLOWANCE	0	7,561	7,561
	WATER RATE BASE	$28,561	$8,816	$37,377

KEEN SALES, RENTALS AND UTILITIES, INC. **SCHEDULE NO. 1-C**
TEST YEAR ENDED 12/31/2021 **DOCKET NO. 20220157-WU**
ADJUSTMENTS TO RATE BASE

		KEEN SUBDIVISION	PARADISE ISLAND
	UTILITY PLANT IN SERVICE		
1.	To reflect an audit adjustment.	($18,522)	$0
2.	To reflect an averaging adjustment.	(93)	(189)
	Total	($18,615)	($189)
	LAND AND LAND RIGHTS		
	To reflect the appropriate land balance (DR 2).	$578	$0
	ACCUMULATED DEPRECIATION		
1.	To reflect an audit adjustment.	$14,844	$0
2.	To correct for over depreciation.	126	0
3.	To reflect a averaging adjustments.	1,304	1,444
	Total	$16,274	$1,444
	WORKING CAPITAL ALLOWANCE		
	To reflect 1/8 of test year O&M expenses.	$8,774	$7,561

KEEN SALES, RENTALS AND UTILITIES, INC. **SCHEDULE NO. 2-A**
KEEN SUBDIVISION **DOCKET NO. 20220157-WU**
TEST YEAR ENDED 12/31/2021
SCHEDULE OF CAPITAL STRUCTURE

	CAPITAL COMPONENT	PER UTILITY	SPECIFIC ADJUST-MENTS	BALANCE AFTER ADJUST	PRO RATA ADJUST-MENTS	BALANCE PER STAFF	PERCENT OF TOTAL	COST	WEIGHTED COST
1.	LONG-TERM DEBT	$64,408	$0	$64,408	($17,729)	$46,679	97,31%	6.10%	5.97%
2.	SHORT-TERM DEBT	1,431	0	1,431	(394)	1,037	2.16%	8.00%	0.17%
3.	COMMON EQUITY	(114,920)	114,920	0	0	0	0.00%	10.55%	0.00%
4.	CUSTOMER DEPOSITS	350	0	350	(96)	254	0.53%	2.00%	0.01%
	TOTAL CAPITAL	($48,731)	$114,920	$66,189	($18,219)	$47,970	100.00%		6.12%

RANGE OF REASONABLENESS	LOW	HIGH
RETURN ON EQUITY	9.55%	11.55%
OVERALL RATE OF RETURN	6.12%	6.12%

KEEN SALES, RENTALS AND UTILITIES, INC.
PARADISE ISLAND
TEST YEAR ENDED 12/31/2021
SCHEDULE OF CAPITAL STRUCTURE

SCHEDULE NO. 2-B
DOCKET NO. 20220157-WU

	CAPITAL COMPONENT	PER UTILITY	SPECIFIC ADJUST-MENTS	BALANCE AFTER ADJUST	PRO RATA ADJUST-MENTS	BALANCE PER STAFF	PERCENT OF TOTAL	COST	WEIGHTED COST
1.	LONG-TERM DEBT	$47,829	$0	$47,829	($11,841)	$35,988	96.28%	6.10%	5.87%
2.	SHORT-TERM DEBT	1,386	0	1,386	(343)	1,043	2.79%	8.00%	0.22%
3.	COMMON EQUITY	(587,171)	587,171	0	0	0	0.00%	10.55%	0.00%
4.	CUSTOMER DEPOSITS	460	0	460	(114)	346	0.93%	2.00%	0.02%
5.	DEF INCOME TAXES	1,982	(1,982)	0	0	0	0.00%	0.00%	0.00%
	TOTAL CAPITAL	($535,514)	$585,189	$49,675	($12,298)	$37,377	100.00%		6.12%

RANGE OF REASONABLENESS	LOW	HIGH
RETURN ON EQUITY	9.55%	11.55%
OVERALL RATE OF RETURN	6.12%	6.12%

KEEN SALES, RENTALS AND UTILITIES, INC.
KEEN SUBDIVISION
TEST YEAR ENDED 12/31/2021
SCHEDULE OF WATER OPERATING INCOME

SCHEDULE NO. 3-A
DOCKET NO. 20220157-WU

		TEST YEAR UTILITY	STAFF ADJUST-MENTS	STAFF ADJUSTED TEST	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1.	**TOTAL OPERATING REVENUES**	$64,388	$4,150	$68,538	$17,753 25.90%	$86,291
	OPERATING EXPENSES:					
2.	OPERATION & MAINTENANCE	$62,108	$8,428	$70,536	$0	$70,536
3.	DEPRECIATION (NET)	2,780	669	3,449	0	3,449
4.	AMORTIZATION	0	0	0	0	0
5.	TAXES OTHER THAN INCOME	2,897	187	3,084	799	3,883
6.	INCOME TAXES	0	0	0	0	0
	TOTAL OPERATING EXPENSES	$67,785	$9,284	$77,070	$799	$77,869
7.	**OPERATING INCOME / (LOSS)**	($3,397)		($8,532)		$8,423
8.	**WATER RATE BASE**	$40,959				$47,970
9.	**OPERATING RATIO**					12.00%

KEEN SALES, RENTALS AND UTILITIES, INC.
PARADISE ISLAND
TEST YEAR ENDED 12/31/2021
SCHEDULE OF WATER OPERATING INCOME

SCHEDULE NO. 3-B
DOCKET NO. 20220157-WU

		TEST YEAR UTILITY	STAFF ADJUST-MENTS	STAFF ADJUSTED TEST	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1.	**TOTAL OPERATING REVENUES**	$44,041	($1,153)	$42,888	$32,027	$74,915
					74.67%	
	OPERATING EXPENSES:					
2.	OPERATION & MAINTENANCE	$72,918	($12,105)	$60,813	$0	$60,813
3.	DEPRECIATION (NET)	2,780	107	2,887	0	2,887
4.	AMORTIZATION	0	0	0	0	0
5.	TAXES OTHER THAN INCOME	1,982	533	2,515	1,441	3,956
6.	INCOME TAXES	0	0	0	0	0
	TOTAL OPERATING EXPENSES	$77,680	($11,465)	$66,215	$1,441	$67,656
7.	**OPERATING INCOME / (LOSS)**	($33,639)		($23,327)		$7,259
8.	**WATER RATE BASE**	$28,561				$37,377
9.	**OPERATING RATIO**					12.00%

KEEN SALES, RENTALS AND UTILITIES, INC. **SCHEDULE NO. 3-C**
TEST YEAR ENDED 12/31/2021 **DOCKET NO. 20220157-WU**
ADJUSTMENTS TO OPERATING INCOME **PAGE 1 OF 3**

		KEEN SUBDIVISION	PARADISE ISLAND
	OPERATING REVENUES		
1.	To reflect audit adjustments.	$4,150	$18,189
2.	To reflect appropriate test year service revenues.	0	($19,342)
	Total	$4,150	($1,153)
	OPERATION AND MAINTENANCE EXPENSE		
1.	Salaries and Wages – Employees (601)		
	To reflect appropriate common cost allocations.	$4,160	($4,160)
2.	Salaries and Wages – Officers and Directors (603)		
	To reflect appropriate common cost allocations.	$2,640	($2,640)
3.	Employee Pensions and Benefits (604)		
	a. To reflect appropriate common cost allocations.	$1,357	($1,108)
	b. To reflect an audit adjustment.	112	0
	Subtotal	$1,469	($1,108)
4.	Purchased Power (615)		
	To reflect appropriate common cost allocations.	($21)	$9
5.	Chemicals Expense (618)		
	To reflect audit adjustments.	$77	$82
6.	Materials and Supplies (620)		
	a. To reflect appropriate common cost allocations.	$73	($608)
	b. To reflect audit adjustments.	61	263
	c. To reflect removal of out-of-test-year expense.	0	(88)
	Subtotal	$134	($433)
7.	Contractual Services – Professional (631)		
	a. To reflect appropriate common cost allocations.	($23)	($223)
	b. To reflect five-year amort. of curb stop replacement.	0	(100)
	Subtotal	($23)	($323)
8.	Contractual Services – Accounting (632)		
	a. To reflect allocated portion of federal tax return filing.	$38	$31
	b. To reflect allocated portion of Annual Report filing.	123	100
	Subtotal	$161	$131

KEEN SALES, RENTALS AND UTILITIES, INC. **SCHEDULE NO. 3-C**
TEST YEAR ENDED 12/31/2021 **DOCKET NO. 20220157-WU**
ADJUSTMENTS TO OPERATING INCOME **PAGE 2 OF 3**

		KEEN SUBDIVISION	PARADISE ISLAND
9.	Contractual Services – Testing (635)		
	To reflect appropriate common cost allocations.	($3,741)	($998)
10.	Contractual Services – Other (636)		
	a. To reflect appropriate common cost allocations.	($1,160)	$466
	b. To reflect five-year amortization of mailbox relocation.	(33)	(27)
	c. To reflect five-year amort. of elec. pole relocation.	0	(644)
	d. To reflect audit adjustments.	676	0
	Subtotal	($517)	($205)
11.	Rental Expense (640)		
	To reflect appropriate common cost allocations.	$1,080	($1,080)
12.	Transportation Expense (650)		
	To reflect appropriate common cost allocations.	$17	($18)
13.	Insurance Expense (655)		
	a. To reflect appropriate common cost allocations.	$463	($494)
	b. To reflect audit adjustments.	1,326	0
	Subtotal	$1,789	($494)
14.	Rate Case Expense (665)		
	To reflect 1/4 rate case expense.	$346	$324
15.	Bad Debt Expense (670)		
	To reflect adj. three-year average of bad debt expense.	$59	$7
16.	Miscellaneous Expense (675)		
	a. To reflect appropriate common cost allocations.	$418	($830)
	b. To reflect removal of non-utility expenses.	(451)	(369)
	c. To reflect removal of out-of-test-year expense.	(342)	0
	d. To reflect reclassification of licensing fee from TOTI.	700	0
	e. To reflect audit adjustment.	474	0
	Subtotal	$799	($1,199)
	TOTAL OPERATION AND MAINTENANCE ADJ.	$8,428	($12,105)

KEEN SALES, RENTALS AND UTILITIES, INC.	SCHEDULE NO. 3-C	
TEST YEAR ENDED 12/31/2021	DOCKET NO. 20220157-WU	
ADJUSTMENTS TO OPERATING INCOME	PAGE 3 OF 3	
	KEEN SUBDIVISION	**PARADISE ISLAND**
DEPRECIATION EXPENSE		
To reflect appropriate depreciation expense.	$669	$107
TAXES OTHER THAN INCOME		
a. To reflect auditing adjustments.	$887	$2,004
b. To reflect removal of licensing fee.	(700)	(600)
c. To reflect appropriate test year RAFs.	0	(870)
Subtotal	$187	$533
TOTAL OPERATING EXPENSE ADJUSTMENTS	$9,284	($11,465)

KEEN SALES, RENTALS AND UTILITIES, INC. **SCHEDULE NO. 3-D**
KEEN SUBDIVISION **DOCKET NO. 20220157-WU**
TEST YEAR ENDED 12/31/2021
ANALYSIS OF WATER O&M EXPENSE

ACCT.	DESCRIPTION	TOTAL PER UTILITY	STAFF ADJUST-MENT	TOTAL PER STAFF
601	Salaries and Wages – Employees	$18,720	$4,160	$22,880
603	Salaries and Wages – Officers	11,880	2,640	14,520
604	Employee Pensions and Benefits	5,492	1,469	6,961
615	Purchased Power	2,606	(21)	2,585
618	Chemicals Expense	1,337	77	1,414
620	Materials and Supplies	613	134	747
631	Contractual Services – Professional	1,967	(23)	1,944
632	Contractual Services – Accounting	0	161	161
635	Contractual Services – Testing	7,479	(3,741)	3,738
636	Contractual Services – Other	1,474	(517)	957
640	Rents	4,860	1,080	5,940
650	Transportation Expense	210	17	227
655	Insurance Expense	3,143	1,789	4,932
665	Rate Case Expense	0	346	346
670	Bad Debt Expense	0	59	59
675	Miscellaneous Expense	2,327	799	3,126
	Total O&M Expense	$62,108	$8,428	$70,536
	Working Capital is 1/8 of O&M less RCE			$8,774

KEEN SALES, RENTALS AND UTILITIES, INC.
PARADISE ISLAND
TEST YEAR ENDED 12/31/2021
ANALYSIS OF WATER O&M EXPENSE

SCHEDULE NO. 3-E
DOCKET NO. 20220157-WU

ACCT.	DESCRIPTION	TOTAL PER UTILITY	STAFF ADJUST-MENT	TOTAL PER STAFF
601	Salaries and Wages – Employees	$22,880	($4,160)	$18,720
603	Salaries and Wages – Officers	14,520	(2,640)	11,880
604	Employee Pensions and Benefits	6,712	(1,108)	5,604
615	Purchased Power	1,547	9	1,556
618	Chemicals Expense	1,150	82	1,232
620	Materials and Supplies	1,071	(433)	638
631	Contractual Services – Professional	2,249	(323)	1,926
632	Contractual Services – Accounting	0	131	131
635	Contractual Services – Testing	7,422	(998)	6,424
636	Contractual Services – Other	1,189	(205)	984
640	Rents	5,940	(1,080)	4,860
650	Transportation Expense	204	(18)	186
655	Insurance Expense	3,444	(494)	2,950
665	Rate Case Expense	0	324	324
670	Bad Debt Expense	0	7	7
675	Miscellaneous Expense	4,590	(1,199)	3,391
	Total O&M Expense	$72,918	($12,105)	$60,813
	Working Capital is 1/8 of O&M less RCE			$7,561

KEEN SALES, RENTALS, AND UTILITIES, INC. **SCHEDULE NO. 4-A**
KEEN SUBDIVISION **DOCKET NO. 20220157-WU**
TEST YEAR ENDED 12/31/2021
MONTHLY WATER RATES

	UTILITY'S EXISTING RATES	STAFF RECOMMENDED RATES	4-YEAR RATE REDUCTION
Residential Service and General Service			
Base Facility Charge by Meter Size			
5/8" x 3/4"	$16.28	$20.43	$0.09
3/4"	$24.42	$30.65	$0.13
1"	$40.70	$51.08	$0.21
1-1/2"	$81.40	$102.15	$0.43
2"	$130.24	$163.44	$0.69
3"	$260.48	$326.88	$1.37
4"	$407.00	$510.75	$2.15
6"	$814.00	$1,021.50	$4.29
Charge per 1,000 gallons - Residential Service			
0-6,000 gallons	$4.59	N/A	N/A
6,001 - 12,000 gallons	$6.88	N/A	N/A
Over 12,000 gallons	$9.19	N/A	N/A
Charge per 1,000 gallons - General Service	$5.26	N/A	N/A
Charge per 1,000 gallons - Residential Service			
0-5,000 gallons	N/A	$5.85	$0.02
5,001 - 12,000 gallons	N/A	$8.78	$0.04
Over 12,000 gallons	N/A	$11.71	$0.05
Charge per 1,000 gallons - General Service		$6.76	$0.03
Typical Residential 5/8" x 3/4" Meter Bill Comparison			
2,000 Gallons	$25.46	$32.13	
5,000 Gallons	$39.23	$49.68	
10,000 Gallons	$71.34	$93.58	

KEEN SALES, RENTALS, AND UTILITIES, INC. **SCHEDULE NO. 4-B**
PARADISE ISLAND **DOCKET NO. 20220157-WU**
TEST YEAR ENDED 12/31/2021
MONTHLY WATER RATES

	UTILITY'S EXISTING RATES	STAFF RECOMMENDED RATES	4-YEAR RATE REDUCTION
Residential and General Service			
Base Facility Charge by Meter Size			
5/8" x 3/4"	$11.61	$19.18	$0.09
3/4"	$17.42	$28.77	$0.13
1"	$29.03	$47.95	$0.22
1-1/2"	$58.05	$95.90	$0.44
2"	$92.88	$153.44	$0.70
3"	$185.76	$306.88	$1.40
4"	$290.25	$479.50	$2.18
6"	$580.50	$959.00	$4.36
Charge per 1,000 gallons - Residential Service			
0-5,000 gallons	$3.89	$7.23	$0.03
5,001- 10,000 gallons	$4.85	$11.26	$0.05
Over 10,000 gallons	$5.84	$16.89	$0.08
Charge per 1,000 gallons - General Service	$4.67	$9.00	$0.04
Typical Residential 5/8" x 3/4" Meter Bill Comparison			
2,000 Gallons	$19.39	$33.64	
5,000 Gallons	$31.06	$55.33	
10,000 Gallons	$55.31	$111.63	

Item 4

FILED 6/28/2023
DOCUMENT NO. 03844-2023
FPSC - COMMISSION CLERK

State of Florida

Public Service Commission

CAPITAL CIRCLE OFFICE CENTER ● 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: June 28, 2023

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Accounting and Finance (Richards, Haddix, Higgins) ALM
Division of Economics (Hudson, Sibley) JGH
Division of Engineering (Ellis, Thompson) TB
Office of the General Counsel (Imig, Gonzalez-Moreno, Harper) AH

RE: Docket No. 20230071-WU – Application for staff-assisted rate case in Polk County by Pinecrest Utilities, LLC.

AGENDA: 07/11/23 – Regular Agenda – Decision on Interim Rates – Participation is at the Discretion of the Commission

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Graham

CRITICAL DATES: 07/26/23 (60-Day Deadline)

SPECIAL INSTRUCTIONS: None

Table of Contents

Case Background

Pinecrest Utilities, LLC (Pinecrest or Utility) is a Class C utility serving approximately 140 water customers in Polk County. The Utility was transferred to the present operator in 2012.[1] Pinecrest's current rates and charges were approved in its last limited alternative rate increase in 2020.[2]

According to the Utility's 2022 Annual Report, total gross revenue was $59,184, and total operating expense was $82,431, of which, $69,472 were operation and maintenance (O&M) expenses.

On May 26, 2023, the Utility filed an application for a staff-assisted rate case.[3] A test year ended December 31, 2022, has been established for purposes of interim and final rates.

This recommendation addresses the Utility's request for interim rates. The Commission has jurisdiction pursuant to Sections 367.082 and 367.0814(4), Florida Statutes (F.S.).

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[1]Order No. PSC-2012-0475-PAA-WU, issued on September 18, 2012, in Docket No. 20110311-WU, *In re: Application for transfer of Certificate No. 588-W from Pinecrest Ranches, Inc., in Polk County, to Pinecrest Utilities, LLC.*
[2]Order No. PSC-2020-0396-PAA-WS, issued on October 22, 2020, in Docket No. 20200152-WS, *In re: Application for a limited alternative rate increase proceeding in Polk and Marion Counties, by Alturas Water, LLC, Sunrise Water, LLC, Pinecrest Utilities, LLC, and East Marion Utilities, LLC.*
[3]Document No. 03388-2023, filed on May 26, 2023.

Discussion of Issues

Issue 1: Should an interim rate increase for Pinecrest be approved?

Recommendation: Yes. Pinecrest should be authorized to increase its rates on an interim basis by $10,772 as shown below:

	Test Year Revenues	$ Increase	Revenue Requirement	% Increase
Water	$59,184	$10,772	$69,957	18.20%

(Richards, Haddix)

Staff Analysis: On May 26, 2023, Pinecrest filed an application requesting an interim rate increase. Section 367.0814(4), F.S., details the criteria for evaluating a request for an interim rate increase for staff-assisted rate cases.

Section 367.0814(4), F.S., states:

> The Commission may, upon its own motion, or upon petition from the regulated utility, authorize the collection of interim rates until the effective date of the final order. Such interim rates may be based upon a test period different from the test period used in the request for permanent rate relief. To establish interim relief, there must be a demonstration that the operation and maintenance expenses exceed the revenues of the regulated utility, and interim rates shall not exceed the level necessary to cover operation and maintenance expenses as defined by the Uniform System of Accounts for Class C Water and Wastewater Utilities (1996) of the National Association of Regulatory Utility Commissioners.

Staff has reviewed the Utility's O&M expenses in relation to its revenues. Based on the Utility's filing, staff recommends that Pinecrest has demonstrated a *prima facie* entitlement to an interim rate increase in accordance with Section 367.0814(4), F.S.

Revenue Increase

In order to establish interim rate relief as prescribed by Section 367.0814(4), F.S., staff used the Utility's revenues reflected in its 2022 Annual Report for the test year ended December 31, 2022. The test year revenues are $59,184, which is comprised of $57,145 from water service rates and $2,040 from miscellaneous service revenues. The test year O&M expenses are $69,472. The difference between the Utility's reported revenues and O&M expenses is $10,288.

In addition, the interim water increase should be grossed up to include regulatory assessment fees (RAFs). The Commission has previously determined that it would be inappropriate to approve an increase in a utility's rates to cover its operating expenses and deny that same utility the additional funds to cover increased RAFs.[4] The RAFs associated with the interim increase are $485.

In total, Pinecrest should be allowed an interim revenue increase of $10,772 ($10,288 + $485) to produce revenues sufficient to cover O&M expenses and additional RAFs. Thus, staff recommends the appropriate interim revenue requirement should be $69,957. This represents a 18.20 percent increase above the Utility's test year revenues. Table 1-1 shows staff's interim revenue increase calculation.

Table 1-1
Interim Increase Calculation

Utility Test Year O&M Expenses	$69,472
Less: Utility Test Year Revenues	59,184
Revenues to Cover O&M Expenses	$10,288
RAFs on Interim Rate Increase	485
Total Interim Revenue Increase ($)	$10,772
Total Interim Revenue Increase (%)	18.20%

Source: Utility's 2022 Annual Report and staff's calculations.

[4]Order No. PSC-2001-1654-FOF-WS, issued August 13, 2001, in Docket No. 20010396-WS, *In re: Application for staff-assisted rate case in Brevard County by Burkim Enterprises, Inc.*

Issue 2: What are the appropriate interim water rates for Pinecrest?

Recommendation: The interim rate increase of 18.85 percent should be applied as an across-the-board increase to the water service rates. The rates, as shown on Schedule No. 1, should be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), Florida Administrative Code (F.A.C.). The Utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. In addition, the approved rates should not be implemented until the required security has been filed, staff has approved the proposed customer notice, and the notice has been received by the customers. The Utility should provide proof of the date the notice was given within 10 days of the date of the notice. (Sibley)

Staff Analysis: Staff recommends that interim service rates for Pinecrest be designed to allow the Utility the opportunity to generate annual operating revenues of $69,957 for water. Before removal of miscellaneous revenues, this would result in an increase of $10,772 (18.20 percent). To determine the appropriate increase to apply to the service rates, miscellaneous revenues should be removed from the test year revenues. The calculation is as follows:

Table 2-1
Percentage Service Rate Increase

		Water
1	Total Test Year Revenues	$59,185
2	Less: Miscellaneous Revenues	$2,040
3	Test Year Revenues from Service Rates	$57,145
4	Revenue Increase	$10,772
5	Percentage Service Rate Increase (Line 4/Line 3)	18.85

Source: Staff's Interim Recommended Revenue Requirement.

Staff recommends that the interim rate increase of 18.85 percent should be applied as an across-the-board increase to the water service rates. The rates, as shown on Schedule No. 1, should be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), F.A.C. The Utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. In addition, the approved rates should not be implemented until the required security has been filed, staff has approved the proposed customer notice, and the notice has been received by the customers. The Utility should provide proof of the date notice was given within 10 days of the date of the notice.

Issue 3: What is the appropriate security to guarantee the interim increase?

Recommendation: The Utility should be required to open an escrow account or secure a surety bond or letter of credit to guarantee any potential refund of revenues collected under interim conditions. If the security provided is an escrow account, the Utility should deposit $928 into the escrow account each month. Otherwise, the surety bond or letter of credit should be in the amount of $7,424. Pursuant to Rule 25-30.360(6), F.A.C., the Utility should provide a report by the 20th of each month indicating the monthly and total revenue collected subject to refund. Should a refund be required, the refund should be with interest and in accordance with Rule 25-30.360, F.A.C. (Richards, Haddix)

Staff Analysis: Pursuant to Section 367.082, F.S., revenues collected under interim rates shall be placed under bond, escrow, letter of credit, or corporate undertaking subject to refund with interest at a rate ordered by the Commission. As recommended in Issue 1, the interim increase for water is $10,773. In accordance with Rule 25-30.360, F.A.C., staff calculated the potential refund of revenues and interest collected under interim conditions to be $7,424. This amount is based on an estimated eight months of revenue being collected under the recommended interim rates shown on Schedule No. 1.

The criteria for a corporate undertaking include sufficient liquidity, ownership equity, profitability, and interest coverage to guarantee any potential refund. Staff reviewed Pinecrest's financial condition. Because the Utility has no meaningful liquidity, negative interest coverage, has reported significant net losses year over year, and has negative ownership equity, staff does not believe the Utility has the financial capability to support a corporate undertaking in the amount requested at this time. Instead, staff recommends that the Utility be required to secure a surety bond, letter of credit, or escrow agreement to guarantee any potential refund.

If security is provided through an escrow agreement, the following conditions should be part of the agreement:

1) The Commission Clerk, or his or her designee, must be a signatory to the escrow agreement.
2) No monies in the escrow account may be withdrawn by the Utility without the express approval of the Commission Clerk, or his or her designee.
3) The escrow account shall be an interest bearing account.
4) If a refund to the customers is required, all interest earned by the escrow account shall be distributed to the customers.
5) If a refund to the customers is not required, the interest earned by the escrow account shall revert to the Utility.
6) All information on the escrow account shall be available from the holder of the escrow account to a Commission representative at all times.
7) The amount of revenue subject to refund shall be deposited in the escrow account within seven days of receipt.
8) This escrow account is established by the direction of the Florida Public Service Commission for the purpose(s) set forth in its order requiring such account. Pursuant to Cosentino v. Elson, 263 So. 2d 253 (Fla. 3d DCA 1972), escrow accounts are not subject to garnishments.

9) The account must specify by whom and on whose behalf such monies were paid.

If the security provided is a surety bond or a letter of credit, said instrument should be in the amount of $7,424. If the Utility chooses a surety bond as security, the surety bond should state that it will be released or terminated only upon subsequent order of the Commission. If the Utility chooses to provide a letter of credit as security, the letter of credit should state that it is irrevocable for the period it is in effect and that it will be in effect until a final Commission order is rendered releasing the funds to the Utility or requiring a refund.

In no instance should the maintenance and administrative costs associated with the refund be borne by the customers. These costs are the responsibility of, and should be borne by, the Utility. Irrespective of the form of security chosen by the Utility, an account of all monies received as a result of the rate increase should be maintained by the Utility. If a refund is ultimately required, it should be paid with interest calculated pursuant to Rule 25-30.360(4), F.A.C.

Issue 4: Should this docket be closed?

Recommendation: No. Staff recommends that this docket remain open to address the merits of Pinecrest's staff-assisted rate case. (Imig, Gonzalez-Moreno)

Staff Analysis: Staff recommends that this docket remain open to address the merits of Pinecrest's staff-assisted rate case.

PINECREST UTILITIES, LLC **TEST YEAR ENDED 12/31/2022** **MONTHLY WATER RATES**		**SCHEDULE NO. 1** **DOCKET NO. 20230071-WU**
	UTILITY'S EXISTING RATES	**STAFF RECOMMENDED RATES**
Residential and General Service		
Base Facility Charge by Meter Size		
5/8" x 3/4"	$19.63	$23.33
3/4"	$29.45	$35.00
1"	$49.08	$58.33
1-1/2"	$98.15	$116.65
2"	$157.04	$186.64
3"	$314.08	$373.28
4"	$490.75	$583.25
6"	$981.50	$1,166.50
Charge per 1,000 gallons – Residential and General Service	$5.91	$7.02
Typical Residential 5/8" x 3/4" Meter Bill Comparison		
3,000 Gallons	$37.36	$44.39
5,000 Gallons	$49.18	$58.43
10,000 Gallons	$78.73	$93.53

Item 5

State of Florida

Public Service Commission

CAPITAL CIRCLE OFFICE CENTER ● 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: June 28, 2023

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Engineering (M. Watts, Ramos) TB
Division of Accounting and Finance (Sewards, Thurmond) ALM
Division of Economics (Bethea, Hudson) JGH
Office of the General Counsel (Watrous, J. Crawford) JSC

RE: Docket No. 20220149-WS – Application for transfer of wastewater Certificate No. 365-S of Sebring Ridge Utilities, Inc. to CSWR-Florida Utility Operating Company, LLC, in Highlands County.

AGENDA: 07/11/23 – Regular Agenda – Proposed Agency Action for Issues 2, 3, and 4 - Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Graham

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Case Background

Sebring Ridge Utilities, Inc. (Sebring, Utility, or Seller) is a Class C wastewater utility operating in Highlands County. Sebring provides wastewater service to approximately 279 residential and 252 general service customers. The City of Avon Park Utilities provides water service to the area. The Utility is in the Southwest Florida Water Management District (SWFWMD) and is in the Southern Water Use Caution Area. In its 2022 Annual Report, Sebring reported a net operating income of $24,932. The Utility's last staff-assisted rate case was in 1996.[1]

[1] Order No. PSC-96-0869-FOF-WS, issued July 2, 1996, in Docket No. 19950966-WS, *In re: Application for staff-assisted rate case in Highlands County by Sebring Ridge Utilities, Inc.*

In 1984, the Florida Public Service Commission (Commission) issued grandfather water and wastewater Certificate Nos. 434-W and 365-S to Sebring.[2] Since its certification, the Utility has experienced three territory amendments, one of which was the transfer to a governmental authority of its water facilities and the cancellation of its water certificate.[3]

On August 31, 2022, CSWR-Florida Utility Operating Company, LLC (CSWR-Sebring or Buyer) filed an application with the Commission for the transfer of Certificate No. 365-S from Sebring to CSWR-Sebring in Highlands County. The application was found to be deficient. The Buyer cured the deficiencies on January 25, 2023. The sale will close after the Commission votes to approve the transfer. In its application, the Buyer has requested a positive acquisition adjustment, which is discussed in Issue 3. The Office of Public Counsel's (OPC) intervention was acknowledged by Order No. PSC-2023-0138-PCO-SU, issued April 21, 2023.

This recommendation addresses the transfer of the wastewater system and Certificate No. 365-S, the appropriate net book value of the wastewater system for transfer purposes, and the request for an acquisition adjustment. The Commission has jurisdiction pursuant to Sections 367.071 and 367.081, Florida Statutes (F.S.).

[2] Order No. 13564, issued August 3, 1984, in Docket No. 19830049-WS, *In Re: Application of Sebring Ridge Utilities, Inc., for certificates to operate a water and sewer system in Highlands County, pursuant to the provisions of Section 367.041, Florida Statutes.*
[3] Order No. 19116, issued April 6, 1988, in Docket No. 19880255-WS, *In re: Application of Sebring Ridge Utilities, Inc. for amendment of Certificate Nos. 434-W and 365-S in Highlands County*; Order No. PSC-95-0984-FOF-WU, issued August 10, 1995, in Docket No. 19950196-WSU, *In re: Application for amendment of Certificate No. 434-W in Highlands County by Sebring Ridge Utilities, Inc.*; and Order No. PSC-05-0953-FOF-WU, issued October 6, 2005, in Docket No. 20050314-WU, *In re: Application for transfer of facilities operated under Certificate 434-W in Highlands County from Sebring Ridge Utilities, Inc. to City of Avon Park Utilities*.

Discussion of Issues

Issue 1: Should the transfer of Certificate No. 365-S in Highlands County from Sebring Ridge Utilities, Inc. to CSWR-Florida Utility Operating Company, LLC be approved?

Recommendation: Yes. The transfer of the wastewater system and Certificate No. 365-S is in the public interest and should be approved effective the date that the sale becomes final. The resultant Order should serve as the Buyer's certificate and should be retained by the Buyer. The Buyer should submit the executed and recorded deed for continued access to the land upon which its facilities are located, copies of its permit transfer application, and a copy of its signed and executed contract for sale to the Commission within 60 days of the Order approving the transfer, which is final agency action. If the sale is not finalized within 60 days of the transfer Order, the Buyer should file a status update in the docket file. The Utility's existing rates, service availability charges, and initial customer deposits, as shown on Schedule No. 4, should remain in effect until a change is authorized by the Commission in a subsequent proceeding. The tariff pages reflecting the transfer should be effective on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475(1), Florida Administrative Code (F.A.C.). The Seller is current with respect to annual reports and regulatory assessment fees (RAFs) through December 31, 2022. The Buyer should be responsible for filing annual reports and paying RAFs for all future years. (M. Watts, Thurmond, Bethea)

Staff Analysis: On August 31, 2021, CSWR-Sebring filed an application for the transfer of Certificate No. 365-S from Sebring to CSWR-Sebring in Highlands County. The application is in compliance with Section 367.071, F.S., and Commission rules concerning applications for transfer of certificates. The sale to CSWR-Sebring will become final after Commission approval of the transfer, pursuant to Section 367.071(1), F.S.

Noticing, Territory, and Land Ownership

CSWR-Sebring provided notice of the application pursuant to Section 367.071, F.S., and Rule 25-30.030, F.A.C. No objections to the transfer were filed, and the time for doing so has expired. The application contains a description of the service territory, which is appended to this recommendation as Attachment A. In its application, CSWR-Sebring provided a copy of an unrecorded warranty deed as evidence that the Buyer will have rights to long-term use of the land upon which the treatment facilities are located pursuant to Rule 25-30.037(2)(s), F.A.C. CSWR-Sebring committed to providing the executed and recorded deed to the Commission within 60 days after the closing of the sale.

Purchase Agreement and Financing

Pursuant to Rule 25-30.037(2)(g), (h), and (i), F.A.C., the application contains a statement regarding financing and a copy of the purchase agreement, which includes the purchase price, terms of payment, and a list of the assets purchased. There are no guaranteed revenue contracts or customer advances from Sebring that must be disposed of with regard to the transfer. CSWR-Sebring will review all leases and developer agreements and will assume or renegotiate those agreements on a case-by-case basis prior to closing. Any customer deposits will be refunded to customers by the Seller prior to the closing. According to the purchase and sale agreement, the total purchase price for the assets is $540,000. According to the Buyer, the closing has not yet taken place and is dependent on Commission approval of the transfer, pursuant to Section 367.071(1), F.S.

Facility Description and Compliance

Sebring's domestic wastewater treatment plant (WWTP) is a 65,000 gallons per day (gpd) extended aeration plant, consisting of a 16,270 gallon flow equalization basin, 74,490 gallons of aeration, dual clarifiers with a combined capacity of 19,160 gallons, a 3,000 gallon chlorine contact basin, and three 5,000 gallon sludge digester basins. Disinfection is provided by liquid sodium hypochlorite in a 9,200 gallon chlorine contact chamber. The treated water is discharged into a reuse system consisting of two rapid infiltration basins with a total capacity of 65,000 gpd, the permitted capacity of the WWTP. CSWR-Sebring provided a copy of the Utility's current permit from the Florida Department of Environmental Protection (DEP) pursuant to Rule 25-30.037(2)(r)1., F.A.C. The Buyer committed to providing a copy of its permit transfer application, reflecting the change in ownership, to the Commission within 60 days of the contract for sale.

Staff reviewed the most recent DEP compliance evaluation inspections (CEI) for the WWTP. The DEP's December 8, 2020 CEI identified a number of issues that resulted in a file review followed by a warning letter. The warning letter listed twelve items found during the inspection, with the details described in an attached copy of the CEI. Most of the items deal with untimely and/or inaccurate reporting, as well as inadequate recordkeeping. The issues cited for improper plant maintenance were: the pH calibration meter was not bracketed; a clogged diffuser; excessive vegetation in the pond; and accumulated sludge in the pond.

Staff also notes that the DEP issued the Seller's current wastewater permit, effective October 30, 2020, with an Administrative Order and accompanying compliance schedule that detailed actions that Sebring must take in order to reach full compliance with the new requirements. According to the latest information available on the DEP's Oculus site, most of the items on the Compliance Schedule had been completed as of May 17, 2021, with some items pertaining to percolation pond maintenance anticipated to be completed within 30 days. In Exhibit H of the Buyer's application, CSWR-Sebring provides its assessment of Sebring's wastewater treatment plant and lists several improvements and repairs it recommends be made to the system. The Buyer's suggested repairs and improvements are discussed further in Issue 3.

Technical and Financial Ability

Pursuant to Rule 25-30.037(2)(l) and (m), F.A.C., the application contains statements describing the technical and financial ability of the Buyer to provide service to the proposed service area. As referenced in the transfer application, the Buyer will fulfill the commitments, obligations, and representations of the Seller with regards to utility matters. CSWR-Sebring's application states that it owns and operates water and wastewater systems in Missouri, Arkansas, Kentucky, Louisiana, Texas, Mississippi, Arizona, North Carolina, and Tennessee that currently serve more than 73,000 water and 117,000 wastewater customers. The Commission has also approved CSWR's purchase of four Florida certificated utilities in prior dockets.[4]

The Buyer plans to use qualified and licensed contractors to provide routine operation and maintenance (O&M) of the systems, as well as to handle billing and customer service. Staff reviewed the financial statements of CSWR-Sebring and believes the Buyer has documented adequate resources to support the Utility's wastewater operations. Based on the above, the Buyer has demonstrated the technical and financial ability to provide service to the existing service territory.

Rates and Charges

The Utility's rates, charges, and initial customer deposits were last approved in a 1996 staff-assisted rate case.[5] Sebring had a rate decrease to remove expired rate case expense amortization in 2000. Subsequently, the rates have been amended by 11 price index and 2 pass through rate adjustments with the last one being in 2020. Rule 25-9.044(1), F.A.C., provides that, in the case of a change of ownership or control of a Utility, the rates, classifications, and regulations of the former owner must continue unless authorized to change by the Commission. However, the miscellaneous service charges do not conform to Rule 25-30.460, F.A.C., and are discussed in Issue 4. Therefore, staff recommends that the Utility's existing rates, service availability charges, and initial customer deposits as shown on Schedule No. 4, should remain in effect, until a change is authorized by the Commission in a subsequent proceeding. The tariff pages reflecting the transfer should be effective on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475, F.A.C.

Regulatory Assessment Fees and Annual Report

Staff has verified that the Utility is current on the filing of annual reports and RAFs through December 31, 2022. The Buyer will be responsible for filing the Utility's annual reports and paying RAFs for all future years.

Conclusion

Based on the foregoing, staff recommends that the transfer of the wastewater system and Certificate No. 365-S is in the public interest and should be approved effective the date that the sale becomes final. The resultant Order should serve as the Buyer's certificate and should be retained by the Buyer. The Buyer should submit the executed and recorded deed for continued access to the land upon which its facilities are located, copies of its permit transfer application,

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[4] See Order No. PSC-2022-0115-PAA-WS, issued March 15, 2022, in Docket No. 20210093-WS, *In re: Application for transfer of water and wastewater systems of Aquarina Utilities, Inc.*, water Certificate No. 517-W, and wastewater Certificate No. 450-S to CSWR-Florida Utility Operating Company, LLC, in Brevard County; Order No. PSC-2022-0120-PAA-WU, issued March 18, 2022, in Docket No. 20210095-WU, *In re: Application for transfer of water facilities of Sunshine Utilities of Central Florida, Inc. and water Certificate No. 363-W to CSWR-Florida Utility Operating Company, LLC, in Marion County*; Order No. PSC-2022-0116-PAA-SU, issued March 17, 2022, in Docket No. 20210133-SU, *In re: Application for transfer of facilities of North Peninsula Utilities Corporation and wastewater Certificate No. 249-S to CSWR-Florida Utility Operating Company, LLC, in Volusia County*; Order No. PSC-2022-0364-PAA-WU, issued October 25, 2022, in Docket No. 20220019-WU, *In re: Application for transfer of water facilities of Neighborhood Utilities, Inc. and water Certificate No. 430-W to CSWR-Florida Utility Operating Company, LLC, in Duval County.*

[5] Order No. PSC-96-0869-POF-WS, issued July 2, 1996, in Docket No. 950966-WU, *In re: Application for a staff-assisted rate case in Highlands County by Sebring Ridge Utilities, Inc.*

and a copy of its signed and executed contract for sale to the Commission within 60 days of the Order approving the transfer, which is final agency action. If the sale is not finalized within 60 days of the transfer Order, the Buyer should file a status update in the docket file. The Utility's existing rates, service availability charges, and initial customer deposits, as shown on Schedule No. 4, should remain in effect until a change is authorized by the Commission in a subsequent proceeding. The tariff pages reflecting the transfer should be effective on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475(1), F.A.C. The Seller is current with respect to annual reports and RAFs through December 31, 2022. The Buyer should be responsible for filing annual reports and paying RAFs for all future years.

Issue 2: What is the appropriate net book value for CSWR-Florida Utility Operating Company LLC's wastewater system for transfer purposes?

Recommendation: For transfer purposes, the net book value (NBV) of the wastewater system is $8,222 as of August 31, 2022. Within 90 days of the date of the consummating Order, CSWR-Sebring should be required to notify the Commission in writing that it has adjusted its books in accordance with the Commission's decision. The adjustments should be reflected in CSWR-Sebring's 2023 Annual Report when it is filed. (Thurmond)

Staff Analysis: The rate base was last established as of December 31, 1994, by Order No. PSC-1996-0869-FOF-WS.[6] The purpose of establishing NBV for transfers is to determine whether an acquisition adjustment should be approved. CSWR-Sebring's request for a positive acquisition adjustment is addressed in Issue 3. The NBV does not include normal ratemaking adjustments for used and useful plant or working capital. The Utility's NBV has been updated to reflect balances as of August 31, 2022.[7] Staff's recommended NBV, as described below, is shown on Schedule No. 1.

Utility Plant in Service (UPIS)

According to the Utility's general ledger, the total UPIS balance was $565,944 as of December 31, 2021. Staff determined that the Utility had not made the adjustments required by Order No. PSC-1996-0869-FOF-WS. As a result, staff recommends a decrease to UPIS of $130,192 as of August 31, 2022. Accordingly, staff recommends a total UPIS balance of $435,752 as of August 31, 2022.

Land

The Utility's general ledger reflected a land balance of $19,712 as of December 31, 2021. There have been no additions to land since December 31, 1994; however, staff determined that the Utility had not made the adjustments required by Order No. PSC-1996-0869-FOF-WS. Therefore, staff recommends an increase in the value of land of $26,004 as of August 31, 2022. Accordingly, staff recommends a total land balance of $45,716 as of August 31, 2022.

Accumulated Depreciation

According to the Utility's general ledger, the total accumulated depreciation balance was $489,155 as of December 31, 2021. Staff auditors recalculated depreciation accruals using the depreciation rates established by Rule 25-30.140, F.A.C. As a result, staff recommends that the accumulated depreciation balance be decreased by $80,995 as of August 31, 2022. Accordingly, staff recommends a total accumulated depreciation balance of $408,160 as of August 31, 2022.

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[6] Order No. PSC-1996-0869-FOF-WS, issued July 2, 1996, in Docket No. 19950966-WS, *In re: Application for a staff-assisted rate case in Highlands County by Sebring Ridge Utilities, Inc.*

[7] Net book value is calculated through the date of the closing. According to the Utility's application, the closing will not occur until after the transaction receives Commission approval. Therefore, staff is relying on the most current information provided to staff auditors at the time of the filing.

Contributions-in-Aid-of-Construction (CIAC) and Accumulated Amortization of CIAC

According to the Utility's general ledger, the CIAC balance and accumulated amortization of CIAC were $578,043 and $530,761, respectively, as of December 31, 2021. Staff determined that the Utility had not made the adjustments required by Order No. PSC-1996-0869-FOF-WS. As a result, staff recommends that the CIAC balance be decreased by $298,468 as of August 31, 2022. Staff also recommends that the accumulated amortization of the CIAC balance be decreased by $316,272 as of August 31, 2022. Accordingly, staff recommends total CIAC and Accumulated Amortization of CIAC balances of $279,575 and $214,489, respectively, as of August 31, 2022.

Net Book Value

The Utility's general ledger reflected a NBV of $49,219 as of December 31, 2021. Based on the adjustments described above, staff recommends a NBV of $8,222 as of August 31, 2022. Staff's recommended NBV and the National Association of Regulatory Utility Commissioners, Uniform System of Accounts (NARUC USOA) balances for UPIS and accumulated depreciation are shown on Schedule No. 1 as of August 31, 2022. As addressed in Issue 3, staff recommends a positive acquisition adjustment not be recognized for ratemaking purposes.

Conclusion

Based on the above, staff recommends a NBV of $8,222 as of August 31, 2022, for transfer purposes. Within 90 days of the date of the consummating Order, the Buyer should be required to notify the Commission in writing that it has adjusted its books in accordance with the Commission's decision. The adjustments should be reflected in the Utility's 2023 Annual Report when it is filed.

Issue 3: Should a positive acquisition adjustment be recognized for ratemaking purposes?

Recommendation: No. Pursuant to Rule 25-30.0371, F.A.C., a positive acquisition adjustment should not be granted as the Buyer failed to demonstrate extraordinary circumstances. (Thurmond, M. Watts)

Staff Analysis: In its filing, the Buyer requested a positive acquisition adjustment be included in the calculation of CSWR-Sebring's rate base. An acquisition adjustment results when the purchase price differs from the NBV of the assets at the time of acquisition. Pursuant to Rule 25-30.0371, F.A.C., a positive acquisition adjustment results when the purchase price is greater than the NBV, and a negative acquisition adjustment results when the purchase price is less than the NBV. A positive acquisition adjustment, if approved, increases the rate base.

According to the purchase agreement, the Buyer will purchase the Utility for $540,000. As discussed in Issue 2, staff is recommending a NBV of $8,222. This would result in a positive acquisition adjustment of $531,778.

Any entity that believes a full or partial positive acquisition adjustment should be made has the burden of proving the existence of extraordinary circumstances. Rule 25-30.0371(2), F.A.C., states:

> In determining whether extraordinary circumstances have been demonstrated, the Commission shall consider evidence provided to the Commission such as anticipated improvements in quality of service, anticipated improvements in compliance with regulatory mandates, anticipated rate reductions or rate stability over a long-term period, anticipated cost efficiencies, and whether the purchase was made as part of an arms-length transaction.

If a purchase price above the depreciated original cost is used to determine the rate base without the requirement for extraordinary circumstances, it could encourage utilities to "swap assets" and inappropriately increase costs to customers.

Deferral

In discovery, CSWR-Sebring stated that it intends to ask for deferral of a decision regarding the requested acquisition adjustment. In its application, the Buyer laid out factors such as improvements to quality of service, cost efficiencies, and rate stability. These are discussed below, and staff recommends that these factors do not constitute extraordinary circumstances. In response to discovery, the Buyer agreed that after the rate base is set, if a company provides support in a separate and subsequent case that there are utility assets that were not previously recorded, then the company can prospectively recover the unrecorded amount of that investment. Therefore, if the Buyer finds assets were incorrectly recorded on the Seller's balance sheet, the Buyer can support those costs and recover them in a future rate case. That is normal Commission practice and is not considered extraordinary circumstances.

Pursuant to Commission practice, the Buyer has the burden of proving extraordinary circumstances at the time of transfer. Staff believes that in the instant case, the Buyer has failed to provide proof of extraordinary circumstances. Further, the Buyer had multiple opportunities to provide pertinent information needed to determine if a positive acquisition adjustment was appropriate. As such, staff recommends the Commission deny the request to defer a decision on the positive acquisition adjustment.

Finally, it is long-standing Commission practice to address the disposition of any positive or negative acquisition adjustment at the time of transfer. Pursuant to Section 120.68(7)(e)3., F.S., when agencies change their established policies, practices, and procedures, they must give an explanation for the deviation. Staff does not believe the facts in this case warrant such a deviation. As such, staff believes the deferral of a positive acquisition adjustment decision in this docket would result in an unnecessary deviation from Commission practice.

Improvements in Quality of Service and Compliance with Regulatory Mandates

In its application, CSWR-Sebring listed six business practices that it believes will improve the quality of service to its customers: (1) provision of 24-hour emergency service phone numbers; (2) on-call emergency service personnel who are required to respond to emergency service calls within prescribed time limits; (3) a computerized maintenance management system; (4) access to resources not usually available to comparably sized systems and the ability to supplement local personnel with resources owned by the parent and sister companies; (5) online bill payment options; and (6) an updated website for customer communication, bulletins, procedures, etc.

Staff reviewed the complaints filed with the Commission for the five-year period prior to the application, from August 2017 to August 2022. The Commission recorded one complaint regarding improper billing during this time period. In its application, CSWR-Sebring did not list any customer complaints related to the wastewater treatment system.

In addition to reviewing the Utility's most recent inspection report, as discussed in Issue 1, staff also reviewed the DEP inspection reports and enforcement actions for the two years prior to the 2020 CEI (CEIs conducted in 2018 and 2019). The Utility appears to have ongoing issues with proper documentation, recordkeeping, and reporting. For example, each of the last three CEIs noted that the Operation and Maintenance manual for the plant and collection system was not onsite, and two listed errors in the monthly discharge monitoring report. Additionally, each of the last three CEIs listed several other instances of inadequately maintained documentation. However, the 2018 and 2019 CEIs listed significantly more plant maintenance issues, which Sebring corrected, than were noted in the 2020 CEI. The one plant maintenance issue that appears to be an ongoing problem is percolation pond maintenance.

In Exhibit H of its application, which was filed with a request for confidentiality, CSWR-Sebring described its plans for repairs and improvements. The Buyer's plans for repair largely address the issues described above from the DEP reports, as well as repairs to the lift stations. Its plans for improvements to the system consist primarily of the addition of remote monitoring systems. CSWR-Sebring stated in its application that no governmental authorities are presently requiring repairs or improvements to the systems.

Based on the above, it appears that Sebring currently has issues with respect to regulatory compliance. While the Buyer identified several improvements it intends to implement in an effort to rectify these points, staff does not believe the Buyer has demonstrated extraordinary circumstances in support of its requested positive acquisition adjustment. Instead, staff believes that the proposed anticipated improvements in quality of service and compliance with regulatory mandates demonstrate CSWR-Sebring's intention to responsibly execute its obligations as a utility owner. While staff does not believe the Utility's anticipated improvements justify its requested positive acquisition adjustment, these improvements may be considered for prudence and cost recovery in a future rate proceeding.

Anticipated Cost Efficiencies and Rates

In its application, the Buyer stated that its size and anticipated consolidation of many small systems under one financial and managerial entity would result in operational cost efficiencies, particularly in the areas of:

- PSC and environmental regulatory reporting
- Managerial and operational oversight
- Utility asset planning
- Engineering planning
- Ongoing utility maintenance
- Utility record keeping
- Customer service responsiveness
- Improved access to capital is necessary to repair and upgrade Sebring's systems to ensure compliance with all health and environmental requirements and ensure service to customers remains safe and reliable

In response to the staff's data request, the Utility estimated an increase in O&M expense of approximately $52,000 in order to cure compliance issues already present and ensure the system can avoid them in the future. While staff is aware of the importance of maintaining compliance, this increase on top of the requested acquisition adjustment of $531,778, approximately sixty-five times greater than the system's current NBV of $8,222, would result in a substantial increase in revenue requirement.

The Buyer also stated that CSWR-Sebring would bring long-term rate stability to the Utility, should the transfer be approved. Staff agrees that economies of scale and the potential consolidation of several systems in Florida, as proposed by CSWR-Sebring, could bring some long-term rate stability. However, absent specific and detailed support for these assertions, the Buyer has failed to meet its burden of demonstrating extraordinary circumstances.

Staff's recommendation is consistent with the Commission's decision in Order No. PSC-2020-0458-PAA-WS.[8] In that docket, the Buyer identified estimates of anticipated cost efficiencies, including a reduction in O&M expenses and a reduction in the cost of capital that would result from the transfer. Additionally, the Buyer cited several improvements it has made to the wastewater treatment plant and wastewater lift station since acquisition to improve the quality of service and compliance with regulatory mandates. While the Commission acknowledged that the

[8] Order No. PSC-2020-0458-PAA-WS, issued November, 23, 2020, in Docket No. 20190170-WS, *In re: Application for transfer of facilities and Certificate Nos. 259-W and 199-S in Broward County from Royal Utility Company to Royal Waterworks, Inc.*

Buyer accomplished cost savings, it did not believe the actions performed demonstrated extraordinary circumstances that would justify approval of a positive acquisition adjustment.

Staff's recommendation is also consistent with the Commission's decisions to deny CSWR-Sebring a positive acquisition adjustment in Order Nos. PSC-2022-0116-PAA-SU, PSC-2022-0120-PAA-WU, PSC-2022-0115-PAA-WS, and PSC-2022-0364-PAA-WU.[9] In those cases, the Commission determined that the Buyer failed to provide sufficient evidence of extraordinary circumstances, and CSWR was denied a positive acquisition adjustment in all four cases. In those cases, CSWR also requested a deferral of the decision regarding the positive acquisition adjustments, which was also denied by the Commission. Staff believes the facts of this case are similar to the four cases discussed above.

Conclusion

Pursuant to Rule 25-30.0371, F.A.C., staff recommends a positive acquisition adjustment not be granted as the Buyer did not demonstrate extraordinary circumstances. Staff believes the Buyer's anticipated improvements in quality of service and compliance with regulatory mandates do not illustrate extraordinary circumstances and instead demonstrate CSWR-Sebring's intentions to responsibly provide utility service.

[9] Order No. PSC-2022-0116-PAA-SU, issued March 17, 2022, in Docket No. 20210133-SU, *In re: Application for transfer of facilities of North Peninsula Utilities Corporation and wastewater Certificate No. 249-S to CSWR-Florida Utility Operating Company, LLC, in Volusia County.* ; Order No. PSC-2022-0120-PAA-WU, issued March 18, 2022, in Docket No. 20220095-WU, *In re: Application for transfer of wastewater facilities of Sunshine Utilities of Central Florida, Inc. and wastewater Certificate No. 363-W to CSWR-Florida Utility Operating Company, LLC, in Marion County*; Order No. PSC-2022-0115-PAA-WS, issued March 15, 2022, In Docket No. 20210093-WS, *In re: Application for transfer of wastewater and wastewater systems of Aquarina Utilities, Inc., wastewater Certificate No. 517-W, and wastewater Certificate No. 450-S to CSWR-Florida Utility Operating Company, LLC, in Brevard County.;* Order No. PSC-2022-0364-PAA-WU, issued October 25, 2022, in Docket No. 20220019-WU, *In re: Application for the transfer of water facilities in Neighborhood Utilities, Inc. and water Certificate No. 430-W to CSWR-Florida Utility Operating Company, LLC, in Duval County*

Issue 4: Should CSWR-Florida Utility Operating Company, LLC's miscellaneous service charges be revised to conform to amended Rule 25-30.460, F.A.C.?

Recommendation: Yes. The miscellaneous service charges should be revised to conform to the recent amendment to Rule 25-30.460, F.A.C. The tariff should be revised to reflect the removal of initial connection and normal reconnection charges. The Utility should be required to file a proposed customer notice to reflect the Commission-approved charges. The approved charges should be effective for service rendered or connections made on or after the stamped approval date on the tariff sheets, provided customers have received notice pursuant to Rule 25-30.475(2), F.A.C. In addition, the approved charge should not be implemented until staff has approved the proposed customer notice and the notice has been received by customers. The Utility should provide proof of the date the notice was given within 10 days of the date of the notice. The Utility should be required to charge the approved miscellaneous service charges until authorized to change them by the Commission in a subsequent proceeding. (Bethea)

Staff Analysis: Effective June 24, 2021, Rule 25-30.460, F.A.C., was amended to remove initial connection and normal reconnection charges.[10] The definitions for initial connection charges and normal reconnection charges were subsumed in the definition of the premises visit charge. The Utility's miscellaneous service charges consist of initial connection and normal reconnection charges. The normal reconnection charge is more than the premises visit charge. Since the premises visit entails a broader range of tasks, staff believes the premises visit charge should reflect the amount of the normal reconnection charge of $15. Therefore, staff recommends that the initial connection and normal reconnection charges be removed, the premises visit charge should be revised to $15, and the definition for the premises visit charge be updated to comply with amended Rule 25-30.460, F.A.C. The Utility's existing and staff's recommended miscellaneous service charges are shown below in Table 4-1.

Table 4-1
Utility Existing and Staff Recommended Miscellaneous Service Charges

	Existing	Staff Recommended
	Normal Hours	Normal Hours
Initial Connection Charge	$15.00	N/A
Normal Reconnection Charge	$15.00	N/A
Violation Reconnection Charge	Actual Cost	Actual Cost
Premises Visit Charge	$10.00	$15.00

Conclusion

Based on the above, staff recommends the miscellaneous service charges be revised to conform to the recent amendment to Rule 25-30.460, F.A.C. The tariff should be revised to reflect the removal of initial connection and normal reconnection charges. The Utility should be required to file a proposed customer notice to reflect the Commission-approved charges. The approved charges should be effective for service rendered or connections made on or after the stamped approval date on the tariff sheets, provided customers have received notice pursuant to Rule 25-

[10] Order No. PSC-2021-0201-FOF-WS, issued June 4, 2021, in Docket No. 20200240-WS, *In re: Proposed amendment of Rule 25-30.460, F.A.C., Application for Miscellaneous Service Charges.*

30.475(2), F.A.C. In addition, the approved charges should not be implemented until staff has approved the proposed customer notice and the notice has been received by customers. The Utility should provide proof of the date the notice was given within 10 days of the date of the notice. The Utility should be required to charge the approved miscellaneous service charges until authorized to change them by the Commission in a subsequent proceeding.

Issue 5: Should this docket be closed?

Recommendation: Yes. If no protest to the proposed agency action is filed by a substantially affected person within 21 days of the date of the issuance of the Order, a Consummating Order should be issued and the docket should be closed administratively upon Commission staff's verification that the revised tariff sheets have been filed, the Buyer has notified the Commission in writing that it has adjusted its books in accordance with the Commission's decision, that the Buyer has submitted the executed and recorded warranty deed, that the Buyer has submitted a copy of its application for permit transfer to the DEP, and that the Buyer has submitted a signed and executed copy of its contract for sale within 60 days of the Commission's Order approving the transfer. (Watrous)

Staff Analysis: If no protest to the proposed agency action is filed by a substantially affected person within 21 days of the date of the issuance of the Order, a Consummating Order should be issued and the docket should be closed administratively upon Commission staff's verification that the revised tariff sheets have been filed, the Buyer has notified the Commission in writing that it has adjusted its books in accordance with the Commission's decision, that the Buyer has submitted the executed and recorded warranty deed, that the Buyer has submitted a copy of its application for permit transfer to the DEP, and that the Buyer has submitted a signed and executed copy of its contract for sale within 60 days of the Commission's Order approving the transfer.

ORDER NO. 13564

TOWNSHIP 34 South, RANGE 28 East

SECTIONS 2. 11, and 12

Commence at the Northeast corner of said Section 11, thence North 01°04'20" West following the Easterly boundary of said Section 2, a distance of 242.10 feet to a point; thence North 89°47'20" West a distance of 2,257.35 feet to the centerline of Florida Power Company easement and the POINT OF BEGINNING. Thence continue North 89°47'20" West a distance of 1,641.85 feet to a point on the Easterly ROW line of S-17A, thence South 01°29'30" East along said ROW line a distance of 498 feet to a point; thence South 34°50'15" East along the Easterly ROW line of Manatee Drive for a distance of 3,271 feet to a point; thence North 55°09'45" East for a distance of 250 feet to a point; thence North 3°50'15" West with the Southerly boundary of Whiting Drive a distance of 47.74 feet to a point; thence North 55°09'45" East across Whiting Drive a distance of 175 feet to a point; thence South 34°50'15" East for a distance of 57.76 feet to a point of curvature to the left, said curve having for its elements a radius of 462 feet and a central angle of 54°30'25", thence Easterly along the arc of said curve a distance of 439.42 feet to a point of tangency; thence South 89°20'40" East for a distance of 378.55 feet to a point of curvature to the right, said curve having for its elements a radius of 3,342.84 feet and a central angle of 15°34'80", thence Easterly along the arc of said curve for a distance of 908.70 feet to a point of tangency; thence South 73°46'10" East for a distance of 617 feet to a point; thence South 18°16'30" West for a distance of 425.27 feet to the Northerly ROW line of Lake Sebring Drive; thence South 73°46'10" East along said ROW line for a distance of 125.08 feet to a point; thence North 18°16'30" East, a distance of 1,462.58 feet to the Westerly ROW line of the Atlantic Coast Line Railroad; thence North and West along said ROW line on an arc of a curve,· concave on its Easterly side and having for its elements a radius of 5,761.78 feet and a central angle of 09°19'47" for a distance of 938.22 feet to a point; thence North 89°47'20" West a distance of 582.20 feet to the centerline of Florida Power Easement, thence North 61°07'50" West following aforesaid centerline a distance of 2,502.16 feet to the POINT OF BEGINNING.

ORDER NO. 19116

A portion of Sections 10 and 11, Township 34 South, Range 28 East, Highlands CountyFlorida, being more particularly described as follows:

Begin at the Northeast corner of Section 10; thence run South 88°41'30" West and along the North line of Section 10 a distance of 2,095.12 feet to a point on the East line of Block "C" of Maxcy Parkway Subdivision, as per plat recorded in Plat Book 4, page 72 of the Public Records of Highlands County, Florida; thence North·19°34'10" West and along said East line a distance of 677.55 feet to the Northeast corner of Lot 36 of said subdivision; thence South 70°25'50" West and along the North line of Lot 36 a distance of 200.00 feet to a point on the Easterly ROW line of U.S. Highway No. 27; thence South 19°34'10" East and along said ROW line a distance of 1,200.00 feet to the Southwest corner of Lot 25 of Maxcy Parkway Subdivision; thence North 10°25'50" East and along the South line of Lot 25 a distance of 200.00 feet to the Southeast corner of Lot 25; thence South 19°34'10" East and along the E line of Block "C" of said subdivision a distance of 46.16 feet to a point on the North boundary of Section "B" of Sebring Ridge Subdivision, as per plat recorded in Plat Book 7, page 46 of the Public Records of Highlands County, Florida; thence South 79°40'10" East and along the North line of said subdivision a distance of 942.10 feet to the Point of Curvature of a curve concave to the Southwest; thence in a Southeasterly direction and along the arc of said curve to the right (curve having for its elements a Radius of 2,950.00 feet and a Central Angle of 2°28'02") a distance of 127.03 feet; thence North 12°47'52" East and radial to the last described curve a distance of 225.00 feet to a point on the arc of a curve concave to the Southwest; thence in a Southeasterly direction and along the arc of said curve to the right (curve having for its elements a Radius of 3,175.00 feet, a Central Angle of 17°43'13" and a Chord Bearing of South 68°20'32" East) a distance of 981.95 feet to a point on the Northwest ROW line of Herring Avenue; thence North 30°58'09" East and along said ROW line a distance of 588.10 feet; thence North 88°36'30" East and along the North ROW line of Herring Avenue a distance of 907.2 feet; thence North 1°29'30" West a distance of 425.10 feet to a point on the North line of Section 11; thence South 88°36'30" West and along said line a distance of 1,304.87 feet to the Point of Beginning. Subject to all easements, reservations or restrictions of record.

Containing 51.242 Acres.

FLORIDA PUBLIC SERVICE COMMISSION
authorizes
CSWR-Florida Utility Operating Company, LLC
pursuant to
Certificate Number 365-S

to provide wastewater service in Highlands County in accordance with the provisions of Chapter 367, Florida Statutes, and the Rules, Regulations, and Orders of this Commission in the territory described by the Orders of this Commission. This authorization shall remain in force and effect until superseded, suspended, cancelled or revoked by Order of this Commission.

Order Number	Date Issued	Docket Number	Filing Type
Order No. 13564	08/03/84	19830049-WS	Grandfather
Order No. 19116	04/06/88	19880255-WS	Territory Amendment
*	*	20220149-SU	Transfer

***Order Number and date to be provided at time of issuance**

CSWR-Florida Utility Operating Company, LLC
Sebring Ridge Utilities, Inc.

Schedule of Net Book Value as of August 31, 2022

Description	Balance Per Utility 12/31/21	Adjustments		Staff 8/31/22
Utility Plant in Service	$565,944	($130,192)	A	$435,752
Land & Land Rights	19,712	26,004	B	45,716
Accumulated Depreciation	(489,155)	80,995	C	(408,160)
CIAC	(578,043)	298,468	D	(279,575)
Amortization of CIAC	530,761	(316,272)	E	214,489
Total	$49,219	($40,997)		$8,222

CSWR-Florida Utility Operating Company, LLC
Sebring Ridge Utilities, Inc.

Explanation of Adjustments to Net Book Value as of August 31, 2022

Explanation	Amount
A. UPIS To reflect the appropriate balance.	($130,192)
B. Land To reflect the appropriate balance.	26,004
C. Accumulated Depreciation To reflect the appropriate balance.	80,995
D. CIAC To reflect the appropriate balance.	298,468
E. Accumulated Amortization of CIAC To reflect the appropriate balance.	(316,272)
Total Adjustments to Net Book Value as of August 31, 2022	($40,997)

CSWR-Florida Utility Operating Company, LLC
Sebring Ridge Utilities, Inc.

Schedule of Staff's Recommended Account Balances as of August 31, 2022

Account No.	Description	UPIS	Accumulated Depreciation
354	Structures & Improvements	$14,419	($8,423)
360	Collection Sewers - Force	10,264	(10,264)
361	Collection Sewers - Gravity	160,220	(160,220)
362	Special Collection Structures	76,537	(76,537)
371	Pumping Equipment	26,597	(5,064)
380	Treatment and Disposal Equipment	145,362	(145,362)
381	Plant Sewers	660	(605)
389	Other Plant & Misc. Equipment	60	(45)
390	Office Furniture and Equipment	509	(509)
396	Communication Equipment	1,124	(1,124)
	Total	$435,752	($408,160)

CSWR-Florida Utility Operating Company, LLC.
Sebring Ridge Utilities, Inc.

Monthly Wastewater Rates

Residential Service

<u>All Meter Sizes</u>	$16.17
Charge Per 1,000 gallons – Residential 10,000 gallon cap	$3.51

General Service

<u>Base Facility Charge by Meter Size</u>	
5/8” x 3/4"	$16.17
3/4"	$24.26
1”	$40.43
1-1/2”	$80.85
2”	$129.36
3”	$258.72
4”	$404.25
6”	$808.50
Charge Per 1,000 gallons – General Service	$4.20

Initial Customer Deposits

Residential Service and General Service

5/8” x 3/4”	$50.00
All over 5/8” x 3/4”	2x Average Estimated Bill

Service Availability Charges

Main Extension Charge	
Residential per ERC (350 GPD)	$385.00
All others per gallon	$1.10
Plant Capacity Charge	
Residential per ERC (350 GPD)	$315.00
All others per gallon	$0.90

Item 6

State of Florida

Public Service Commission

CAPITAL CIRCLE OFFICE CENTER ● 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: June 28, 2023

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Economics (P. Kelley, Hampson) JGH
Office of the General Counsel (Dose) JSC

RE: Docket No. 20230042-EI – Petition for approval of revised underground residential distribution tariff, by Tampa Electric Company.

AGENDA: 07/11/23 – Regular Agenda – Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 11/30/2023 – (8-Month Effective Date)

SPECIAL INSTRUCTIONS: None

Case Background

On March 31, 2023, Tampa Electric Company (TECO or utility) filed a petition for approval of revisions to its Underground Residential Distribution (URD) tariffs and associated charges. These tariffs represent the additional costs, if any, TECO incurs to provide underground service in place of overhead service in new residential subdivisions. TECO's current URD charges were approved in Order No. PSC-2021-0462-TRF-EI.[1] The proposed URD tariffs are contained in the recommendation as Attachment A.

The Commission suspended the proposed tariffs by Order No. PSC-2023-0160-PCO-EI, issued May, 16, 2023 to allow staff sufficient time to analyze the utility's filing, pursuant to Section 366.06(3), Florida Statutes (F.S.). Staff issued one data request to the utility on May 5, 2023, for

[1] Order No. PSC-2021-0462-TRF-EI, issued December 16, 2021, in Docket No. 20210064-EI, *In re: Petition Company for approval of revised underground residential distribution tariff, by Tamp Electric Company.*

which response was provided on May 19, 2023. The Commission has jurisdiction over this matter pursuant to Sections 366.03, 366.04, 366.05, and 366.06, F.S.

Discussion of Issues

Issue 1: Should the Commission approve TECO's proposed underground residential distribution tariffs and associated charges?

Recommendation: Yes, the Commission should approve TECO's proposed underground residential distribution tariffs and associated charges, effective on the date of the Commission vote. The proposed URD charges are cost-based and staff recommends approval of the tariffs shown in Attachment A. (P. Kelley, Hampson)

Staff Analysis: Rule 25-6.078, Florida Administrative Code (F.A.C.), defines investor-owned utilities' (IOU) responsibilities for filing updated URD tariffs. TECO has filed the instant petition pursuant to subsection (3) of the rule, which requires IOUs to file supporting data and analyses for updated URD tariffs if the cost differential, using current labor and material costs, varies from the Commission-approved differential by more than 10 percent. On October 14, 2022, pursuant to Rule 25-6.078, F.A.C., TECO informed the Commission that its differential for the low density subdivision would change by more than 10 percent from the differential approved URD charges, requiring TECO to file the instant petition.

The URD tariffs provide standard charges for underground service in new residential subdivisions and represent the additional costs, if any, the utility incurs to provide underground service in place of overhead service. The cost of standard overhead construction is recovered through base rates from all ratepayers. In lieu of overhead construction, customers have the option of requesting underground facilities. Typically, the developer of a new residential subdivision would be the utility customer utilizing the URD tariffs.

In its petition, the utility updated its cost calculations and supporting documentation for its low-density and high-density per lot service lateral cost differentials. The currently approved high-density cost differential is $0.00 and the currently approved low-density cost differential is $370.29. The utility's calculations determined the per lot undergrounding differential for high-density and low-density subdivisions should be $0.00. While labor and material costs have increased since the 2021 filing, the main reason for the decrease in the low-density differential is a change in the operations cost of overhead versus underground facilities, as discussed further below. A lower, or zero, URD differential charge is typically the result of the avoided storm restoration costs associated with underground facilities, offsetting any higher labor and material costs associated with underground construction.

Table 1-1
Comparison of URD Differential per Lot

	Current Differential	Proposed Differential
Low-density	$370.29	$0.00
High-density	$0.00	$0.00

Source: DN 03161-2021 (Docket No. 20210034-EI) and DN 02456-2023 (Docket No. 20230035-EI).

Two primary factors impacted the calculation of TECO's proposed URD charges which are discussed in greater detail below: (1) updated labor and material costs and (2) updated operational costs.

Updated Labor and Material Costs

The installation costs of both underground and overhead facilities include the labor and material costs to provide primary, secondary, and service distribution lines as well as transformers. The costs of poles are specific to overhead service while the costs of trenching and backfilling are specific to underground service. Table 1-2 compares the currently approved 2021 costs and 2023 costs for underground and overhead labor and material for the two subdivision models.

Table 1-2
Labor and Material Costs per Lot

	2021 Costs	2023 Costs	Difference
Low-density			
Underground labor/material costs	$2,441	$4,108	$1,667
Overhead labor/material costs	$1,429	$1,797	$369
Per lot differential	$1,013	$2,310	$1,298
High-density			
Underground labor/material costs	$1,881	$3,052	$1,170
Overhead labor/material costs.	$1,122	$1,413	$291
Per lot differential	$760	$1,639	$879

Source: DN 03161-2021 (Docket No. 20210034-EI) and DN 02456-2023 (Docket No. 20230035-EI).

While both overhead and underground labor and material costs increased, underground costs increased at a higher rate, resulting in an increase in the differential. The utility states that the reason for the increase in labor and material costs are due to manufacturers experiencing extraordinary levels of inflation and supply chain shortages that is being passed onto their customers through increased prices, also paired with wages and salaries increasing. The utility further explained that several factors caused material and labor costs for underground construction to escalate at a faster rate than overheard construction. These factors included a higher demand for underground facilities versus that of overhead facilities.

Updated Operational Costs

Rule 25-6.078(4), F.A.C., provides that the differences in net present value (NPV) of operational costs between overhead and underground systems, including average historical storm restoration costs over the life of the facilities, be included in the URD charge. Operational costs include operations and maintenance (O&M) costs and capital costs. The inclusion of the operational costs is intended to capture longer term costs and benefits of undergrounding.

In the current URD petition, TECO used actual costs from storms that impacted TECO's service area between 2020 and 2022. This resulted in the average annual storm costs being $40,991,120 over the 3-year period. TECO stated that based on impacts and data from Hurricanes Irma and

Ian, the utility updated the allocation factors to attribute 99 percent of the storm costs to overhead and 1 percent to underground. Therefore, $40,581,209 (99 percent of the total $40,991,120 storm costs) represents the avoided overhead storm restoration costs when facilities are placed underground.

Table 1-3
NPV of Operational Costs Differential per Lot

	2021 Calculation	2023 Calculation	Difference
Low-density			
Underground NPV- Operational Costs	$1,254	$2,571	$1,316
Overhead NPV- Operational Costs	$1,897	$4,928	$3,032
Per lot Differential	$(642)	$(2,358)	$(1,715)
High-density			
Underground NPV- Operational Costs	$584	$1,208	$624
Overhead NPV- Operational Costs	$1,408	$3,656	$2,248
Per lot Differential	$(825)	$(2,449)	$(1,624)

Source: DN 03161-2021 (Docket No. 20210034-EI) and DN 02456-2023 (Docket No. 20230035-EI).

As shown above, the overhead operational costs are greater than underground, resulting in operational savings from undergrounding. The NPV differential of operational costs, including avoided storm restoration costs, increased in both low-density and high-density subdivision models, resulting in an increase in the NPV operational cost credit.

To illustrate the calculation for the low-density subdivision URD charge, the 2023 labor and material costs differential is $2,310 (Table 1-2). Subtracting the NPV of operational costs differential of $2,358 (Table 1-3), results in a negative $47.34 URD differential. Since the tariffed URD charge cannot be a negative, it is set at $0.

Other Proposed Tariff Changes

TECO’s proposed URD tariffs also include standard charges for the installation and trenching of underground service laterals from overhead distribution, underground service laterals converted from existing overhead service drops, and non-refundable deposits for cost estimates for the conversion of existing overhead distribution facilities to underground facilities. If a customer requests an underground service lateral, the tariff includes a credit to the customer for avoiding a pole that is otherwise required for overhead service. The charges have been updated to reflect current material and labor costs.

Conclusion

Staff has reviewed TECO’s proposed changes to its URD tariffs and associated charges, the accompanying work papers, and responses to staff’s data request. Staff believes TECO’s proposed URD tariffs and associated charges as filed in the petition are cost-based and recommends approval of the tariffs shown in Attachment A. These tariffs should become effective on the date of the Commission vote.

Issue 2: Should this docket be closed?

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

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

TECO
TAMPA ELECTRIC
AN EMERA COMPANY

~~ELEVENTH~~ TWELFTH REVISED SHEET NO. 5.510
CANCELS ~~TENTH~~ ELEVENTH REVISED SHEET NO. 5.510

Continued from Sheet No. 5.500

3.6.5.1 Single Meter Commercial Service
Mobile Home Parks will be supplied single-meter commercial service only where park owner or operator supplies (furnishes) electrical service as a part of his rental and/or general service charge to tenants. Resale of electric energy through park owned meters will not be permitted (See 2.2.1)

3.6.5.2 Individual Company Metered Service
Mobile Home Parks will be supplied through company installed individual meters for individual tenants and other types of service required in park under the provisions required on 3.4.3 and 3.4.4 and the subparts appertaining thereto.

3.6.6 Miscellaneous Types of Electric Service
Certain other types of electric service are available from the company. Information on such services not specifically covered in this Tariff may be obtained at the nearest company office. Such special cases will be given individual consideration.

3.7 SCHEDULE OF STANDARD CHARGES AND NON-REFUNDABLE DEPOSITS FOR COST ESTIMATES FOR UNDERGROUND ELECTRIC DISTRIBUTION SYSTEMS

3.7.1 Standard Charges
The Standard Charges listed here are Contributions In Aid of Construction (CIAC) which are referenced by other sections of these rules and regulations.

3.7.1.1 Residential Subdivision

Low Density Subdivisions per service lateral or dwelling unit...	$~~370.2~~90.00
High Density Subdivisions per service lateral or dwelling unit...	$0.00

3.7.1.2 New Single-phase UG Service Laterals from Overhead Distribution Systems

Fixed Charge for 2/0 service lateral	$~~18.46~~36.61
Fixed Charge for 4/0 service lateral	$~~92.54~~189.11
Per trench foot charge for 2/0 service lateral	$~~11.62~~18.44
Per trench foot charge for 4/0 service lateral	$~~12.18~~19.49
Credit for service pole if otherwise required for overhead service	$~~801.36~~963.79

Continued to Sheet No. 5.515

ISSUED BY: A. D. Collins, President **DATE EFFECTIVE:** ~~January 6, 2022~~

TECO
TAMPA ELECTRIC
AN EMERA COMPANY

~~SEVENTEENTH~~ EIGHTEENTH REVISED SHEET NO. 5.515
CANCELS ~~SIXTEENTH~~ SEVENTEENTH REVISED SHEET NO. 5.515

Continued from Sheet No. 5.510

3.7.1.3 Single-phase UG Service Laterals Converted from Existing Overhead Service Drops

Removal charge for overhead service with no service pole	$~~205.08~~233.57
Removal charge for overhead service with a service pole	$~~885.01~~997.13
Fixed Charge for 2/0 service lateral	$ ~~18.46~~36.61
Fixed Charge for 4/0 service lateral	$ ~~92.54~~189.11
Per trench foot charge for 2/0 service lateral	$ ~~11.62~~18.44
Per trench foot charge for 4/0 service lateral	$ ~~12.18~~19.49
Credit for service pole if otherwise required for overhead service	$~~801.36~~963.79

Continued to Sheet No. 5.516

ISSUED BY: A. D. Collins, President

DATE EFFECTIVE: ~~January 6, 2022~~

TECO
TAMPA ELECTRIC
AN EMERA COMPANY

~~ELEVENTH~~ TWELFTH REVISED SHEET NO. 5.516
CANCELS ~~TENTH~~ ELEVENTH REVISED SHEET NO. 5.516

Continued from Sheet No. 5.515

3.7.2 Non-refundable Deposits for Estimates of CIAC for Conversion of Existing Overhead Distribution Facilities to Underground Facilities

Qualified applicants can request, upon payment of a non-refundable deposit as listed below, the conversion of overhead distribution facilities to underground in accordance with these Rules and Regulations for conversion areas of not less than one (1) city block in length along both sides of the main distribution system, or in the absence of city blocks, not less than five (5) contiguous building lots along both sides of the main distribution system, or in the absence of both, not the less than 600 pole-feet of the main distribution system, including all customers served along both sides of the main distribution system, and so as to result in a decrease in the number of non-lighting poles in the system.

Requests for conversions, except for individual residential service covered under Section 3.4.3.3, will be accompanied by a non-refundable amount as follows:

Density Class	**Deposit Amount**
Urban Commercial or Residential	$~~10,391~~11,742 per mile*
Rural Commercial or Residential	$ ~~5,940~~6,712 per mile*
High or Low Density Subdivision	$ ~~40~~ 55 per lot

* As measured along the existing overhead primary and secondary distribution system.

ISSUED BY: A. D. Collins, President

DATE EFFECTIVE: ~~January 6, 2022~~

Item 7

State of Florida

Public Service Commission

CAPITAL CIRCLE OFFICE CENTER ● 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: June 28, 2023

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Economics (Main, Barrett, Hampson) JGH
Office of the General Counsel (Stiller) JSC

RE: Docket No. 20230072-EI – Petition for approval of shared solar tariff change, by Tampa Electric Company.

AGENDA: 07/11/23 – Regular Agenda –Tariff Suspension – Participation is at the discretion of the Commission

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 07/30/23 (60-Day Suspension Date)

SPECIAL INSTRUCTIONS: None

Case Background

On May 31, 2023, Tampa Electric Company (TECO or utility) filed a petition for approval of changes to the tariffs to its Shared Solar Rider (SSR-1 tariff or tariff). The provisions of the SSR-1 tariff are marketed by TECO as the "Sun Select" program. In its current form, the tariff offers residential and commercial customers the option to purchase all or a portion of their monthly energy consumption from solar generation. Residential and small commercial customers are able to purchase solar energy on a basis of 25, 50, or 100 percent of their monthly energy usage. Large commercial customers are able to purchase energy in 1,000 kilowatt-hour (kWh) blocks. The SSR-1 tariff was approved in June 2019.[1]

[1] Order No. PSC-2019-0215-TRF-EI, issued June 3, 2019, in Docket No. 20180204-EI, *In re:Petition for approval of shared solar tariff, by Tampa Electric Company.*

The SSR-1 tariff operates based on an allocation of 17.5 megawatts (MWs) from the Company's Lake Hancock solar facility. Participants in the program pay their normal tariff charges, with the exception of the fuel charge, plus an additional $0.063 per kWh program charge on the percentage of energy subscribed under the SSR-1 tariff. All normal charges apply to the percentage of energy consumed outside of the SSR-1 tariff. TECO launched the program on a first-come, first-served basis, and did not reserve any allocation of energy to particular customer classes. As of the filing of the Petition, the Sun Select program is approximately 35 percent subscribed and has experienced a 44 percent churn rate.

In its petition, TECO seeks approval of several modifications designed to increase participation in the Sun Select program and allow the utility to learn more about customer adoption of community solar programs and customer desire to reach decarbonization goals. First, the utility seeks to increase the participation cap from 17.5 MWs to 30 MWs. Second, the utility proposes a reduction in the program charge from $0.063 per kWh to $0.049 per kWh. The proposed rate change is the result of several changes to TECO's pricing model for this program as described in the petition. TECO also proposes to use 100 percent of expected annual energy output from the solar facilities for program subscriptions, as opposed to the currently-approved 95 percent of annual energy output. Finally, TECO proposes to change the term "Monthly Rate" to "Rate."

This recommendation is to suspend the proposed tariff, thus allowing staff sufficient time to review the proposed modifications, and gather all pertinent information in order to present the Commission with an informed recommendation on the tariff proposals

The Commission has jurisdiction over this matter pursuant to Sections 366.03, 366.04, 366.05, and 366.06, Florida Statutes (F.S.).

Discussion of Issues

Issue 1: Should TECO's proposed Shared Solar Rider tariffs be suspended?

Recommendation: Yes. Staff recommends that the tariffs be suspended to allow staff sufficient time to review the petition and gather all pertinent information in order to present the Commission with an informed recommendation on the tariff proposals. (Main)

Staff Analysis: Staff recommends that the tariffs be suspended to allow staff sufficient time to review the petition and gather all pertinent information in order to present the Commission with an informed recommendation on the tariff proposals.

Pursuant to Section 366.06(3), F.S., the Commission may withhold consent to the operation of all or any portion of a new rate schedule, delivering to the utility requesting such a change a reason or written statement of good cause for doing so within 60 days. Staff believes that the reason stated above is a good cause consistent with the requirement of Section 366.06(3), F.S.

Issue 2: Should this docket be closed?

Recommendation: This docket should remain open pending the Commission's decision on the proposed tariffs. (Stiller)

Staff Analysis: This docket should remain open pending the Commission's decision on the proposed tariffs.

Item 8

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Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: June 28, 2023

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Economics (Smith II) JGH
Division of Accounting and Finance (D. Buys) ALM
Office of the General Counsel (Watrous) JSC

RE: Docket No. 20230022-GU – Petition for approval of 2022 Depreciation Study by St. Joe Natural Gas Company, Inc.

AGENDA: 07/11/23 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Passidomo

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Case Background

Rule 25-7.045(4)(a), Florida Administrative Code (F.A.C.), requires natural gas public utilities to file a comprehensive depreciation study with the Florida Public Service Commission (Commission) for review at least once every five years from the submission date of the previous study. St. Joe Natural Gas Company (St. Joe or Company) filed its 2022 Depreciation Study (2022 Study) on January 30, 2023. St. Joe's last depreciation study was filed on December 21, 2017 (2017 Study). St. Joe serves approximately 2,878 customers, and reported 2022 operating revenues of approximately $2,411,370.[1] Staff has completed its review of St. Joe's current 2022 Study and presents its recommendations to the Commission herein.

[1] St Joe's Annual Report of Natural Gas Utilities, Form PSC/ECR 020-G, at December 31, 2022, filed with the Florida Public Service Commission on May 30, 2023.

The Commission is vested with jurisdiction over these matters through several provisions of the Florida Statutes (F.S.), including Sections 350.115, 366.05, and 366.06, F.S.

Discussion of Issues

Issue 1: Should currently prescribed depreciation rates for St. Joe Natural Gas Company be revised?

Recommendation: Yes. The review of St. Joe's plant and depreciation-related information indicates a need to revise the Company's currently prescribed depreciation rates. (Smith)

Staff Analysis: St. Joe's last depreciation filing was made on December 21, 2017. By Order No. PSC-2018-0368-PAA-GU, the Commission approved revised depreciation rates that became effective January 1, 2018.[2]

Rule 25-7.045, F.A.C., requires natural gas companies to file a comprehensive depreciation study at least once every five years from the submission date of the previously filed study or pursuant to Commission order. A review of the Company's plant activity and data indicates the need for revising depreciation rates. Staff's recommended depreciation components and rates are discussed in Issue 3 and shown on Attachments A, B, and C.

[2] Order No. PSC-2018-0368-PAA-GU, issued July 25, 2018, in Docket No. 20170265-GU, *In re: Application for approval of new depreciation rates, effective January 1, 2018, by St. Joe Natural Gas Company, Inc*.

Issue 2: What should be the implementation date for newly proposed depreciation rates?

Recommendation: Staff recommends January 1, 2023, for implementing newly proposed depreciation rates as shown on Attachments A, B, and C to this recommendation. (Smith)

Staff Analysis: Rule 25-7.045, F.A.C., requires that the data submitted in a depreciation study, including plant and reserve balances or Company estimates, "shall be brought to the effective date of the proposed rates." The supporting data and calculations provided by St. Joe match an implementation date of January 1, 2023.

Issue 3: What are the appropriate depreciation parameters and resulting rates?

Recommendation: Staff recommends the Commission approve the lives, reserve percentages, net salvage percentages, and resulting remaining life depreciation rates for St. Joe that are shown on Attachments A and C. Staff further recommends that St. Joe cease booking depreciation expense to Account 387 as of January 1, 2023, until the Company adds new investments to this account, at which time the Company should use staff's recommended whole life rate reflected on Attachment B. As shown on Attachment B, the corresponding depreciation expense effect of staff's rate recommendations is an increase of $49,003 annually, or 16.6 percent, based on December 31, 2022 investments. (Smith)

Staff Analysis: Staff's recommendations are the result of a comprehensive review of St. Joe's plant depreciation data filed in this docket. The Company provided plant addition and retirement data spanning 2018-2022. St. Joe's natural gas distribution and general plant accounts grew by approximately 21 percent over the 2022 Study's timeframe.

St. Joe proposed retaining all of its currently-approved Average Service Lives (ASL) except for Account 380.2 – Services – Steel. St. Joe stated that regular inspections of these assets found them to be in acceptable condition with many years of service left. The inspection results, along with the average age of the assets in this account, indicate the need for an increase in this account's ASL.

Staff recalculated the average age for each of St. Joe's Distribution and General plant accounts using the data provided in the 2022 Study. Staff's calculations resulted in different average ages for two accounts, as detailed in the "Account-Specific Analysis" section below. St. Joe did not propose any Iowa-type survivor curves (Iowa curves) in their filing.[3] Staff would also note that St. Joe did not use any Iowa curves when calculating the average remaining lives (ARL) for each of its accounts.[4] Therefore, staff applied St. Joe's currently-approved Iowa curves to staff's recommended ASLs and average ages on an account-by-account basis in order to calculate each account's ARL.

St. Joe did not propose any changes to its currently-approved Net Salvage (NS) values. Staff reviewed St. Joe's extensive gross salvage and cost of removal (COR) data, and found the need for a decrease (more negative) in the NS values for four accounts, also detailed in the "Account-Specific Analysis" section below. This is mainly due to an increase in the COR over the years. Incidentally, staff would note that, all things being equal, a more negative NS value results in a higher depreciation rate.

Attachments A and C to this recommendation show a comparison of the currently-approved depreciation parameters and rates to those that staff is recommending become effective January 1, 2023 (Issue 2). Displayed on Attachment B is a comparison of depreciation expenses between

[3] "Iowa-type Curves" are a widely-used group of generalized survivor curves that contain the range of survivor characteristics usually experienced by public utilities, as well as companies in other industries.
[4] DN 02166-2023.

currently-approved and staff's proposed rates based on December 31, 2022 investments. Staff and the Company are in agreement on all proposed depreciation parameters and resulting rates.[5]

Reserve Transfer

As part of reviewing St. Joe's 2022 Study, staff calculated the book reserve balance of each plant account. Staff also calculated the associated theoretical reserve balance of each plant account using the current recommended life and net salvage inputs. The difference between an account's book and theoretical reserve amounts may be described as an imbalance, either positive or negative, or as a surplus or deficiency. When imbalances are present, corrective transfers among accounts should be considered, and if warranted, should be performed.

Table 3-1
Accumulated Depreciation Transfers

Acct. No.	Account Title	Staff Recommended Transfer Amount
376.2	Mains - Steel	(91,320)
380.1	Services - Plastic	96,138
387	Other Equipment	(4,818)

Source: Staff's Calculations

As shown in Table 3-1, staff is recommending a reserve transfer for Account 387 – Other Equipment due to this account being fully recovered. Staff recommends transferring $4,818 to Account 380.1 – Services – Plastic in order to bring Account 387 to the theoretically correct reserve position. Staff is further recommending a reserve transfer between Account 376.2 – Mains – Steel and Account 380.1 – Services – Plastic, the two accounts with the largest surplus and deficit, respectively. These recommended transfers are discussed in more detail below.

Account-Specific Analysis

Account 375 – Buildings & Structures

As reflected in Exhibit A of the 2022 Study, this account has an average age of 7.3 years. The Company proposes retaining the currently-approved ASL of 40 years and (5) percent NS. Using these parameters with the S3 curve, an ARL of 32.7 years is calculated. This ARL value is then used to produce a remaining life depreciation rate of 2.7 percent for this account.

Account 376.1 – Mains – Plastic

This account has an average age of 19.8 years. The Company proposes retaining the currently-approved 40-year ASL and NS of (30) percent. Using these parameters with the S3 curve, an ARL of 20.6 years is calculated. This ARL is then used to produce a remaining life depreciation rate of 3.2 percent for this account.

[5] DN 03473-2023; Staff notes that an incorrect calculation was used in preparing the Staff Report in this case. Staff corrected this calculation, and through a telephone conversation on 6/9/2023, St. Joe confirmed its agreement with staff's changes.

Account 376.2 – Mains – Steel

This account has an average age of 31.0 years. The Company proposes retaining the currently-approved 40-year ASL and NS of (30) percent. Using these parameters with the S3 curve, an ARL of 12.3 years is calculated. This ARL is then used to produce a remaining life depreciation rate of 3.0 percent for this account. Due to the reserve surplus associated with this account, staff proposes a reserve transfer of ($91,320).

Account 378 – M&R Equipment – Distribution

This account has an average age of 25.4 years for this account. The Company proposes retaining the currently-approved 35-year ASL and NS of (5) percent. Using these parameters with the R3 curve, an ARL of 12.7 years is calculated. This ARL is then used to produce a remaining life depreciation rate of 2.7 percent for this account.

Account 379 – M&R Equipment – City Gate

This account has an average age of 30.2 years. The Company proposes retaining the currently-approved 35-year ASL and NS of (5) percent. Using these parameters with the S3 curve, an ARL of 9.0 years is calculated. This ARL is then used to produce a remaining life depreciation rate of 1.9 percent for this account.

Account 380.1 – Services – Plastic

This account has an average age of 12.0 years. The Company proposes retaining the currently-approved 42-year ASL and NS of (22) percent. Based on St. Joe's property records, this account has experienced an average NS of (31) percent. Also, the NS average for all Florida-based gas utilities for this account is (39) percent. Based on these facts, staff believes a NS adjustment is necessary and is proposing a (30) NS for this account.[6] Using these parameters with the S3 curve, an ARL of 30.0 years is calculated. This ARL is then used to produce a remaining life depreciation rate of 3.1 percent for this account. Due to the reserve deficit associated with this account, staff proposes a reserve transfer of $96,138.

Account 380.2 – Services – Steel

This account has an average age of 51.6 years. The currently-approved ASL is 53 years with a (40) percent NS. In the 2022 Study, St. Joe stated that inspections of the steel services show all lines to be in acceptable condition "with every indication of many years of service remaining." In response to staff's data request, the Company stated that an increase in the ASL was needed for this account due to the average age and condition of the assets.[7] Staff agrees with the Company and proposes extending the ASL for this account to 55 years. Based on St. Joe's property records, this account has experienced an average NS of (42) percent. In recent years, the Company has realized NS values for this account in the range of approximately (70) to (135) percent. The average NS for all Florida-based gas utilities for this account is (85) percent. Given this, staff proposes a more negative net salvage percentage of (50). Staff notes that this reduction in NS does not fully reflect the NS experienced for this account. However, whenever possible, staff believes gradual adjustments to the depreciation parameters is preferable over large, abrupt

[6] Decreasing an account's NS value (less positive or more negative) increases the amount of money that will be collected to fully retire an asset.
[7] DN 02489-2023.

changes. Based on these parameters, with a SQ Iowa curve, the resulting ARL for this account is 3.4 years. This ARL is then used to produce a remaining life rate of 8.0 percent.

Account 381 – Meters

This account has an average age of 14.8 years. The Company proposes retaining the currently-approved 25-year ASL and NS of 0 percent. Based on these parameters with the R4 curve, an ARL of 10.7 years is calculated. This ARL is then used to produce a remaining life depreciation rate of 3.9 percent for this account.

Account 382 – Meter Installations

This account has an average age of 18.0 years. The Company proposes retaining the currently-approved 40-year ASL and NS of (25) percent. Based on St. Joe's property records, this account has experienced an average NS of (39) percent. The average for all Florida based gas utilities is (19) percent. As a result, staff believes an adjustment to the NS is needed. Therefore, staff proposes reducing the NS, or making the NS more negative, from (25) percent to (35) percent, which is more in line with the Company's average. This adjusted NS also falls between the Florida-based gas utility average and the St. Joe-specific average. Using these parameters with the S2 curve, an ARL of 22.9 years is calculated. This ARL is then used to produce a remaining life depreciation rate of 3.9 percent for this account.

Account 383 – Regulators

This account has an average age of 16.7 years. The Company proposes retaining the currently-approved 30-year ASL and NS of 0 percent. Using these parameters with the R4 curve, an ARL of 13.8 years is calculated. This ARL is then used to produce a remaining life depreciation rate of 3.3 percent for this account.

Account 384 – Regulator Installations

This account has an average age of 11.6 years. The Company proposes retaining the currently-approved 40-year ASL and NS of (40) percent. Based on St. Joe's property records, this account has experienced an average NS of (92) percent. The average NS for all Florida-based gas utilities for this account is (18) percent. Given these amounts, staff believes a NS adjustment is needed, and proposes reducing the NS for this account to (45) percent. Staff notes that this reduction in NS does not fully reflect the NS experienced for this account. However, as stated earlier, whenever possible, staff believes gradual adjustments to the depreciation parameters is preferable over large, abrupt changes. Using these adjusted parameters with the S3 curve, an ARL of 28.4 years is calculated. This ARL is then used to produce a remaining life depreciation rate of 3.9 percent for this account.

Account 385 – Industrial M&R Equipment

This account has an average age of 11.5 years. The Company proposes retaining the currently-approved 30-year ASL and NS of (5) percent. Using these parameters with the S4 curve, an ARL of 18.5 years is calculated. This ARL is then used to produce a remaining life depreciation rate of 3.7 percent for this account.

Account 387 – Other Equipment

In St. Joe's 2017 Depreciation Study (2017 Study), the Commission approved a 7.1 percent whole-life rate to any new assets booked to this account. Staff notes that no new investments have been booked to this account since the 2017 Study. However, St. Joe continued booking depreciation expense to this account which has resulted in a $4,818 reserve surplus. As a result, staff proposes a reserve transfer of ($4,818) to eliminate the reserve surplus. Staff believes that the Company should be instructed to cease booking depreciation expense to this account as of January 1, 2023, and until such time as new investments are booked to this account. Staff proposes retaining the 7.1 percent whole-life rate for any new investments booked to this account. This rate is based on a 14-year ASL with a 0 percent NS.

Account 390 – Structures & Improvements

Exhibit A of the 2022 Study reflects an average age of 25.8 years for this account. However, staff's calculation resulted in an average age of 29.75 years. The Company proposes retaining the currently-approved 40-year ASL and NS of 0 percent. Using these adjusted parameters with the R3 curve, an ARL of 16.9 years is calculated. This ARL is then used to produce a remaining life depreciation rate of 1.8 percent for this account.

Account 391.1 – Office Furniture

This account has an average age of 13.7 years. The Company proposes retaining the currently-approved 15-year ASL and NS of 0 percent. Using these parameters with the S2 curve, an ARL of 4.4 years is calculated. This ARL is then used to produce a remaining life depreciation rate of 6.6 percent for this account.

Account 391.2 – Office Devices

This account has an average age of 4.7 years. The Company proposes retaining the currently-approved 8-year ASL and NS of 5 percent. Using these parameters with the S1 curve, an ARL of 4.2 years is calculated. This ARL is then used to produce a remaining life depreciation rate of 12.0 percent for this account.

Account 391.3 – Office Computers

This account has an average age of 10.3 years. The Company proposes retaining the currently-approved 16-year ASL and NS of 0 percent. Using these parameters with the S3 curve, an ARL of 6.3 years is calculated. This ARL is then used to produce a remaining life depreciation rate of 7.6 percent for this account.

Account 392 – Transportation Equipment

This account has an average age of 5.9 years. The Company proposes retaining the currently-approved 7-year ASL and NS of 10 percent. Using these parameters with the S2 curve, an ARL of 2.3 years is calculated. This ARL is then used to produce a remaining life depreciation rate of 16.9 percent for this account.

Account 394 – Tools, Shop, & Garage

This account has an average age of 7.2 years. The Company proposes retaining the currently-approved 20-year ASL and NS of 0 percent. Using these parameters with the S3 curve, an ARL of 12.9 years is calculated. This ARL is then used to produce a remaining life depreciation rate of 4.9 percent for this account.

Account 396 – Power Operated Equipment

In the current Depreciation Study, Exhibit A reflects an average age of 4.5 years for this account. In response to staff's data request, the Company stated that this number is a typographical error.[8] St. Joe confirmed the correct average age for this account is 10.7 years. The Company proposes retaining the currently-approved 15-year ASL and NS of 5 percent. Using these parameters with the S4 curve, an ARL of 4.6 years is calculated. This ARL is then used to produce a remaining life depreciation rate of 6.4 percent for this account.

Account 397 – Communication Equipment

This account has an average age of 4.5 years. The Company proposes retaining the currently-approved 12-year ASL and NS of 0 percent. Using these parameters with the S3 curve, an ARL of 7.5 years is calculated. This ARL is then used to produce a remaining life depreciation rate of 20.3 percent for this account.

Conclusion

Based on staff's analysis and explanations, staff recommends the Commission approve the lives, reserve percentages, net salvage percentages, and resulting remaining life depreciation rates for St. Joe that are shown on Attachments A and C. Staff further recommends that St. Joe be directed to cease booking depreciation expense to Account 387 as of January 1, 2023, until the Company adds new investments to this account, at which time the Company should use staff's recommended whole life rate reflected on Attachment A. As shown on Attachment B, the corresponding depreciation expense effect of staff's rate recommendations is an increase of $49,003 annually, or 16.6 percent,[9] based on December 31, 2022 investments. (Smith)

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[8] DN 02489-2023.

[9] Percent change in depreciation expense = staff's recommended depreciation expense change ÷ depreciation expense based on Total System Investments as of 12/31/2022 at current depreciation rates (Shown on Attachment B).

Issue 4: Should the current amortization of investment tax credits (ITCs) and flow back of excess deferred income taxes (EDITs) be revised to reflect the approved depreciation rates and amortization schedules?

Recommendation: Yes. The current amortization of ITCs and any flow back of EDITs should be revised to match the actual recovery periods for the related property. The Company should file detailed calculations of the revised ITC amortization and flow back of EDITs at the same time it files its earnings surveillance report covering the period ended December 31, 2023, as specified in Rule 25-7.1352, F.A.C. (D. Buys)

Staff Analysis: In Issue 3, staff has recommended approval of revised depreciation rates for the Company, which reflect changes to most accounts' remaining lives to be effective January 1, 2023. Revising a utility's book depreciation lives generally results in a change in its rate of ITC amortization and flow back of EDITs in order to comply with the normalization requirements of the Internal Revenue Code (IRC or Code) set forth in Federal Tax Regulations under the Code sections,[10] Sections 168(f)(2) and (i)(9),[11] former IRC Sections 167(l), and 46(f),[12] and Section 203(e) of the Tax Reform Act of 1986 (the Act).[13]

Staff, the Internal Revenue Service (IRS), and independent outside auditors look at a company's books and records, and the orders and rules of the jurisdictional regulatory authorities to determine if the books and records are maintained in an appropriate manner. The books are also reviewed to determine if they are in compliance with the regulatory guidelines in regard to normalization.

Former IRC Section 46(f)(6) of the Code indicated that the amortization of ITCs should be determined by the period of time actually used in computing depreciation expense for ratemaking purposes and on the regulated books of the utility.[14] While Section 46(f)(6) was repealed, under IRC Section 50(d)(2), the terms of former IRC Section 46(f)(6) remain applicable to public utility property for which a regulated utility previously claimed ITCs. Because staff is recommending changes to the Company's remaining lives, it is also important to change the amortization of ITCs and EDITs to avoid violations of the provisions of IRC Section 50(d)(2) for ITCs, and IRC Section 168(i)(9), former section 167(l), and section 13001(d) of the Tax Change and Jobs Act for EDITs, and their underlying Treasury Regulations. The consequence of an ITC or EDIT normalization violation is the repayment of unamortized ITC balances to the IRS and inability to utilize accelerated depreciation. Therefore, staff recommends that the current amortization of ITCs and any flowback of EDITs be revised to match the actual recovery periods for the related property. The Company should file detailed calculations of the revised ITC amortization and flowback of EDITs at the same time it files its earnings

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[10] Treas. Reg. §1.168; Treas. Reg. §1.167; Treas. Reg. §1.46.
[11] 26 US Code §§168(f)(2) and (i)(9).
[12] Under IRC Section 50(d)(2), the terms of former 26 US Codes §167(l) and §46(f), which were repealed by the Revenue Reconciliation Act of 1990 (Pub. L. No. 101-508, §11812(a)(1-2)(1990)), remain applicable to public utility property for which a regulated utility previously claimed ITCs, which is the case here. (I.R.S. Priv. Ltr. Rul. 200933023, 1n.1 (May 7, 2009)).
[13] Tax Reform Act of 1986, Pub. L. No. 99-514 (100 Stat. 2085, 2146)(1986).
[14] Former 26 USC §46(f)(6) (establishing proper determination of ratable portion).

surveillance report covering the period ended December 31, 2023, as specified in Rule 25-7.1352, F.A.C.

Issue 5: Should this docket be closed?

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

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

Comparison of Rates and Components

Acct. No.	Account Title	Current[1] Average Remaining Life (yrs)	Current[1] Future Net Salvage (%)	Current[1] Remaining Life Rate (%)	Staff Recommended Average Remaining Life (yrs)	Staff Recommended Theoretical Reserve (%)		Staff Recommended Future Net Salvage (%)	Staff Recommended Remaining Life Rate (%)
Distribution Plant									
375	Buildings & Improvements	10.8	(5)	1.6	32.7	19.09		(5)	2.7
376.1	Mains - Plastic	19.4	(30)	3.2	20.6	63.07		(30)	3.2
376.2	Mains - Steel	15.4	(30)	3.1	12.3	90.18	*	(30)	3.0
378	M&R Eqip. - Distribution	15.6	(5)	3.0	12.7	66.83		(5)	2.7
379	M&R Eqip - City Gate	11.9	(5)	2.5	9.0	77.99		(5)	1.9
380.1	Services - Plastic	25.0	(22)	2.9	30.0	37.06	*	(30)	3.1
380.2	Services - Steel	6.1	(40)	3.9	3.4	140.82		(50)	8.0
381	Meters	11.5	0	3.8	10.7	57.01		0	3.9
382	Meter Installations	15.3	(25)	3.0	22.9	57.57		(35)	3.9
383	Regulators	12.0	0	3.1	13.8	53.85		0	3.3
384	Regulator Installations	18.4	(40)	3.5	28.4	42.13		(45)	3.9
385	Industrial M&R Eqipuipment	24.0	(5)	3.4	18.5	40.19		(5)	3.7
387	Other Equipment	8.8	0	7.1**	0.0	100.00	*	0	7.1**
General Plant									
390	Structures & Improvements	16.8	0	1.9	14.1	64.75		0	2.2
391.1	Office Furniture	4.4	0	1.7	4.4	70.67		0	6.6
391.2	Office Devices	4.1	5	8.4	4.2	45.19		5	12.0
391.3	Office Computers	7.9	0	6.3	6.3	60.76		0	7.6
392	Transportation Equipment	3.0	10	9.3	2.3	60.93		10	16.9
394	Tools, Shop & Garage Equipment	15.8	0	4.9	12.9	35.74		0	4.9
396	Power Operated Equipment	5.9	5	0.6	4.6	65.82		5	6.4
397	Communication Equipment	3.7	0	6.2	7.5	37.30		0	20.3

[1] Order No. PSC-2018-0368-PAA-GU
* Denotes a Reserve Transfer
**Denotes Whole Life Rate

Comparison of Expenses							
		Current		Staff Recommended			
Account No.	Account Title	Depreciation Rate (%)	Annual Expense ($)	Depreciation Rate (%)	Annual Expense ($)	Change In Expense ($)	
Distribution Plant							
375	Buildings & Improvements	1.6	2,628	2.7	4,435	1,807	
376.1	Mains - Plastic	3.2	47,093	3.2	47,093	(0)	
376.2	Mains - Steel	3.1	95,243	3.0	92,170	(3,073)	
378	M&R Eqip. - Distribution	3.0	3,103	2.7	2,793	(310)	
379	M&R Eqip - City Gate	2.5	11,477	1.9	8,722	(2,755)	
380.1	Services - Plastic	2.9	30,311	3.1	32,402	2,091	
380.2	Services - Steel	3.9	3,675	8.0	7,538	3,863	
381	Meters	3.8	26,901	3.9	27,609	708	
382	Meter Installations	3.0	3,459	3.9	4,497	1,038	
383	Regulators	3.1	7,738	3.3	8,237	499	
384	Regulator Installations	3.5	2,551	3.9	2,842	291	
385	Industrial M&R Eqipuipment	3.4	1,759	3.7	1,914	155	
387	Other Equipment	7.1	956	7.1	0	(956)	
	TOTAL DISTRIBUTION PLANT		236,894		240,252	3,358	
General Plant							
390	Structures & Improvements	1.9	3,385	2.2	3,920	535	
391.1	Office Furniture	1.7	185	6.6	720	535	
391.2	Office Devices	8.4	1,904	12.0	2,721	817	
391.3	Office Computers	6.3	5,751	7.6	6,937	1,186	
392	Transportation Equipment	9.3	43,994	16.9	79,946	35,952	
394	Tools, Shop & Garage Equipment	4.9	2,837	4.9	2,837	(0)	
396	Power Operated Equipment	0.6	664	6.4	7,086	6,422	
397	Communication Equipment	6.2	87	20.3	286	199	
	TOTAL GENERAL PLANT		58,808		104,453	45,645	

Current and Proposed Depreciation Components

		Current		Staff Proposed		
Account No.	Account Title	Curve Type	Average Service Life	Curve Type	Average Service Life	Age
Distribution Plant						
375	Buildings & Improvements	S3	40	S3	40	7.3
376.1	Mains - Plastic	S3	40	S3	40	19.8
376.2	Mains - Steel	S3	40	S3	40	31.0
378	M&R Eqip. - Distribution	R3	35	R3	35	25.4
379	M&R Eqip - City Gate	S3	35	S3	35	30.2
380.1	Services - Plastic	S3	42	S3	42	12.0
380.2	Services - Steel	SQ	53	SQ	55	51.6
381	Meters	R4	25	R4	25	14.8
382	Meter Installations	S2	40	S2	40	18.0
383	Regulators	R4	30	R4	30	16.7
384	Regulator Installations	S3	40	S3	40	11.6
385	Industrial M&R Eqipuipment	S4	30	S4	30	11.5
387	Other Equipment		14		14	
General Plant						
390	Structures & Improvements	R3	40	R3	40	25.8
391.1	Office Furniture	S2	15	S2	15	13.7
391.2	Office Devices	S1	8	S1	8	4.7
391.3	Office Computers	S3	16	S3	16	10.3
392	Transportation Equipment	S2	7	S2	7	5.9
394	Tools, Shop & Garage Equipment	S3	20	S3	20	7.2
396	Power Operated Equipment	S4	15	S4	15	10.7
397	Communication Equipment	S3	12	S3	12	4.5

Item 9

FILED 6/28/2023
DOCUMENT NO. 03840-2023
FPSC - COMMISSION CLERK

State of Florida

Public Service Commission

CAPITAL CIRCLE OFFICE CENTER ● 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: June 28, 2023

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Economics (Guffey) JGH
Office of the General Counsel (Dose) JSC

RE: Docket No. 20230063-GU – Petition for approval of transportation service agreement with Florida Public Utilities Company by Peninsula Pipeline Company, Inc.

AGENDA: 07/11/23 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Graham

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Case Background

On April 24, 2023, Peninsula Pipeline Company, Inc. (Peninsula) filed a petition seeking approval of a Firm Transportation Service Agreement (Agreement) between Peninsula and Florida Public Utilities Company (FPUC), collectively the parties. The purpose of the Agreement is to allow FPUC to provide natural gas service to existing and future residential, commercial, and industrial customers in and near the City of Newberry (Newberry or the City) in Alachua County. Newberry currently does not provide natural gas service but customers have the option to use propane as a secondary fuel source provided by propane distributors.

Peninsula operates as an intrastate natural gas transmission company as defined by Section 368.103(4), Florida Statutes (F.S.).[1] FPUC is a local distribution company (LDC) subject to the regulatory jurisdiction of the Commission pursuant to Chapter 366, F.S.

By Order No. PSC-07-1012-TRF-GP,[2] Peninsula received approval of an intrastate gas pipeline tariff that allows it to construct and operate intrastate pipeline facilities and to actively pursue agreements with natural gas customers. Peninsula provides gas transportation service only; it does not engage in the sale of natural gas. Pursuant to Order No. PSC-07-1012-TRF-GP, Peninsula is allowed to enter into certain gas transmission agreements without prior Commission approval.[3] However, Peninsula is requesting Commission approval of this proposed Agreement as it does not fit any of the criteria enumerated in the tariff for which Commission approval would not be required.[4] The parties are subsidiaries of Chesapeake Utility Corporation, a Delaware corporation authorized to conduct business in Florida, and agreements between affiliated companies must be approved by the Commission pursuant to Section 368.105, F.S., and Order No. PSC-07-1012-TRF-GP.

Pursuant to the proposed Agreement and project map (Attachments A and B to this recommendation), Peninsula will construct, own, and operate a new natural gas pipeline and update an existing gate station located in Trenton, which will be an interconnect with Florida Gas Transmission Company's (FGT) interstate pipeline system. During the evaluation of the petition, FPUC and staff had an informal meeting on April 18, 2023, and staff issued two data requests to the parties for which responses were received on May 17, 2023 and on June 13, 2023. The Commission has jurisdiction over this matter pursuant to Sections 366.05(1), 366.06, and 368.105, F.S.

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[1] Order No. PSC-06-0023-DS-GP, issued January 9, 2006, in Docket No. 050584-GP, *In re: Petition for declaratory statement by Peninsula Pipeline Company, Inc. concerning recognition as a natural gas transmission company under Section 368.101, F.S., et seq.*
[2] Order No. PSC-07-1012-TRF-GP, issued December 21, 2007, in Docket No. 070570-GP, *In re: Petition for approval of natural gas transmission pipeline tariff by Peninsula Pipeline Company, Inc.*
[3] Peninsula Pipeline Company, Inc., Intrastate Pipeline Tariff, Original Vol. 1, Original Sheet No. 11, Section 3.
[4] Peninsula Pipeline Company, Inc., Intrastate Pipeline Tariff, Original Vol. 1, Original Sheet No. 12, Section 4.

Discussion of Issues

Issue 1: Should the Commission approve the proposed Firm Transportation Service Agreement dated April 5, 2023, between Peninsula and FPUC?

Recommendation: Yes, the Commission should approve the proposed Firm Transportation Service Agreement dated April 5, 2023, between Peninsula and FPUC. The proposed Agreement is reasonable and meets the requirements of Section 368.105, F.S. Furthermore, the proposed Agreement benefits FPUC's current and potential future customers by interconnecting to FGT's less constrained West Leg allowing FPUC to provide natural gas service in and around the City of Newberry in Alachua County. (Guffey)

Staff Analysis:

Proposed Transportation Service Agreement

The City of Newberry currently does not provide natural gas service but customers who desire to use gas have the ability to purchase propane as their secondary fuel source. Propane suppliers are unregulated by the Commission. FPUC believes that once the natural gas distribution system in the City is completed and service becomes available, some propane customers may opt for natural gas as it is a cheaper fuel.

FPUC explained that Newberry is experiencing increased development in residential, commercial, and light industrial sectors. FPUC further stated that the City has indicated a high interest in obtaining reliable and reasonable natural gas service and FPUC has obtained several letters of interest from home builders and other businesses. The proposed Agreement will also support the City's economic development plan which emphasizes the development of commercial and light industrial sectors of its local economy. FPUC indicated it also anticipates interest from a large scale industrial customer who currently uses coal as a fuel source.

In response to the City's interest in bringing natural gas service to the area, the parties have entered into the proposed Agreement to enable FPUC to expand its distribution system. FPUC stated that it has a franchise agreement in the City for natural gas service. The Company asserts that the proposed project and Agreement with Peninsula to extend natural gas service to Newberry and its vicinity is the most economical approach to meet the area's customer demand.[5]

The proposed Agreement specifies an initial term of 20 years and thereafter shall be extended on a year-to-year basis, with no changes in the terms of the Agreement, unless either party gives no less than 90 days of written notification of termination. If either party desires to negotiate modifications to the rates or terms of this Agreement, they may do so no less than 120 days prior to expiration of the current active term.

Proposed Newberry Project

Attachment B to this recommendation shows the proposed Newberry gas distribution expansion project. Peninsula stated that it would begin by updating an existing gate station interconnection with the West Leg of FGT located off of SR 26 in Trenton, in Gilchrist County. FPUC explained

[5] Response No. 3 in Staff's Second Data Request, Document No. 03625-2023.

that the West Leg is unconstrained, meaning that FGT has transportation capacity available. As shown by the red line, starting at the existing gate station interconnection with FGT, Peninsula would construct approximately 93,300 feet (17.67 miles) of 4-inch steel pipeline traveling east along SR 26 and ending at a newly constructed metering and regulation (M&R) station located off US Highway 41, which Peninsula would also construct. The completion of these projects will enable FPUC-owned gas to be transported to Newberry. In response to staff's first data request, Peninsula stated that it anticipates to begin construction in the second quarter of 2024 while the completion would depend on contractor resources and coordination with the City.[6]

Anticipated System Benefits

The parties stated that the proposed Agreement has the added benefit of providing FPUC with an additional source of gas (via the Peninsula intrastate pipeline) and enhancing an existing interconnection with the FGT pipeline.

The parties assert that the proposed project will enable FPUC, having a franchise agreement with the City, to serve residential, commercial, and industrial customers in the City and its vicinity who currently do not have natural gas service. The parties further assert that construction of the pipeline will allow the current and future customers in the area to obtain less expensive natural gas (as opposed to propane) as their energy source. FPUC stated that the proposed project would allow them to transfer 200 residential propane customers to natural gas in the first year of operation. The petition also states that the proposed project will support the City's economic development plan with emphasis on commercial and light industrial segments of its economy.

The parties assert that Central Alachua County is currently served by FGT's East Leg, which is constrained. The proposed pipeline project interconnecting to FGT's unconstrained West Leg will have the added benefit of incremental supply to natural gas facilities in Central Alachua County supplied by the East Leg.

In response to staff's first data request, the parties stated that FPUC did not obtain formal Request for Proposals responses from other entities.[7] FPUC explained that in previous discussions and requests with FGT for other projects, FGT has declined to bid on projects related to construction, owning, and operating laterals such as the proposed expansion project in this petition, which are not a focus of FGT's expansion activities.

FPUC explained that the proposed Newberry project is larger than what FPUC would typically undertake on its own. Due to various tariff requirements, if FPUC undertook the project, the project costs would unduly burden the City and its customers seeking natural gas service. Therefore, FPUC contracted with Peninsula to undertake the proposed Newberry project as it falls within its pipeline operation portfolio. As such, Peninsula will construct, own, and operate the 17.67 mile interconnect with FGT, which would protect the general body of ratepayers from potential unforeseen construction price increases or other related challenges.[8] Upon the completion of Peninsula's portion of the pipeline construction, FPUC will begin development of its gas distribution system in the City.

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[6] Response No. 2 in Staff's First Data Request, Document No. 03271-2023.
[7] Response No. 5 in Staff's First Data Request, Document No. 03271-2023.
[8] Response No. 2 in Staff's Second Data Request, Document No. 03625-2023.

Negotiated Monthly Reservation Payments to Peninsula

The parties assert that the negotiated monthly reservation charge contained in the proposed agreement is consistent with market rates because the rates are substantially the same as rates set forth in similar agreements as required by Section 368.105(3)(b), F.S. The parties assert that Peninsula will recover the pipeline and district regulator construction costs through the monthly reservation charge to FPUC as shown in Exhibit A to the proposed Agreement. The monthly reservation charge is designed to recover costs such as, but not limited to, engineering, permitting, materials, and installation costs associated with pipeline and related facilities, ongoing maintenance including Pipeline and Hazardous Materials Safety Administration compliance, safety requirements, property taxes, gas control, and Peninsula's return on investment.

FPUC stated that it will initially recover its payments to Peninsula through the Purchased Gas Adjustment (PGA) and swing service rider mechanisms.[9] The PGA allows FPUC to periodically adjust the price of natural gas supplied to its customers to reflect the actual cost of gas purchased and delivered on behalf of the customers. The swing service rider allows FPUC to recover intrastate capacity costs from their transportation customers and is a cents per therm charge that is included in the monthly customer gas bill of transportation customers. While FPUC will incur costs associated with this service expansion, new load added to the system will help spread the costs over a larger customer base. If the actual need for gas does not meet the projected demand, FPUC stated that it will endeavor to sell the excess capacity on Peninsula and those proceeds will be applied to offset PGA costs to the general body of ratepayers.[10]

FPUC currently is negotiating with a nearby large industrial customer to provide natural gas service. Payments from this industrial customer will be used to offset the amounts paid to Peninsula by the general body of ratepayers.

Conclusion

Based on the petition and the parties' responses to staff's data requests, staff believes that the proposed Agreement is reasonable and meets the requirements of Section 368.105, F.S. Furthermore, the proposed Agreement benefits FPUC's current and potential future customers by interconnecting to FGT's less constrained West Leg allowing FPUC to provide natural gas service in and around the City of Newberry in Alachua County. Therefore, staff recommends that the Commission should approve the proposed Firm Transportation Service Agreement dated April 5, 2023, between Peninsula and FPUC.

[9] Response No. 6 in Staff's First Data Request, Document No. 03271-2023.
[10] Response No. 1 in Staff's Second Data Request, Document No. 03625-2023.

Issue 2: Should this docket be closed?

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

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

ATTACHMENT A

Transportation Service Agreement

PENINSULA PIPELINE COMPANY, INC.
FIRM TRANSPORTATION SERVICE AGREEMENT

THIS FIRM TRANSPORTATION SERVICE AGREEMENT (the "Agreement") entered into this 5th day of April, 2023, by and between Peninsula Pipeline Company, Inc., a corporation of the State of Delaware (herein called "Company" or "PPC"), and Florida Public Utilities Company, a corporation of the State of Florida (herein called "Shipper" or "FPUC"). PPC and FPUC are sometimes referred to herein individually as a "Party" and collectively as "Parties."

WITNESSETH

WHEREAS, Shipper desires to obtain Firm Transportation Service ("FTS") from Company; and

WHEREAS, Company desires to provide Firm Transportation Service to Shipper in accordance with the terms hereof; and

WHEREAS, Shipper desires Company to construct an intrastate pipeline in Alachua County, Florida, the origin of which will be a modified gate station with Florida Gas Transmission and the terminus of which will be a new point of delivery at or near the intersection of Route 27 and NW 9th Place, allowing for the Shipper's distribution meter to be placed into service (the "Project").

NOW THEREFORE, in consideration of the premises and of the mutual covenants and agreements herein contained, the sufficiency of which is hereby acknowledged, Company and Shipper do covenant and agree as follows:

ARTICLE I
DEFINITION

Unless otherwise defined in this Agreement, all definitions for terms used herein have the same meaning as provided in Company's Tariff.

ARTICLE II
QUANTITY & UNAUTHORIZED USE

2.1 The Maximum Daily Transportation Quantity ("MDTQ") and the Maximum Hourly Transportation Percentage ("MHTP") shall be set forth on Exhibit A attached hereto. The applicable MDTQ shall be the largest daily quantity of Gas, expressed in Dekatherms, which Company is obligated to transport on a firm basis and make available for delivery for the account of Shipper under this Agreement on any one Gas Day.

2.2 If, on any Day, Shipper utilizes transportation quantities, as measured at the Point(s) of Delivery, in excess of the established MDTQ, as shown on Exhibit A, such unauthorized use of transportation quantities (per Dekatherm) shall be billed at a rate of 2.0 times the rate to be charged for each Dekatherm of the MDTQ as set forth on Exhibit A of this Agreement.

ARTICLE III
FIRM TRANSPORTATION SERVICE RESERVATION CHARGE

3.1 The Monthly Reservation Charge for Firm Transportation Service provided under this Agreement shall be as set forth on Exhibit A of this Agreement and shall be charged to Shipper beginning at the notification of in-service by Company (the "In-Service Date"), and shall thereafter be assessed in accordance with the terms and conditions set forth herein.

3.2 Consistent with Section 9.10 of this Agreement, the Parties recognize and acknowledge that certain regulatory and governmental approvals are required for this Agreement and the Project contemplated herein. In the event that Company is not able to obtain all necessary authorizations from all Governmental Authorities within twelve (12) months of the execution of this Agreement, and such delay results in an increase in the costs associated with the Project such that proceeding with the Project would produce an economic detriment to the Company, Company may request the opportunity to negotiate a modification of the rates or terms of this Agreement, and the Parties shall negotiate such modification in good faith. Any such new rate will be implemented, and Exhibit A updated accordingly, on the In-Service Date. Notwithstanding the above, and regardless of when the Company receives all necessary authorizations from Governmental Authorities, if there is a material impact on Project costs related to materials (such as a material change in the construction fee or the cost of steel), ROW, labor or interest rates, the Company may also request the opportunity to negotiate a modification of the rates or terms of this Agreement and the Parties shall negotiate such modification in good faith. If Shipper does not agree to the adjusted Monthly Reservation Charge, Company may unilaterally terminate this Agreement upon ninety (90) days' notice.

3.3 The parties agree to execute and administratively file with the Commission an affidavit, in the form provided in Company's Tariff to comply with the provisions of the Natural Gas Transmission Pipeline Intrastate Regulatory Act.

3.4 If, at any time after the Execution Date (as herein defined) and throughout the term of this Agreement, the Company is required by any Governmental Authority (as that term is defined in Section 9.10) asserting jurisdiction over this Agreement and the transportation of Gas hereunder, to incur additional tax charges (including, without limitation, income taxes and property taxes) with regard to the service provided by Company under this Agreement, then Shipper's Monthly Reservation Charge shall be adjusted and Exhibit A updated accordingly, and the new Monthly Reservation Charge shall be implemented immediately upon the effective date of such action. If Shipper does not agree to the adjusted Monthly Reservation Charge, Company shall no longer be required to continue to provide the service contemplated in this Agreement should an action of a Governmental Authority result in a situation where Company otherwise would be required to provide transportation service at rates that are not just and reasonable, and in such event the Company shall have the right to terminate this Agreement pursuant to the conditions set forth in Section D of the Rules and Regulations of Company's Tariff.

ARTICLE IV
TERM AND TERMINATION

4.1 Subject to all other provisions, conditions, and limitations hereof, this Agreement shall be effective upon its date of execution by both Parties (the "Execution Date") and shall continue in full force for an initial period of twenty (20) years from the In-Service Date ("Initial Term"). Thereafter, the Agreement shall be extended on a year to year basis (each a "Renewed Term" and, all Renewed Terms together with the Initial Term, the "Current Term"), unless either Party gives written notice of termination to the other Party, not less than (90) days prior to the expiration of the Current Term. This Agreement may only be terminated earlier in accordance with the provisions of this Agreement and the Parties' respective rights under applicable law.

4.2 No less than 120 days before expiration of the Current Term, either Party may request the opportunity to negotiate a modification of the rates or terms of this Agreement to be effective with the subsequent Renewed Term. Neither Party is obligated to, but may, agree to any mutually acceptable modification to the Agreement for the subsequent Renewed Term. In the event the Parties reach agreement for a modification to the Agreement for the subsequent Renewed Term, such agreed upon modification shall be set forth in writing and signed by both Parties prior to the expiration of the Current Term.

4.3 Any portion of this Agreement necessary to resolve monthly balancing and operational controls under this Agreement, pursuant to the Rules and Regulations of Company's Tariff, shall survive the other parts of this Agreement until such time as such monthly balancing and operational controls have been resolved.

4.4 In the event Shipper fails to pay for the service provided under this Agreement or otherwise fails to meet Company's standards for creditworthiness set forth in Section C of the Rules and Regulations of the Company's Tariff or otherwise violates the Rules and Regulations of Company's Tariff, or defaults on this Agreement, Company shall have the right to terminate this Agreement pursuant to the conditions set forth in Section D of the Rules and Regulations of Company's Tariff.

4.5 If, during the Current Term of the Agreement, a new customer with usage of 1,000 Dekatherms per day or greater takes service from the Company on the pipeline system serving the Shipper's facility, the Company and Shipper shall renegotiate a reduction in the Monthly Reservation Charge as set forth on Exhibit A. In such event, the Shipper shall also have the first option, but not the obligation, to release the amount of capacity needed to serve the new customer at the presiding monthly charge as set forth in Exhibit A.

ARTICLE V

COMPANY'S TARIFF PROVISIONS

5.1 Company's Tariff approved by the Commission, including any amendments thereto approved by the Commission during the term of this Agreement ("Company's Tariff"), is hereby incorporated into this Agreement and made a part hereof for all purposes. In the event of any conflict between Company's Tariff and the specific provisions of this Agreement, the latter shall prevail, in the absence of a Commission Order to the contrary.

ARTICLE VI

REGULATORY AUTHORIZATIONS AND APPROVALS

6.1 Company's obligation to provide service is conditioned upon receipt and acceptance of any necessary regulatory authorization to provide Firm Transportation Service for Shipper in accordance with the Rules and Regulations of Company's Tariff.

ARTICLE VII

DELIVERY POINT(S) AND POINT(S) OF DELIVERY

7.1 The Delivery Point(s) for all Gas delivered for the account of Shipper into Company's pipeline system under this Agreement, shall be as set forth on Exhibit A attached hereto.

7.2 The Point(s) of Delivery shall be as set forth on Exhibit A attached hereto.

7.3 Shipper shall cause Transporter to deliver to Company at the Delivery Point(s) on the Transporter's system, the quantities of Gas to be transported by Company hereunder. Company shall have no obligation for transportation of Shipper's Gas prior to receipt of such Gas from the Transporter at the Delivery Point(s), nor shall Company have any obligation to obtain capacity on Transporter for Shipper or on Shipper's behalf. The Company shall deliver such quantities of Gas received from the Transporter at the Delivery Point(s) for Shipper's account to Company's Point(s) of Delivery identified on Exhibit A.

ARTICLE VIII
SCHEDULING AND BALANCING

8.1 Shipper shall be responsible for nominating quantities of Gas to be delivered by the Transporter to the Delivery Point(s) and delivered by Company to the Point(s) of Delivery. Shipper shall promptly provide notice to Company of all such nominations. Imbalances between quantities (i) scheduled at the Delivery Point(s) and the Point(s) of Delivery, and (ii) actually delivered by the Transporter and/or Company hereunder, shall be resolved in accordance with the applicable provisions of Company's Tariff, as such provisions, and any amendments to such provisions, are approved by the Commission.

8.2 The Parties recognize the desirability of maintaining a uniform rate of flow of Gas to Shipper's facilities over each Gas Day throughout each Gas Month. Therefore, Company agrees to receive from the Transporter for Shipper's account at the Delivery Point(s) and deliver to the Point(s) of Delivery up to the MDTQ as described in Exhibit A, subject to any restrictions imposed by the Transporter and to the provisions of this Agreement, and Shipper agrees to use reasonable efforts to regulate its deliveries from Company's pipeline system at a daily rate of flow not to exceed the applicable MDTQ for the Gas Month in question, subject to any additional restrictions imposed by the Transporter or by Company pursuant to Company's Tariff.

ARTICLE IX
MISCELLANEOUS PROVISIONS

9.1 Notices and Other Communications. Any notice, request, demand, statement, or payment provided for in this Agreement, unless otherwise specified, shall be sent to the Parties at the following addresses:

Company: Peninsula Pipeline Company, Inc.
500 Energy Lane, Suite 200
Dover, Delaware 19901
Attention: Contracts

Shipper: Florida Public Utilities Company
500 Energy Lane, Suite 200
Dover, Delaware 19901
Attention: Contracts

9.2 Headings. All article headings, section headings and subheadings in this Agreement are inserted only for the convenience of the parties in identification of the provisions hereof and shall not affect any construction or interpretation of this Agreement.

9.3 Entire Agreement. This Agreement, including the Exhibit attached hereto, sets forth the full and complete understanding of the Parties as of the Execution Date, and it supersedes any and all prior negotiations, agreements and understandings with respect to the subject matter hereof. No Party shall be bound by any other obligations, conditions, or representations with respect to the subject matter of this Agreement.

9.4 Amendments. Neither this Agreement nor any of the terms hereof may be terminated, amended, supplemented, waived or modified except by an instrument in writing signed by the Party against which enforcement of the termination, amendment, supplement, waiver or modification shall be sought. A change in (a) the place to which notices pursuant to this Agreement must be sent or (b) the individual designated as the Contact Person pursuant to Section 9.1 shall not be deemed nor require an amendment of this Agreement provided such change is communicated in accordance with Section 9.1 of this Agreement. Further, the Parties expressly acknowledge that the limitations on amendments to this Agreement set forth in this section shall not apply to or otherwise limit the effectiveness of amendments that are or may be necessary to comply with the requirements of, or are otherwise approved by, the Commission or its successor agency or authority.

9.5 Severability. If any provision of this Agreement becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, this Agreement shall continue in full force and effect without said provision; provided, however, that if such severability materially changes the economic benefits of this Agreement to either Party, the Parties shall negotiate in good faith an equitable adjustment in the provisions of this Agreement.

9.6 Waiver. No waiver of any of the provisions of this Agreement shall be deemed to be, nor shall it constitute, a waiver of any other provision whether similar or not. No single waiver shall constitute a continuing waiver, unless otherwise specifically identified as such in writing. No waiver shall be binding unless executed in writing by the Party making the waiver.

9.7 Attorneys' Fees and Costs. In the event of any litigation between the Parties arising out of or relating to this Agreement, the prevailing Party shall be entitled to recover all costs incurred and reasonable attorneys' fees, including attorneys' fees in all investigations, trials, bankruptcies, and appeals.

9.8 Independent Parties. Company and Shipper shall perform hereunder as independent parties. Neither Company nor Shipper is by virtue of this Agreement a partner, joint venturer, agent, employer or employee of the other. Nothing in this Agreement shall be for the benefit of any third person for any purpose, including, without limitation, the establishing of any type of duty, standard of care or liability with respect to any third person.

9.9 Assignment and Transfer. No assignment of this Agreement by either Party may be made without the prior written approval of the other Party (which approval shall not be unreasonably withheld) and unless the assigning or transferring Party's assignee or transferee shall expressly assume, in writing, the duties and obligations under this Agreement of the assigning or transferring Party. Upon such assignment or transfer, as well as assumption of the duties and obligations, the assigning or transferring Party shall furnish or cause to be furnished to the other Party a true and correct copy of such assignment or transfer and the assumption of duties and obligations.

9.10 Governmental Authorizations; Compliance with Law. This Agreement shall be subject to all valid applicable state, local and federal laws, orders, directives, rules and regulations of any governmental body, agency or official having jurisdiction over this Agreement and the transportation of Gas hereunder. Company and Shipper shall comply at all times with all applicable federal, state, municipal, and other laws, ordinances and regulations. Company and/or Shipper will furnish any information or execute any documents required by any duly constituted federal or state regulatory authority in connection with the performance of this Agreement. Each Party shall proceed with diligence to file any necessary applications with any Governmental Authorities for any authorizations necessary to carry out its obligations under this Agreement. In the event this Agreement or any provisions herein shall be found contrary to or in conflict with any applicable law, order, directive, rule or regulation, the latter shall be deemed to control, but nothing in this Agreement shall prevent either Party from contesting the validity of any such law, order, directive, rule, or regulation, nor shall anything in this Agreement be construed to require either Party to waive its respective rights to assert the lack of jurisdiction of any governmental agency other than the Commission, over this Agreement or any part thereof. In the event of such contestation, and unless otherwise prohibited from doing so under this Section 9.10, Company shall continue to transport and Shipper shall continue to take Gas pursuant to the terms of this Agreement. In the event any law, order, directive, rule, or regulation shall prevent either Party from performing hereunder, then neither Party shall have any obligation to the other during the period that performance under the Agreement is precluded. If, however, any Governmental Authority's modification to this Agreement or any other order issued, action taken, interpretation rendered, or rule implemented, will have a material adverse effect on the rights and obligations of the Parties, including, but not limited to, the relative economic position of, and risks to, the Parties as reflected in this Agreement, then, subject to the provisions of Section 3.3 of this Agreement, the Parties shall use reasonable efforts to agree upon replacement terms that are consistent with the relevant order or directive, and that maintain the relative economic position of, and risks to, the Parties as reflected in this Agreement as of the Execution Date. As used herein, "Governmental Authority" shall mean any United States federal, state, local, municipal or other government; any governmental, regulatory or administrative agency, court, commission or other authority lawfully exercising or entitled to exercise any administrative, executive, judicial, legislative, police, regulatory or taxing authority or power; and any court or governmental tribunal.

(i) If any Governmental Authority asserting jurisdiction over the pipeline facility contemplated in this Agreement, issues an order, ruling, decision or regulation not covered by Section 3.3 of this Agreement (including denial of necessary permits or amendments to existing permits) related to the operation, maintenance, location, or safety and integrity compliance, including any new or revised enforceable regulatory classification of the pipeline facility, as applicable, which is not reasonably foreseeable as of the Execution Date and which results in a materially adverse effect on either Party's rights and benefits under this Agreement, each Party shall use commercially reasonable efforts and shall cooperate with the other Party to pursue all necessary permits, approvals and authorizations, if any, of such applicable Governmental Authority, and to amend the terms and conditions of this Agreement, in each case as may be reasonably required in order that provision of firm transportation service under this Agreement shall continue; provided that neither Party shall be required to take any action pursuant to this Section which is reasonably likely to have a materially adverse effect on such Party's rights and benefits under this Agreement.

(ii) If the Parties are unable or unwilling to reach agreement pursuant to this Section 9.10, Company shall have the right to terminate this Agreement, without any further obligations to Shipper, upon one hundred twenty (120) days prior written notice to Shipper.

9.11 Applicable Law and Venue. This Agreement and any dispute arising hereunder shall be governed by and interpreted in accordance with the laws of the State of Florida. The venue for any action, at law or in equity, commenced by either Party against the other and arising out of or in connection with this Agreement shall be in a court of the State of Florida having jurisdiction.

9.12 Counterparts. This Agreement may be executed in counterparts, all of which taken together shall constitute one and the same instrument and each of which shall be deemed an original instrument as against any Party who has signed it.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers or representatives.

COMPANY
Peninsula Pipeline Company, Inc.

By: Marissa Stipa
Marissa Stipa

Title: Director

Date: 04/06/2023 , YYYY

SHIPPER
Florida Public Utilities Company

By: Bill Hancock
Bill Hancock

Title: AVP - Energy Logistics and Pipelines

Date: 04/06/2023 , YYYY

PENINSULA PIPELINE COMPANY, INC.
FIRM TRANSPORTATION SERVICE AGREEMENT

EXHIBIT A
TO
FIRM TRANSPORTATION SERVICE
AGREEMENT BETWEEN
PENINSULA PIPELINE COMPANY, INC.
AND
FLORIDA PUBLIC UTILITIES COMPANY

Description of Transporter Delivery Point(s)	**Description of Point(s) of Delivery**
Florida Gas Transmission-Trenton gate station	At or near the vicinity of the intersection of NW State Road 45 and NW 9th Place

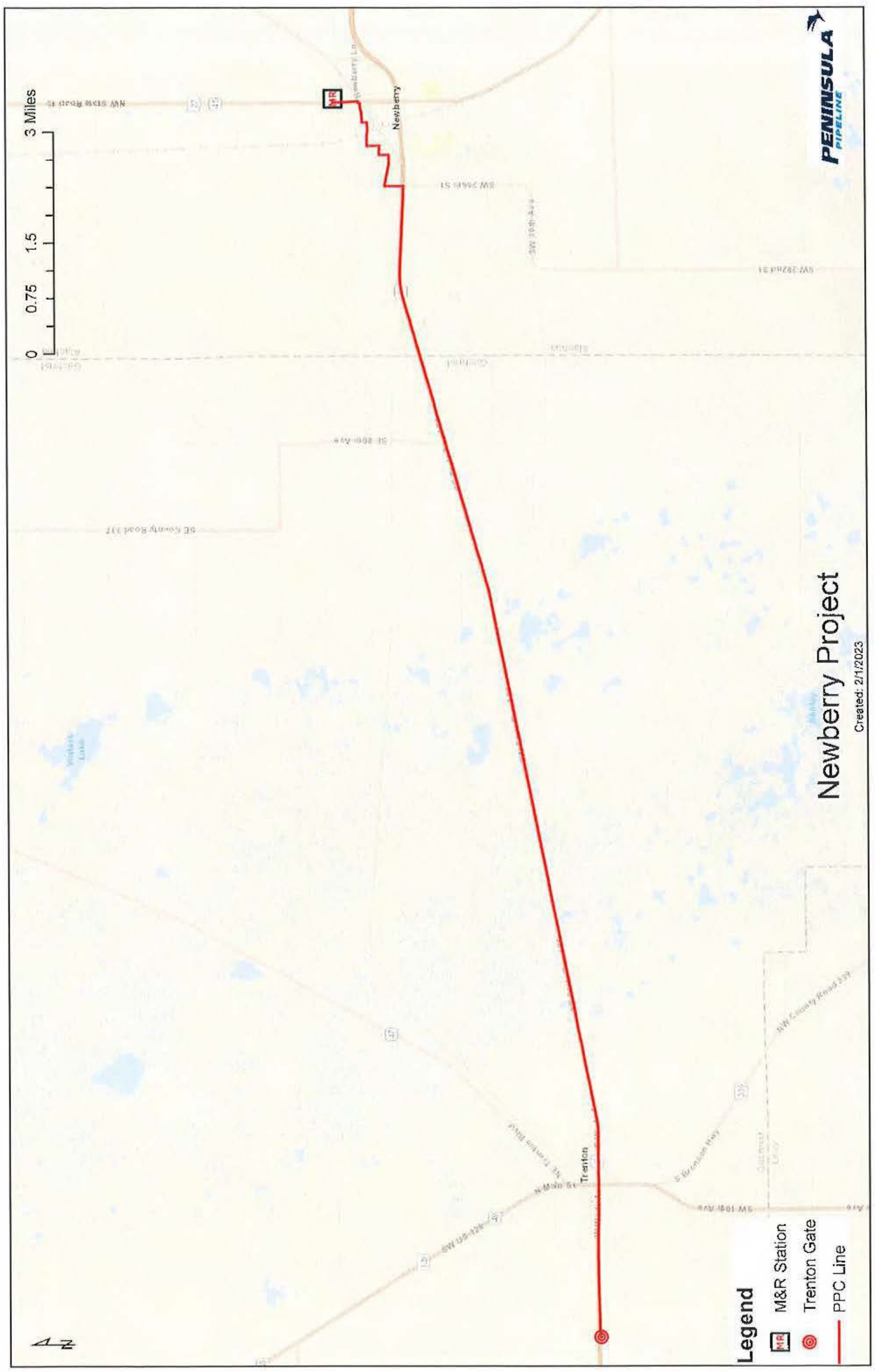
Total MDTQ (Dekatherms): [redacted] Dt/Day

MHTP: 4.17%

Monthly Reservation Charge: [redacted] ([redacted]/Dekatherm). This charge is subject to adjustment pursuant to the terms of this Agreement.

ATTACHMENT B

Project Map


Newberry Project
Created: 2/1/2023
PENINSULA PIPELINE
0
0.75
1.5
3 Miles
Newberry
Trenton
Legend
M&R Station
Trenton Gate
PPC Line