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 August 1, 2023

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Item 1

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: July 20, 2023

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Accounting and Finance (McGowan, D. Buys) *ALM*
Office of the General Counsel (Brownless) *JSC*

RE: Docket No. 20230075-GU – Request for approval of an AFUDC rate for natural gas division, effective April 1, 2023, by Florida Public Utilities Company.

AGENDA: 08/01/23 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Case Background

Florida Public Utilities Company (FPUC or Company) does not currently have an authorized rate for an Allowance for Funds Used During Construction (AFUDC) pertaining to its Gas Division. On June 6, 2023, FPUC filed its petition requesting approval of an AFUDC rate of 5.70 percent, effective April 1, 2023. As required by Rule 25-7.0141(5), Florida Administrative Code (F.A.C.), FPUC filed with its request Schedules A, B, and C identifying the capital structure, capital structure adjustments, and the methodology used to calculate the monthly AFUDC rate. The Commission has jurisdiction over this matter pursuant to Chapter 366, Florida Statutes (F.S.), including Sections 366.04, 366.05, and 366.06, F.S.

Discussion of Issues

Issue 1: Should the Commission approve FPUC's request to establish an AFUDC rate of 5.70 percent?

Recommendation: Yes. The appropriate AFUDC rate for FPUC is 5.70 percent based on a 13-month average capital structure for the period ended March 31, 2023. (McGowan)

Staff Analysis: FPUC filed a petition requesting approval of an AFUDC rate of 5.70 percent. Rule 25-7.0141(3), F.A.C., Allowance for Funds Used During Construction, provides the following guidance:

(3) The applicable AFUDC rate will be determined as follows:

(a) The most recent 13-month average embedded cost of capital, except as noted below, will be derived using all sources of capital and adjusted using adjustments consistent with those used by the Commission in the utility's last rate case.

(b) The cost rates for the components in the capital structure will be the midpoint of the last allowed return on common equity, the most recent 13-month average cost of short-term debt and customer deposits, and a zero cost rate for deferred taxes and all investment tax credits. The cost of long-term debt and preferred stock will be based on end of period cost. The annual percentage rate must be calculated to two decimal places.

In support of its requested AFUDC rate of 5.70 percent, FPUC provided its calculations and capital structure in Schedules A and B attached to its request. Staff reviewed the schedules and determined that the proposed rate was calculated in accordance with Rule 25-7.0141(3), F.A.C. In Schedule A, the Company appropriately used the mid-point return on equity of 10.25 percent, which was approved by Order No. PSC-2023-0103-FOF-GU.¹ The AFUDC rate calculation and capital structure are presented in Attachment 1.

Based on its review, staff believes that the requested AFUDC rate of 5.70 percent is appropriate and should be approved.

¹Order No. PSC-2023-0103-FOF-GU, issued March 15, 2023, in Docket No. 20220067-GU, *In re: Petition for rate increase by Florida Public Utilities Company, Florida Division of Chesapeake Utilities Corporation, Florida Public Utilities Company - Fort Meade, and Florida Public Utilities Company - Indiantown Division.*

Date: July 20, 2023

Issue 2: What is the appropriate monthly compounding rate to achieve FPUC's requested annual AFUDC of 5.70 percent?

Recommendation: The appropriate monthly compounding rate to achieve an annual AFUDC rate of 5.70 percent is 0.004630. (McGowan)

Staff Analysis: FPUC requested a monthly compounding rate of 0.004630 to achieve an annual AFUDC rate of 5.70 percent. In support of the requested monthly compounding rate of 0.004630, the Company provided its calculations in Schedule C attached with its request. Rule 25-7.0141(4)(a), F.A.C., provides the following formula for discounting the annual AFUDC rate to reflect monthly compounding.

$$M = [(1 + A/100)^{1/12} - 1] \times 100$$

Where: M = discounted monthly AFUDC rate

A = annual AFUDC rate

The rule also requires that the monthly compounding rate be calculated to six decimal places.

Staff reviewed the Company's calculation and determined it was derived in accordance with Rule 25-7.0141(4), F.A.C., as presented in Attachment 2. Therefore, staff recommends that a monthly compounding AFUDC rate of 0.004630 be approved.

Date: July 20, 2023

Issue 3: Should the Commission approve FPUC's requested effective date of April 1, 2023, for implementing the AFUDC rate?

Recommendation: Yes. The AFUDC rate should be effective April 1, 2023, for all purposes. (McGowan)

Staff Analysis: FPUC's requested AFUDC rate was calculated using the most recent 13-month average capital structure for the period ended March 31, 2023. Rule 25-7.0141(6), F.A.C., provides that:

No utility may charge or change its AFUDC rate without prior Commission approval. The new AFUDC rate will be effective the month following the end of the 12-month period used to establish that rate and may not be retroactively applied to a previous fiscal year unless authorized by the Commission.

The Company's requested effective date of April 1, 2023, complies with the requirement that the effective date does not precede the period used to calculate the rate, and therefore, should be approved.

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. (Brownless)

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

**FLORIDA PUBLIC UTILITIES COMPANY
 CAPITAL STRUCTURE USED FOR THE REQUESTED AFUDC RATE
 AS OF MARCH 31, 2023**

| COMPANY AS FILED | | | | |
|---------------------------|-----------------------------------|--------------------------|----------------------------|---|
| <u>CAPITAL COMPONENTS</u> | <u>JURISDICTIONAL AVERAGE</u> | <u>CAPITAL RATIO</u> | <u>COST OF CAPITAL</u> | <u>WEIGHTED COST OF CAPITAL</u> |
| COMMON EQUITY | \$189,343,425 | 42.33% | 10.25% | 4.34% |
| LONG-TERM DEBT | 140,420,661 | 31.39% | 3.09% | 0.97% |
| SHORT-TERM DEBT | 37,581,090 | 8.40% | 3.94%* | 0.33% |
| CUSTOMER DEPOSITS | 11,325,124 | 2.53% | 2.34%* | 0.06% |
| DEFERRED INCOME TAXES | 68,636,012 | 15.34% | 0.00% | 0.00% |
| TOTAL | \$447,306,312 | 100.00% | | 5.70% |

* 13-MONTH AVERAGE

**FLORIDA PUBLIC UTILITIES COMPANY
 METHODOLOGY FOR COMPOUNDING AFUDC RATE
 AS OF MARCH 31, 2023**

COMPANY AS FILED

| <u>MONTHS</u> | <u>AFUDC BASE</u> | <u>MONTHLY AFUDC RATE</u> | <u>CUMULATIVE AFUDC RATE</u> |
|---------------|-------------------|-------------------------------|----------------------------------|
| 1 | 1.000000 | 0.004630 | 0.004630 |
| 2 | 1.004630 | 0.004652 | 0.009282 |
| 3 | 1.009282 | 0.004673 | 0.013955 |
| 4 | 1.013955 | 0.004695 | 0.018650 |
| 5 | 1.018650 | 0.004717 | 0.023367 |
| 6 | 1.023367 | 0.004738 | 0.028105 |
| 7 | 1.028105 | 0.004760 | 0.032865 |
| 8 | 1.032865 | 0.004782 | 0.037648 |
| 9 | 1.037648 | 0.004805 | 0.042452 |
| 10 | 1.042452 | 0.004827 | 0.047279 |
| 11 | 1.047279 | 0.004849 | 0.052128 |
| 12 | 1.052128 | 0.004872 | 0.057000 |

Annual Rate (R) = 0.0570

Monthly Rate = ((1+R)^(1/12))-1 = 0.004630

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: July 20, 2023

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Engineering (M. Watts) *TB*
 Division of Economics (Bruce) *CP*
 Office of the General Counsel (Thompson) *JSC*

RE: Docket No. 20220203-WS – Application for amendment of Certificate Nos. 552-W and 481-S in Marion County, by C.F.A.T. H2O, Inc.

AGENDA: 08/01/23 – Regular Agenda – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: Schedule immediately before Docket No. 20220062-WS

Case Background

On November 18, 2022, C.F.A.T. H2O, Inc. (CFAT or Utility) filed an application with the Florida Public Service Commission (Commission) for a quick-take amendment to Certificate No. 481-S to add wastewater territory in Marion County. During staff’s review of the application, staff discovered that: (1) the Utility would need to delete some territory as well as add territory, disqualifying it from the quick-take amendment process; and (2) the amendments affected both the water and wastewater certificates. Accordingly, the docket title was changed to reflect the addition of the water certificate and the change from a quick-take amendment to a regular amendment. In addition, CFAT remitted the additional filing fee and additional documentation required.

The territory currently served by the CFAT water and wastewater systems (the CFAT territory) was originally added to the territory served by Tradewinds Utilities, Inc. (Tradewinds) through

an amendment to Tradewinds' water and wastewater certificates in 1988.¹ The CFAT territory was some distance away from the Tradewinds service territory, and was served by a separate water and wastewater system. Due to a foreclosure on the bank that held the title to the utility assets serving the CFAT territory, the Resolution Trust Corporation (RTC) was appointed its receiver in 1991. Subsequently, the Commission granted a joint application by RTC and Tradewinds to delete the CFAT territory from Tradewinds' certificated service territory and to grant RTC water and wastewater Certificate Nos. 552-W and 481-S.² On November 8, 1993, CFAT filed an application for transfer of Certificate Nos. 552-W and 481-S from RTC to CFAT.³ Since that time, CFAT has undergone one transfer of majority organizational control.⁴

When the CFAT territory was originally added to Tradewinds' certificated service territory in 1988, the portion of the territory in Section 16, Township 14 South, Range 22 East, Marion County, was erroneously described as being in the East half of the Northeast quarter of Section 16. However, the customers being served by the CFAT system were located in the East half of the Northwest quarter of Section 16. This appears to have been an error that has carried forward in subsequent iterations of CFAT's certificated area. The error was discovered during the processing of the application to transfer CFAT to CSWR-Florida Utility Operating Company, LLC (CSWR) in Docket No. 20220062-WS. To ensure that the service territory being conveyed in the sale and noticed pursuant to Rule 25-30.030, F.A.C., was accurate, the amendment sought in the instant docket should be addressed before the transfer request in Docket No. 20220062-WS is granted. Therefore, CFAT is requesting that the currently certificated area in Section 16 be deleted and the territory pertaining to Section 16 be added.

This recommendation addresses the Utility's request to extend its water and wastewater service territory and to delete a portion of its water and wastewater service territory. The Commission has jurisdiction pursuant to Section 367.045, Florida Statutes (F.S.).

¹Order No. 19688, issued July 19, 1988, in Docket No. 19880552-WS, *In re: Application by Tradewinds Utilities, Inc. for amendment to Certificate Nos. 405-W and 342-S in Marion County, Florida.*

²Order No. PSC-93-0368-FOF-WS, issued March 9, 1993 in Docket No. 19921260-WS, *In re: Application for certificates to provide water and wastewater service in Marion County by The Resolution Trust Corporation and for amendment of Certificates [sic] Nos. 405-W and 342-S by Tradewinds Utilities, Inc. to reflect transfer of territory.*

³Order No. PSC-94-0701-FOF-WS, issued June 8, 1994, in Docket No. 19931080-WS, *In re: Application for transfer of Certificates [sic] Nos. 552-W and 481S from The Resolution Trust Corporation to C.F.A.T. H2O, Inc. in Marion County.*

⁴Order No. PSC-06-0593-FOF-WS, issued July 7, 2006, in Docket No. 20060028-WS, *In re: Application for transfer of majority organizational control of C.F.A.T. H2O, Inc., holder of Certificates 552-W and 481-S in Marion County, from Ronald Chase to Floyd and Eugenia Segarra and Charles deMenzes.*

Discussion of Issues

Issue 1: Should the Commission approve C.F.A.T. H2O, Inc.'s application for amendment of Certificate Nos. 552-W and 481-S to add and delete territory from its certificated water and wastewater service territory in Marion County?

Recommendation: Yes. The Commission should amend Certificate Nos. 552-W and 481-S to include the territory as described in Attachment A, effective the date of the Commission's vote. The resultant order should serve as CFAT's amended certificate and should be retained by the Utility. The Utility should charge future customers in the territory added herein the rates and charges contained in its current tariffs until a change is authorized by the Commission in a subsequent proceeding. (M. Watts, Bruce)

Staff Analysis: The Utility's application to amend its authorized service territory is in compliance with the governing statute, Section 367.045, F.S., and Rule 25-30.036, Florida Administrative Code (F.A.C.). The application contains proof of compliance with the noticing provisions set forth in Rule 25-30.030, F.A.C. On April 14, 2023, Marion County Utilities (County) timely filed an objection to the application and requested a hearing. Staff contacted the County to clarify its specific objections, as well as to describe for the County the Commission's hearing process. CFAT contacted the County as well for clarification of the County's concerns. After reviewing the information received during these discussions, on June 8, 2023, the County withdrew its objection to the territory amendment.⁵

CFAT provided adequate service territory maps and territory descriptions to the Commission. A description of the territory requested to be deleted and added by the Utility, as well as the resulting service territory description, is appended to this recommendation as Attachment A. The Utility submitted an affidavit with its November 18, 2022, application consistent with Rule 25-30.036(2)(q), F.A.C., stating that it has tariffs and annual reports on file with the Commission.

Pursuant to the transfer from The Resolution Trust Corporation to the Utility, the Commission established rate base for transfer purposes and set rates and charges on June 8, 1994.⁶ As explained in the Case Background, the owner of both CFAT and Tradewinds has been serving the customers included in the request for extension of service territory in the instant docket since 1988, when the CFAT territory was added to Tradewinds. Therefore, no additional facilities will be needed to serve these customers. Given the long history of service to these customers, staff believes CFAT's financial ability to serve the proposed territory to be adequate.

There are currently no outstanding Consent Orders or Notices of Violation from the Florida Department of Environmental Protection. The Utility has filed its 2022 Annual Report and has paid its 2022 Regulatory Assessment Fees. Based on the foregoing analysis, staff recommends that CFAT has the financial and technical ability to serve the amended territory.

⁵Document No. 03558-2023.

⁶Order No. PSC-94-0701-FOF-WS, issued June 8, 1994, in Docket No. 19931080-WS, *In re: Application for transfer of Certificates [sic] Nos. 552-W and 481S from The Resolution Trust Corporation to C.F.A.T. H2O, Inc. in Marion County.*

Date: July 20, 2023

Conclusion

Based on the information above, staff recommends that the Commission should amend Certificate Nos. 552-W and 481-S to include the territory as described in Attachment A, effective the date of the Commission's vote. The resultant order should serve as CFAT's amended certificate and should be retained by the Utility. The Utility should charge future customers in the territory added herein the rates and charges contained in its current tariffs until a change is authorized by the Commission in a subsequent proceeding.

Issue 2: Should this docket be closed?

Recommendation: If the Commission approves staff's recommendation, no further action will be necessary, and this docket should be closed upon issuance of the order. (Thompson)

Staff Analysis: If the Commission approves staff's recommendation, no further action will be necessary, and this docket should be closed upon issuance of the order.

**C.F.A.T. H2O, Inc.
MARION COUNTY**

Legal Description of the Extension Territory

A parcel of land being part of the NE 1/4 of NW 1/4 and the SE 1/4 of NW 1/4 of Section 21, Township 14 South, Range 22 East, Marion County, Florida and being more particularly described as follows:

Beginning at the NE corner of the NW 1/4 of said Section 21, thence run South 00°12'41" West along the east line of the West 1/2 of said Section 21 for 2555.69 feet to the northern right-of-way of NW 70th Street; thence run North 89°36'04" West for 674.92 feet to the western right-of-way of Jacksonville Road; thence run North 13°51'04" East along said right-of-way for 611.53 feet; thence run North 76°23'09" West for 450.97 feet; thence run North 13°36'58" East for 899.69 feet; thence run South 76°33'41" East for 453.52 feet back to said western right-of-way of Jacksonville Road; thence run North 13°46'51" East along said right-of-way for 1114.14 feet to the north line of said NE 1/4 of NW 1/4 of Section 21; thence run East along the north line of said Section 21 for 57.94 feet back to the Point of Beginning. Containing 30.8 acres, more or less.

Legal Description of the Territory Deleted

All of the East 1/2 of the NE 1/4 of Section 21, Township 14 South, Range 22 East, Marion County, Florida. Containing 80 acres, more or less.

**C.F.A.T. H2O, Inc.
MARION COUNTY
WATER AND WASTEWATER SERVICE TERRITORY**

A parcel of land being part of the SE 1/4 of SE 1/4, the SW 1/4 of SE 1/4, and the NE 1/4 of SE 1/4 of Section 16; and the NE 1/4 of NW 1/4 and the SE 1/4 of NW 1/4 of Section 21, all in Township 14 South, Range 22 East, Marion County, Florida and being more particularly described as follows:

Beginning at the SE corner of said Section 16, thence run West along the south line of said Section 16 for 2640.00 feet to the NE corner of the NE 1/4 of NW 1/4 of Section 21; thence run South 00°12'41" West along the east line of the W 1/2 of said Section 21 for 2555.69 feet to the northern right-of-way of NW 70th Street; thence run North 89°36'04" West for 674.92 feet to the western right-of-way of Jacksonville Road; thence run North 13°51'04" East along said right-of-way for 611.53 feet; thence run North 76°23'09" West for 450.97 feet; thence run North 13°36'58" East for 899.69 feet; thence run South 76°33'41" East for 453.52 feet back to said western right-of-way of Jacksonville Road; thence run North 13°46'51" East along said right-of-way for 1114.14 feet to the north line of said NE 1/4 of NW 1/4 of Section 21; thence run East along the north line of said Section 21 for 57.94 feet to the SW corner of the SW 1/4 of SE 1/4 of Section 16; thence run North along the west line of said SW 1/4 of SE 1/4 for 849.32 feet; thence run East for 1320.00 feet; thence run North for 671.05 feet; thence run East for 1320.00 feet to the east line of Section 16; thence run South along the east line of said Section 16 for 1520.37 feet back to the Point of Beginning. Containing 102.6 acres, more or less.

FLORIDA PUBLIC SERVICE COMMISSION
authorizes
C.F.A.T. H2O, Inc.
pursuant to
Certificate Number 552-W

to provide water service in Marion 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.

| <u>Order Number</u> | <u>Date Issued</u> | <u>Docket Number</u> | <u>Filing Type</u> |
|---------------------|--------------------|----------------------|--------------------|
| PSC-93-0368-FOF-WS | 03/09/93 | 19921260-WS | Transfer |
| PSC-94-0701-FOF-WS | 06/08/94 | 19931080-WS | Transfer |
| PSC-06-0593-FOF-WS | 07/07/06 | 20060028-WS | TMOC |
| PSC-97-0206A-FOF-WS | 03/05/97 | 19960095-WS | Amendatory Order |
| * | * | 20220203-WS | Amendment |

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

FLORIDA PUBLIC SERVICE COMMISSION
authorizes
C.F.A.T. H2O, Inc.
pursuant to
Certificate Number 481-S

to provide wastewater service in Marion 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.

| <u>Order Number</u> | <u>Date Issued</u> | <u>Docket Number</u> | <u>Filing Type</u> |
|---------------------|--------------------|----------------------|--------------------|
| PSC-93-0368-FOF-WS | 03/09/93 | 19921260-WS | Transfer |
| PSC-94-0701-FOF-WS | 06/08/94 | 19931080-WS | Transfer |
| PSC-06-0593-FOF-WS | 07/07/06 | 20060028-WS | TMOC |
| PSC-97-0206A-FOF-WS | 03/05/97 | 19960095-WS | Amendatory Order |
| * | * | 20220203-WS | Amendment |

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

Item 3

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: July 20, 2023

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Engineering (M. Watts) *TB*
 Division of Economics (Bethea) *CB*
 Office of the General Counsel (Crawford, Dose) *JSC*

RE: Docket No. 20220206-WS – Application for amendment of Certificate Nos. 405-W and 342-S in Marion County, by Tradewinds Utilities, Inc.

AGENDA: 08/01/23 – Regular Agenda – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: Schedule immediately after Docket No. 20220203-WS

Case Background

On November 28, 2022, Tradewinds Utilities, Inc. (Tradewinds or Utility) filed an application with the Florida Public Service Commission (Commission) for a quick-take amendment to Certificate Nos. 405-W and 342-S to add water and wastewater territory in Marion County. During staff’s review of the application, staff discovered that the Utility would need to delete some territory as well as add territory, disqualifying it from the quick-take amendment process. Accordingly, the docket title was changed to reflect the change from a quick-take amendment to a regular amendment. In addition, Tradewinds filed the additional documentation required.

Tradewinds was initially granted certificates in 1983.¹ The Commission subsequently granted five amendments to add or delete territory.²

While processing the application to transfer Tradewinds to CSWR-Florida Utility Operating Company, LLC (CSWR) in Docket No. 20220063-WS, staff discovered that the approved service territory for Tradewinds did not match the territory being served. The proposed water service area consists of a portion of the George S. Mayo subdivision, located in Section 35, Township 14 South, Range 22 East, that is not currently in the Utility's existing water service territory, as well as two parcels located along a Tradewinds water main in Section 34, Township 14 South, Range 22 East. The proposed wastewater service area consists only of the portion of the George S. Mayo subdivision not currently included in the Utility's approved wastewater service territory. Additionally, the Utility's proposed wastewater service territory includes the deletion of the land under the recently decommissioned wastewater treatment plant. To ensure that the service territory being conveyed in the sale and noticed pursuant to Rule 25-30.030, F.A.C., was accurate, the amendment sought in the instant docket should be addressed before the transfer request in Docket No. 20220063-WS should be granted.

This recommendation addresses the Utility's request to extend its water and wastewater service territory and to delete a portion of its wastewater service territory. The Commission has jurisdiction pursuant to Section 367.045, Florida Statutes (F.S.).

¹ Order No. 12184, issued July 1, 1983 in Docket No. 19830110-WS, *In re: Application of Trade Winds [sic] Utilities, Inc., for original water and sewer certificates to operate a utility in Marion County, Florida.*

² Order No. 13238, issued April 27, 1984, in Docket No. 19840088-WU, *In re: Application of Tradewinds Utilities, Inc., for amendment of Certificate No. 405-W in Marion County, Florida*; Order No. 19688, issued July 19, 1988, in Docket No. 19880552-WS, *In re: Application of Tradewinds Utilities, Inc., for amendment to Certificates [sic] Nos. 405-W and 342-S in Marion County, Florida*; Order No. PSC-93-0368-FOF-WS, issued March 9, 1993, in Docket No. 19921260-WS, *In re: Application for certificates to provide water and wastewater service in Marion County by The Resolution Trust Corporation and for amendment of Certificates [sic] Nos. 405-W and 342-S by Tradewinds Utilities, Inc. to reflect transfer of territory*; Order No. PSC-98-0484-FOF-WS, issued April 6, 1998, in Docket No. 19971174-WS, *In re: Application for amendment of Certificates [sic] Nos. 405-W and 342-S to add territory in Marion County by Tradewinds Utilities, Inc.*; and Order No PSC-10-0020-FOF-WS, issued November 7, 2010, in Docket No. 20090417-WS, *In re: Application for amendment of Certificates 405-W and 342-S to add territory located in Marion County, by Tradewinds Utilities, Inc.*

Discussion of Issues

Issue 1: Should the Commission approve Tradewinds Utilities, Inc.'s application for amendment of Certificate Nos. 405-W and 342-S to add and delete territory from its certificated water and wastewater service territory in Marion County?

Recommendation: Yes. The Commission should amend Certificate Nos. 405-W and 342-S to include the territory as described in Attachment A, effective the date of the Commission's vote. The resultant order should serve as Tradewinds' amended certificate and should be retained by the Utility. The Utility should charge future customers in the territory added herein the rates and charges contained in its current tariffs until a change is authorized by the Commission in a subsequent proceeding. (M. Watts, Bethea)

Staff Analysis: The Utility's application to amend its authorized service territory is in compliance with the governing statute, Section 367.045, F.S., and Rule 25-30.036, Florida Administrative Code (F.A.C.). The application contains proof of compliance with the noticing provisions set forth in Rule 25-30.030, F.A.C. On April 14, 2023, Marion County Utilities (County) timely filed an objection to the application and requested a hearing. Staff contacted the County to clarify its specific objections, as well as to describe for the County the Commission's hearing process. Tradewinds contacted the County as well for clarification of the County's concerns. After reviewing the information received during these discussions, on June 8, 2023, the County withdrew its objection to the territory amendment.³

Tradewinds provided adequate service territory maps and territory descriptions to the Commission. A description of the territory requested to be deleted and added by the Utility, as well as the resulting service territory description, is appended to this recommendation as Attachment A. The Utility submitted an affidavit with its November 28, 2022, application consistent with Rule 25-30.036(2)(q), F.A.C., stating that it has tariffs and annual reports on file with the Commission.

The George S. Mayo subdivision consists of 23 low-income quadruplexes and 15 industrial buildings. Upon receiving a request to serve the customers in the George S. Mayo subdivision, Tradewinds filed an application to amend its territory (Docket No. 19971174-WS). However, the legal description provided in the application only described a portion of this territory. Believing it had authority to serve the entire subdivision, the Utility extended its collection and distribution systems and began serving these customers.

In addition, there are two parcels located along Tradewinds' water main that runs between the Tradewinds Village subdivision and Pearl Britain Plaza, which are in the Utility's certificated service area. One of these parcels contains a single-family residence and the other contains a church. Tradewinds has been serving these customers for approximately 20 years.

³ Document No. 03559-2023.

The Commission last set rates in 2011⁴ and since then the Utility has applied for price index rate adjustments. Tradewinds has been serving the customers included in the request for extension of service territory in the instant docket since 1997, when the George S. Mayo subdivision was added to Tradewinds' service territory.⁵ The Utility has also been serving the two parcels in Section 34 for many years. Therefore, no additional facilities will be needed to serve these customers. Given the long history of service to these customers, staff believes the Utility's financial ability to serve the proposed territory to be adequate.

There are currently no outstanding Consent Orders or Notices of Violation from the Florida Department of Environmental Protection. The Utility has filed its 2022 Annual Report and has paid its 2022 Regulatory Assessment Fees. Based on the foregoing analysis, staff recommends that Tradewinds has the financial and technical ability to serve the amended territory.

Conclusion

Based on the information above, staff recommends that the Commission should amend Certificate Nos. 405-W and 342-S to include the territory as described in Attachment A, effective the date of the Commission's vote. The resultant order should serve as Tradewinds' amended certificate and should be retained by the Utility. The Utility should charge future customers in the territory added herein the rates and charges contained in its current tariffs until a change is authorized by the Commission in a subsequent proceeding.

⁴ Order No. PSC-11-0385-PAA-WS, issued September 13, 2011, in Docket No. 20100127-WS, *In re: Application for increase in water and wastewater rates in Marion County by Tradewinds Utilities, Inc.*

⁵ Order No. PSC-98-0484-FOF-WS, issued April 6, 1998, in Docket No. 19971174-WS, *In re: Application for amendment of Certificates [sic] Nos. 405-W and 342-S to add territory in Marion County by Tradewinds Utilities, Inc.*

Issue 2: Should this docket be closed?

Recommendation: If the Commission approves staff's recommendation, no further action will be necessary, and this docket should be closed upon issuance of the order. (Dose)

Staff Analysis: If the Commission approves staff's recommendation, no further action will be necessary, and this docket should be closed upon issuance of the order.

**Tradewinds Utilities, Inc.
MARION COUNTY**

Legal Description of the Water Service Extension Territory

A parcel of land being located in the SW ¼ of NW ¼ of Section 35 of Township 14 South, Range 22 East, Marion County, Florida, and being more particularly described as follows:

Commencing at the West ¼ corner of Section 35, thence run North for 100.00 feet; thence run East for 30.00 feet to a point on the east right-of-way line of N.E. 36th Ave. to and for the Point of Beginning; thence run North along said right-of-way for 467.20 feet; thence run East for 240.00 feet; thence run North for 200.00 feet; thence run East for 130.00 feet; thence run South for 200.00 feet; thence run East for 110.00 feet; thence run North for 100.00 feet; thence run East for 190.00 feet; thence run South for 567.20 feet; thence run West for 670.00 feet back to the Point of Beginning. Said parcel contains 8.2 acres, more or less.

AND ALSO:

A parcel of land being located in the SW ¼ of Section 35 of Township 14 South, Range 22 East, Marion County, Florida, and being more particularly described as follows:

Commencing at the West ¼ corner of Section 35, thence run South for 725.00 feet; thence run East for 30.00 feet to a point on the east right-of-way line of N.E. 36th Ave. to and for the Point of Beginning; thence run East for 1467.39 feet to the west right-of-way line of S.C.L. railroad; thence run South 16°54'50" East along said railroad right-of-way for 611.87 feet to the south line of the N ½ of the SW ¼ of Section 35; thence run North 89°58'40" West along the south line of said N ½ of the SW ¼ for 1171.38 feet; thence run South 00°06'58" West for 226.26 feet; thence run North 89°53'21" West for 30.00 feet; thence run South 00°06'58" West for 250.00 feet; thence run North 89°53'22" West for 443.07 feet to the east right-of-way line of N.E. 36th Ave.; thence run North along said right-of-way for 1060.29 feet back to the Point of Beginning. Said parcel contains 25.9 acres, more or less.

AND ALSO:

A parcel of land located in the NW ¼ of the SW ¼ of Section 34, Township 14 South, Range 22 East, Marion County Florida, and being more particularly described as follows:

Commencing at the NE corner of the SW ¼ of the NW ¼ of said Section 34; thence run South for 1,980.99 feet; thence West for 350.10 feet to the POINT OF BEGINNING; thence run South 00°01'51" East for 206.26 feet; thence North 89°39'27" West for 962.16 feet to the East right-of-way of N.E. 25th Avenue; thence run North 00°26'51" East along said right-of-way for 200.00 feet; thence leaving said right-of-way, run North 89°58'09" East for 960.47 feet back to the Point of Beginning. Said parcel contains 4.5 acres, more or less.

AND ALSO:

A parcel of land located in the W ½ of the SW ¼ of Section 34, Township 14 South, Range 22 East, Marion County Florida, and being more particularly described as follows:

Commencing at the NE corner of the SW ¼ of the NW ¼ of said Section 34; thence run South for 2,456.42 feet; thence run West for 870.12 feet to the POINT OF BEGINNING; thence run South 00°19'52" East for 260.38 feet; thence run South 89°40'08" West for 444.39 feet to the East right-of-way of N.E. 25th Avenue; thence run North 00°17'21" West along said right-of-way for 260.38 feet; thence leaving said right-of-way, run North 89°40'08" East for 444.20 feet back to the Point of Beginning. Said parcel contains 2.7 acres, more or less.

All of the East 1/2 of the NE 1/4 of Section 21, Township 14 South, Range 22 East, Marion County, Florida. Containing 80 acres, more or less.

Tradewinds Utilities, Inc.
MARION COUNTY
WATER SERVICE TERRITORY

PARCEL 1

A parcel of land being located in Section 34, Township 14 South, Range 22 East, Marion County, Florida, and being more particularly described as follows:

Commencing at the East ¼ corner of Section 34, thence run West for 40.00' to the west right-of-way line of N.E. 36th Ave. and for the Point of Beginning; thence run South for 307.59 feet; thence run West for 2608.31 feet to the west line of the NW ¼ of SE ¼ of said Section 34; thence run North for 307.84 feet to the south line of the NW ¼ of Section 34; thence run West along the south line of said NW ¼ for 2631.69 feet to the west line of Section 34; thence run north along the west line of said Section 34 for 1320.00 feet to the north line of the SW ¼ of NW ¼; thence run East along said line for 1320.00 feet to the NE corner of said SW ¼ of NW ¼; thence run South along the east line of said SW ¼ of NW ¼ for 660.00 feet; thence run East for 1311.69 feet to the west line of the SW ¼ of NE ¼; thence run North along the west line of said SW ¼ of NE ¼ for 662.52 feet to the north line of said SW ¼ of NE ¼; thence run East along the north line of the South ½ of the NE ¼ for 1985.00 feet; thence run South for 661.39 feet; thence run East for 622.00 feet to the west right-of-way of N.E. 36th Ave.; thence run South along said right-of-way for 661.13 feet back to the Point of Beginning. Said parcel contains 147.1 acres, more or less.

AND ALSO:

PARCEL 2

A parcel of land being located in the SW ¼ of NW ¼ and in the SW ¼ of Section 35 of Township 14 South, Range 22 East, Marion County, Florida, and being more particularly described as follows:

Commencing at the West ¼ corner of Section 35, thence run North for 100.00 feet to and for the Point of Beginning; thence run East for 30.00 feet to the east right-of-way line of N.E. 36th Ave.; thence run North along said right-of-way for 467.20 feet; thence run East for 240.00 feet; thence run North for 200.00 feet; thence run East for 130.00 feet; thence run South for 200.00 feet; thence run East for 110.00 feet; thence run North for 100.00 feet; thence run East for 190.00 feet; thence run South for 567.20 feet; thence run East for 546.52 feet to the west right-of-way line of S.C.L. railroad; thence run South 16°54'50" East along said railroad right-of-way for 1474.17 feet to the south line of the N ½ of the SW ¼ of Section 35; thence run North 89°58'40" West along the south line of said N ½ of the SW ¼ for 1171.38 feet; thence run South 00°06'58" West for 226.26 feet; thence run North 89°53'21" West for 30.00 feet; thence run South 00°06'58" West for 250.00 feet; thence run North 89°53'22" West for 443.07 feet to the east right-of-way line of N.E. 36th Ave.; thence run North along said right-of-way for 1060.29 feet; thence run West for 30.00 feet to the west line of Section 35; thence run North along said right-of-way for 825.00 feet back to the Point of Beginning. Said parcel contains 60.1 acres, more or less.

AND ALSO:

PARCEL 3

A parcel of land being located in the SW ¼ of SW ¼ of Section 34 of Township 14 South, Range 22 East, Marion County, Florida, and being more particularly described as follows:

Commencing at the SW corner of said Section 34, thence run North 89°39'51" East for 30.00 feet; thence run North 00°02'32" West for 30.00 feet; thence continue North 00°02'32" West for 185.00 feet to and for the Point of Beginning; thence continue North 00°02'32" West for 513.88 feet; thence run North 89°39'32" East for 636.05 feet; thence run South 00°07'48" East for 105.03 feet; thence run North 89°38'51" East for 666.22 feet; thence run South 00°13'07" East for 593.70 feet; thence run South 89°38'51" West for 1119.36 feet; thence run North 00°02'32" West for 185.00 feet; thence run South 89°38'51" West for 185.00 feet back to the Point of Beginning. Said parcel contains 18.5 acres, more or less.

AND ALSO:

PARCEL 4

A parcel of land located in the NW ¼ of the SW ¼ of Section 34, Township 14 South, Range 22 East, Marion County Florida, and being more particularly described as follows:

Commencing at the NE corner of the SW ¼ of the NW ¼ of said Section 34; thence run South for 1,980.99 feet; thence West for 350.10 feet to the POINT OF BEGINNING; thence run South 00°01'51" East for 206.26 feet; thence North 89°39'27" West for 962.16 feet to the East right-of-way of N.E. 25th Avenue; thence run North 00°26'51" East along said right-of-way for 200.00 feet; thence leaving said right-of-way, run North 89°58'09" East for 960.47 feet back to the Point of Beginning. Said parcel contains 4.5 acres, more or less.

AND ALSO:

PARCEL 5

A parcel of land located in the W ½ of the SW ¼ of Section 34, Township 14 South, Range 22 East, Marion County Florida, and being more particularly described as follows:

Commencing at the NE corner of the SW ¼ of the NW ¼ of said Section 34; thence run South for 2,456.42 feet; thence run West for 870.12 feet to the POINT OF BEGINNING; thence run South 00°19'52" East for 260.38 feet; thence run South 89°40'08" West for 444.39 feet to the East right-of-way of N.E. 25th Avenue; thence run North 00°17'21" West along said right-of-way for 260.38 feet; thence leaving said right-of-way, run North 89°40'08" East for 444.20 feet back to the Point of Beginning. Said parcel contains 2.7 acres, more or less.

Legal Description of the Wastewater Service Extension Territory

A parcel of land being located in the SW ¼ of NW ¼ of Section 35 of Township 14 South, Range 22 East, Marion County, Florida, and being more particularly described as follows:

Commencing at the West ¼ corner of Section 35, thence run North for 100.00 feet; thence run East for 30.00 feet to a point on the east right-of-way line of N.E. 36th Ave. to and for the Point of Beginning; thence run North along said right-of-way for 467.20 feet; thence run East for 240.00 feet; thence run North for 200.00 feet; thence run East for 130.00 feet; thence run South for 200.00 feet; thence run East for 110.00 feet; thence run North for 100.00 feet; thence run East for 190.00 feet; thence run South for 567.20 feet; thence run West for 670.00 feet back to the Point of Beginning. Said parcel contains 8.2 acres, more or less.

AND ALSO:

A parcel of land being located in the SW ¼ of Section 35 of Township 14 South, Range 22 East, Marion County, Florida, and being more particularly described as follows:

Commencing at the West $\frac{1}{4}$ corner of Section 35, thence run South for 725.00 feet; thence run East for 30.00 feet to a point on the east right-of-way line of N.E. 36th Ave. to and for the Point of Beginning; thence run East for 1467.39 feet to the west right-of-way line of S.C.L. railroad; thence run South $16^{\circ}54'50''$ East along said railroad right-of-way for 611.87 feet to the south line of the N $\frac{1}{2}$ of the SW $\frac{1}{4}$ of Section 35; thence run North $89^{\circ}58'40''$ West along the south line of said N $\frac{1}{2}$ of the SW $\frac{1}{4}$ for 1171.38 feet; thence run South $00^{\circ}06'58''$ West for 226.26 feet; thence run North $89^{\circ}53'21''$ West for 30.00 feet; thence run South $00^{\circ}06'58''$ West for 250.00 feet; thence run North $89^{\circ}53'22''$ West for 443.07 feet to the east right-of-way line of N.E. 36th Ave.; thence run North along said right-of-way for 1060.29 feet back to the Point of Beginning. Said parcel contains 25.9 acres, more or less

Legal Description of the Wastewater Territory Deleted

A parcel of land being located in the SE $\frac{1}{4}$ of NW $\frac{1}{4}$ of Section 34 of Township 14 South, Range 22 East, Marion County, Florida, and being more particularly described as follows:

Commencing at the NW corner of said SE $\frac{1}{4}$ of NW $\frac{1}{4}$; thence run South along the east line of said SE $\frac{1}{4}$ of NW $\frac{1}{4}$ for 660.00 feet; thence run East for 634.00 feet to and for the Point of Beginning; thence run South for 120.00 feet; thence run East for 194.00 feet; thence run North for 120.00 feet; thence run West for 194.00 feet back to the Point of Beginning. Said parcel contains 0.5 acres, more or less.

**Tradewinds Utilities, Inc.
MARION COUNTY
WASTEWATER SERVICE TERRITORY**

PARCEL 1

A parcel of land being located in Section 34 of Township 14 South, Range 22 East, Marion County, Florida, and being more particularly described as follows:

Commencing at the East $\frac{1}{4}$ corner of Section 34, thence run West for 40.00' to the west right-of-way line of N.E. 36th Ave. and for the Point of Beginning; thence run South for 307.59 feet; thence run West for 2608.31 feet to the west line of the NW $\frac{1}{4}$ of SE $\frac{1}{4}$ of said Section 34; thence run North for 307.84 feet to the south line of the NW $\frac{1}{4}$ of Section 34; thence run West along the south line of said NW $\frac{1}{4}$ for 2631.69 feet to the west line of Section 34; thence run north along the west line of said Section 34 for 1320.00 feet to the north line of the SW $\frac{1}{4}$ of NW $\frac{1}{4}$; thence run East along said line for 1320.00 feet to the NE corner of said SW $\frac{1}{4}$ of NW $\frac{1}{4}$; thence run South along the east line of said SW $\frac{1}{4}$ of NW $\frac{1}{4}$ for 660.00 feet; thence run East for 634.00 feet; thence run South for 120.00 feet; thence run East for 194.00 feet; thence run North for 120.00 feet; thence run East for 483.69 feet to the east line of the SE $\frac{1}{4}$ of NW $\frac{1}{4}$; thence run South along said east line of SE $\frac{1}{4}$ of NW $\frac{1}{4}$ for 298.87 feet; thence run East for 2608.31 feet to the west right-of-way of N.E. 36th Ave.; thence run South along said right-of-way for 361.38 feet back to the Point of Beginning. Said parcel contains 99.9 acres, more or less.

AND ALSO:

PARCEL 2

A parcel of land being located in the SW $\frac{1}{4}$ of NW $\frac{1}{4}$ and in the SW $\frac{1}{4}$ of Section 35 of Township 14 South, Range 22 East, Marion County, Florida, and being more particularly described as follows:

Commencing at the West $\frac{1}{4}$ corner of Section 35, thence run North for 100.00 feet to and for the Point of Beginning; thence run East for 30.00 feet to the east right-of-way line of N.E. 36th Ave.;

thence run North along said right-of-way for 467.20 feet; thence run East for 240.00 feet; thence run North for 200.00 feet; thence run East for 130.00 feet; thence run South for 200.00 feet; thence run East for 110.00 feet; thence run North for 100.00 feet; thence run East for 190.00 feet; thence run South for 567.20 feet; thence run East for 546.52 feet to the west right-of-way line of S.C.L. railroad; thence run South 16°54'50" East along said railroad right-of-way for 1474.17 feet to the south line of the N ½ of the SW ¼ of Section 35; thence run North 89°58'40" West along the south line of said N ½ of the SW ¼ for 1171.38 feet; thence run South 00°06'58" West for 226.26 feet; thence run North 89°53'21" West for 30.00 feet; thence run South 00°06'58" West for 250.00 feet; thence run North 89°53'22" West for 443.07 feet to the east right-of-way line of N.E. 36th Ave.; thence run North along said right-of-way for 1060.29 feet; thence run West for 30.00 feet to the west line of Section 35; thence run North along said right-of-way for 825.00 feet back to the Point of Beginning. Said parcel contains 60.1 acres, more or less.

AND ALSO:

PARCEL 3

A parcel of land being located in the SW ¼ of SW ¼ of Section 34 of Township 14 South, Range 22 East, Marion County, Florida, and being more particularly described as follows:

Commencing at the SW corner of said Section 34, thence run North 89°39'51" East for 30.00 feet; thence run North 00°02'32" West for 30.00 feet; thence continue North 00°02'32" West for 185.00 feet to and for the Point of Beginning; thence continue North 00°02'32" West for 513.88 feet; thence run North 89°39'32" East for 636.05 feet; thence run South 00°07'48" East for 105.03 feet; thence run North 89°38'51" East for 666.22 feet; thence run South 00°13'07" East for 593.70 feet; thence run South 89°38'51" West for 1119.36 feet; thence run North 00°02'32" West for 185.00 feet; thence run South 89°38'51" West for 185.00 feet back to the Point of Beginning. Said parcel contains 18.5 acres, more or less.

FLORIDA PUBLIC SERVICE COMMISSION
authorizes
Tradewinds Utilities, Inc.
pursuant to
Certificate Number 405-W

to provide water service in Marion 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.

| <u>Order Number</u> | <u>Date Issued</u> | <u>Docket Number</u> | <u>Filing Type</u> |
|---------------------|--------------------|----------------------|------------------------|
| Order No. 12184 | 07/01/83 | 19830110-WS | Original Certificate |
| Order No. 13238 | 04/27/84 | 19840088-WU | Amendment |
| Order No. 19688 | 07/19/88 | 19880552-WS | Amendment |
| Order No. 21740 | 08/17/89 | 19881568-WS | Amendment - Premature |
| PSC-92-0699-FOF-WS | 07/22/92 | 19911078-WS | Jurisdictional Finding |
| PSC-93-0368-FOF-WS | 03/09/93 | 19921260-WS | Amendment |
| PSC-98-0484-FOF-WS | 04/06/98 | 19971174-WS | Amendment |
| PSC-10-0020-FOF-WS | 11/07/10 | 20090417-WS | Amendment |
| * | * | 20220206-WS | Amendment |

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

FLORIDA PUBLIC SERVICE COMMISSION
authorizes
Tradewinds Utilities, Inc.
pursuant to
Certificate Number 342-S

to provide wastewater service in Marion 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.

| <u>Order Number</u> | <u>Date Issued</u> | <u>Docket Number</u> | <u>Filing Type</u> |
|---------------------|--------------------|----------------------|------------------------|
| Order No. 12184 | 07/01/83 | 19830110-WS | Original Certificate |
| Order No. 19688 | 07/19/88 | 19880552-WS | Amendment |
| Order No. 21740 | 08/17/89 | 19881568-WS | Amendment - Premature |
| PSC-92-0699-FOF-WS | 07/22/92 | 19911078-WS | Jurisdictional Finding |
| PSC-93-0368-FOF-WS | 03/09/93 | 19921260-WS | Amendment |
| PSC-98-0484-FOF-WS | 04/06/98 | 19971174-WS | Amendment |
| PSC-10-0020-FOF-WS | 11/07/10 | 20090417-WS | Amendment |
| * | * | 20220206-WS | Amendment |

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

Item 4

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: July 20, 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 (Bruce, Hudson) *JP*
Office of the General Counsel (Sandy) *JSC*

RE: Docket No. 20220061-SU – Application for transfer of wastewater Certificate No. 318-S from BFF Corp to CSWR-Florida utility Operating Company, LLC, in Marion County.

AGENDA: 08/01/23 – Regular Agenda –Proposed Agency Action for Issues 2, 3, and 4 – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: La Rosa

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: Schedule immediately after Docket No. 20220206-WS

Case Background

BFF Corp. (BFF, Utility, or Seller) is a Class C wastewater utility operating in Marion County. BFF provides service to approximately 108 wastewater customers. The Utility is in the St. Johns River Water Management District (SJRWMD). The SJRWMD has year-round watering restrictions in place for the portion of Marion County within its district. In its 2022 Annual Report, BFF reported a net operating loss of \$627. The Utility’s last rate case was in 2002.¹

¹Order No. PSC-02-0487-PAA-SU, issued April 8, 2002, in Docket No. 20010919-SU, *In re: Application for staff-assisted rate case in Marion County by BFF Corp.*

Docket No. 20220061-SU

Date: July 20, 2023

In 1989, the Florida Public Service Commission (Commission) approved the transfer of wastewater Certificate No. 318-S from LTB Utility, Inc. to BFF.² The certificated service territory has not been amended since that time.

On March 15, 2022, CSWR-Florida Utility Operating Company, LLC (CSWR-BFF or Buyer) filed an application with the Commission for the transfer of Certificate No. 318-S from BFF to CSWR-BFF in Marion County. The application was found to be deficient. The Buyer cured the deficiencies on May 1, 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-2022-0207-PCO-SU, issued June 14, 2022.

This recommendation addresses the transfer of the wastewater system and Certificate No. 318-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.).

²Order No. 22371, issued January 8, 1990, in Docket No. 19890045-SU, *In re: Application for transfer and amendment of Certificate No. 318-S in Marion County from LTB Utility, Inc. to BFF Corp.*

Discussion of Issues

Issue 1: Should the transfer of Certificate No. 318-S in Marion County from BFF Corp to CSWR-Florida Utility Operating Company, LLC be approved?

Recommendation: Yes. The transfer of the wastewater system and Certificate No. 318-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, 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, Bruce)

Staff Analysis: On March 15, 2022, CSWR-BFF filed an application for the transfer of Certificate No. 318-S from BFF to CSWR-BFF in Marion 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-BFF will become final after Commission approval of the transfer, pursuant to Section 367.071(1), F.S.

Noticing, Territory, and Land Ownership

CSWR-BFF 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-BFF 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-BFF 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 of BFF that must be disposed of with regard to the transfer. CSWR-BFF 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 \$405,000. 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.

Date: July 20, 2023

Facility Description and Compliance

BFF provides wastewater treatment service pursuant to a bulk service agreement with Marion County Utilities. Since the Utility does not have treatment facilities of its own, it has no permits, inspections, reports, or correspondence from the Florida Department of Environmental Protection. BFF has three lift stations and a master lift station that conveys wastewater to Marion County Utilities.

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-BFF'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 five Florida certificated utilities in prior dockets.³

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-BFF 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

BFF's wastewater rates were last approved in 2002.⁴ Since the last rate case, the rates were subsequently amended by several price indexes and pass-through rate adjustments with the most recent being in 2022. The Utility's current charges were approved in 1990.⁵ The initial customer deposits have been in effect since the Utility's certification in the late 1990. 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,

³See 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*; Docket No. 20220149-SU, *In re: Application for transfer of wastewater Certificate No. 365-S of Sebring Ridge Utilities, Inc. to CSWR-Florida Utility Operating Company, LLC, in Highlands County* (the Commission approved the transfer of this system at the July 11, 2023 Commission Conference; an order is forthcoming).

⁴Order No. PSC-02-0487-PAA-SU, issued April 8, 2002, in Docket No. 20010919-SU, *In re: Application for staff-assisted rate case in Marion County by BFF Corp.*

⁵Order No. 22570, issued February 19, 1990, in Docket No. 19890916-SU, *In re: Application of BFF Corp. for a staff-assisted rate case in Marion County.*

classifications, and regulations of the former owner must continue unless authorized to change by this 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(1), 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 should 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 water and wastewater systems and Certificate No. 318-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, 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 \$39,708 as of February 28, 2022. Within 90 days of the date of the Consummating Order, CSWR-BFF 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 filed. (Thurmond)

Staff Analysis: Rate base was last established as of August 31, 2002.⁶ The purpose of establishing NBV for transfers is to determine whether an acquisition adjustment should be approved. CSWR-BFF'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 February 28, 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 \$270,192 as of February 28, 2022. Staff auditors compiled the plant additions and retirements to UPIS from August 31, 2002, to February 28, 2022, and traced supporting documentation. As a result, staff recommends a decrease to UPIS of \$34,341 as of February 28, 2022. Accordingly, staff recommends a total UPIS balance of \$235,851 as of February 28, 2022.

Land

The Utility's general ledger reflected a land balance of \$1,579 as of August 31, 2002. There have been no additions to land since August 31, 2002. Therefore, staff recommends no adjustments to its land balance.

Accumulated Depreciation

According to the Utility's general ledger, the total accumulated depreciation balance was \$214,723 as of February 28, 2022. 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 \$24,057 as of February 28, 2022. Accordingly, staff recommends a total accumulated depreciation balance of \$190,666 as of February 28, 2022.

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 \$41,036 and \$29,740, respectively, as of February 28, 2022. Staff auditors recalculated CIAC and accumulated amortization of CIAC balances from August 31, 2002, to

⁶Order No. PSC-02-0487-PAA-SU, issued April 8, 2002, in Docket No. 20010919-SU, *In re: Application for staff-assisted rate case in Marion County by BFF Corp.*

⁷Net 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.

February 28, 2022, using supporting documentation. As a result, staff recommends that the CIAC balance be decreased by \$5,634 as of February 28, 2022. Staff also recommends that the accumulated amortization of CIAC balance be decreased by \$1,394 as of February 28, 2022. Accordingly, staff recommends total CIAC and Accumulated Amortization of CIAC balances of \$35,402 and \$28,346, respectively, as of February 28, 2022.

Net Book Value

The Utility's general ledger reflected a NBV of \$45,752 as of February 28, 2022. Based on the adjustments described above, staff recommends a NBV of \$39,708 as of February 28, 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 February 28, 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 \$39,708 as of February 28, 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 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 applicant requested a positive acquisition adjustment be included in the calculation of the Utility'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 rate base.

According to the purchase agreement, the Buyer will purchase the Utility for \$405,000. As discussed in Issue 2, staff is recommending a NBV of \$39,708. This would result in a positive acquisition adjustment of \$365,292.

Any entity that believes a full or partial positive acquisition adjustment should be made has the burden to prove 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 depreciated original cost is used to determine rate base, without the requirement for extraordinary circumstances, it could encourage utilities to "swap assets" and inappropriately increase cost to customers.

Deferral

In discovery responses, CSWR-BFF 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 finds these factors do not constitute extraordinary circumstances. In response to discovery, the Buyer agreed that after 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 are not considered extraordinary circumstances.

Pursuant to Commission practice, the Buyer has the burden to prove extraordinary circumstances at the time of transfer. Staff believes 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 is 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-BFF 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.

No complaints were filed with the Commission for the five-year period prior to the application, from March 2017 to March 2022. In its application, CSWR-BFF did not list any customer complaints related to the wastewater service.

In Exhibit H of its application, CSWR-BFF listed its plans for improvements of the Utility's collection system. The improvements consist of installing a remote monitoring system, rehabilitating the four lift stations, and collection system repairs. However, no specific repairs or system deficiencies were noted. The Buyer stated in its application that no governmental authorities are presently requiring repairs or improvements to the systems.

Based on the above, it appears that BFF currently has no issues with respect to regulatory compliance. While the Buyer identified some general improvements it intends to implement, 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 demonstrate CSWR-BFF'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 BFF's systems to ensure compliance with all health and environmental requirements and ensure service to customers remains safe and reliable

In response to discovery, the Buyer provided an estimated annual reduction of O&M expense of approximately \$11,000. However, with a requested acquisition adjustment of \$365,292, the requested amount is over nine times greater than the system's current NBV of \$39,708. Even if the Buyer was able to achieve these savings in O&M expense, the inclusion of the requested acquisition adjustment in rate base and the inclusion of the annual amortization expense in the NOI calculation, would result in an increased revenue requirement. By operation of math, the overall impact would be a net increase to customer rates.

The Buyer also stated that CSWR-BFF would bring long-term rate stability to the Utility, should the transfer be approved. Staff agrees that economies of scale and potential consolidation of several systems in Florida, as proposed by CSWR-BFF, could bring some amount of 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 expense and a reduction of cost of capital that would result from the transfer. Additionally, the Buyer cited several improvements it 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 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 Commissions decisions to deny CSWR-Florida Utility Operating Company, LLC a positive acquisition adjustment in Order Nos. PSC-2022-0116-PAA-SU, PSC-2022-0120-PAA-WU, PSC-2022-0115-PAA-WS, PSC-2022-0364-

⁸Order 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.*

PAA-WU, and Docket No. 20220149-WS.⁹ In those cases, it was determined the Buyer failed to provide sufficient evidence of extraordinary circumstances and was denied a positive acquisition adjustment in all five cases. In those cases, CSWR also requested a deferral of the decision regarding the positive acquisition adjustments which was denied by the Commission. Staff finds the facts of this case similar to the five 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 demonstrates CSWR-BFF's intentions to responsibly provide utility service.

⁹Order 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;* Docket No. 20220149-SU, *In re: Application for transfer of wastewater Certificate No. 365-S of Sebring Ridge Utilities, Inc. to CSWR-Florida Utility Operating Company, LLC, in Highlands County* (the Commission approved the transfer of this system at the July 11, 2023 Commission Conference; an order is forthcoming).

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. 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 on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved 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 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. (Bruce)

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 should reflect the amount of the normal reconnection charge of \$15 for normal hours. Therefore, staff recommends that the initial connection and normal reconnection charges be removed, the premises visit should be revised to \$15 for normal hours, 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 in Table 4-1.

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

| | <u>Existing</u> | <u>Staff Recommended</u> |
|--|---------------------|--------------------------|
| | <u>Normal Hours</u> | <u>Normal Hours</u> |
| Initial Connection Charge | \$15.00 | N/A |
| Normal Reconnection Charge | \$15.00 | N/A |
| Violation Reconnection Charge - Wastewater | 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

¹⁰Order 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.*

charges should be effective on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved 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 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, that proof has been provided that appropriate noticing has been done pursuant to Rule 25-30.4345, F.A.C., 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. (Sandy)

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, that proof has been provided that appropriate noticing has been done pursuant to Rule 25-30.4345, F.A.C., 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.

CSWR - FLORIDA UTILITY
OPERATING COMPANY, LLC
WASTEWATER SERVICE TERRITORY

Township 14 South, Range 20 East

In Section 36

Forest Villas

The Northeast 1/4 of the Northeast 1/4

AND

Beginning at the Northeast corner of Section 36, Township 14 South, Range 20 East, Thence S0°01'40"W along the East Boundary of said Section 1032.54 feet, Thence N89°52'38"W 125.00 feet, Thence S0°01'40"W 125.00 feet to the North right-of-way line of N.W. 46th Street as per Plat of Forest of Golden Hills as recorded in Plat Book R, Page 139, Public Records of Marion County, Florida, Thence N89°52'38"W along said right of way 152.43 feet to the point of curvature of a curve concave Northerly and having a radius of 633.21 feet, Thence Northwesterly along and with said curve a chord bearing and distance of N80°35'34"W 204.31 feet to point on a curve concave Northwesterly and having a radius of 30.00 feet, Thence Northeasterly along and with said curve to the left a chord bearing and distance of N57°11'00"E 46.96 feet to a point of reverse curvature of a curve concave Easterly and having a radius of 175.00 feet, Thence Northeasterly along and with said curve a chord bearing and distance of N22°42'56"E 102.56 feet, Thence N0°01'40"E 713.83 feet, Thence N89°56'13"W 730.00 feet, Thence N0°09'50"E 130.00 feet, Thence N89°56'13"W 1238.43 feet, Thence S0°07'12"W 105.00 feet, Thence N89°56'13"W 265.00 feet, Thence N0°07'12"E 265.00 feet, Thence S89°56'13"E 265.00 feet, Thence S0°07'12"W 120.00 feet, Thence S89°56'13"E 1238.52 feet, Thence N0°09'50"E 120.00 feet, Thence S89°56'13"E along the North Boundary of said Section 1129.31 feet to the Point of Beginning.

Cedar Grove

BEGINNING AT THE NORTHEAST CORNER OF BRYAN WOODS, ACCORDING TO THE PLAT THEREOF AS RECORDED IN PLAT BOOK T, PAGES 62 AND 63 OF THE PUBLIC RECORDS OF MARION COUNTY, FLORIDA, THENCE N.78°53'04" W. ALONG THE NORTH BOUNDARY OF SAID BRYAN WOODS 112.00 FEET; THENCE DEPARTING FROM SAID NORTH BOUNDARY N.6°34'41" E. 155.00 FEET; THENCE S.78°53'04" E. 89.75 FEET TO THE POINT OF CURVATURE OF A CURVE CONCAVE TO THE SOUTHWEST AND HAVING A RADIUS OF 25.00 FEET; THENCE SOUTHEASTERLY AND SOUTHERLY ALONG AND WITH SAID CURVE THROUGH A CENTRAL ANGLE OF 83°41'35" AN ARC DISTANCE OF 36.52 FEET TO A POINT OF COMPOUND CURVATURE OF A CURVE CONCAVE TO THE WEST AND HAVING A RADIUS OF 1785.52 FEET; SAID POINT BEING ON THE WESTERLY RIGHT-OF-WAY LINE OF NORTHWEST 82ND COURT (60 FEET WIDE); THENCE SOUTHERLY ALONG AND WITH SAID CURVE AND RIGHT-OF-WAY LINE THROUGH A CENTRAL ANGLE OF 4°15'23" AN ARC DISTANCE OF 132.64 FEET TO THE POINT OF BEGINNING.

AND ALSO:

COMMENCING AT THE NORTHEAST CORNER OF BRYAN WOODS, ACCORDING TO THE PLAT THEREOF AS RECORDED IN PLAT BOOK T, PAGES 62 AND 63 OF THE PUBLIC RECORDS OF MARION COUNTY, FLORIDA, SAID POINT BEING ON THE WESTERLY RIGHT-OF-WAY LINE OF NORTHWEST 82ND COURT AND ON A CURVE CONCAVE TO THE WEST AND HAVING A RADIUS OF 1785.52 FEET; THENCE NORTHERLY ALONG AND WITH SAID CURVE AND RIGHT-OF-WAY LINE THROUGH A CENTRAL ANGLE OF 7°32'35" AN ARC DISTANCE OF 235.06 FEET TO THE POINT OF BEGINNING, SAID POINT BEING THE POINT OF CUSP WITH A CURVE CONCAVE TO THE NORTHWEST AND HAVING A RADIUS OF 25.00 FEET AND TO WHICH POINT A RADIAL LINE BEARS S.88°28'41" E.; THENCE DEPARTING FROM SAID RIGHT-OF-WAY LINE SOUTHERLY AND SOUTHWESTERLY ALONG AND WITH SAID CURVE THROUGH A CENTRAL ANGLE OF 99°35'37" AN ARC DISTANCE OF 43.46 FEET TO THE POINT OF TANGENCY; THENCE N.78°53'04" W. 96.51 FEET; THENCE N.0°09'50" E. 339.88 FEET; THENCE S.89°56'13" E. 99.96 FEET TO THE POINT OF CURVATURE OF A CURVE CONCAVE TO THE SOUTHWEST AND HAVING A RADIUS OF 25.00 FEET; THENCE SOUTHEASTERLY ALONG AND WITH SAID CURVE THROUGH A CENTRAL ANGLE OF 90°06'03" AN ARC DISTANCE OF 39.31 FEET TO THE POINT OF TANGENCY SAID POINT BEING ON THE WEST RIGHT-OF-WAY LINE OF NW 82ND COURT; THENCE S.0°09'50" W. ALONG SAID WEST RIGHT-OF-WAY LINE 267.12 FEET TO THE POINT OF CURVATURE OF A CURVE CONCAVE TO THE WEST AND HAVING A RADIUS OF 1785.52 FEET; THENCE SOUTHERLY ALONG AND WITH SAID CURVE AND RIGHT-OF-WAY THROUGH A CENTRAL ANGLE OF 1°21'29" AN ARC DISTANCE OF 42.33 FEET TO THE POINT OF BEGINNING.

AND ALSO:

COMMENCING AT THE NORTHEAST CORNER OF BRYAN WOODS, ACCORDING TO THE PLAT THEREOF AS RECORDED IN PLAT BOOK T, PAGES 62 AND 63 OF THE PUBLIC RECORDS OF MARION COUNTY, FLORIDA, SAID POINT BEING ON THE WESTERLY RIGHT-OF-WAY LINE OF NORTHWEST 82ND COURT AND ON A CURVE CONCAVE TO THE WEST AND HAVING A RADIUS OF 1785.52 FEET; THENCE NORTHERLY ALONG AND WITH SAID CURVE AND RIGHT-OF-WAY LINE THROUGH A CENTRAL ANGLE OF 8°54'04" AN ARC DISTANCE OF 277.39 FEET TO THE POINT OF TANGENCY; THENCE N.00°09'50" E. 367.16 FEET TO THE POINT OF BEGINNING, SAID POINT BEING THE POINT OF CUSP WITH A CURVE CONCAVE TO THE NORTHWEST AND HAVING A RADIUS OF 25.00 FEET AND TO WHICH POINT A RADIAL LINE BEARS S.89°56'13" E.; THENCE DEPARTING FROM SAID RIGHT-OF-WAY LINE SOUTHERLY AND SOUTHWESTERLY ALONG AND WITH SAID CURVE THROUGH A CENTRAL ANGLE OF 90°06'03" AN ARC DISTANCE OF 39.31 FEET TO THE POINT OF TANGENCY; THENCE N.89°56'13" W. 55.00 FEET; THENCE N.0°09'50" E. 110.00 FEET TO AN INTERSECTION WITH THE SOUTH BOUNDARY OF GOLDEN HILLS TURF AND COUNTRY CLUB, ACCORDING TO THE PLAT THEREOF AS RECORDED IN PLAT BOOK H, PAGES 11, 11A, AND 11B OF THE PUBLIC RECORDS OF MARION COUNTY, FLORIDA; THENCE S.89°56'13" E. ALONG SAID SOUTH BOUNDARY 80.00 FEET TO AN INTERSECTION WITH THE WEST RIGHT-OF-WAY LINE OF NORTHWEST 82ND COURT; THENCE S.0°09'50" W. ALONG SAID RIGHT-OF-WAY LINE 85.00 FEET TO THE POINT OF BEGINNING.

Sandlin Woods

BEGINNING AT THE NORTHWEST CORNER OF THE NE 1/4 OF SECTION 36, TOWNSHIP 14 SOUTH, RANGE 20 EAST, MARION COUNTY, FLORIDA, THENCE S.89°56'13"E, 1423.48 FEET ALONG THE NORTH BOUNDARY OF SAID SECTION 36 TO THE NORTHWEST CORNER OF BLOCK A, CEDAR GROVE AS PER PLAT THEREOF RECORDED IN PLAT BOOK W, PAGES 37 AND 38, OF THE PUBLIC RECORDS OF MARION COUNTY, FLORIDA; THENCE DEPARTING FROM SAID NORTH BOUNDARY S.0°09'50"W, 110.00 FEET ALONG THE WEST BOUNDARY OF SAID BLOCK A, TO THE SOUTHWEST CORNER OF SAID BLOCK A; THENCE S.89°56'13"E, 55.00 FEET ALONG THE SOUTH BOUNDARY OF SAID BLOCK A TO THE POINT OF CURVATURE OF A CURVE CONCAVE TO THE NORTHWEST AND HAVING A RADIUS OF 25.04 FEET; THENCE EASTERLY AND NORTHEASTERLY ALONG AND WITH SAID CURVE THROUGH A CENTRAL ANGLE OF 89°53'57" AN ARC DISTANCE OF 39.30 FEET TO THE POINT OF CUSP OF SAID CURVE, AND TO WHICH POINT A RADIAL LINE BEARS S.89°50'10"E, SAID POINT ALSO BEING ON THE WEST RIGHT-OF-WAY LINE OF N.W. 82ND. COURT; THENCE DEPARTING FROM SAID SOUTH BOUNDARY S.0°09'50"W, 100.04 FEET ALONG SAID RIGHT-OF-WAY LINE TO THE POINT OF CUSP WITH A CURVE CONCAVE TO THE SOUTHWEST AND HAVING A RADIUS OF 25.00 FEET, AND TO WHICH POINT A RADIAL LINE BEARS S.89°50'10"E, SAID POINT ALSO BEING ON THE NORTH BOUNDARY OF BLOCK B, SAID CEDAR GROVE; THENCE DEPARTING FROM SAID RIGHT-OF-WAY LINE NORTHERLY AND NORTHWESTERLY ALONG AND WITH THE NORTH BOUNDARY OF SAID BLOCK B AND SAID CURVE THROUGH A CENTRAL ANGLE OF 90°06'03" AN ARC DISTANCE OF 39.31 FEET TO THE POINT OF TANGENCY; THENCE N 89°56'12"W, 99.96 FEET TO THE NORTHWEST CORNER OF SAID BLOCK B; THENCE S.0°09'50"W, 339.88 FEET ALONG THE WEST BOUNDARY OF SAID BLOCK B TO THE SOUTHWEST CORNER OF SAID BLOCK B; THENCE S.78°53'04"E, 96.51 FEET ALONG THE SOUTH BOUNDARY OF SAID BLOCK B TO THE POINT OF CURVATURE OF A CURVE CONCAVE TO THE NORTHWEST AND HAVING A RADIUS OF 25.00 FEET; THENCE EASTERLY AND NORTHEASTERLY ALONG AND WITH SAID CURVE THROUGH A CENTRAL ANGLE OF 99°35'37" AN ARC DISTANCE OF 43.46 FEET TO THE POINT OF CUSP WITH A CURVE CONCAVE TO THE WEST AND HAVING A RADIUS OF 1785.52 FEET AND TO WHICH POINT A RADIAL LINE BEARS S.88°28'41"E, SAID POINT ALSO BEING ON THE WEST RIGHT-OF-WAY LINE OF N.W. 82ND. COURT; THENCE SOUTHERLY ALONG AND WITH SAID CURVE AND RIGHT-OF-WAY LINE THROUGH A CENTRAL ANGLE OF 3°17'12" AN ARC DISTANCE OF 102.42 FEET TO THE POINT OF CUSP WITH A CURVE CONCAVE TO THE SOUTHWEST AND HAVING A RADIUS OF 25.00 FEET AND TO WHICH POINT A RADIAL LINE BEARS S.85°11'29"E, SAID POINT ALSO BEING ON THE NORTH BOUNDARY OF BLOCK C, SAID CEDAR GROVE; THENCE DEPARTING FROM SAID RIGHT-OF-WAY LINE NORTHERLY AND NORTHWESTERLY ALONG THE NORTH BOUNDARY OF SAID BLOCK C AND SAID CURVE THROUGH A CENTRAL ANGLE OF 83°41'35" AN ARC DISTANCE OF 36.52 FEET TO THE POINT OF TANGENCY; THENCE N.78°53'04"W, 89.75 FEET TO THE NORTHWEST CORNER OF SAID BLOCK C; THENCE S.6°34'41"W, 155.00 FEET ALONG THE WEST BOUNDARY OF SAID BLOCK C TO THE SOUTHWEST CORNER OF BLOCK C, SAID POINT BEING ON THE NORTH BOUNDARY OF BRYAN WOODS, AS PER PLAT THEREOF RECORDED IN PLAT BOOK T, PAGES 62 AND 63 OF THE PUBLIC RECORDS OF MARION COUNTY, FLORIDA; THENCE N.78°53'04"W, 588.06 FEET ALONG THE SAID NORTH BOUNDARY; THENCE CONTINUE ALONG SAID NORTH BOUNDARY S.83°30'01"W, 538.24 FEET; THENCE N.89°50'27"W, 260.00 FEET TO THE NORTHWEST CORNER OF SAID BRYAN WOODS, SAID POINT BEING ON THE WEST BOUNDARY OF AFORESAID NE 1/4; THENCE DEPARTING SAID NORTH BOUNDARY N.0°09'33"E, 655.27 FEET ALONG SAID WEST BOUNDARY TO THE POINT OF BEGINNING.

Township 14 South, Range 21 East

In Section 31

Village of Ascot Heath

In the Northwest 1/4 more particularly described as follows:

Lots 2 thru 9, Block 2, Golden Hills Turf and Country Club Subdivision, as recorded in Plat Book H, Pages 11, 11A, and 11B, Public Records of Marion County, Florida.

and

Lot 10, Block 2, a revised portion of Golden Hills Turf and Country Club Subdivision, as recorded in Plat Book H, Page 47, Public Records of Marion County, Florida.

**FLORIDA PUBLIC SERVICE COMMISSION
authorizes
CSWR-Florida Utility Operating Company, LLC
pursuant to
Certificate Number 318-S**

to provide wastewater service in Marion 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.

| <u>Order Number</u> | <u>Date Issued</u> | <u>Docket Number</u> | <u>Filing Type</u> |
|---------------------|--------------------|----------------------|------------------------|
| Order No. 11180 | 09/21/82 | 19810333-S | Grandfather |
| Order No. 11180A | 11/04/82 | 19810333-S | Territory Correction |
| Order No. 12193 | 07/06/83 | 19830243-S | Transfer |
| Order No. 22371 | 01/08/90 | 19890045-SU | Transfer and Amendment |
| Order No. 22371A | 01/08/90 | 19890045-SU | Amendatory Order |
| * | * | 20220061-SU | Transfer |

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

**CSWR-Florida Utility Operating Company, LLC
BFF Corp**

Schedule of Net Book Value as of February 28, 2022

| <u>Description</u> | <u>Balance Per Utility 2/28/22</u> | <u>Adjustments</u> | | <u>Staff 2/28/22</u> |
|--------------------------|--|--------------------|---|--------------------------|
| Utility Plant in Service | \$270,192 | (\$34,341) | A | \$235,851 |
| Land & Land Rights | 1,579 | - | | 1,579 |
| Accumulated Depreciation | (214,723) | 24,057 | B | (190,666) |
| CIAC | (41,036) | 5,634 | C | (35,402) |
| Amortization of CIAC | <u>29,740</u> | <u>(1,394)</u> | D | <u>28,346</u> |
| Total | <u>\$45,752</u> | <u>(\$6,044)</u> | | <u>\$39,708</u> |

**CSWR-Florida Utility Operating Company, LLC
BFF Corp**

Explanation of Adjustments to Net Book Value as of February 28, 2022

| Explanation | Amount |
|--|------------------|
| A. UPIS To reflect the appropriate balance. | (\$34,341) |
| B. Accumulated Depreciation To reflect the appropriate balance. | 24,057 |
| C. CIAC To reflect the appropriate balance. | 5,634 |
| D. Accumulated Amortization of CIAC To reflect the appropriate balance. | <u>(1,394)</u> |
| Total Adjustments to Net Book Value as of February 28, 2022 | <u>(\$6,044)</u> |

**CSWR-Florida Utility Operating Company, LLC
BFF Corp**

Schedule of Staff's Recommended Account Balances as of February 28, 2022

| Account No. | Description | UPIS | Accumulated Depreciation |
|------------------------|-------------------------------|------------------|-------------------------------------|
| 351 | Organization | \$2,411 | (\$1,918) |
| 354 | Structures & Improvements | - | - |
| 360 | Collection Sewers - Force | 110,666 | (86,210) |
| 361 | Collection Sewers - Gravity | 77,795 | (74,581) |
| 362 | Special Collection Structures | 17,043 | (9,323) |
| 363 | Service to Customers | 6,219 | (6,219) |
| 365 | Flow Measuring Installations | 383 | (218) |
| 370 | Receiving Wells | <u>21,334</u> | <u>(12,195)</u> |
| | Total | <u>\$235,851</u> | <u>(\$190,666)</u> |

**CSWR – Florida Utility Operating Company, LLC.
 BFF Corp.
 Monthly Wastewater Rates**

Residential Service

| | |
|---|---------|
| Base Facility Charge by Meter Size All Meter Sizes | \$32.98 |
| Charge Per 1,000 gallons – Residential Service 10,000 gallon cap | \$8.75 |
| Flat Rate (for unmetered residential customers) | \$75.35 |

General Service

| | |
|---|------------|
| Base Facility Charge by Meter Size 5/8" x 3/4" | \$32.98 |
| 3/4" | \$49.47 |
| 1" | \$82.45 |
| 1 1/2" | \$164.90 |
| 2" | \$263.84 |
| 3" | \$527.68 |
| 4" | \$824.50 |
| 6" | \$1,649.00 |
| Charge Per 1,000 gallons | \$10.18 |

Initial Customer Deposits

| | <u>Residential Service</u> | <u>General Service</u> |
|---------------------|----------------------------|---------------------------|
| 5/8" x 3/4" | \$120.00 | \$133.00 |
| All Over 5/8"x 3/4" | \$120.00 | 2x average estimated bill |

Service Availability Charges

| | |
|---|------------|
| System Capacity Charge Residential per ERC (350 gallons per day) | \$1,620.00 |
| All others – per gallon | \$4.63 |

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: July 20, 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) *CP*
Office of the General Counsel (Thompson, J. Crawford) *JSC*

RE: Docket No. 20220062-WS – Application for transfer of water and wastewater facilities of C.F.A.T. H2O, Inc., water Certificate No. 552-W, and wastewater Certificate No. 481-S to CSWR-Florida Utility Operating Company, LLC, in Marion County.

AGENDA: 08/01/23 – Regular Agenda – Proposed Agency Action for Issues 2, 3, and 4 – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: La Rosa

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: Schedule immediately after Docket No. 20220061-SU

Case Background

C.F.A.T. H2O, Inc. (CFAT, Utility, or Seller) is a Class C water and wastewater utility operating in Marion County. CFAT provides service to approximately 239 water customers and 248 wastewater customers. The Utility is in the St. Johns River Water Management District (SJRWMD). The SJRWMD has year-round watering restrictions in place for the portion of Marion County within its district. In its 2022 Annual Report, CFAT reported net operating

income of \$75,392 for water and \$96,367 for wastewater. The Utility's last rate case was in 2011.¹

In 1994, the Florida Public Service Commission (Commission) approved the transfer of water and wastewater Certificate Nos. 552-W and 481-S from The Resolution Trust Corporation to CFAT.² The Commission subsequently granted a transfer of majority organizational control.³

On March 15, 2022, CSWR-Florida Utility Operating Company, LLC (CSWR-CFAT or Buyer) filed an application with the Commission for the transfer of Certificate Nos. 552-W and 481-S from CFAT to CSWR-CFAT in Marion County. The application was found to be deficient. The Buyer cured the deficiencies on May 1, 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-2022-0126-PCO-WS, issued March 24, 2022.

This recommendation addresses the transfer of the water and wastewater systems and Certificate Nos. 552-W and 481-S, the appropriate net book value of the water and wastewater systems 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.).

¹Order No. PSC-11-0366-PAA-WU, issued August 31, 2011, in Docket No. 20100126-WU, *In re: Application for increase in water rates in Marion County by C.F.A.T. H2O, Inc.*

²Order No. PSC-94-0701-FOF-WS, issued June 8, 1994, in Docket No. 931080-WS, *In re: Application for transfer of Certificate Nos. 552-W and 481-S in Marion County from The Resolution Trust Corporation to C.F.A.T. H2O, Inc. in Marion County.*

³Order No. PSC-06-0593-FOF-WS, issued July 7, 2006, in Docket No. 20060028-WS, *In re: Application for transfer of majority organizational control of C.F.A.T. H2O, Inc., holder of Certificates 552-W and 481-S in Marion County, from Ronald Chase to Floyd and Eugenia Segarra and Charles deMenzes.*

Discussion of Issues

Issue 1: Should the transfer of Certificate Nos. 552-W and 481-S in Marion County from C.F.A.T. H2O, Inc. to CSWR-Florida Utility Operating Company, LLC be approved?

Recommendation: Yes. The transfer of the water and wastewater systems and Certificate Nos. 552-W and 481-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. 7, 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 March 15, 2022, CSWR-CFAT filed an application for the transfer of Certificate Nos. 552-W and 481-S from CFAT to CSWR-CFAT in Marion 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-CFAT will become final after Commission approval of the transfer, pursuant to Section 367.071(1), F.S.

Noticing, Territory, and Land Ownership

CSWR-CFAT 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-CFAT 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-CFAT 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 of CFAT that must be disposed of with regard to the transfer. CSWR-CFAT 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 \$1,440,000. 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

CFAT's water system includes a water treatment plant (WTP) composed of two wells, a hypochlorination system for disinfection, a 200,000 gallon ground storage tank, and a hydropneumatic/flow tank. The wells are each rated at 250 gallons per minute. The water distribution system extends throughout the service area. CSWR-CFAT provided a copy of the Utility's current consumptive use permit (CUP) from the SJRWMD. The Buyer committed to providing a copy of its CUP transfer application, reflecting the change in ownership, to the Commission within 60 days of the contract for sale.

CFAT's wastewater treatment plant (WWTP) is a 0.99 million gallons per day annual average daily flow extended aeration treatment plant consisting of aeration, secondary clarification, chlorination, and aerobic digestion of biosolids. The effluent is discharged into a reuse system consisting of a lined holding pond and two rapid infiltration basins.

Staff reviewed the most recent Florida Department of Environmental Protection (DEP) sanitary survey for the WTP and compliance evaluation inspection (CEI) for the WWTP. The DEP's May 22, 2020, sanitary survey found no deficiencies. Staff also reviewed the results from its August 3, 2021, water quality tests, including the secondary contaminants water quality test. All results were below the DEP's maximum contaminant levels for each contaminant.

During the DEP's November 16, 2021, CEI, the DEP found several violations primarily related to past-due actions, missing on-site documents, and a leaking component. The Utility resolved these issues and the DEP closed out the CEI in August 2022. The CEI noted that the Utility was under a consent order from its previous CEI, conducted on February 16, 2021, and that CFAT continued to have problems with items listed in the consent order, namely effluent exceedances and solids buildup in the holding pond.⁴ As of July 11, 2023, the Utility has not completed all of the requirements of the consent order.

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-CFAT'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

⁴OGC No. 21-0360.

than 73,000 water and 117,000 wastewater customers. The Commission has also approved CSWR's purchase of five Florida certificated utilities in prior dockets.⁵

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-CFAT 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

CFAT's rates, miscellaneous service charges, and initial customer deposits were last approved in a 2011 staff assisted rate case.⁶ CFAT had a rate decrease to remove expired rate case expense amortization in 2015. Subsequently, the rates have been amended by seven price index rate adjustments with the last one being in 2022. The Utility's service availability charges were last approved in a 1993 transfer of certificate.⁷ Initial customer deposits were approved administratively in 2011. 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 this 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. 7, should remain in effect, until a change is authorized by this 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.

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 should be responsible for filing the Utility's annual reports and paying RAFs for all future years.

⁵See 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*; Docket No. 20220149-SU, *In re: Application for transfer of wastewater Certificate No. 365-S of Sebring Ridge Utilities, Inc. to CSWR-Florida Utility Operating Company, LLC, in Highlands County* (the Commission approved the transfer of this system at the July 11, 2023 Commission Conference; an order is forthcoming).

⁶Order No. PSC-11-0366-PAA-WS, issued August 31, 2011, in Docket No. 20100126-WU, *In re: Application for increase in water rates in Marion County by C.F.A.T. H2O, Inc.*

⁷Order No. PSC-94-0701-FOF-WS, issued June 8, 1994, in Docket No. 19931080-WS, *In re: Application for Transfer of Certificates Nos. 552-W and 481-S from the Resolution Trust Corporation to C.F.A.T. H2O, Inc. in Marion County.*

Conclusion

Based on the foregoing, staff recommends that the transfer of the water and wastewater systems and Certificate Nos. 552-W and 481-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. 7, 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 water and wastewater system for transfer purposes?

Recommendation: For transfer purposes, the net book value (NBV) of the water and wastewater systems is \$228,698 and \$99,918, respectively, as of February 28, 2022. Within 90 days of the date of the Consummating Order, CSWR-CFAT 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 filed. (Thurmond)

Staff Analysis: Rate base for the water system was last established as of December 31, 2009.⁸ No rate proceeding has taken place for the wastewater system. The purpose of establishing NBV for transfers is to determine whether an acquisition adjustment should be approved. CSWR-CFAT'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 February 28, 2022.⁹ Staff's recommended NBV, as described below, is shown on Schedule Nos. 1 and 2.

Utility Plant in Service (UPIS)

According to the Utility's general ledger, the total UPIS balance for water and wastewater was \$594,332 and \$379,847, respectively, as of February 28, 2022. Staff auditors compiled the plant additions and retirements to UPIS from December 31, 2009, to February 28, 2022, and traced supporting documentation and analyzed utility annual reports and general ledgers. As a result, staff recommends decreases to UPIS of \$49,667 and \$179,616 for water and wastewater, respectively, as of February 28, 2022. Accordingly, staff recommends total UPIS balances of \$544,665 and \$200,231 for water and wastewater, respectively, as of February 28, 2022.

Land

The Utility's general ledger reflected land balances of \$19,500 and \$39,000 for water and wastewater, respectively, as of December 31, 2009. There have been no additions to land since December 31, 2009. Therefore, staff recommends no adjustments to its land balance.

Accumulated Depreciation

According to the Utility's general ledger, the total accumulated depreciation balances were \$405,657 and \$333,946, for water and wastewater, respectively, as of February 28, 2022. 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 \$80,623 and \$208,710 for water and wastewater, respectively, as of February 28, 2022. Accordingly, staff recommends total accumulated depreciation balances of \$325,034 and \$125,236 for water and wastewater respectively, as of February 28, 2022.

⁸Order No. PSC-11-0366-PAA-WU, issued August 31, 2011, in Docket No. 20100126-WU, *In re: Application for increase in water rates in Marion County by C.F.A.T. H2O, Inc.*

⁹Net 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 balances were \$132,796 and \$262,882 for water and wastewater, respectively, as of February 28, 2022. Accumulated amortization of CIAC balances were \$121,903 and \$244,230 for water and wastewater, respectively, as of February 28, 2022. Staff auditors recalculated CIAC and accumulated amortization of CIAC balances from December 31, 2009, to February 28, 2022, using supporting documentation, annual reports, and the utility general ledger. As a result, staff recommends that the water CIAC balance be decreased by \$7,863, as of February 28, 2022. Staff also recommends that the accumulated amortization of CIAC balances be decreased by \$7,403 for water and increased by \$4,575, for wastewater, as of February 28, 2022. Accordingly, staff recommends total CIAC balances of \$124,933 and \$262,882, for water and wastewater, respectively, as of February 28, 2022. Staff also recommends Accumulated Amortization of CIAC balances of \$114,500 and \$248,805 for water and wastewater, respectively, as of February 28, 2022.

Net Book Value

The Utility's general ledger reflected a NBV of \$197,282 and \$66,249 for water and wastewater, respectively, as of February 28, 2022. Based on the adjustments described above, staff recommends a NBV of \$228,698 and \$99,918 for water and wastewater, respectively, as of February 28, 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 Nos. 1 and 2 as of February 28, 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 \$228,698 and \$99,918 for water and wastewater, respectively, for a combined NBV of \$328,616, as of February 28, 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 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 applicant requested a positive acquisition adjustment be included in the calculation of the Utility'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 rate base.

According to the purchase agreement, the Buyer will purchase the Utility for \$1,440,000. As discussed in Issue 2, staff is recommending a combined NBV of \$328,616. This would result in a positive acquisition adjustment of \$1,111,384.

Any entity that believes a full or partial positive acquisition adjustment should be made has the burden to prove 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 depreciated original cost is used to determine rate base, without the requirement for extraordinary circumstances, it could encourage utilities to "swap assets" and inappropriately increase cost to customers.

Deferral

In discovery responses, CSWR-CFAT 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-CFAT 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 March 2017 to March 2022. The Commission recorded one complaint regarding improper billing during this time period. In its application, CSWR-CFAT did not list any customer complaints related to the water or wastewater treatment systems or for secondary water quality issues.

In addition to reviewing the Utility's most recent sanitary survey (May 22, 2020) and CEI (November 16, 2021), as discussed in Issue 1, staff also reviewed the two prior sanitary surveys (conducted in 2017 and 2014) and CEIs (conducted in 2021 and 2016). As with the 2020 sanitary survey for the WTP, the 2017 and 2014 sanitary surveys found a few minor issues, which were corrected.

For the WWTP, the October 27, 2016, CEI noted a monitoring violation and reporting errors that were corrected. The Utility's February 16, 2021, CEI resulted in the issuance of a consent order, which was in effect and noted during the subsequent CEI, performed on November 16, 2021. The DEP issued CFAT a warning letter on December 20, 2021, based on the deficiencies found during the November 2021 CEI. As stated in Issue 1, the November 2021 CEI noted that the Utility continued to have problems with effluent exceedances and solids buildup in the holding pond. In an August 25, 2022, letter, the DEP closed out the November 2021 CEI and subsequent warning letter as CFAT had resolved all of the issues from the November 2021 CEI. However, the August 25, 2022, letter noted that the DEP's consent order was still in effect.

In Exhibit H of its application, CSWR-CFAT described its plans for rehabilitation of major system components, repairs, and general improvements. The Buyer's plans for the water system, having found no major problems with its compliance history or obvious need for repairs, include rehabilitating the wells and tanks, and performing distribution repairs as needed. In Exhibit H of its application, the Buyer proposed making general renovations to the facility. Additionally, The

Buyer plans to rehabilitate the five lift stations and perform collection system repairs as necessary. CSWR-CFAT's plans for improvements to both the water and wastewater systems are to install remote monitoring systems. The Buyer stated in its application that no governmental authorities are presently requiring repairs or improvements to the systems.

Based on the above, it appears that CFAT currently has no issues with respect to regulatory compliance regarding its water system, but does have issues with reporting, maintenance, and permit exceedances. While the Buyer identified some general improvements it intends to implement, 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 demonstrate CSWR-CFAT'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 CFAT' systems to ensure compliance with all health and environmental requirements and ensure service to customers remains safe and reliable

In response to discovery, the Utility estimated an increase of O&M expense of approximately \$23,000 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 \$1,111,384 (over three times greater than the system's current NBV of \$328,616) would result in a substantial increase in revenue requirement.

The Buyer also stated that CSWR-CFAT 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-CFAT, 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.¹⁰ 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 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-Florida Utility Operating Company, LLC a positive acquisition adjustment in Order Nos. PSC-2022-0116-PAA-SU, PSC-2022-0120-PAA-WU, PSC-2022-0115-PAA-WS, PSC-2022-0364-PAA-WU, and Docket No. 20220149-SU.¹¹ In those cases, the Commission determined that the Buyer failed to provide sufficient evidence of extraordinary circumstances, and the Buyer was denied a positive acquisition adjustment in all five cases. In those cases, the Buyer 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 five 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-CFAT's intentions to responsibly provide utility service.

¹⁰ 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.*

¹¹ 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*; Docket No. 20220149-SU, *In re: Application for transfer of wastewater Certificate No. 365-S of Sebring Ridge Utilities, Inc. to CSWR-Florida Utility Operating Company, LLC, in Highlands County* (at its July 11, 2023 Commission Conference, the Commission denied deferral of or granting of a positive acquisition adjustment; an order is forthcoming).

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. 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. CSWR-CFAT should be required to file a proposed customer notice to reflect the Commission-approved charges. The approved charges should be effective on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved charge should not be implemented until staff has approved the proposed customer notice and the notice has been received by customers. The Utility should provide proof of the date notice was given no less than 10 days after the date of the notice. CSWR-CFAT should be required to charge the approved miscellaneous services 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.¹² 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. Therefore, staff recommends that the initial connection and normal reconnection charges be removed. The definition for the premises visit charge should 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 in Tables 4-1 and 4-2.

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

| | <u>Existing</u> | | <u>Staff Recommended</u> | |
|-------------------------------|---------------------|--------------------|--------------------------|--------------------|
| | <u>Normal Hours</u> | <u>After Hours</u> | <u>Normal Hours</u> | <u>After Hours</u> |
| Initial Connection Charge | \$11.00 | \$16.00 | N/A | N/A |
| Normal Reconnection Charge | \$16.00 | \$24.00 | N/A | N/A |
| Violation Reconnection Charge | \$21.00 | \$31.00 | \$21.00 | \$31.00 |
| Premises Visit Charge | \$16.00 | N/A | \$16.00 | N/A |

¹²Order 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.*

**Table 4-2
 Utility Existing and Staff Recommended Miscellaneous Service Charges-
 Wastewater**

| | <u>Existing</u> | | <u>Staff Recommended</u> | |
|-------------------------------|---------------------|--------------------|--------------------------|--------------------|
| | <u>Normal Hours</u> | <u>After Hours</u> | <u>Normal Hours</u> | <u>After Hours</u> |
| Initial Connection Charge | \$10.00 | \$12.00 | N/A | N/A |
| Normal Reconnection Charge | \$15.00 | \$20.00 | N/A | N/A |
| Violation Reconnection Charge | Actual Cost | Actual Cost | Actual Cost | Actual Cost |
| Premises Visit Charge | \$15.00 | N/A | \$15.00 | N/A |

Conclusion

Based on the above, 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. CSWR-CFAT should be required to file a proposed customer notice to reflect the Commission-approved charges. The approved charges should be effective on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved charge should not be implemented until staff has approved the proposed customer notice and the notice has been received by customers. The Utility should provide proof of the date notice was given no less than 10 days after the date of the notice. CSWR-CFAT should be required to charge the approved miscellaneous services 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, that proof has been provided that appropriate noticing has been done pursuant to Rule 25-30.4345, F.A.C., 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. (Thompson, J. Crawford)

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, that proof has been provided that appropriate noticing has been done pursuant to Rule 25-30.4345, F.A.C., 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.

**CSWR-Florida Utility Operating Company, LLC
MARION COUNTY
WATER AND WASTEWATER SERVICE TERRITORY**

A parcel of land being part of the SE 1/4 of SE 1/4, the SW 1/4 of SE 1/4, and the NE 1/4 of SE 1/4 of Section 16; and the NE 1/4 of NW 1/4 and the SE 1/4 of NW 1/4 of Section 21, all in Township 14 South, Range 22 East, Marion County, Florida and being more particularly described as follows:

Beginning at the SE corner of said Section 16, thence run West along the south line of said Section 16 for 2640.00 feet to the NE corner of the NE 1/4 of NW 1/4 of Section 21; thence run South 00°12'41" West along the east line of the W 1/2 of said Section 21 for 2555.69 feet to the northern right-of-way of NW 70th Street; thence run North 89°36'04" West for 674.92 feet to the western right-of-way of Jacksonville Road; thence run North 13°51'04" East along said right-of-way for 611.53 feet; thence run North 76°23'09" West for 450.97 feet; thence run North 13°36'58" East for 899.69 feet; thence run South 76°33'41" East for 453.52 feet back to said western right-of-way of Jacksonville Road; thence run North 13°46'51" East along said right-of-way for 1114.14 feet to the north line of said NE 1/4 of NW 1/4 of Section 21; thence run East along the north line of said Section 21 for 57.94 feet to the SW corner of the SW 1/4 of SE 1/4 of Section 16; thence run North along the west line of said SW 1/4 of SE 1/4 for 849.32 feet; thence run East for 1320.00 feet; thence run North for 671.05 feet; thence run East for 1320.00 feet to the east line of Section 16; thence run South along the east line of said Section 16 for 1520.37 feet back to the Point of Beginning. Containing 102.6 acres, more or less.

**FLORIDA PUBLIC SERVICE COMMISSION
authorizes
CSWR-Florida Utility Operating Company, LLC
pursuant to
Certificate Number 552-W**

to provide water service in Marion 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.

| <u>Order Number</u> | <u>Date Issued</u> | <u>Docket Number</u> | <u>Filing Type</u> |
|---------------------|--------------------|----------------------|--------------------|
| PSC-93-0368-FOF-WS | 03/09/93 | 19921260-WS | Transfer |
| PSC-94-0701-FOF-WS | 06/08/94 | 19931080-WS | Transfer |
| PSC-06-0593-FOF-WS | 07/07/06 | 20060028-WS | TMOC |
| PSC-97-0206A-FOF-WS | 03/05/97 | 19960095-WS | Amendatory Order |
| * | * | 20220203-WS | Amendment |

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

**FLORIDA PUBLIC SERVICE COMMISSION
authorizes
CSWR-Florida Utility Operating Company, LLC
pursuant to
Certificate Number 481-S**

to provide wastewater service in Marion 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.

| <u>Order Number</u> | <u>Date Issued</u> | <u>Docket Number</u> | <u>Filing Type</u> |
|---------------------|--------------------|----------------------|--------------------|
| PSC-93-0368-FOF-WS | 03/09/93 | 19921260-WS | Transfer |
| PSC-94-0701-FOF-WS | 06/08/94 | 19931080-WS | Transfer |
| PSC-06-0593-FOF-WS | 07/07/06 | 20060028-WS | TMOC |
| PSC-97-0206A-FOF-WS | 03/05/97 | 19960095-WS | Amendatory Order |
| * | * | 20220203-WS | Amendment |

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

**CSWR-Florida Utility Operating Company, LLC
 C.F.A.T. H2O, Inc.**

Schedule of Water Net Book Value as of February 28, 2022

| <u>Description</u> | <u>Balance Per Utility 2/28/22</u> | <u>Adjustments</u> | | <u>Staff 2/28/22</u> |
|--------------------------|--|--------------------|---|--------------------------|
| Utility Plant in Service | \$594,332 | (\$49,667) | A | \$544,665 |
| Land & Land Rights | 19,500 | - | | 19,500 |
| Accumulated Depreciation | (405,657) | 80,623 | B | (325,034) |
| CIAC | (132,796) | 7,863 | C | (124,933) |
| Amortization of CIAC | <u>121,903</u> | <u>(7,403)</u> | D | <u>114,500</u> |
| Total | <u>\$197,282</u> | <u>\$31,416</u> | | <u>\$228,698</u> |

**CSWR-Florida Utility Operating Company, LLC
C.F.A.T. H2O, Inc.**

Schedule of Wastewater Net Book Value as of February 28, 2022

| <u>Description</u> | <u>Balance Per Utility 2/28/22</u> | <u>Adjustments</u> | | <u>Staff 2/28/22</u> |
|--------------------------|--|--------------------|---|--------------------------|
| Utility Plant in Service | \$379,847 | (\$179,616) | A | \$200,231 |
| Land & Land Rights | 39,000 | - | | 39,000 |
| Accumulated Depreciation | (333,946) | 208,710 | B | (125,236) |
| CIAC | (262,882) | - | C | (262,882) |
| Amortization of CIAC | <u>244,230</u> | <u>4,575</u> | D | <u>248,805</u> |
| Total | <u>\$66,249</u> | <u>\$33,669</u> | | <u>\$99,918</u> |

**CSWR-Florida Utility Operating Company, LLC
C.F.A.T. H2O, Inc.**

Explanation of Adjustments to Water Net Book Value as of February 28, 2022

| Explanation | Amount |
|--|-----------------|
| A. UPIS To reflect the appropriate balance. | (\$49,667) |
| B. Accumulated Depreciation To reflect the appropriate balance. | 80,623 |
| C. CIAC To reflect the appropriate balance. | 7,863 |
| D. Accumulated Amortization of CIAC To reflect the appropriate balance. | <u>(7,403)</u> |
| Total Adjustments to Water Net Book Value as of February 28, 2022 | <u>\$31,416</u> |

**CSWR-Florida Utility Operating Company, LLC
C.F.A.T. H2O, Inc.**

**Explanation of Adjustments to Wastewater Net Book Value as of February 28,
2022**

| Explanation | Amount |
|--|-----------------|
| E. UPIS To reflect the appropriate balance. | (\$179,616) |
| F. Accumulated Depreciation To reflect the appropriate balance. | 208,710 |
| G. Accumulated Amortization of CIAC To reflect the appropriate balance. | <u>4,575</u> |
| Total Adjustments to Wastewater Net Book Value as of February 28, 2022 | <u>\$33,669</u> |

**CSWR-Florida Utility Operating Company, LLC
C.F.A.T. H2O, Inc.**

**Schedule of Staff's Recommended Water Account Balances as of February 28,
2022**

| Account No. | Description | UPIS | Accumulated Depreciation |
|------------------------|--------------------------------------|------------------|-------------------------------------|
| 304 | Structures & Improvements | 23,320 | (1,141) |
| 307 | Wells & Springs | 38,888 | (27,590) |
| 310 | Power Generation Equipment | 22,587 | (22,587) |
| 311 | Pumping Equipment | 113,271 | (77,556) |
| 320 | Water Treatment Equipment | 10,142 | (6,339) |
| 330 | Distribution Reservoirs & Standpipes | 198,197 | (95,877) |
| 331 | Transmission & Distribution Mains | 74,217 | (45,969) |
| 333 | Services | 15,635 | (14,133) |
| 334 | Meters & Meter Installations | 48,200 | (33,635) |
| 343 | Tools, Shop, & Garage Equipment | 207 | (207) |
| | Total | <u>\$544,665</u> | <u>(\$325,034)</u> |

**CSWR-Florida Utility Operating Company, LLC
C.F.A.T. H2O, Inc.**

**Schedule of Staff's Recommended Wastewater Account Balances as of February
28, 2022**

| Account No. | Description | UPIS | Accumulated Depreciation |
|------------------------|--------------------------------|------------------|-------------------------------------|
| 351 | Organization | \$2,500 | (\$2,500) |
| 352 | Franchises | 2,062 | (2,062) |
| 354 | Structures & Improvements | 32,260 | (3,905) |
| 360 | Collection Sewers - Force | 7,700 | (7,700) |
| 361 | Collection Sewers - Gravity | 45,657 | (38,698) |
| 362 | Special Collection Structures | 15,148 | (14,073) |
| 363 | Service to Customers | 8,500 | (8,500) |
| 364 | Flow Measuring Devices | 90 | (90) |
| 365 | Flow Measuring Installations | 5,610 | (5,588) |
| 371 | Pumping Equipment | 48,307 | (19,722) |
| 380 | Treatment & Disposal Equipment | 19,164 | (19,164) |
| 389 | Other Plant & Misc. Equipment | 13,234 | (3,235) |
| | Total | <u>\$200,231</u> | <u>(\$125,236)</u> |

**CSWR – Florida Utility Operating Company, LLC.
C.F.A.T. H2O, Inc.**

Monthly Water Rates

Residential and General Service

Base Facility Charge by Meter Size

| | |
|-------------|----------|
| 5/8" x 3/4" | \$12.67 |
| 1" | \$31.68 |
| 1-1/2" | \$63.35 |
| 2" | \$101.36 |
| 3" | \$202.72 |
| 4" | \$316.75 |

Charge Per 1,000 gallons – Residential

| | |
|------------------------|---------|
| 0 – 5,000 gallons | \$4.33 |
| 5,001 – 10,000 gallons | \$8.02 |
| Over 10,000 gallons | \$12.02 |

Charge Per 1,000 gallons – General Service

\$5.99

Monthly Wastewater Rates

Residential Service

| | |
|-----------------|---------|
| All Meter Sizes | \$17.34 |
|-----------------|---------|

Charge Per 1,000 gallons – Residential
10,000 gallon cap

\$4.76

General Service

Base Facility Charge by Meter Size

| | |
|-------------|----------|
| 5/8" x 3/4" | \$17.34 |
| 1" | \$43.35 |
| 1-1/2" | \$86.70 |
| 2" | \$138.72 |
| 3" | \$277.44 |
| 4" | \$433.50 |

Charge Per 1,000 gallons – General Service

\$4.76

Initial Customer Deposits

Residential Service and General Service

5/8" x 3/4" \$60.00

**Meter Installation Charge
Service Availability Charges - Water**

5/8" x 3/4" meter size \$100.00

1" meter size \$130.00

1 1/2" meter size \$180.00

All Other Actual Cost

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: July 20, 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) *CPD*
Office of the General Counsel (Stiller) *JSC*

RE: Docket No. 20220063-WS – Application for transfer of water and wastewater facilities of Tradewinds Utilities, Inc., water Certificate No. 405-W, and wastewater Certificate No. 342-S to CSWR-Florida Utility Operating Company, LLC, in Marion County.

AGENDA: 08/01/23 – Regular Agenda – Proposed Agency Action for Issues 2, 3, and 4 – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: La Rosa

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: Schedule immediately after Docket No. 20220062-WS

Case Background

Tradewinds Utilities, Inc. (Tradewinds, Utility, or Seller) is a Class B water and wastewater utility operating in Marion County. Tradewinds provides service to approximately 505 water customers and 279 wastewater customers. The Utility is in the St. Johns River Water Management District (SJRWMD). The SJRWMD has year-round watering restrictions in place for the portion of Marion County within its district. In its 2022 Annual Report, Tradewinds

reported net operating losses of \$50,762 for water and \$565,765 for wastewater. The Utility's last rate case was in 2011.¹

In 1983, the Florida Public Service Commission (Commission) issued original water and wastewater Certificate Nos. 405-W and 342-S to Tradewinds.² The Commission subsequently granted five amendments to add or delete territory.³

On March 15, 2022, CSWR-Florida Utility Operating Company, LLC (CSWR-Tradewinds or Buyer) filed an application with the Commission for the transfer of Certificate Nos. 405-W and 342-S from Tradewinds to CSWR-Tradewinds in Marion County. The application was found to be deficient. The Buyer cured the deficiencies on May 1, 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-2022-0128-PCO-WS, issued March 25, 2022.

This recommendation addresses the transfer of the water and wastewater systems and Certificate Nos. 405-W and 342-S, the appropriate net book value (NBV) of the water and wastewater systems 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.).

¹Order No. PSC-11-0385-PAA-WS, issued September 13, 2011, in Docket No. 20100127-WS, *In re: Application for increase in water and wastewater rates in Marion County by Tradewinds Utilities, Inc.*

²Order No. 12184, issued July 1, 1983 in Docket No. 19830110-WS, *In re: Application of Trade Winds [sic] Utilities, Inc., for original water and sewer certificates to operate a utility in Marion County, Florida.*

³Order No. 13238, issued April 27, 1984, in Docket No. 19840088-WU, *In re: Application of Tradewinds Utilities, Inc., for amendment of Certificate No. 405-W in Marion County, Florida*; Order No. 19688, issued July 19, 1988, in Docket No. 19880552-WS, *In re: Application of Tradewinds Utilities, Inc., for amendment to Certificates [sic] Nos. 405-W and 342-S in Marion County, Florida*; Order No. PSC-93-0368-FOF-WS, issued March 9, 1993, in Docket No. 19921260-WS, *In re: Application for certificates to provide water and wastewater service in Marion County by The Resolution Trust Corporation and for amendment of Certificates [sic] Nos. 405-W and 342-S by Tradewinds Utilities, Inc. to reflect transfer of territory*; Order No. PSC-98-0484-FOF-WS, issued April 6, 1998, in Docket No. 19971174-WS, *In re: Application for amendment of Certificates [sic] Nos. 405-W and 342-S to add territory in Marion County by Tradewinds Utilities, Inc.*; and Order No PSC-10-0020-FOF-WS, issued November 7, 2010, in Docket No. 20090417-WS, *In re: Application for amendment of Certificates 405-W and 342-S to add territory located in Marion County, by Tradewinds Utilities, Inc.*

Discussion of Issues

Issue 1: Should the transfer of Certificate Nos. 405-W and 342-S in Marion County from Tradewinds Utilities, Inc. to CSWR-Florida Utility Operating Company, LLC be approved?

Recommendation: Yes. The transfer of the water and wastewater systems and Certificate Nos. 405-W and 342-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. 7, 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 March 15, 2022, CSWR-Tradewinds filed an application for the transfer of Certificate Nos. 405-W and 342-S from Tradewinds to CSWR-Tradewinds in Marion 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-Tradewinds will become final after Commission approval of the transfer, pursuant to Section 367.071(1), F.S.

Noticing, Territory, and Land Ownership

CSWR-Tradewinds 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-Tradewinds 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-Tradewinds 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 of Tradewinds that must be disposed of with regard to the transfer. CSWR-Tradewinds 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 \$2,660,000. 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

Tradewinds' water system includes a water treatment plant (WTP) composed of three wells, a hypo-chlorination system for disinfection, two hydropneumatic/flow tanks, and one elevated storage tank. Two of the wells have capacities of 185 gallons per minute (gpm) each. The third well has a capacity of 950 gpm. The water distribution system extends throughout the service area. CSWR-Tradewinds provided a copy of the Utility's current consumptive use permit (CUP) from the SJRWMD. The Buyer committed to providing a copy of its CUP transfer application, reflecting the change in ownership, to the Commission within 60 days of the contract for sale.

Tradewinds' former wastewater treatment plant has been decommissioned. The Utility provides wastewater treatment service pursuant to a bulk service agreement with Marion County Utilities. Tradewinds has six lift stations in its collection system.

Staff reviewed the most recent Florida Department of Environmental Protection (DEP) sanitary survey issued on May 22, 2020, which identified three issues that were quickly corrected. In its June 10, 2020, inspection report to the Utility, the DEP stated that, based the information provided during and following the inspection, the facility was determined to be in compliance with its rules and regulations. Staff also reviewed the results from its August 4, 2021, water quality tests, including the secondary water quality test. All results were below the DEP's maximum contaminant levels for each contaminant.

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-Tradewinds' application states that it owns and operates water and wastewater systems in Missouri, Arkansas, Kentucky, Louisiana, Texas, Louisiana, 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 five Florida certificated utilities in prior dockets.⁴

⁴See 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*; Docket No. 20220149-SU, *In re: Application for transfer of wastewater Certificate No. 365-S of Sebring Ridge Utilities, Inc. to CSWR-Florida Utility Operating Company, LLC, in Highlands County* (the Commission approved the transfer of this system at the July 11, 2023 Agenda Conference; an order is forthcoming).

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-Tradewinds and believes the Buyer has documented adequate resources to support the Utility's water and 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

Tradewinds' rates and miscellaneous service charges were last approved in a 2011 staff assisted rate case.⁵ Tradewinds had a rate decrease to remove expired rate case expense amortization in 2016. Subsequently, the rates have been amended by seven price index rate adjustments with the last one being in 2022. The Utility's service availability charges for water were last approved in a 1994 staff assisted rate case.⁶ Allowances for Funds Prudently Invested (AFPI) for wastewater were approved in 2000.⁷ Tradewinds' initial customer deposits have been in effect since prior to 1994. 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 this Commission. However, the miscellaneous service charges do not conform to the recent amendment to Rule 25-30.460, F.A.C., and are discussed separately in Issue 4. Therefore, staff recommends that the Utility's existing rates, service availability charges, and initial customer deposits as shown on Schedule No. 7, 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.

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 should 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 water and wastewater systems and Certificate Nos. 405-W and 342-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. 7, should remain in effect until a change is authorized by the Commission in a

⁵Order No. PSC-11-0385-PAA-WS, issued September 13, 2011, in Docket No. 20100127-WS, *In re: Application for increase in water and wastewater rates in Marion County by Tradewinds Utilities, Inc.*

⁶Order No. PSC-94-0245-FOF-WS, issued March 4, 1994, in Docket No. 19930524-WS, *In re: Application for increase in water and wastewater rates in Marion County by Tradewinds Utilities, Inc.*

⁷Order No. PSC-00-1513-TRF-WS, issued August 21, 2000, in Docket No. 19991835-WS, *In re: Application for allowance for funds prudently invested (AFPI) charge for additional water improvements and for additional lines associated with wastewater extension into George Mayo subdivision in Marion County, by Tradewinds Utilities, Inc.*

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 water and wastewater systems for transfer purposes?

Recommendation: For transfer purposes, the NBV of the water and wastewater systems is \$309,394 and \$25,516, respectively, as of February 28, 2022. Within 90 days of the date of the Consummating Order, CSWR-Tradewinds 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 filed. (Thurmond)

Staff Analysis: Rate base for the water and wastewater systems were last established on September 13, 2011.⁸ The purpose of establishing NBV for transfers is to determine whether an acquisition adjustment should be approved. CSWR-Tradewinds' 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 February 28, 2022.⁹ Staff's recommended NBV, as described below, is shown on Schedule Nos. 1 and 2.

Utility Plant in Service (UPIS)

According to the Utility's general ledger, the total UPIS balance for water and wastewater was \$1,091,508 and \$523,984, respectively, as of February 28, 2022. Staff compiled the plant additions and retirements to UPIS from December 31, 2009, to February 28, 2022, and traced supporting documentation. As a result, staff recommends a decrease to UPIS of \$63,434, for water, and an increase of \$86,098 for wastewater, as of February 28, 2022. Accordingly, staff recommends total UPIS balances of \$1,028,074 and \$610,082 for water and wastewater, respectively, as of February 28, 2022.

Land

The Utility's general ledger reflected land balances of \$182,500 for water, as of December 31, 2009. Staff recommends a decrease to land balance of \$112,500 for water, as of February 28, 2022, to account for a land adjustment ordered in the Utility's last rate case. Therefore, staff recommends total land balance of \$70,000 for water.

Accumulated Depreciation

According to the Utility's general ledger, the total accumulated depreciation balances were \$812,221 and \$471,912 for water and wastewater, respectively, as of February 28, 2022. Staff 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 \$30,685 for water, and increased by \$91,603 for wastewater, as of February 28, 2022. Accordingly, staff recommends total accumulated depreciation balances of \$781,536 and \$563,515 for water and wastewater, respectively, as of February 28, 2022.

⁸Order No. PSC-11-0385-PAA-WS, issued September 13, 2011, in Docket No. 20100127-WS, *In re: Application for increase in water and wastewater rates in Marion County by Tradewinds Utilities, Inc.*

⁹Net 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.

Date: July 20, 2023

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

According to the Utility's general ledger, the CIAC balances were \$335,746 and (\$554,306) for water and wastewater, respectively, as of February 28, 2022. Accumulated amortization of CIAC balances were \$335,747 and (\$545,676) for water and wastewater, respectively, as of February 28, 2022. Staff traced CIAC and accumulated amortization of CIAC balances from December 31, 2009, to February 28, 2022, using supporting documentation, annual reports, and the Utility general ledger. As a result, staff recommends that the CIAC balance be increased by \$6,299 and \$1,100,461 for water and wastewater, respectively, as of February 28, 2022. Staff also recommends that the accumulated amortization of CIAC balances be decreased by \$845 for water, and increased by \$1,070,780 for wastewater, as of February 28, 2022. Accordingly, staff recommends total CIAC balances of \$342,045 and \$546,155 for water and wastewater, respectively, as of February 28, 2022. Staff also recommends Accumulated Amortization of CIAC balances of \$334,902 and \$525,104 for water and wastewater, respectively, as of February 28, 2022.

Net Book Value

The Utility's general ledger reflected a NBV of \$461,788 and \$60,702 for water and wastewater, respectively, as of February 28, 2022. Based on the adjustments described above, staff recommends a NBV of \$309,394 and \$25,516 for water and wastewater, respectively, as of February 28, 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 Nos. 1 and 2 as of February 28, 2022. As addressed in Issue 3, a positive acquisition adjustment should not be recognized for ratemaking purposes.

Conclusion

Based on the above, for transfer purposes, staff recommends a NBV of \$309,394 and \$25,516 for water and wastewater, respectively, for a combined NBV of \$334,910, as of February 28, 2022. 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 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 applicant requested a positive acquisition adjustment be included in the calculation of the Utility'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 rate base.

According to the purchase agreement, the Buyer will purchase the Utility for \$2,660,000. As discussed in Issue 2, staff is recommending a combined NBV of \$334,910. This would result in a positive acquisition adjustment of \$2,325,090.

Any entity that believes a full or partial positive acquisition adjustment should be made has the burden to prove 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 depreciated original cost is used to determine rate base, without the requirement for extraordinary circumstances, it could encourage utilities to "swap assets" and inappropriately increase cost to customers.

Deferral

In discovery responses, CSWR-Tradewinds 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-Tradewinds 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 March 2017 to March 2022. The Commission recorded two complaints regarding improper billing during this time period. In its application, CSWR-Tradewinds did not list any customer complaints related to the water or wastewater treatment systems or for secondary water quality issues.

In addition to reviewing the Utility's most recent sanitary survey (May 22, 2020), as discussed in Issue 1, staff also reviewed the two prior sanitary surveys (conducted in 2017 and 2014). As with the 2020 sanitary survey, the 2017 and 2014 sanitary surveys found a few minor issues, which were corrected.

In Exhibit H of its application, CSWR-Tradewinds described its plans for rehabilitation of major system components and general improvements. The Buyer's plans for the water system, having found no major problems with its compliance history or obvious need for repairs, include rehabilitating the wells and tanks, and performing distribution repairs as needed. Because Tradewinds' WWTP was decommissioned after CSWR-Tradewinds filed its application, only its plans for the collections system will be discussed here. The Buyer plans to rehabilitate the six lift stations and perform collection system repairs as necessary. CSWR-Tradewinds' plans for improvements to both the water and wastewater systems are to install remote monitoring systems. The Buyer stated in its application that no governmental authorities are presently requiring repairs or improvements to the systems.

Based on the above, it appears that Tradewinds currently has no issues with respect to regulatory compliance. While the Buyer identified some general improvements it intends to implement, 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 demonstrate CSWR-Tradewinds' 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 Tradewinds' systems to ensure compliance with all health and environmental requirements and ensure service to customers remains safe and reliable

In response to discovery, the Buyer provided an estimated annual reduction of O&M expense of approximately \$58,000. The requested acquisition adjustment of \$2,325,090 is approximately seven times greater than the system's current NBV of \$334,910. Even if the Buyer were able to reduce O&M expense by \$58,000, the inclusion of the requested acquisition adjustment in rate base and the inclusion of the annual amortization expense in the NOI calculation would result in an increased revenue requirement. The result would be a net increase to customer rates.

The Buyer also stated that CSWR-Tradewinds 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-Tradewinds, 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.¹⁰ 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 Buyer accomplished cost savings, it did not believe the actions performed demonstrated extraordinary circumstances that would justify approval of a positive acquisition adjustment.

¹⁰ 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.*

Staff's recommendation is also consistent with the Commission's decisions to deny CSWR-Florida Utility Operating Company, LLC 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, and Docket No. 20220149-WS.¹¹ In those cases, the Commission determined that the Buyer failed to provide sufficient evidence of extraordinary circumstances, and the Buyer was denied a positive acquisition adjustment in all five cases. In those cases, the Buyer 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 five 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-Tradewinds' intentions to responsibly provide utility service.

¹¹Order 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 Count*; 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*; and Docket No. 20220149-SU, *In re: Application for transfer of wastewater Certificate No. 365-S of Sebring Ridge Utilities, Inc. to CSWR-Florida Utility Operating Company, LLC, in Highlands County* (the Commission approved the transfer of this system at the July 11, 2023 Commission Conference; an order is forthcoming).

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. 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 on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved charge should not be implemented until staff has approved the proposed customer notice and the notice has been received by customers. The Utility should provide proof of the date notice was given no less than 10 days after the date of the notice. The Utility should be required to charge the approved miscellaneous services 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.¹² 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 \$21 (normal hours) and \$32 (after hours). Therefore, staff recommends that the initial connection and normal reconnection charges be removed, the premises visit charge should be revised to \$21 (normal hours) and \$32 (after hours). 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 in Table 4-1.

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

| | <u>Water/Wastewater Existing</u> | | <u>Water/Wastewater Staff Recommended</u> | |
|--|----------------------------------|--------------------|---|--------------------|
| | <u>Normal Hours</u> | <u>After Hours</u> | <u>Normal Hours</u> | <u>After Hours</u> |
| Initial Connection Charge | \$21.00 | \$32.00 | N/A | N/A |
| Normal Reconnection Charge | \$21.00 | \$32.00 | N/A | N/A |
| Violation Reconnection Charge (Water) | \$21.00 | \$32.00 | \$21.00 | \$32.00 |
| Violation Reconnection Charge (Wastewater) | Actual Cost | Actual Cost | Actual Cost | Actual Cost |
| Premises Visit Charge | \$14.00 | N/A | \$21.00 | N/A |

¹²Order 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.*

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 on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved charge should not be implemented until staff has approved the proposed customer notice and the notice has been received by customers. The Utility should provide proof of the date notice was given no less than 10 days after the date of the notice. The Utility should be required to charge the approved miscellaneous services 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, that proof has been provided that appropriate noticing has been done pursuant to Rule 25-30.4345, F.A.C., 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 the SJRWMD, 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. (Stiller)

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, that proof has been provided that appropriate noticing has been done pursuant to Rule 25-30.4345, F.A.C., 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 the SJRWMD, 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.

**CSWR-Florida Utility Operating Company, LLC
MARION COUNTY
WATER SERVICE TERRITORY**

PARCEL 1

A parcel of land being located in Section 34, Township 14 South, Range 22 East, Marion County, Florida, and being more particularly described as follows:

Commencing at the East $\frac{1}{4}$ corner of Section 34, thence run West for 40.00' to the west right-of-way line of N.E. 36th Ave. and for the Point of Beginning; thence run South for 307.59 feet; thence run West for 2608.31 feet to the west line of the NW $\frac{1}{4}$ of SE $\frac{1}{4}$ of said Section 34; thence run North for 307.84 feet to the south line of the NW $\frac{1}{4}$ of Section 34; thence run West along the south line of said NW $\frac{1}{4}$ for 2631.69 feet to the west line of Section 34; thence run north along the west line of said Section 34 for 1320.00 feet to the north line of the SW $\frac{1}{4}$ of NW $\frac{1}{4}$; thence run East along said line for 1320.00 feet to the NE corner of said SW $\frac{1}{4}$ of NW $\frac{1}{4}$; thence run South along the east line of said SW $\frac{1}{4}$ of NW $\frac{1}{4}$ for 660.00 feet; thence run East for 1311.69 feet to the west line of the SW $\frac{1}{4}$ of NE $\frac{1}{4}$; thence run North along the west line of said SW $\frac{1}{4}$ of NE $\frac{1}{4}$ for 662.52 feet to the north line of said SW $\frac{1}{4}$ of NE $\frac{1}{4}$; thence run East along the north line of the South $\frac{1}{2}$ of the NE $\frac{1}{4}$ for 1985.00 feet; thence run South for 661.39 feet; thence run East for 622.00 feet to the west right-of-way of N.E. 36th Ave.; thence run South along said right-of-way for 661.13 feet back to the Point of Beginning. Said parcel contains 147.1 acres, more or less.

AND ALSO:

PARCEL 2

A parcel of land being located in the SW $\frac{1}{4}$ of NW $\frac{1}{4}$ and in the SW $\frac{1}{4}$ of Section 35 of Township 14 South, Range 22 East, Marion County, Florida, and being more particularly described as follows:

Commencing at the West $\frac{1}{4}$ corner of Section 35, thence run North for 100.00 feet to and for the Point of Beginning; thence run East for 30.00 feet to the east right-of-way line of N.E. 36th Ave.; thence run North along said right-of-way for 467.20 feet; thence run East for 240.00 feet; thence run North for 200.00 feet; thence run East for 130.00 feet; thence run South for 200.00 feet; thence run East for 110.00 feet; thence run North for 100.00 feet; thence run East for 190.00 feet; thence run South for 567.20 feet; thence run East for 546.52 feet to the west right-of-way line of S.C.L. railroad; thence run South $16^{\circ}54'50''$ East along said railroad right-of-way for 1474.17 feet to the south line of the N $\frac{1}{2}$ of the SW $\frac{1}{4}$ of Section 35; thence run North $89^{\circ}58'40''$ West along the south line of said N $\frac{1}{2}$ of the SW $\frac{1}{4}$ for 1171.38 feet; thence run South $00^{\circ}06'58''$ West for 226.26 feet; thence run North $89^{\circ}53'21''$ West for 30.00 feet; thence run South $00^{\circ}06'58''$ West for 250.00 feet; thence run North $89^{\circ}53'22''$ West for 443.07 feet to the east right-of-way line of N.E. 36th Ave.; thence run North along said right-of-way for 1060.29 feet; thence run West for 30.00 feet to the west line of Section 35; thence run North along said right-of-way for 825.00 feet back to the Point of Beginning. Said parcel contains 60.1 acres, more or less.

AND ALSO:

PARCEL 3

A parcel of land being located in the SW $\frac{1}{4}$ of SW $\frac{1}{4}$ of Section 34 of Township 14 South, Range 22 East, Marion County, Florida, and being more particularly described as follows:

Commencing at the SW corner of said Section 34, thence run North 89°39'51" East for 30.00 feet; thence run North 00°02'32" West for 30.00 feet; thence continue North 00°02'32" West for 185.00 feet to and for the Point of Beginning; thence continue North 00°02'32" West for 513.88 feet; thence run North 89°39'32" East for 636.05 feet; thence run South 00°07'48" East for 105.03 feet; thence run North 89°38'51" East for 666.22 feet; thence run South 00°13'07" East for 593.70 feet; thence run South 89°38'51" West for 1119.36 feet; thence run North 00°02'32" West for 185.00 feet; thence run South 89°38'51" West for 185.00 feet back to the Point of Beginning. Said parcel contains 18.5 acres, more or less.

AND ALSO:

PARCEL 4

A parcel of land located in the NW ¼ of the SW ¼ of Section 34, Township 14 South, Range 22 East, Marion County Florida, and being more particularly described as follows:

Commencing at the NE corner of the SW ¼ of the NW ¼ of said Section 34; thence run South for 1,980.99 feet; thence West for 350.10 feet to the POINT OF BEGINNING; thence run South 00°01'51" East for 206.26 feet; thence North 89°39'27" West for 962.16 feet to the East right-of-way of N.E. 25th Avenue; thence run North 00°26'51" East along said right-of-way for 200.00 feet; thence leaving said right-of-way, run North 89°58'09" East for 960.47 feet back to the Point of Beginning. Said parcel contains 4.5 acres, more or less.

AND ALSO:

PARCEL 5

A parcel of land located in the W ½ of the SW ¼ of Section 34, Township 14 South, Range 22 East, Marion County Florida, and being more particularly described as follows:

Commencing at the NE corner of the SW ¼ of the NW ¼ of said Section 34; thence run South for 2,456.42 feet; thence run West for 870.12 feet to the POINT OF BEGINNING; thence run South 00°19'52" East for 260.38 feet; thence run South 89°40'08" West for 444.39 feet to the East right-of-way of N.E. 25th Avenue; thence run North 00°17'21" West along said right-of-way for 260.38 feet; thence leaving said right-of-way, run North 89°40'08" East for 444.20 feet back to the Point of Beginning. Said parcel contains 2.7 acres, more or less.

**CSWR-Florida Utility Operating Company, LLC
MARION COUNTY
WASTEWATER SERVICE TERRITORY**

PARCEL 1

A parcel of land being located in Section 34 of Township 14 South, Range 22 East, Marion County, Florida, and being more particularly described as follows:

Commencing at the East $\frac{1}{4}$ corner of Section 34, thence run West for 40.00' to the west right-of-way line of N.E. 36th Ave. and for the Point of Beginning; thence run South for 307.59 feet; thence run West for 2608.31 feet to the west line of the NW $\frac{1}{4}$ of SE $\frac{1}{4}$ of said Section 34; thence run North for 307.84 feet to the south line of the NW $\frac{1}{4}$ of Section 34; thence run West along the south line of said NW $\frac{1}{4}$ for 2631.69 feet to the west line of Section 34; thence run north along the west line of said Section 34 for 1320.00 feet to the north line of the SW $\frac{1}{4}$ of NW $\frac{1}{4}$; thence run East along said line for 1320.00 feet to the NE corner of said SW $\frac{1}{4}$ of NW $\frac{1}{4}$; thence run South along the east line of said SW $\frac{1}{4}$ of NW $\frac{1}{4}$ for 660.00 feet; thence run East for 634.00 feet; thence run South for 120.00 feet; thence run East for 194.00 feet; thence run North for 120.00 feet; thence run East for 483.69 feet to the east line of the SE $\frac{1}{4}$ of NW $\frac{1}{4}$; thence run South along said east line of SE $\frac{1}{4}$ of NW $\frac{1}{4}$ for 298.87 feet; thence run East for 2608.31 feet to the west right-of-way of N.E. 36th Ave.; thence run South along said right-of-way for 361.38 feet back to the Point of Beginning. Said parcel contains 99.9 acres, more or less.

AND ALSO:

PARCEL 2

A parcel of land being located in the SW $\frac{1}{4}$ of NW $\frac{1}{4}$ and in the SW $\frac{1}{4}$ of Section 35 of Township 14 South, Range 22 East, Marion County, Florida, and being more particularly described as follows:

Commencing at the West $\frac{1}{4}$ corner of Section 35, thence run North for 100.00 feet to and for the Point of Beginning; thence run East for 30.00 feet to the east right-of-way line of N.E. 36th Ave.; thence run North along said right-of-way for 467.20 feet; thence run East for 240.00 feet; thence run North for 200.00 feet; thence run East for 130.00 feet; thence run South for 200.00 feet; thence run East for 110.00 feet; thence run North for 100.00 feet; thence run East for 190.00 feet; thence run South for 567.20 feet; thence run East for 546.52 feet to the west right-of-way line of S.C.L. railroad; thence run South $16^{\circ}54'50''$ East along said railroad right-of-way for 1474.17 feet to the south line of the N $\frac{1}{2}$ of the SW $\frac{1}{4}$ of Section 35; thence run North $89^{\circ}58'40''$ West along the south line of said N $\frac{1}{2}$ of the SW $\frac{1}{4}$ for 1171.38 feet; thence run South $00^{\circ}06'58''$ West for 226.26 feet; thence run North $89^{\circ}53'21''$ West for 30.00 feet; thence run South $00^{\circ}06'58''$ West for 250.00 feet; thence run North $89^{\circ}53'22''$ West for 443.07 feet to the east right-of-way line of N.E. 36th Ave.; thence run North along said right-of-way for 1060.29 feet; thence run West for 30.00 feet to the west line of Section 35; thence run North along said right-of-way for 825.00 feet back to the Point of Beginning. Said parcel contains 60.1 acres, more or less.

AND ALSO:

PARCEL 3

A parcel of land being located in the SW $\frac{1}{4}$ of SW $\frac{1}{4}$ of Section 34 of Township 14 South, Range 22 East, Marion County, Florida, and being more particularly described as follows:

Commencing at the SW corner of said Section 34, thence run North 89°39'51" East for 30.00 feet; thence run North 00°02'32" West for 30.00 feet; thence continue North 00°02'32" West for 185.00 feet to and for the Point of Beginning; thence continue North 00°02'32" West for 513.88 feet; thence run North 89°39'32" East for 636.05 feet; thence run South 00°07'48" East for 105.03 feet; thence run North 89°38'51" East for 666.22 feet; thence run South 00°13'07" East for 593.70 feet; thence run South 89°38'51" West for 1119.36 feet; thence run North 00°02'32" West for 185.00 feet; thence run South 89°38'51" West for 185.00 feet back to the Point of Beginning. Said parcel contains 18.5 acres, more or less.

FLORIDA PUBLIC SERVICE COMMISSION
authorizes
CSWR-Florida Utility Operating Company, LLC
pursuant to
Certificate Number 405-W

to provide water service in Marion 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.

| <u>Order Number</u> | <u>Date Issued</u> | <u>Docket Number</u> | <u>Filing Type</u> |
|---------------------|--------------------|----------------------|------------------------|
| Order No. 12184 | 07/01/83 | 19830110-WS | Original Certificate |
| Order No. 13238 | 04/27/84 | 19840088-WU | Amendment |
| Order No. 19688 | 07/19/88 | 19880552-WS | Amendment |
| Order No. 21740 | 08/17/89 | 19881568-WS | Amendment - Premature |
| PSC-92-0699-FOF-WS | 07/22/92 | 19911078-WS | Jurisdictional Finding |
| PSC-93-0368-FOF-WS | 03/09/93 | 19921260-WS | Amendment |
| PSC-98-0484-FOF-WS | 04/06/98 | 19971174-WS | Amendment |
| PSC-10-0020-FOF-WS | 11/07/10 | 20090417-WS | Amendment |
| * | * | 20220206-WS | Amendment |
| * | * | 20220063-WS | Transfer |

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

FLORIDA PUBLIC SERVICE COMMISSION
authorizes
CSWR-Florida Utility Operating Company, LLC
pursuant to
Certificate Number 342-S

to provide wastewater service in Marion 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.

| <u>Order Number</u> | <u>Date Issued</u> | <u>Docket Number</u> | <u>Filing Type</u> |
|---------------------|--------------------|----------------------|------------------------|
| Order No. 12184 | 07/01/83 | 19830110-WS | Original Certificate |
| Order No. 19688 | 07/19/88 | 19880552-WS | Amendment |
| Order No. 21740 | 08/17/89 | 19881568-WS | Amendment - Premature |
| PSC-92-0699-FOF-WS | 07/22/92 | 19911078-WS | Jurisdictional Finding |
| PSC-93-0368-FOF-WS | 03/09/93 | 19921260-WS | Amendment |
| PSC-98-0484-FOF-WS | 04/06/98 | 19971174-WS | Amendment |
| PSC-10-0020-FOF-WS | 11/07/10 | 20090417-WS | Amendment |
| * | * | 20220206-WS | Amendment |
| * | * | 20220063-WS | Transfer |

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

**CSWR-Florida Utility Operating Company, LLC
 Tradewinds Utilities, Inc.**

**Schedule of Water Net Book Value
 as of February 28, 2022**

| <u>Description</u> | <u>Balance Per Utility 2/28/22</u> | <u>Adjustments</u> | | <u>Staff 2/28/22</u> |
|--------------------------|--|--------------------|---|--------------------------|
| Utility Plant in Service | \$1,091,508 | (\$63,434) | A | \$1,028,074 |
| Land & Land Rights | 182,500 | (112,500) | B | 70,000 |
| Accumulated Depreciation | (812,221) | 30,685 | C | (781,536) |
| CIAC | (335,746) | (6,299) | D | (342,045) |
| Amortization of CIAC | <u>335,747</u> | <u>(845)</u> | E | <u>334,902</u> |
| Total | <u>\$461,788</u> | <u>(\$152,393)</u> | | <u>\$309,394</u> |

**CSWR-Florida Utility Operating Company, LLC
 Tradewinds Utilities, Inc.**

**Schedule of Wastewater Net Book Value
 as of February 28, 2022**

| <u>Description</u> | <u>Balance Per Utility 2/28/22</u> | <u>Adjustments</u> | | <u>Staff 2/28/22</u> |
|--------------------------|--|--------------------|---|--------------------------|
| Utility Plant in Service | \$523,984 | \$86,098 | A | \$610,082 |
| Land & Land Rights | - | - | | - |
| Accumulated Depreciation | (471,912) | (91,603) | B | (563,515) |
| CIAC | 554,306 | (1,100,461) | C | (546,155) |
| Amortization of CIAC | <u>(545,676)</u> | <u>1,070,780</u> | D | <u>525,104</u> |
| Total | <u>\$60,702</u> | <u>(\$35,186)</u> | | <u>\$25,516</u> |

**CSWR-Florida Utility Operating Company, LLC
Tradewinds Utilities, Inc.**

**Explanation of Adjustments to Water Net Book Value
as of February 28, 2022**

| Explanation | Amount |
|--|--------------------|
| A. UPIS To reflect the appropriate balance. | (\$63,434) |
| B. Land To reflect the appropriate balance. | (112,500) |
| C. Accumulated Depreciation To reflect the appropriate balance. | 30,685 |
| D. CIAC To reflect the appropriate balance. | (6,299) |
| E. Accumulated Amortization of CIAC To reflect the appropriate balance. | <u>(845)</u> |
| Total Adjustments to Water Net Book Value as of February 28, 2022 | <u>(\$152,393)</u> |

**CSWR-Florida Utility Operating Company, LLC
Tradewinds Utilities, Inc.**

**Explanation of Adjustments to Wastewater Net Book Value
as of February 28, 2022**

| Explanation | Amount |
|--|-------------------|
| A. UPIS To reflect the appropriate balance. | \$86,098 |
| B. Accumulated Depreciation To reflect the appropriate balance. | (91,603) |
| C. CIAC To reflect the appropriate balance. | (1,100,461) |
| D. Accumulated Amortization of CIAC To reflect the appropriate balance. | <u>1,070,780</u> |
| Total Adjustments to Wastewater Net Book Value as of February 28, 2022 | <u>(\$35,186)</u> |

**CSWR-Florida Utility Operating Company, LLC
Tradewinds Utilities, Inc.**

**Schedule of Staff's Recommended Water Account Balances
as of February 28, 2022**

| Account No. | Description | UPIS | Accumulated Depreciation |
|--------------------|--------------------------------------|--------------------|---------------------------------|
| 301 | Rate Case Exp. Amortization | \$482 | (\$482) |
| 302 | Franchises | 925 | (925) |
| 304 | Structures & Improvements | 122,472 | (102,361) |
| 309 | Supply Mains | 2,469 | (2,290) |
| 310 | Power Generation Equipment | 19,733 | (19,733) |
| 311 | Well Pumps | 75,489 | (75,489) |
| 320 | Water Treatment Equipment | 6,264 | (6,264) |
| 330 | Distribution Reservoirs & Standpipes | 288,879 | (204,166) |
| 331 | Transmission & Distribution Mains | 282,944 | (209,311) |
| 333 | Services | 69,852 | (53,574) |
| 334 | Meters & Meter Installations | 142,782 | (92,617) |
| 335 | Hydrants | 8,000 | (6,543) |
| 339 | Other Plant & Misc. Equipment | 305 | (305) |
| 340 | Office Furniture & Equipment | 5,740 | (5,740) |
| 341 | Transportation Equipment | 800 | (800) |
| 343 | Tools, Shop, & Garage Equipment | <u>937</u> | <u>(937)</u> |
| | Total | <u>\$1,028,074</u> | <u>(\$781,536)</u> |

**CSWR-Florida Utility Operating Company, LLC
Tradewinds Utilities, Inc.**

**Schedule of Staff's Recommended Wastewater Account Balances
as of February 28, 2022**

| Account No. | Description | UPIS | Accumulated Depreciation |
|------------------------|----------------------------------|------------------|-------------------------------------|
| 351 | Organization | \$947 | (\$895) |
| 352 | Franchises | 3,806 | (3,806) |
| 360 | Collection Sewers - Force | 33,447 | (33,447) |
| 361 | Collection Sewers - Gravity | 141,888 | (111,171) |
| 362 | Special Collection Structures | 1,952 | (521) |
| 363 | Service to Customers | 64,155 | (58,326) |
| 364 | Flow Measuring Devices | 1,711 | (1,711) |
| 365 | Flow Measuring Installations | 207,731 | (207,731) |
| 370 | Receiving Wells | 127,086 | (118,548) |
| 389 | Other Plant & Misc. Equipment | 5,138 | (5,138) |
| 390 | Office Furniture & Equipment | 5,397 | (5,397) |
| 393 | Tools, Shop and Garage Equipment | 775 | (775) |
| 395 | Power Operated Equipment | <u>16,049</u> | <u>(16,049)</u> |
| | Total | <u>\$610,082</u> | <u>(\$563,515)</u> |

**CSWR-Florida Utility Operating Company, LLC.
Tradewinds Utilities, Inc.**

Monthly Water Rates

Residential and General Service

Base Facility Charge by Meter Size

| | |
|-------------|----------|
| 5/8" x 3/4" | \$10.66 |
| 3/4" | \$26.65 |
| 1" | \$53.30 |
| 1-1/2" | \$85.28 |
| 2" | \$170.56 |
| 3" | \$266.50 |
| 4" | \$533.00 |
| 6" | \$852.80 |

Charge Per 1,000 gallons – Residential

| | |
|------------------------|--------|
| 0 – 5,000 gallons | \$3.57 |
| 5,001 – 10,000 gallons | \$5.38 |
| Over 10,000 gallons | \$6.74 |

Charge Per 1,000 gallons – General Service

\$4.30

Monthly Wastewater Rates

Residential Service

| | |
|-----------------|---------|
| All Meter Sizes | \$24.85 |
|-----------------|---------|

Charge Per 1,000 gallons – Residential

| | |
|-------------------|--------|
| 10,000 gallon cap | \$7.96 |
|-------------------|--------|

General Service

Base Facility Charge by Meter Size

| | |
|-------------|------------|
| 5/8" x 3/4" | \$24.85 |
| 3/4" | \$62.13 |
| 1" | \$124.25 |
| 1-1/2" | \$198.80 |
| 2" | \$397.60 |
| 3" | \$621.25 |
| 4" | \$1,242.50 |
| 6" | \$1,988.00 |

Charge Per 1,000 gallons – General Service

\$7.96

Initial Customer Deposits

| | <u>Water</u> | <u>Wastewater</u> |
|----------------------------|--------------|-------------------|
| Residential Service | | |
| 5/8" x 3/4" | \$50.00 | \$20.00 |

**Service Availability Charges - Water
 Meter Installation Charge**

| | |
|------------------------|-------------|
| 5/8" x 3/4" meter size | \$100.00 |
| 1" meter size | \$130.00 |
| 1 1/2" meter size | \$180.00 |
| All Other | Actual Cost |

Allowance for Funds Prudently Invested - Wastewater

| | <u>1999</u> | <u>2000</u> | <u>2001</u> | <u>2002</u> | <u>2003</u> |
|-----------|-------------|-------------|-------------|-------------|-------------|
| January | \$ 16 | \$208 | \$406 | \$613 | \$ 832 |
| February | \$ 32 | \$225 | \$423 | \$632 | \$ 851 |
| March | \$ 48 | \$241 | \$440 | \$650 | \$ 870 |
| April | \$ 64 | \$258 | \$458 | \$668 | \$ 889 |
| May | \$ 80 | \$274 | \$475 | \$686 | \$ 908 |
| June | \$ 96 | \$290 | \$492 | \$704 | \$ 927 |
| July | \$112 | \$307 | \$509 | \$722 | \$ 946 |
| August | \$128 | \$323 | \$526 | \$740 | \$ 965 |
| September | \$144 | \$340 | \$544 | \$758 | \$ 984 |
| October | \$160 | \$356 | \$561 | \$776 | \$1,003 |
| November | \$176 | \$372 | \$578 | \$794 | \$1,022 |
| December | \$192 | \$389 | \$595 | \$812 | \$1,041 |

The approved AFPI charges, which are based on one equivalent residential connection (ERC), will be collected from 113 additional ERCs as of January 1999. The amount of the charge will be based on the month in which the connection to the utility is made. If by December 31, 2003, any number of ERCs remain unconnected, the remaining ERCs shall be charged the constant maximum charge of \$1,041 until all 113 additional ERCs are connected, after which the charge will cease. This charge is only applicable to new initial connections in the George Mayo Subdivision served by the Utility.

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: July 20, 2023

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Economics (Lang, Barrett, Hampson) *EJD*
Office of the General Counsel (Watrous) *JSC*

RE: Docket No. 20230043-EI – Petition for approval of revised underground residential distribution tariffs, by Duke Energy Florida, LLC.

AGENDA: 08/01/23 – Regular Agenda – Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 11/30/23 (8-Month Effective Date)

SPECIAL INSTRUCTIONS: None

Case Background

On March 31, 2023, Duke Energy Florida, LLC (DEF or utility) filed a petition for approval of revisions to its underground residential distribution tariffs (URD) and associated charges (2023 Petition). These tariffs represent the estimated additional cost, if any, DEF incurs to provide underground service in place of overhead service in new residential subdivisions. The current URD tariffs and charges were approved in 2020.¹ The proposed URD tariffs are contained in the recommendation as Attachment A.

On May 22, 2023, the Commission suspended the proposed tariffs to allow staff sufficient time to analyze the utility’s filing.² Staff issued its first data request on May 17, 2023, for which

¹ Order No. PSC-2020-0266-TRF-EI, issued July 27, 2020, in Docket No. 20200110-EI, *In re: Petition for approval of revised underground residential distribution tariffs, by Duke Energy Florida, LLC.*

² Order No. PSC-2023-0168-PCO-EI, issued May 22, 2023, in Docket No. 20230043-EI, *In re: Petition for approval of revised underground residential distribution tariffs, by Duke Energy Florida, LLC.*

Docket No. 20230043-EI

Date: July 20, 2023

response was provided on June 1, 2023. Staff issued its second data request on June 21, 2023, for which response was provided on July 6, 2023.

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 the Commission approve DEF's proposed underground distribution tariffs and associated charges?

Recommendation: Yes. The Commission should approve DEF'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. (Lang, Barrett, Hampson)

Staff Analysis: Rule 25-6.078, Florida Administrative Code (F.A.C.), defines investor-owned utilities' (IOU) responsibilities for filing updated URD tariffs. DEF 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 ten percent. On October 13, 2022, pursuant to Rule 25-6.078(3), F.A.C., DEF filed their annual Overhead/Underground Residential Differential Cost Data (Form PSC/ECO 13-E).

The URD tariffs provide 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. Any additional cost is paid by the customer as a contribution-in-aid-of-construction (CIAC). Typically, the URD customer is the developer of a subdivision.

Traditionally, three standard model subdivision designs have been the basis upon which each IOU submits URD tariff changes for Commission approval: low density where there are one or more but less than six dwelling units per acre; high density where there are six or more dwelling units per acre; and a high density subdivision, where dwelling units take service at ganged meter pedestals (group of meters at the same physical location). While actual construction may differ from the model subdivisions, the model subdivisions are designed to reflect average overhead and underground subdivisions.

Costs for underground construction have historically been higher than costs for standard overhead construction, and the additional cost is paid by the customer as CIAC. However, DEF's proposed URD differential charges remain \$0 per lot for the low density and ganged meter subdivisions for single phase service. For the high density subdivision, the proposed differential increases from the current \$0 to \$332 per lot. The increase in the differentials is primarily attributable to significant changes in DEF's labor, and material costs, since the last URD was approved for DEF in 2020.

Table 1-1 below compares the current and proposed URD differentials for the low density, high density, and ganged meter subdivisions for single phase service as appears in Section IV, Part 11.03 of the current and proposed URD tariff. The charges shown are per-lot charges. The proposed URD differential for the High Density subdivision is increasing due to an increase in labor and materials, but more so for underground than overhead. The increase shown below is

due primarily to rising material costs as well as the utility contracting labor to perform underground activities as opposed to the native crews which perform overhead activities.

**Table 1-1
 Comparison of URD Differential per Lot (Single Phase Service)**

| Subdivision Designs | Current URD Differential | Proposed URD Differential |
|---------------------|-----------------------------|------------------------------|
| Low Density | \$0 | \$0 |
| High Density | \$0 | \$332 |
| Ganged Meter | \$0 | \$0 |

Source: Order No. PSC-2020-0266-TRF-EI (Current) and DEF's 2023 Petition (Proposed).

The calculations of the proposed URD charges include (1) updated labor and material costs along with the associated loading factors and (2) operational costs. The costs are discussed below.

Updated Labor and Material Costs

The installation costs of both overhead and underground 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. The utilities are required by Rule 25-6.078(5), F.A.C., to use current labor and material costs.

DEF's labor costs for overhead and underground construction are comprised of costs associated with work performed by both in-house employees and outside contractors. DEF's contracted labor rates are based upon actual labor costs negotiated in bargaining unit contracts and labor rates with contractors. Table 1-2 shown below compares total 2020 and 2023 labor and material costs per lot for the three subdivision designs.

**Table 1-2
 Labor and Material Costs Per Lot for DEF Trench and Install Conduit**

| Subdivision Designs | 2020 Costs | 2023 Costs | Difference |
|----------------------------------|------------|------------|------------|
| Low Density | | | |
| Underground Labor/Material Costs | \$2,263 | \$3,454 | \$1,191 |
| Overhead Labor/Material Costs | \$2,343 | \$2,749 | \$406 |
| Per Lot Differential | \$(80) | \$705 | \$785 |
| High Density | | | |
| Underground Labor/Material Costs | \$1,978 | \$3,003 | \$1,025 |
| Overhead Labor/Material Costs | \$1,642 | \$2,121 | \$479 |
| Per Lot Differential | \$336 | \$882 | \$550 |
| Ganged Meter | | | |
| Underground Labor/Material Costs | \$774 | \$1,205 | \$431 |
| Overhead Labor/Material Costs | \$1,295 | \$1,516 | \$221 |
| Per Lot Differential | \$(521) | \$(311) | \$(210) |

Source: Order No. PSC-2020-0266-TRF-EI (Current) and DEF's 2023 Petition (Proposed).

As Table 1-2 shows, the majority of the proposed overhead and underground total labor and material costs have increased since the current URD charges were approved in 2020. As reflected, the 2023 costs for overhead and underground labor and materials are higher for each subdivision design, although a greater increase has occurred for underground, compared to overhead. In a data request response, DEF stated that the majority of all undergrounding work activities for subdivisions (such as boring, trenching, or installation of underground equipment) are performed by contracted work crews, whereas the costs for overhead placements are comparatively lower because native crews perform these work activities.³ As such, after adjusting for these changes in material and labor and also net present value (NPV) lifecycle costs, the High Density design differential increased from \$0 to \$332 per lot, as shown in Table 1-1 above.

Increasing labor and material costs have similarly affected the URD tariff charges applicable for the installation of underground feeder mains and service laterals. The changes in current labor and material costs impacted the differential for three-phase primary main conduit provided and installed by DEF, which is proposed to change from \$0 per foot to \$2.17 per foot. Increasing labor and material costs also impacted the credits that are available to an applicant (customer) when the applicant provides the trenching and backfill for both primary and/or secondary systems and service laterals. Such credits are proposed to increase from \$3.35 to \$4.06 per foot of trench.

Updated Operational Costs

Rule 25-6.078(4), F.A.C., requires that the differences in 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. The inclusion of the operational cost is intended to capture longer term costs and benefits of undergrounding.

Operational costs include operations and maintenance costs along with capital costs and represent the cost differential between maintaining and operating an underground versus an overhead system over the life of the facilities. Operational capital costs are the costs associated with replacement equipment needed during the lifespan of the facilities. The inclusion of the storm restoration cost in the URD calculations lowers the differential, since an underground distribution system generally incurs less damage than an overhead system as a result of a storm, and therefore, incurs less restoration costs when compared to an overhead system.

The utility used a 5-year average of historical, operational costs (2018-2022) for its calculations in this docket. The methodology used by DEF in this filing for calculating the NPV of operational costs was approved in Order No. PSC-12-0348-TRF-EI.⁴ Staff notes that operational costs may vary among IOUs due to multiple factors, including differences in size of service territory, miles of coastline, regions subject to extreme winds, age of the distribution system, or construction standards.

³ DEF's Response to Staff's Second Data Request, Item 4A.

⁴ Order No. PSC-12-0348-TRF-EI, issued July 5, 2012, in Docket No. 110293-EI, *In re: Petition for approval of revised underground residential distribution tariffs, by Progress Energy Florida, Inc.*

Table 1-3 shown below presents information on costs that are reflected in the URD tariffs for the three subdivision designs. The table shows the result of adding the proposed 2023 overhead and underground labor and materials cost differentials, as found in Table 1-2, and the NPV of operational costs differentials, including storm costs, to calculate the proposed total cost differential for each design. Note that the per lot differential costs appearing in parentheses are negative values, indicating the overhead costs exceed the underground costs.

**Table 1-3
 DEF Updated Overhead/Underground Cost Differential**

| Subdivision Design | 2023 Labor and Materials Differential (A) | 2023 NPV of Operational Costs Differential (B) | Total Cost Differential Supporting Proposed URD (C) = (A) + (B) |
|---------------------------|--|---|--|
| Low Density | \$705 | \$(741) | \$(36) |
| High Density | \$882 | \$(550) | \$332 |
| Ganged Meter | \$(311) | \$(409) | \$(720) |

Source: DEF's Response to Staff's First Data Request, Items 2A and 2B.

Negative total cost differentials, as shown in Table 1-3 for Low Density and Ganged Meter designs, result in the proposed URD differential of \$0, as shown in Table 1-1. For the Low Density subdivision design, DEF's positive labor and material cost differential is completely offset by its negative NPV of operational costs differential. For the High Density subdivision design, the proposed 2023 NPV of operational costs differential only partially offsets the proposed 2023 labor and materials differential, resulting in the total cost differential of \$332.

Other Proposed Tariff Changes

In addition, current labor and material costs for underground service laterals from overhead systems to newly constructed residential buildings (with less than five separate dwelling units) increased compared to the costs approved in 2020. Section IV, Part 11.04 of the utility's proposed URD tariff reflects a requested increase in the charge for DEF supplied and installed conduit (service laterals, up to 80 feet) from \$641 to \$983. For customer supplied and installed conduit, the proposed increase is \$339 to \$619. Section IV, Part 11.05 of the utility's proposed URD tariff reflects that the costs for underground service laterals replacing existing residential overhead services has also increased compared to costs approved in 2020. DEF proposes to increase its charge for installed conduit service lateral from \$1,762 to \$1,930 per service. The utility proposes to increase its customer installed conduit service lateral from \$1,522 to \$1,765 per service.

Conclusion

Staff has reviewed DEF's proposed underground distribution tariffs and associated charges, its accompanying work papers, and the utility's responses to staff's data requests. Based on this review, staff believes the proposed URD tariffs and associated charges are cost-based and recommends approval of the tariffs shown in Attachment A.

Date: July 20, 2023

Issue 2: Should the Commission approve DEF's proposed underground distribution tariffs and associated charges?

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. (Watrous)

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.



SECTION NO. IV
 TWENTY-FIRST-SECOND REVISED SHEET NO. 4.113
 CANCELS ~~TWENTIETH-TWENTY-FIRST~~ REVISED SHEET NO. 4.113

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(2) Contribution by Applicant:

(a) Schedule of Charges:

Company standard design underground residential distribution 120/240 volt single-phase service (see also Part 11.03(7)):

To subdivisions with a density of 1.0 or more but less than six (6) dwelling units per acre:

| | |
|--|--------------------------|
| Duke Provided and Installed Conduit | \$0.00 per dwelling unit |
| Customer Provided and Installed Conduit for Mainline | \$0.00 per dwelling unit |
| Customer Provided and Installed Trench and Conduit..... | \$0.00 per dwelling unit |

To subdivisions with a density of six (6) or more dwelling units per acre:

| | |
|--|---|
| Duke Provided and Installed Conduit | \$0 \$9332.00 per dwelling unit |
| Customer Provided and Installed Conduit for Mainline | \$0.00 per dwelling unit |
| Customer Provided and Installed Trench and Conduit..... | \$0.00 per dwelling unit |

To subdivisions with a density of six (6) or more dwelling units per acre taking service at ganged meter pedestals:

| | |
|--|--------------------------|
| Duke Provided and Installed Conduit | \$0.00 per dwelling unit |
| Customer Provided and Installed Conduit for Mainline | \$0.00 per dwelling unit |
| Customer Provided and Installed Trench and Conduit..... | \$0.00 per dwelling unit |

To multi-occupancy buildings..... See Part 11.06(2)

(b) The above costs are based upon arrangements that will permit serving the local underground distribution system within the subdivision from overhead feeder mains. If feeder mains within the subdivision are deemed necessary by the Company to provide and/or maintain adequate service and are required by the Applicant or a governmental agency to be installed underground, the Applicant shall pay the Company the average differential cost between such underground feeder mains within the subdivision and equivalent overhead feeder mains as follows:

Three-phase primary main or feeder charge per trench-foot within subdivision:

(U.G. - Underground, O.H. - Overhead)

#1/0 AWG U.G. vs. #1/0 AWG O.H.:

| | |
|---|-----------------|
| Duke Provided and Installed Conduit | \$0.00 per foot |
| Customer Provided and Installed Trench and Conduit..... | \$0.00 per foot |

500 MCM U.G. vs. 336 MCM O.H.:

| | |
|---|-----------------|
| Duke Provided and Installed Conduit | \$0.00 per foot |
| Customer Provided and Installed Trench and Conduit..... | \$0.00 per foot |

1000 MCM U.G. vs. 795 MCM O.H.:

| | |
|---|--------------------------------------|
| Duke Provided and Installed Conduit | \$0.00 17 per foot |
| Customer Provided and Installed Trench and Conduit..... | \$0.00 per foot |

The above costs do not require the use of pad-mounted switchgear(s), or terminal pole(s). If such facilities are required, a differential cost for same will be determined by the Company on an individual basis and added to charges determined above.

(Continued on Next Page)

ISSUED BY: Thomas G. Foster, Vice President, Rates & Regulatory Strategy – FL
 EFFECTIVE: ~~January 1, 2022~~



SECTION NO. IV
~~TWENTY-FIRST~~ SECOND REVISED SHEET NO. 4.114
CANCELS ~~TWENTIETH~~ TWENTY-FIRST REVISED SHEET NO. 4.114

Page 5 of 7

(2) Contribution by Applicant (continued):

(c) Credits (not to exceed the "average differential costs" stated in Section 11.03) will be allowed where, by mutual agreement, the Applicant provides trenching and backfilling for the use of the Company's facilities in lieu of a portion of the cash payment described above. These credits, based on the Company's design drawings, are:

| | |
|---|-------------------|
| Primary and/or Secondary Systems, for each Foot of Trench..... | <u>\$3,354.06</u> |
| Service Laterals, for each Foot of Trench..... | <u>\$3,354.06</u> |

(3) Point of Delivery:

The point of delivery shall be determined by the Company and will be on the front half of the side of the building that is nearest the point at which the underground secondary electric supply is available to the property. The Company will not install a service on the opposite side of the building where the underground secondary electric supply is available to the property. The point of delivery will only be allowed on the rear of the building by special exception. The Applicant shall pay the estimated full cost of service lateral length required in excess of that which would have been needed to reach the Company's designated point of service.

(4) Location of Meter and Socket:

The Applicant shall install a meter socket at the point designated by the Company in accordance with the Company's specifications. Every effort shall be made to locate the meter socket in unobstructed areas in order that the meter can be read without going through fences, etc.

(5) Development of Subdivisions:

The above charges are based on reasonably full use of the land being developed. Where the Company is required to construct underground electric facilities through a section or sections of the subdivision or development where service will not be required for at least two (2) years, the Company may require a deposit from the Applicant before construction is commenced. This deposit, to guarantee performance, will be based on the estimated total cost of such facilities rather than the differential cost. The amount of the deposit, without interest, in excess of any charges for underground service will be returned to the Applicant on a prorata basis at quarterly intervals on the basis of installations to new customers. Any portion of such deposit remaining unrefunded, after five (5) years from the date the Company is first ready to render service from the extension, will be retained by the Company.

(6) Relocation or Removal of Existing Facilities:

If the Company is required to relocate or remove existing overhead and/or underground distribution facilities in the implementation of these Rules, all costs thereof shall be borne exclusively by the Applicant. These costs shall include costs of relocation or removal, the in-place value (less salvage) of the facilities so removed, and any additional costs due to existing landscaping, pavement or unusual conditions.

(7) Other Provisions:

If soil compaction is required by the Governmental or permitting agency in right of way locations where Company trenching is done, an additional charge may be added to the charges set forth in this tariff. The charge will be estimated based on the Governmental or permitting agency's compaction specifications. The Company will not provide trench line soil compaction for the Applicant.

(Continued on Next Page)

ISSUED BY: Thomas G. Foster, Vice President, Rates & Regulatory Strategy – FL
EFFECTIVE: January 1, 2022



SECTION NO. IV
 TWENTY-~~FIRST~~ SECOND REVISED SHEET NO. 4.115
 CANCELS ~~TWENTIETH-TWENTY-FIRST~~ REVISED SHEET NO. 4.115

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11.04 UNDERGROUND SERVICE LATERALS FROM EXISTING SECONDARY ELECTRIC DISTRIBUTION SYSTEMS.

(1) New Underground Service Laterals:

When requested by the Applicant, the Company will install underground service laterals from overhead systems to newly constructed residential buildings containing less than five (5) separate dwelling units.

(2) Contribution by Applicant:

The Applicant shall pay the Company the following average differential cost between an overhead service lateral and an underground service lateral:

For Service Lateral up to 80 feet Duke Supplied and Installed Conduit.....\$644983.00
 For Service Lateral up to 80 feet Customer Supplied and Installed Conduit.....\$339619.00

For each foot over 80 feet up to 300 feet Duke Supplied and Installed Conduit\$0.00 per foot
 For each foot over 80 feet up to 300 feet Customer Supplied and Installed Conduit.....\$0.00 per foot

Service laterals in excess of 300 feet shall be based on a specific cost estimate.

The provisions of Paragraphs 11.03(3) and 11.03(4) are also applicable.

11.05 UNDERGROUND SERVICE LATERALS REPLACING EXISTING RESIDENTIAL OVERHEAD SERVICES:

Applicability:

When requested by the Applicant, the Company will install underground service laterals from existing overhead lines as replacements for existing overhead services to existing residential buildings containing less than five (5) separate dwelling units.

Rearrangement of Service Entrance:

The Applicant shall be responsible for any necessary rearranging of his existing electric service entrance facilities to accommodate the proposed underground service lateral in accordance with the Company's specifications.

Trenching:

The Applicant shall also provide, at no cost to the Company, a suitable trench or installed conduit and perform the backfilling and any landscaping, pavement, or other suitable repairs. If the Applicant requests the Company to supply the trench or remove any additional equipment other than the Service Lateral, the charge to the Applicant for this work shall be based on a specific cost estimate.

Contribution by Applicant:

The charge excluding trenching costs shall be as follows:

For Service Lateral\$1,762,193.00 per service

The Applicant may elect to provide and install conduit meeting current Company construction specifications at no cost to the Company in lieu of an open trench. The charge shall be as follows:

For Service Lateral\$1,522,176.00 per service

(Continued on Next Page)

ISSUED BY: Thomas G. Foster, Vice President, Rates & Regulatory Strategy – FL
 EFFECTIVE: January 1, 2022

Item 8

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: July 20, 2023

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Economics (Ward, Hampson) *CP*
Division of Engineering (Knoblauch) *TB*
Office of the General Counsel (Thompson) *JSC*

RE: Docket No. 20230045-EI – Petition for approval of revisions to underground residential tariff, underground commercial differential tariff, and overhead to underground conversion tariff, by Florida Power & Light Company.

AGENDA: 08/01/23 – Regular Agenda – Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 11/30/23 (8-Month Effective Date)

SPECIAL INSTRUCTIONS: None

Case Background

On March 31, 2023, Florida Power & Light Company (FPL or utility) filed a petition for approval of revisions to its underground residential differential (URD) and underground commercial differential (UCD) tariffs. The URD and UCD tariffs apply to new residential and commercial developments and represent the additional costs, if any, FPL incurs to provide underground distribution service in place of overhead service. FPL is also requesting approval of revisions to its overhead to underground conversion tariff and associated underground facilities conversion agreement.

Based on current costs, including the net present value of long term operational costs, FPL does not incur any additional costs to provide residential underground service; therefore, the proposed URD differentials are \$0. The proposed (legislative version) URD and UCD tariffs are contained

in Attachment A to the recommendation. The proposed revisions to FPL's overhead to underground conversion tariff and associated underground facilities conversion agreement are also contained in Attachment A to the recommendation. FPL's current URD and UCD tariffs were approved by Order No. PSC-2019-0360-TRF-EI (2019 Order).¹

FPL was granted a temporary waiver to defer its next revised URD tariff filing until April 1, 2023, by Order Nos. PSC-2022-0062-PAA-EI and PSC-2022-0191-FOF-EI.² The Commission granted the temporary waiver to allow FPL to defer its URD filing from April 2022 to April 2023 to use combined FPL and Gulf Power Company (Gulf) operational cost data resulting from the merger between FPL and Gulf.

The Commission suspended FPL's proposed tariffs in Order No. PSC-2023-0159-PCO-EI.³ FPL responded to staff's first data request on May 25, 2023. The Commission has jurisdiction over this matter pursuant to Sections 366.03, 366.04, 366.05, and 366.06, Florida Statutes (F.S.).

¹Order No. PSC-2019-0360-TRF-EI, issued August 26, 2019, in Docket No. 20190081-EI, *In re: Petition for approval of 2019 revisions to underground residential and commercial differential tariffs, by Florida Power & Light Company.*

²Order No. PSC-2022-0062-PAA-EI, issued February 17, 2022, and Order No. PSC-2022-0191-FOF-EI, issued May 23, 2022, in Docket No. 20220012-EI, *In re: Petition for temporary waiver of Rule 25-6.078(3), F.A.C., by Florida Power & Light Company.*

³Order No. PSC-2023-0159-PCO-EI, issued May 15, 2023, in Docket No. 20230045-EI, *In re: Petition for approval of revisions to underground residential tariff, underground commercial differential tariff, and overhead to underground conversion tariff, by Florida Power & Light Company.*

Discussion of Issues

Issue 1: Should the Commission approve FPL's proposed URD tariffs and associated charges?

Recommendation: Yes. The Commission should approve FPL's proposed URD tariffs and associated charges as shown in Attachment A, effective 30 days after the Commission vote. (Ward)

Staff Analysis: 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. FPL's proposed URD tariffs are provided on pages 1 through 7 of Attachment A.

Traditionally, three standard model subdivision designs have been the basis upon which each investor-owned utility submits URD tariff changes for Commission approval: low density, high density, and a high density subdivision where dwelling units take service at ganged meter pedestals (groups of meters at the same physical location). Examples of this last subdivision type include mobile home and recreational vehicle parks. While actual construction may differ from the model subdivisions, the model subdivisions are designed to reflect average overhead and underground subdivisions.

In its petition, the utility updated its cost calculations and supporting documentation for the three subdivision models cost differentials. The currently approved cost differentials are \$0.00 for all three subdivision models. As shown on Table 1-1, FPL's proposed URD differential charges remain zero for all three subdivision models. A 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 Differential per Service Lateral

| Types of Subdivision | Current URD Differential | Proposed URD Differential |
|-----------------------------|---------------------------------|----------------------------------|
| Low Density | \$0 | \$0 |
| High Density | \$0 | \$0 |
| Meter Pedestal | \$0 | \$0 |

Source: 2019 Order and FPL's 2023 filing.

Two primary factors impacted the calculation of FPL'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 2019 costs and 2023 costs for underground and overhead labor and material for the three subdivision models.

**Table 1-2
 Labor and Material Costs**

| Low Density | 2019 Costs | 2023 Costs | Difference |
|----------------------------------|-------------------|-------------------|-------------------|
| Underground Labor/Material Costs | \$2,558.39 | \$3,452.54 | \$894.15 |
| Overhead Labor/Material Costs | \$2,347.86 | \$2,543.92 | \$196.06 |
| Per Service Lateral Differential | \$210.53 | \$908.62 | \$698.09 |
| High Density | | | |
| Underground Labor/Material Costs | \$1,767.54 | \$2,317.97 | \$550.43 |
| Overhead Labor/Material Costs | \$1,773.71 | \$1,921.50 | \$147.79 |
| Per Service Lateral Differential | (\$6.17) | \$396.47 | \$402.64 |
| Meter Pedestal | | | |
| Underground Labor/Material Costs | \$1,125.49 | \$1,485.47 | \$359.98 |
| Overhead Labor/Material Costs | \$1,397.83 | \$1,533.74 | \$135.91 |
| Per Service Lateral Differential | (\$272.34) | (\$48.27) | \$224.07 |

Source: 2019 Order and FPL’s 2023 filing.

While both overhead and underground labor and material costs increased, underground costs increased at a higher rate, resulting in an increase in the differential. In response to staff’s data request the utility explained that the higher overhead and underground construction costs are primarily driven by increased material costs.

Updated Operational Costs

Rule 25-6.078(4), F.A.C., provides that the differences in net present value 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 costs and capital costs. The inclusion of the operational costs is intended to capture longer term costs and benefits of undergrounding. In response to staff’s data request, FPL stated that the current URD petition incorporates costs from hurricane events Ian

and Nicole. FPL's methodology to calculate the operational costs was approved in Order No. PSC-08-0774-TRF-EI and remains the same in the instant docket.⁴

Table 1-3 presents the pre-operational (shown in Table 1-2), non-storm operational, and the avoided storm restoration cost differentials between overhead and underground systems. The proposed differential is \$0 when the calculation results in a negative number.

Table 1-3
Components of the URD Charges

| Type of Subdivision | Pre-Operational Costs (A) | Non-Storm Operational Costs (B) | Avoided Storm Costs (C) | Proposed URD Differentials (A)+(B)+(C) |
|----------------------------|----------------------------------|--|--------------------------------|---|
| Low Density | \$908.62 | (\$2,208) | (\$1,387) | \$0 |
| High Density | \$396.47 | (\$1,878) | (\$1,388) | \$0 |
| Meter Pedestal | \$0.00 | (\$1,878) | (\$1,388) | \$0 |

Source: FPL's 2023 filing.

Conclusion

Staff has reviewed FPL's proposed changes to its URD tariffs and associated charges, the accompanying work papers, and responses to staff's data request. Staff believes FPL'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. Staff recommends that the tariffs be made effective 30 days after the Commission vote.

⁴Order No. PSC-08-0774-TRF-EI, issued November 24, 2008, in Docket No. 20070231-EI, *In re: Petition for approval of 2007 revisions to underground residential and commercial distribution tariff, by Florida Power & Light Company*.

Issue 2: Should the Commission approve FPL's UCD tariffs and associated charges?

Recommendation: Yes. The Commission should approve FPL's proposed UCD tariffs and associated charges as shown in Attachment A, effective 30 days after the Commission vote. Staff reviewed FPL's supporting documentation for the UCD charges and believes the charges are cost based and reasonable. (Ward)

Staff Analysis: Utilities are not required to file UCD tariffs pursuant to Rule 25-6.078, F.A.C.; however, as in prior URD petitions, FPL included proposed UCD tariffs in its petition. The UCD tariffs apply to small commercial or industrial customers (applicant) that request the installation of underground electric distribution facilities for a new building. The requested underground distribution facilities consist of underground service conductors, placed in conduit, and associated equipment that is installed from overhead feeder mains (or overhead termination point) to the designed point of delivery (where the utility's wires are connected to those of the customer). FPL's proposed UCD tariffs are provided on pages 8 through 10 of Attachment A.

The UCD charges represent the differential costs for underground commercial facilities and their equivalent overhead design. The calculations provided by FPL in its petition employ FPL's standard engineering design criteria and are based on actual 2022 labor and material costs. Unlike the URD calculations, the UCD calculations do not include long term operational and avoided storm restoration costs. In addition, the UCD tariffs provide credits that apply if the applicant provides trenching, backfilling, or installs FPL provided conduit or a concrete pad for a pad-mounted transformer.

Staff reviewed FPL's supporting documentation for the UCD charges and believes the charges are cost based and reasonable. Staff recommends that the UCD tariffs and associated charges be approved, effective 30 days after the Commission vote.

Issue 3: Should the Commission approve FPL's proposed revisions to Tariff Sheet Nos. 6.300 and 9.722?

Recommendation: Yes. The Commission should approve FPL's proposed revisions to Tariff Sheet Nos. 6.300 and 9.722 as shown in Attachment A, effective 30 days from the Commission vote. Furthermore, staff recommends approval of FPL's request to include the waived existing facilities cost for all non-hardened overhead distribution facilities in net plant in service. (Ward, Knoblauch)

Staff Analysis: Tariff Sheet No. 6.300 provides the terms under which applicants are to pay a contribution-in-aid-of-construction (CIAC) for the conversion of existing overhead distribution facilities to underground. The CIAC is intended to cover the incremental costs FPL incurs resulting from a conversion, over and above the cost of serving the conversion area with overhead facilities. Typically, municipalities request a conversion from overhead to underground facilities. The formula to calculate CIAC is defined in Rule 25-6.115(8), F.A.C., and in FPL's Tariff Section 12.1 of Sheet No. 6.300. FPL's proposed revisions to Tariff Sheet Nos. 6.300 and 9.722 are provided on pages 11 and 12 of Attachment A.

Paragraph (12) of Rule 25-6.115, F.A.C., allows a utility to waive all or any portion of the cost for providing underground facilities. If the utility waives any charge, the utility is required to reduce net plant in service unless this Commission determines that there is a quantifiable benefit to the general body of ratepayers commensurate with the waived charge.

In Order No. PSC-2018-0050-TRF-EI, the Commission approved FPL's revised Tariff Sheet No. 6.300 to exclude the cost of the existing facilities from the CIAC calculation for underground conversions of existing non-hardened overhead feeder facilities and to include the waived existing facilities cost in net plant in service pursuant to Rule 25-6.115, F.A.C.⁵

In this filing, FPL seeks to revise Tariff Sheet No. 6.300 to clarify that the costs for all existing non-storm hardened distribution facilities costs, which include both feeders and laterals, from the calculation of CIAC. The current tariff, as approved in Order No. PSC-2018-0050-TRF-EI, only refers to feeders. FPL further requests that the Commission determine that there are quantifiable benefits to excluding the existing costs for all non-hardened overhead distribution facilities, i.e., both feeders and laterals.

FPL also proposes to modify existing language and include additional language to its Underground Facilities Conversion Agreement, on Tariff Sheet No. 9.722. The proposed tariff modifications state that all facilities within the project must be converted to underground. In its petition, FPL stated that the proposed revisions are not a substantive change, but rather intended to clarify the scope of the underground conversion project and avoid or reduce customer confusion.

⁵Order No. PSC-2018-0050-TRF-EI, issued January 22, 2018, in Docket No. 20170148-EI, *In re: Petition for determination under Rule 25-6.115, F.A.C., and approval of associated revised tariff sheet 6.300, by Florida Power & Light Company.*

Storm Protection Plan and Cost Recovery

In February 2020, Rules 25-6.030, F.A.C., Storm Protection Plan (SPP), and 25-6.031, F.A.C., Storm Protection Plan Cost Recovery Clause (SPP Clause), were codified to implement Section 366.96, F.S. The SPPs cover the immediate 10-year planning period and are filed with the Commission at least every three years. The plans must explain the systematic approach the utility will follow to achieve the objectives of reducing restoration costs and outage times associated with extreme weather events and enhancing reliability. The SPP Clause allows the utility to seek recovery from the general body of ratepayers for prudently incurred SPP costs through an annual proceeding. On April 11, 2022, FPL filed its proposed SPP for the period 2023-2032 for Commission approval, which was approved with modification by Order No. PSC-2022-0389-FOF-EI.⁶

Benefits to the General Body of Ratepayers

Order No. PSC-2018-0050-TRF-EI lists the benefits FPL provided to support excluding existing facilities costs from the calculation of CIAC for underground conversions of the existing non-hardened overhead facilities, that otherwise would be subject to hardening. In the instant petition, FPL listed similar benefits to the general body of ratepayers that the proposed revision to Tariff Sheet No. 6.300 would provide. First, FPL affirmed that the general body of ratepayers would pay no additional costs for the undergrounding conversions as the costs would have been included as a part of FPL's SPP to harden all overhead distribution facilities. Further, FPL asserted that due to the converting customer accelerating the timeline of when FPL would have hardened the facilities, the general body of ratepayers would receive the benefits of such hardening sooner. FPL stated that even in instances where facilities would have been kept overhead but hardened according to its SPP, undergrounding provides greater storm resiliency and day-to-day reliability, which benefits all customers. Additionally, voluntary underground conversions would help to mitigate the need for storm restoration work in the converted area and thus result in those resources being utilized elsewhere. Finally, FPL asserted that the proposed revision to Tariff Sheet No. 6.300 could further incentivize customers to voluntarily pay for the conversion of non-hardened facilities and this would reduce the number of hardening projects that the general body of customers would pay for through the SPP Clause. A similar tariff was approved for Duke Energy Florida, LLC. in 2022.⁷

Conclusion

Staff recommends that the Commission approve FPL's revisions to Tariff Sheet Nos. 6.300 and 9.722, effective 30 days after the Commission vote. Furthermore, staff recommends approval of FPL's request to include the waived existing facilities cost for all non-hardened overhead distribution facilities in net plant in service.

⁶Order No. PSC-2022-0389-FOF-EI, issued November 10, 2022, in Docket No. 20220051-EI, *In re: Review of Storm Protection Plan, pursuant to Rule 25-6.030, F.A.C., Florida Power & Light Company.*

⁷Order No. PSC-2022-0336-TRF-EI, issued September 28, 2022, in Docket No. 20220089-EI, *In re: Petition for approval of modifications to rate schedule tariff sheet No. 4.122 and determination under Rule 25-6.115(12), F.A.C., by Duke Energy Florida, LLC.*

Issue 4: Should this docket be closed?

Recommendation: If 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. (Thompson)

Staff Analysis: If 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.

FLORIDA POWER & LIGHT COMPANY

~~Twenty-Eighth~~~~Twenty-Ninth~~ Revised Sheet No. 6.095
Cancels ~~Twenty-Seventh~~~~Twenty-Eighth~~ Revised Sheet No. 6.095

(Continued from Sheet No. 6.090)

10.2.8.1 Credit for TUGs

If the Applicant installs the permanent electric service entrance such that FPL's service lateral can be subsequently installed and utilized to provide that building's construction service, the Applicant shall receive a credit in the amount of ~~\$81,4480.03~~ per service lateral, subject to the following requirements:

- a) TUGs must be inspected and approved by the local inspecting authority.
- b) All service laterals within the subdivision must be installed as TUGs.
- c) FPL must be able to install the service lateral, energize the service lateral, and set the meter to energize the load side of the meter can, all in a single trip. Subsequent visits other than routine maintenance or meter readings will void the credit.
- d) Thereafter, acceptance and receipt of service by the Customer shall constitute certification that the Customer has met all inspection requirements, complied with all applicable codes and rules and, subject to section 2.7 Indemnity to Company, or section 2.71 Indemnity to Company – Governmental, FPL's General Rules and Regulations, the Customer releases, holds harmless and agrees to indemnify the Company from and against loss or liability in connection with the provision of electrical services to or through such Customer-owned electrical installations.
- e) The Applicant shall be held responsible for all electric service used until the account is established in the succeeding occupant's name.

This credit applies only when FPL installs the service - it does not apply when the applicant installs the service conduits, or the service conduits and cable.

10.2.9. Location of Distribution Facilities

Underground distribution facilities will be located, as determined by the Company, to maximize their accessibility for maintenance and operation. The Applicant shall provide accessible locations for meters when the design of a dwelling unit or its appurtenances limits perpetual accessibility for reading, testing, or making necessary repairs and adjustments.

10.2.10. Special Conditions

The costs quoted in these rules are based on conditions which permit employment of rapid construction techniques. The Applicant shall be responsible for necessary additional hand digging expenses other than what is normally provided by the Company. The Applicant is responsible for clearing, compacting, boulder and large rock removal, stump removal, paving, and addressing other special conditions. Should paving, grass, landscaping or sprinkler systems be installed prior to the construction of the underground distribution facilities, the Applicant shall pay the added costs of trenching and backfilling and be responsible for restoration of property damaged to accommodate the installation of underground facilities.

10.2.11. Point of Delivery

The point of delivery shall be determined by the Company. When a location for a point of delivery different from that designated by the Company is requested by the Applicant, and approved by the Company, the Applicant shall pay the additional cost in excess of that which would have been incurred to reach the point of delivery designated by the Company. The estimated full cost of service lateral length, including labor and materials, required in excess of that which would have been needed to reach the Company's designated point of service. The additional cost per trench foot is ~~\$8,988.05~~. Where an existing trench is utilized, the additional cost per trench foot is ~~\$3,242.93~~. Where the Applicant provides the trenching, installs Company provided conduit according to Company specifications and backfilling, the cost per additional trench foot is ~~\$2,262.05~~. Any point of delivery change requested by the Applicant shall conform to good safety and construction practices as determined by the Company. Service laterals shall be installed, where possible, in a direct line to the point of delivery.

(Continued on Sheet No. 6.096)

Issued by: ~~Tiffany Cohen, Senior Director, Regulatory Rates, Cost of Service and Systems~~ Executive Director, Rate Development & Strategy
Effective: ~~January 1, 2022~~

Appendix 1.1, Page 1 of 7

FLORIDA POWER & LIGHT COMPANY ~~Thirty-Eighth~~Thirty-Ninth Revised Sheet No. 6.100
 Cancels ~~Thirty-Eighth~~Thirty-Seventh Revised Sheet No. 6.100

**SECTION 10.3 UNDERGROUND DISTRIBUTION FACILITIES FOR
 RESIDENTIAL SUBDIVISIONS AND DEVELOPMENTS**

10.3.1. Availability

When requested by the Applicant, the Company will provide underground electric distribution facilities, other than for multiple occupancy buildings, in accordance with its standard practices in:

- a) Recognized new residential subdivision of five or more building lots.
- b) Tracts of land upon which five or more separate dwelling units are to be located.

For residential buildings containing five or more dwelling units, see SECTION 10.6 of these Rules.

10.3.2. Contribution by Applicant

a) The Applicant shall pay the Company the average differential cost for single phase residential underground distribution service based on the number of service laterals required or the number of dwelling units, as follows:

| | <u>Applicant's Contribution</u> |
|--|-------------------------------------|
| 1. Where density is 6.0 or more dwelling units per acre: | |
| 1.1 Buildings that do not exceed four units, townhouses, and mobile homes – per service lateral. | \$ 0.00 |
| 1.2 Mobile homes having Customer-owned services from meter center installed adjacent to the FPL primary trench route - per dwelling unit. | \$ 0.00 |
| 2. Where density is 0.5 or greater, but less than 6.0 dwelling units per acre: | |
| Buildings that do not exceed four units, townhouses, and mobile homes – per service lateral | \$ 0.00 |
| 3. Where the density is less than 0.5 dwelling units per acre, or the Distribution System is of non-standard design, individual cost estimates will be used to determine the differential cost as specified in Paragraph 10.2.5. | |

Additional charges specified in Paragraphs 10.2.10 and 10.2.11 may also apply.

b) The above costs are based upon arrangements that will permit serving the local underground distribution system within the subdivision from overhead feeder mains. If feeder mains within the subdivision are deemed necessary by the Company to provide and/or maintain adequate service and are required by the Applicant or a governmental agency to be installed underground, the Applicant shall pay the Company the average differential cost between such underground feeder mains within the subdivision and equivalent overhead feeder mains, as follows:

| | <u>Applicant's Contribution</u> |
|--|-------------------------------------|
| Cost per foot of feeder trench within the subdivision (excluding switches) | <u>\$13,3132.72</u> |
| Cost per above ground padmounted switch package | <u>\$29,911,9443,680.63</u> |

(Continued on Sheet No. 6.110)

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FLORIDA POWER & LIGHT COMPANY ~~Thirty-Seventh~~ Thirty-Eighth Revised Sheet No. 6.110
 Cancels ~~Thirty-Sixth~~ Thirty-Seventh Revised Sheet No. 6.110

(Continued from Sheet No. 6.100)

- e) Where primary laterals are needed to cross open areas such as golf courses, parks, other recreation areas and water retention areas, the Applicant shall pay the average differential costs for these facilities as follows:

Cost per foot of primary lateral trench within the subdivision

| | |
|----------------------------|------------------------|
| 1) Single Phase - per foot | \$2,003.95 |
| 2) Two Phase - per foot | \$4,398.87 |
| 3) Three Phase - per foot | \$6,2713.47 |

- d) For requests for service where underground facilities to the lot line are existing and a differential charge was previously paid for these facilities, the cost to install an underground service lateral to the meter is as follows:

| | |
|---|-------------------------------------|
| Density less than 6.0 dwelling units per acre: | \$476.61 <u>\$583.70</u> |
| Density 6.0 or greater dwelling units per acre: | \$353.76 <u>\$434.01</u> |

10.3.3. Contribution Adjustments

- a) Credits will be allowed to the Applicant's contribution in Section 10.3.2. where, by mutual agreement, the Applicant provides all trenching and backfilling for the Company's distribution system, excluding feeder.

| | Credit to Applicant's Contribution | |
|---|-------------------------------------|-------------------------------------|
| | Backbone | Service |
| 1. Where density is 6.0 or more dwelling units per acre: | | |
| 1.1 Buildings that do not exceed four units, townhouses, and mobile homes - per service lateral. | \$202.48 <u>\$198.96</u> | \$212.56 <u>\$208.87</u> |
| 1.2 Mobile homes having Customer-owned services from meter center installed adjacent to the FPL primary trench route - per dwelling unit. | \$167.44 <u>\$164.53</u> | N/A |
| 2. Where density is 0.5 or greater, but less than 6.0 dwelling units per acre: | | |
| Buildings that do not exceed four units, townhouses, and mobile homes - per service lateral | \$335.37 <u>\$329.54</u> | \$297.58 <u>\$292.41</u> |

- b) Credits will be allowed to the Applicant's contribution in Section 10.3.2. where, by mutual agreement, the Applicant installs all Company-provided conduit excluding feeder per FPL instructions. This credit is:

| | Backbone | Service |
|--|-----------------------------------|-----------------------------------|
| 1. Where density is 6.0 or more dwelling units per acre: | | |
| 1.1 Buildings that do not exceed four units, townhouses, and mobile homes - per service lateral. | \$84.25 <u>\$82.79</u> | \$65.15 <u>\$64.02</u> |

(Continued on Sheet No. 6.115)

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FLORIDA POWER & LIGHT COMPANY ~~Twenty-Fifth~~ Twenty-Sixth Revised Sheet No. 6.115
 Cancels ~~Twenty-Fourth~~ Twenty-Fifth Revised Sheet No. 6.115

(Continued from Sheet No. 6.110)

| | Credit to Applicant's Contribution | |
|---|------------------------------------|-------------------------|
| | Backbone | Service |
| 1.2 Mobile homes having Customer-owned services from meter center installed adjacent to the FPL primary trench route - per dwelling unit. | \$68,7167.51 | N/A |
| 2. Where density is .5 or greater, but less than 6.0 dwelling units per acre, per service lateral. | \$135,03132.68 | \$79,8178.42 |
| e) Credits will be allowed to the Applicant's contribution in Section 10.3.2. where, by mutual agreement, the Applicant provides a portion of trenching and backfilling for the Company's facilities, per foot of trench - \$4,724.64 . | | |
| d) Credits will be allowed to the Applicant's contribution in section 10.3.2. where, by mutual agreement, the Applicant installs a portion of Company-provided PVC conduit, per FPL instructions (per foot of conduit): 2" PVC - \$0,840.80 ; larger than 2" PVC - \$1.14. | | |
| e) Credit will be allowed to the Applicant's contribution in section 10.3.2., where, by mutual agreement, the Applicant installs an FPL-provided feeder splice box, per FPL instructions, per box - \$902,36886.68 . | | |
| f) Credit will be allowed to the Applicant's contribution in section 10.3.2., where, by mutual agreement, the Applicant installs an FPL-provided primary splice box, per FPL instructions, per box - \$315,99310.50 . | | |
| g) Credit will be allowed to the Applicant's contribution in section 10.3.2., where, by mutual agreement, the Applicant installs an FPL-provided secondary connection ("handhole"), per FPL instructions, per handhole: small handhole - \$29,3228.81 ; intermediate handhole; - \$83,0781.63 ; large/all concrete handhole - \$315,99310.50 . | | |
| h) Credit will be allowed to the Applicant's contribution in section 10.3.2., where, by mutual agreement, the Applicant installs an FPL-provided concrete pad for a pad-mounted transformer or capacitor bank, per FPL instructions, per pad - \$81,4480.03 . | | |
| i) Credit will be allowed to the Applicant's contribution in Section 10.3.2., where, by mutual agreement, the Applicant installs a portion of Company-provided flexible HDPE conduit, per FPL instructions (per foot of conduit): \$0.16. | | |
| j) Credit will be allowed to the Applicant's contribution in Section 10.3.2., where, by mutual agreement, the Applicant installs an FPL-provided concrete pad and cable chamber for a pad-mounted feeder switch, per pad and cable chamber - \$767,16753.84 . | | |

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FLORIDA POWER & LIGHT COMPANY

~~Thirty-Seventh-Thirty-Eighth~~ Revised Sheet No. 6.120
 Cancels ~~Thirty-Sixth-Thirty-Seventh~~ Revised Sheet No. 6.120

**SECTION 10.4 UNDERGROUND SERVICE LATERALS FROM
 OVERHEAD ELECTRIC DISTRIBUTION SYSTEMS**

10.4.1. New Underground Service Laterals
 When requested by the Applicant, the Company will install underground service laterals from overhead systems to newly constructed residential buildings containing less than five separate dwelling units.

10.4.2. Contribution by Applicant

a) The Applicant shall pay the Company the following differential cost between an overhead service and an underground service lateral, as follows:

| | <u>Applicant's Contribution</u> |
|---|-------------------------------------|
| 1. For any density: | |
| Buildings that do not exceed four units, townhouses, and mobile homes | |
| a) per service lateral (includes service riser installation) | \$873,549 ⁹⁷ .84 |
| b) per service lateral (from existing handhole or PMTX) | \$476,645 ⁸³ .70 |
| 2. For any density, the Company will provide a riser to a handhole at the base of a pole | \$879,509 ⁴⁰ .71 |

Additional charges specified in Paragraphs 10.2.10 and 10.2.11 may also apply. Underground service or secondary extensions beyond the boundaries of the property being served will be subject to additional differential costs as determined by individual cost estimates.

10.4.3. Contribution Adjustments

a) Credit will be allowed to the Applicant's contribution in Section 10.4.2 where, by mutual agreement, the Applicant provides trenching and backfilling for the Company's facilities. This credit is:

| | <u>Credit To Applicant's Contribution</u> |
|--|---|
| 1. For any density: | |
| Buildings that do not exceed four units, townhouses, and mobile homes | |
| - per foot | \$4,724.64 |

(Continued on Sheet No. 6.125)

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FLORIDA POWER & LIGHT COMPANY

~~Thirty-Fourth-Thirty-Fifth~~ Revised Sheet No. 6.130
 Cancels ~~Thirty-Third-Thirty-Fourth~~ Revised Sheet No. 6.130

**SECTION 10.5 UNDERGROUND SERVICE LATERALS REPLACING
 EXISTING RESIDENTIAL OVERHEAD AND UNDERGROUND SERVICES**

10.5.1. Applicability

When requested by the Applicant, the Company will install underground service laterals from existing systems as replacements for existing overhead and underground services to existing residential buildings containing less than five individual dwelling units.

10.5.2. Rearrangement of Service Entrance

The Applicant shall be responsible for any necessary rearranging of his existing electric service entrance facilities to accommodate the proposed underground service lateral in accordance with the Company's specifications.

10.5.3. Trenching and Conduit Installation

The Applicant shall also provide, at no cost to the Company, a suitable trench, perform the backfilling and any landscape, pavement or other similar repairs and install Company provided conduit according to Company specifications. When requested by the Applicant and approved by the Company, the Company may supply the trench and conduit and the Applicant shall pay for this work based on a specific cost estimate. Should paving, grass, landscaping or sprinkler systems need repair or replacement during construction, the Applicant shall be responsible for restoring the paving, grass, landscaping or sprinkler systems to the original condition.

10.5.4. Contribution by Applicant

a) The charge per service lateral replacing an existing Company-owned overhead service for any density shall be:

| | <u>Applicant's Contribution</u> |
|--|---------------------------------------|
| 1. Where the Company provides an underground service lateral: | \$729.34 <u>908.75</u> |
| 2. Where the Company provides a riser to a handhole at the base of the pole: | \$1,084.16 <u>1,194.45</u> |

b) The charge per service lateral replacing an existing Company-owned underground service at Applicant's request for any density shall be:

| | |
|---|-------------------------------------|
| 1. Where the service is from an overhead system: | \$708.64 <u>1,032.44</u> |
| 2. Where the service is from an underground system: | \$685.69 <u>904.80</u> |

c) The charge per service lateral replacing an existing Customer-owned underground service from an overhead system for any density shall be:

~~\$524.65~~ 655.01

d) The charge per service lateral replacing an existing Customer-owned underground service from an underground system for any density shall be:

~~\$127.72~~ 240.87

The above charges include conversion of the service lateral from the last FPL pole to the meter location. Removal of any other facilities such as poles, down guys, spans of secondary, etc. will be charged based on specific cost estimates for the requested additional work.

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 Effective: ~~January 1, 2022~~

FLORIDA POWER & LIGHT COMPANY

~~Twelfth~~ ~~Thirteenth~~ Revised Sheet No. 6.520
 Cancels ~~Eleventh~~ ~~Twelfth~~ Revised Sheet No. 6.520

(Continued from Sheet No. 6.510)

13.2.12 Contribution by Applicant

The Applicant shall pay the Company the average differential cost between installing overhead and underground distribution facilities based on the following:

- a) Primary lateral, riser (if from overhead termination point), pad mounted transformer and trench with cable-in-conduit not to exceed 150 feet in radials and 300 feet in loops.

| From Existing | Applicant's Contribution | |
|---------------------------------|---------------------------------|-------------------------|
| | From Overhead Termination Point | Underground Termination |
| 1) Single phase radial | \$0.00 | \$0.00 |
| 2) Two phase radial | \$0.00 | \$0.00 |
| 3) Three phase radial (150 KVA) | \$0.00 | \$0.00 |
| 4) Three phase radial (300 KVA) | \$0.00 | \$0.00 |
| 5) Single phase loop | \$0.00 | \$0.00 |
| 6) Two phase loop | \$0.00 | \$0.00 |
| 7) Three phase loop (150 KVA) | \$0.00 | \$0.00 |
| 8) Three phase loop (300 KVA) | \$0.00 | \$0.00 |

- b) Secondary riser and lateral, excluding handhole or junction box, with connection to Applicant's service cables no greater than 20 feet from Company riser pole.

| | |
|-----------------------|--------------------|
| 1) Small single phase | \$697,576.99 |
| 2) Large single phase | \$1,199,341,712.34 |
| 3) Small three phase | \$964,971,018.46 |
| 4) Large three phase | \$1,762,812,425.76 |

- c) FPL service cable installed in customer provided and customer installed 2" PVC (for main line switch size limited to 60 amps for 120V, 2 wire service, or 125 amps for 120/240v, 3 wire service) where customer's meter can is at least 5 feet and no more than 100 feet from the FPL pole.

| | 120v 60 amp 2 wire service | 120/240v 125 3 wire service |
|--|-------------------------------|--------------------------------|
| 1) Installed on a wood pole - accessible locations | \$574,355.81 | \$522,794.67 |
| 2) Installed on a wood pole - inaccessible locations | \$663,666.76 | \$598,105.84 |
| 3) Installed on a concrete pole - accessible locations | \$645,396.35 | \$593,825.22 |

- d) Handholes and Padmounted Secondary Junction Box, excluding connections.

| | |
|---|--------------------|
| 1) Handhole | |
| a. Small - per handhole | \$258,373.27 |
| b. Intermediate - per handhole | \$325,342.96 |
| c. Large - per handhole | \$1,025,951,338.15 |
| 2) Pad Mounted secondary Junction Box – per box | \$2,652,593,978.16 |

- 3) Pad Mounted secondary Junction Cabinet, used when electrical loads exceed the capacity of the secondary junction box (above) or when the number of the service conductors exceed the capacity of the pad mounted transformer. This charge is only applicable if the majority of the customer's service conductor diameter is less than 500 MCM.

| | |
|--|---------------------|
| Per cabinet (includes connecting up to 12 sets of conductor) | \$12,816,981,321.40 |
| Tapping service conductors (if more than 12 sets) – per set | \$102,969.76 |

(Continued on Sheet No. 6.530)

Issued by: Tiffany Cohen, ~~Senior Director, Regulatory Rates, Cost of Service and Systems~~ Executive Director, Rate Development & Strategy

Effective: January 1, 2022

FLORIDA POWER & LIGHT COMPANY

~~Twelfth-Thirteenth~~ Revised Sheet No. 6.530
 Cancels ~~Eleventh-Twelfth~~ Revised Sheet No. 6.530

(Continued from Sheet No. 6.520)

- e) Primary splice box including splices and cable pulling set-up.
 - 1) Single Phase - per box \$1,680,271,963.54
 - 2) Two Phase - per box \$2,304,872,562.44
 - 3) Three Phase - per box \$2,487,732,790.06

- f) Additional installation charge for underground primary laterals including trench and cable-in-conduit which exceed the limits set in 13.2.12 a).
 - 1) Single Phase - per foot \$2,003.95
 - 2) Two Phase - per foot \$4,398.87
 - 3) Three Phase - per foot \$2,877.90

- g) Additional installation charge for underground primary laterals including trench and cable-in-conduit extended beyond the Company designated point of delivery to a remote point of delivery.
 - 1) Single Phase - per foot \$10,5412.67
 - 2) Two Phase - per foot \$15,3720.26
 - 3) Three Phase - per foot \$16,5722.48

- h) The above costs are based upon arrangements that will permit serving the local underground distribution system within the general service/industrial development from overhead feeder mains. If feeder mains within the general service/industrial development are deemed necessary by the company to provide and/or maintain adequate service and are required by the Applicant or a governmental agency to be installed underground, the Applicant shall pay the company the average differential cost between such underground feeder mains within the general service/industrial development and equivalent overhead feeder mains, as follows:

| | |
|---|-----------------------------|
| | Applicant's Contribution |
| Cost per foot of feeder trench within the general service/industrial development (excluding switches) | <u>\$13,3432.72</u> |
| Cost per above ground padmounted switch package | <u>\$29,911,0413,680.63</u> |

- i) The Company will provide one standby/assistance appointment at no additional charge to the Applicant adding new or additional load to assist with installation of the Applicant's conductors and conduit(s) into a padmounted transformer, pedestal or vault (not to exceed four hours in duration) during normal hours of operation. Additional appointments will be provided upon request, at the Applicant's expense.

(Continued on Sheet 6.540)

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FLORIDA POWER & LIGHT COMPANY

~~Eighth~~^{Ninth} Revised Sheet No. 6.540
 Cancels ~~Seventh~~^{Eighth} Revised Sheet No. 6.540

(Continued from Sheet No. 6.530)

13.2.13 Contribution Adjustments

- | | | |
|----|---|--|
| a) | Credits will be allowed to the Applicant's contribution in Section 13.2.12. where, by mutual agreement, the Applicant provides trenching and backfilling for the Company's facilities. | Credit to the Applicant's Contribution |
| | 1) Credit per foot of primary trench | \$4,724.64 |
| | 2) Credit per foot of secondary trench | \$3,753.68 |
| b) | Credits will be allowed to the Applicant's contribution in section 13.2.12. where, by mutual agreement, the Applicant installs Company-provided conduit per Company instructions. | |
| | 1) Credit per foot of 2" conduit | \$0.840.80 |
| | 2) Credit per foot of larger than 2" conduit | \$1,141.12 |
| c) | Credit will be allowed to the Applicant's contribution in Section 13.2.12. where, by mutual agreement, the Applicant installs a Company-provided handhole per Company instructions, | |
| | 1) Credit per large handhole/primary splice box | \$215,093.50 |
| | 2) Credit per small handhole | \$83,078.63 |
| d) | Credit will be allowed to the Applicant's contribution in Section 13.2.12. where, by mutual agreement, the Applicant installs a Company-provided concrete pad for a pad-mounted transformer or pad-mounted capacitor bank per Company instructions, | |
| | Credit per pad | \$81,4480.03 |
| e) | Credit will be allowed to the Applicant's contribution in Section 13.2.12. where, by mutual agreement, the Applicant installs Company-provided concrete pad for a pad-mounted feeder switch chamber per Company instructions, | |
| | Credit per pad | \$767,16753.84 |
| f) | Credit will be allowed to the Applicant's contribution in Section 13.2.12. where, by mutual agreement, the Applicant installs Company-provided concrete pad for a feeder splice box per Company instructions, | |
| | Credit per splice box | \$902,36886.68 |

Issued by: ~~Tiffany Cohen, Senior Director, Regulatory Rates, Cost of Service and Systems~~ Executive Director., Rate Development & Strategy Effective: January 1, 2022

FLORIDA POWER & LIGHT COMPANY

~~Seventh~~^{Eighth} Revised Sheet No. 6.300
Cancels ~~Sixth~~^{Seventh} Revised Sheet No. 6.300

**INSTALLATION OF UNDERGROUND ELECTRIC DISTRIBUTION FACILITIES
FOR THE CONVERSION OF OVERHEAD ELECTRIC DISTRIBUTION FACILITIES**

SECTION 12.1 DEFINITIONS

APPLICANT - Any person, corporation, or entity capable of complying with the requirements of this tariff that has made a written request for underground electric distribution facilities in accordance with this tariff.

CONVERSION - Any installation of underground electric distribution facilities where the underground facilities will be substituted for existing overhead electric distribution facilities, including relocations.

CONTRIBUTION-IN-AID-OF-CONSTRUCTION (CIAC) - The CIAC to be paid by an Applicant under this tariff section shall be the result of the following formula:

- CIAC =
- + 1) The estimated cost to install the requested underground facilities;
 - + 2) The estimated cost to remove the existing overhead facilities;^a
 - + 3) The net book value of the existing overhead facilities;^a
 - 4) The estimated cost that would be incurred to install new overhead facilities, in lieu of underground, to replace the existing overhead facilities (the "Hypothetical Overhead Facilities");
 - 5) The estimated salvage value of the existing overhead facilities to be removed;^a
 - + 6) The 30-year net present value of the estimated non-storm underground v. overhead operational costs differential;
 - 7) The 30-year net present value of the estimated average Avoided Storm Restoration Costs ("ASRC").^b

^a In calculating the Applicant's CIAC, elements 2, 3, and 5 of the CIAC formula above are to be excluded from CIAC due from an applicant who submits an application providing a binding notification that said applicant intends to convert existing non-hardened overhead ~~distribution feeder~~ facilities to underground ~~distribution feeder~~ facilities.

^b Lines 6 & 7 will be combined to calculate a per mile credit.

DISTRIBUTION SYSTEM - Electric service facilities consisting of primary and secondary conductors, service drops, service laterals, conduits, transformers and necessary accessories and appurtenances for the furnishing of electric power at utilization voltage.

SERVICE FACILITIES - The entire length of conductors between the distribution source, including any conduit and or risers at a pole or other structure or from transformers, from which only one point of service will result, and the first point of connection to the service entrance conductors at a weather head, in a terminal, or meter box outside the building wall; the terminal or meter box; and the meter.

(Continued on Sheet No. 6.301)

Issued by: ~~Tiffany Cohen, Senior Director, Regulatory Rates, Cost of Service and Systems~~
~~Executive Director, Rate Development & Strategy~~
Effective: ~~January 1, 2022~~

Appendix 3.1, Page 1 of 1

FLORIDA POWER & LIGHT COMPANY

First Revised Sheet No. 9.722
Cancels Original Sheet No. 9.722

13. **Applicability.** This subpart applies to requests for underground facilities addressing the conversion of existing overhead facilities. In order for the Company to take action pursuant to a request for conversion:
- a. the conversion area must be at least two contiguous city blocks or 1,000 feet in length;
 - ~~b. all electric services to the real property on both sides of the existing overhead primary lines must be part of the conversion associated with the existing overhead primary lines must be part of the conversion;~~
 - ~~b.c. all overhead distribution facilities (hardened & non-hardened) associated with the fused overhead lines within the scope of the project must be part of the conversion;~~
 - ~~e.d. all other existing overhead utility facilities (e.g. telephone, CATV, etc.) must also be converted to underground facilities.~~

IN WITNESS WHEREOF, FPL and the Applicant have executed this Agreement on the date first set forth above.

APPLICANT

FPL

Signed _____

Signed _____

Name _____

Name _____

Title _____

Title _____

Signed _____

Name _____

Title _____

Approved as to Terms and Conditions (if required by Applicant)

Signed _____

Name _____

Title _____ Approved as to Form

and Legal Sufficiency (if required by Applicant)

Signed _____

Name _____

Title _____

Issued by: Tiffany Cohen, Senior Director, ~~Regulatory Rates, Cost of Service and Systems~~ Executive Director, Rate Development & Strategy
Effective: ~~January 1, 2022~~

Appendix 3.3, Page 1 of 1

Item 9

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: July 20, 2023

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Economics (Guffey) *EJD*
Division of Engineering (Thompson) *TB*
Office of the General Counsel (Dose) *JSC*

RE: Docket No. 20230029-GU – Petition for approval of gas utility access and replacement directive, by Florida Public Utilities Company.

AGENDA: 08/01/23 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Case Background

On February 21, 2023, Florida Public Utilities Company (FPUC or utility) submitted a petition for approval of the Gas Utility Access and Replacement Directive (GUARD) program. Through the proposed GUARD program, FPUC is seeking recovery of the revenue requirements of expedited programs to enhance the safety, accessibility, and reliability of portions of FPUC's natural gas distribution system, through a 10-year GUARD surcharge on customers' bills. The GUARD surcharge would be recalculated annually.

The proposed GUARD program addresses three projects in which FPUC has identified safety risks: (1) replacement of problematic pipes and facilities, (2) relocation of mains and service lines located in rear easement and other difficult to access areas to the front lot easements, and (3) enhancement of the system reliability in certain higher population areas.

In 2012, the Commission approved FPUC's Gas Reliability and Infrastructure Program (GRIP).¹ The purpose of GRIP was to recover the cost of accelerated replacement of cast iron and bare steel distribution mains and services that are subject to corrosion, through a separate surcharge on customers' bills. The Commission in its Order approving the GRIP found that the replacement of bare steel pipelines was in the public interest to improve the safety of Florida's natural gas infrastructure. The total GRIP investment from 2012 through 2023 is \$203,176,721. The GRIP replacement program is almost complete.

In the recently concluded FPUC rate case in Docket No. 20220067-GU, utility witnesses testified about the potential separate future request to establish Phase 2 of GRIP. The rate case docket also moved \$19.8 million GRIP revenue requirement, associated with the GRIP investments projected at the time of the rate case filing in May 2022, into rate base.² According to FPUC, the proposed GUARD program represents this Phase 2 aspect.

The total projected cost for the proposed 10-year GUARD program is \$215 million, which is based on current data. The utility states that it will refine this cost estimate as the program is developed.³ FPUC proposes to utilize the currently approved GRIP cost recovery surcharge mechanism to recover the GUARD program costs. FPUC states that none of the proposed GUARD projects to expedite the replacement, relocation, and system enhancement were included in the GRIP or the recently approved rate case and the program is not designed to fund the expansion of the utility's gas distribution system to serve new customers or to add load.

During the review process of the utility's petition, staff issued two data requests for which responses were received on April 11, May 17, and May 23, 2023. By Order No. PSC-2023-0161-PCO-GU, the Office of Public Counsel's intervention was acknowledged.

FPUC submitted sample GUARD tariff sheets as part of its petition. The sample tariffs do not require Commission action as they have been provided for informational purposes only. If the proposed GUARD program is approved, FPUC would file a petition by September 1, 2023 with proposed GUARD factors and tariffs to be effective January 1, 2024, which would follow the process that was used for the GRIP program. The Commission has jurisdiction over this matter pursuant to Sections 366.03, 366.04, 366.05, and 366.06, Florida Statutes (F.S.).

¹ Order No. PSC-2012-0490-TRF-GU, issued September 24, 2012, in Docket No. 20120036-GU, *In re: Joint petition for approval of Gas Reliability Infrastructure Program (GRIP) by Florida Public Utilities Company and the Florida Division of Chesapeake Utilities Corporation.*

² Order No. PSC-2023-0103-FOF-GU, issued March 15, 2023, in Docket No. 20220067-GU, *In re: Petition for rate increase by Florida Public Utilities Company, Florida Division of Chesapeake Utilities Corporation, Florida Public Utilities Company – Fort Meade, and Florida Public Utilities Company – Indiantown Division.*

³ Footnote 2 in FPUC's petition, Document No. 01221-2023.

Discussion of Issues

Issue 1: Should the Commission approve FPUC's proposed Gas Utility Access and Replacement Directive's (GUARD) program to be implemented on January 1, 2024?

Recommendation: Yes, in part. The Commission should approve FPUC's proposed 10-year GUARD program and its associated components for: (1) replacement of problematic pipes and (2) relocation of mains and facilities from rear lot to front lot easements, to be implemented as an annual surcharge mechanism starting on January 1, 2024. The above two components of the proposed GUARD program should enhance the safety and accessibility of portions of its natural gas distribution system. The Commission should deny inclusion of the proposed reliability program component because they are part of the utility's normal operations and therefore more appropriately addressed through traditional ratemaking processes.

FPUC should be required to file its annual GUARD program petitions to revise the surcharge on or before September 1 of each year and implement the revised surcharge effective January 1 through December 31 of the following year. The first petition should be filed on September 1, 2023, for GUARD factors to be effective January 1 through December 31, 2024. The annual GUARD program petitions should include all calculations to show a final true-up, actual-estimated true-up, projected year investments and associated revenue requirements, and the calculations of the GUARD factors by rate class. The annual petitions should also include a report including the location, date, description, and associated costs of all replacement projects completed and all projects scheduled for the following year. The remaining GRIP total investment of \$5.84 million and any remaining GRIP over- or under-recoveries should be included in the 2024 GUARD cost recovery. In FPUC's next rate case, and any subsequent rate cases, the GUARD revenue requirement should be moved into rate base. (Guffey, Thompson)

Staff Analysis:

Overview of the Proposed GUARD Program

In the recently concluded FPUC rate case in Docket No. 20220067-GU, utility witnesses Bennett⁴ and Cassel⁵ testified about the potential separate future request to establish Phase 2 of GRIP. The rate case docket also moved \$19.8 million of GRIP revenue requirement to rate base. According to FPUC, the proposed GUARD program represents this Phase 2 aspect.

Although the utility's GRIP program is largely completed, the utility asserts that it identified additional safety risks and reliability concerns that need to be addressed by the proposed GUARD program. FPUC stated that the proposed GUARD program and its associated projects

⁴ Direct testimony of FPUC witness Bennett, pp. 3-5. in Docket No. 20220067-GU: *Petition for rate increase by Florida Public Utilities Company, Florida Division of Chesapeake Utilities Corporation, Florida Public Utilities company-fort Meade, and Florida Public Utilities Company-Indiantown Division*, Document No. 03099-2022, filed May 24, 2022.

⁵ Direct testimony of FPUC witness Cassel, pp. 21-22. in Docket No. 20220067-GU: *Petition for rate increase by Florida Public Utilities Company, Florida Division of Chesapeake Utilities Corporation, Florida Public Utilities company-fort Meade, and Florida Public Utilities Company-Indiantown Division*, Document No. 03099-2022, filed May 24, 2022.

are not the result of an official regulatory requirement,⁶ but that the program is driven by risks identified under FPUC's Distribution Integrity Management Program (DIMP)⁷ and risk assessments performed by an independent contractor.

The utility consulted with an outside contractor to review and perform a risk assessment of its natural gas distribution system and facilities and to complete a risk ranking model. FPUC will use the contractor's recommendation to assess and prioritize projects that will be completed annually through the GUARD program. Projects that would address the highest risk will be prioritized starting April 2023. In response to staff's first data request, the utility stated that the GUARD projects to be completed from April 2023 to December 2024 are located in the City of Winter Springs, the Town of Lake Park, the Village of Indiantown, unincorporated Palm Beach County, and the City of West Palm Beach. Other project areas include Winter Haven, Sanford, Debarry and New Smyrna Beach.⁸ FPUC asserts that the GUARD program is not an expansion of its natural gas distribution system, but rather identifies risks associated with existing infrastructure.

The utility believes that the 10-year term for GUARD program is adequate to complete the projects described in this filing. FPUC asserts that it will continue to assess the distribution system and add projects as needed, which will allow the utility to keep the system safe without the increased cost of a rate case. The utility believes that the accelerated 10-year term will have the benefit of construction related cost savings over the life of the program and will avoid the impact of increased inflation and labor costs in the future. The utility also believes that it is prudent to re-evaluate the GUARD program at the completion of its initial 10-year term.⁹

The proposed three GUARD projects are described below.

Replacement of Problematic Mains

The utility asserts that it has identified various types of problematic distribution mains and service lines that need to be replaced on an expedited basis. FPUC explained that the problematic pipes are those manufactured or installed over 30 years ago, while the new piping materials are of superior quality and manufactured to new industry standards. Examples of problematic mains include previously unidentified bare steel mains, steel tubing, span pipe, shallow and exposed pipe, and obsolete pipe and facilities.

Span pipes are segments of pipe that cross over a barrier such as a creek, river, ditch, or highway. Being above ground, the span pipes are susceptible to damage and corrosion. Shallow and exposed pipes that are no longer safely buried due to erosion and other changes in the environment, are similarly susceptible to damage and corrosion. The obsolete piping includes Aldyl-A pipe, a type of first generation plastic pipes (pre-1982). FPUC states that as the pre-1982 pipe continue to age, the risk of developing leaks continues to grow. FPUC explained that the risk assessment study concluded that FPUC currently operates over 97 miles of at-risk

⁶ Response No. 1 in Staff's First Data Request, Document No. 02609-2023.

⁷ Pursuant to Section 192.1005 Code of Federal Regulations, a gas distribution operator must develop and implement an integrity management program that includes a written integrity management plan.

⁸ Response No. 7 in Staff's First Data Request in Docket No. 20230029-GU, Document No. 02609-2023.

⁹ Response No. 3A in Staff's First Data Request, Document No. 02609-2023.

Date: July 20, 2023

problematic pipe, of which approximately 76 miles are considered to show a moderate to high level of risk. The risk assessment study also states that FPUC currently operates and maintains 66 above ground span pipe segments, of which 51 are deemed moderate to high risk.

Staff believes that the replacement of problematic mains through a surcharge is a reasonable approach to improve the safety of Florida's natural gas infrastructure and to reduce risk to life and property. Therefore, consistent with the Commission's prior Order No. PSC-2012-0490-TRF-GU approving the GRIP program, staff recommends that this component of the GUARD program should be eligible for expedited recovery to address safety concerns raised by the utility's DIMP.

FPUC provided estimated total 10-year costs of \$20.4 million to replace span pipe and \$10.4 million to replace Aldyl-A pipes in Indiantown for a total projected cost of \$30.8 million to replace problematic pipes. The utility states that it currently does not have an estimate of the costs for any other problematic pipeline replacements. FPUC states that any remaining bare steel would be replaced as discovered and shallow and exposed pipe would be replaced based on a safety analysis.

Relocation of Mains and Services Located in Rear Easements

FPUC asserts that its proposed relocation of mains and services located in rear easements is similar to Florida City Gas's (FCG) Safety, Access, and Facility Enhancement (SAFE) program approved by the Commission in 2015.¹⁰ In the order approving the SAFE program, the Commission found that FCG's SAFE program is in the public interest and will serve to improve safety, reduce potential damage to property, and impede theft.

FPUC states that the primary driver for the relocation is to make it easier and more efficient to operate and maintain the system and conduct inspections and repairs. FPUC identified certain areas such as fenced-in properties, and where construction of buildings, pools, or patios, and vegetation growth makes it difficult for FPUC personnel to access their facilities. Furthermore, FPUC states that rear lot facilities could contribute to increased opportunities for gas theft or diversion, increasing the risk of safety incidents.

FPUC asserts that it has approximately 446 miles of residential mains located in rear easements, and estimates that approximately 237 miles will need to be replaced initially due to their higher risk of failure.¹¹ FPUC expects to replace 284 miles which is approximately 20 percent more pipes than are retired (237 miles) as a result of relocating to the front easements. In addition to the mains, the utility would also replace 9,554 service line facilities that are associated with the rear lot easements.

Relocation of mains and services would improve system safety and operations for both customers and FPUC employees. Therefore, consistent with the Commission's prior Order No. PSC-2015-0390-TRF-GU approving the SAFE program, staff recommends that this component

¹⁰ Order No. PSC-2015-0390-TRF-GU, issued September 15, 2015, in Docket No. 20150116-GU, *In re: Petition for approval of safety, access, and facility enhancement program and associated cost recovery methodology, by Florida City Gas.*

¹¹ Response No. 6b in Staff's First Data Request, Document No. 02609-2023.

of the GUARD program should be eligible for expedited recovery to address these safety concerns. The proposed surcharge cost recovery mechanism should enable FPUC to expedite the necessary relocation projects without a general rate case proceeding. The utility estimates a total 10-year cost of approximately \$174 million for the relocation projects.

Enhancing System Reliability

FPUC is also requesting to include two reliability projects under its GUARD program to address reliability issues for segments in higher population areas as soon as possible. The utility has indicated that its pipeline system is safe and reliable, but has identified several communities that are at a higher risk of reliability issues than others.¹² One reliability project consists of installing pipeline loops in certain communities to operate in parallel to existing pipelines that were installed with smaller diameters than what current design practices require. FPUC states that this project would improve volume capacities to reduce the potential of outages. The utility estimates the cost of this project to be approximately \$5 million. The second reliability project consists of installing secondary feeds in certain communities being served by a single pipeline. By installing a secondary feed at a different geographic point than the existing sole source, FPUC believes this would reduce the risk of an outage to the community if the existing pipeline sustains damage or other operating conditions limit its ability to function as designed. In response to staff's first data request, FPUC listed the following municipalities which need to have a secondary feed: Palm Beach Shores, Singer Island, South Palm Beach, Manalapan, New Smyrna Beach, Edgewater, Deerfield Beach, and Hypoluxo Island. The utility estimates the cost of this project to be approximately \$5 million.

Neither of the reliability projects discussed above are included in FPUC's DIMP as they are not safety-related and are not a result of the Pipeline and Hazardous Safety Administration's (PHMSA) federal regulations, but are rather a part of the utility's normal operations. As such, staff does not believe that it is appropriate to include these projects under a potentially long-term, safety-related program with accelerated recovery and the intent of expedited installation/replacement. Therefore, staff recommends that the proposed reliability projects be removed from FPUC's GUARD program.

Staff notes that FPUC has alternative mechanisms available to seek cost recovery of the reliability projects as needed, such as through a petition for a limited proceeding or base rate proceeding. In response to Staff's Second Data Request, FPUC indicated that reliability projects are typically evaluated and prioritized based upon a variety of factors as resources allow, and indicated that it also has processes in place to provide short-term emergency supply to communities and intake points if needed.¹³ Therefore, FPUC may address the proposed reliability projects, and any others, by availing itself of other traditional ratemaking processes.

Remaining GRIP Costs

The rate case docket moved \$19.8 million of GRIP revenue requirement, associated with the GRIP investments projected at the time of the rate case filing in May 2022, into rate base. Following the rate case filing, FPUC had additional months of actual investment costs and

¹² Response No. 18A in Staff's First Data Request, Document No. 02609-2023.

¹³ Response No. 7 to Staff's Second Data Request, Document No. 03270-2023.

updated investment amounts. This updated investment amount, which excludes the amount moved into rate base, was the basis for 2023 GRIP factors the Commission approved in Order No. PSC-2022-0401-TRF-GU. FPUC filed its petition for 2023 GRIP factors in September 1, 2022.

The utility requests that it be allowed to move the GRIP investments that were not rolled into rate base in Docket No. 20220067-GU, as the beginning balance to be recovered via the proposed GUARD program. The total remaining GRIP amount to be rolled into the GUARD program is the beginning balance of \$5.84 million. Staff confirmed that \$5.84 million is the correct GRIP investment amount that has not been moved into rate base in the rate case and has been approved by the Commission in Order No. PSC-2022-0401-TRF-GU. Specifically, the \$5.84 million represent \$5,915,090 of investment cost for FPUC and (\$75,759) for Chesapeake that remained after the rate case. The amount for Chesapeake is a negative number, because actual investment cost were lower than the amount included in the rate case. Additionally, the utility requests that any remaining over- or under-recovery from the GRIP program be included in the proposed GUARD program cost recovery.

Staff believes it is appropriate for any remaining GRIP amounts to be rolled into the GUARD program for cost recovery. Accordingly, there would be no GRIP surcharge on customers' bills starting January 1, 2024; the proposed GUARD surcharge would replace the GRIP surcharge.

Determination of GUARD Revenue Requirement

FPUC is seeking cost recovery for an estimated \$215 million for the 10-year (2024-2034) GUARD program as summarized in the table below:

**Table 1-1
 Projected 2024-2034 Total GUARD Costs**

| GUARD Project Type | Estimated Cost (\$ in millions)* |
|--|---|
| Problematic Mains | |
| Span pipe replacement | \$20.4 |
| Pre-1982 pipe replacement (Indiantown) | \$10.4 |
| Relocate mains and services from rear to front | \$174 |
| Reliability projects | |
| Pipeline loops | \$5 |
| Secondary Feeds | \$5 |
| TOTAL (rounded) | \$215 |

Source: Docket No. 20230029-GU Petition.

*These estimated costs will be refined as the program is developed.

FPUC stated that the GUARD program cost is estimated to be composed of 80 percent mains, 14 percent services, and 6 percent meters and regulator equipment.¹⁴ During the first year (2023) of implementing the GUARD program, the utility proposes to spend an estimated \$7.6 million, in

¹⁴ Response No. 10 in Staff's Second Data Request, Document No. 03270-2023.

order to be sensitive to the base rate increase approved in its recent rate case.¹⁵ Following the initial year of GUARD, the utility will begin to increase its projects. The utility is requesting that all projected program expenditures to be expended starting in April 2023 be recovered starting on January 1, 2024. Staff believes that if the Commission approves the proposed GUARD projects discussed in this Issue, the utility should include any projects that started in 2023 for cost justification in its September 2023 petition.

FPUC asserts that the proposed methodology to calculate GUARD program surcharges is the same as that utilized for the approved GRIP program. Specifically, the utility is not proposing any modifications to the surcharge at this time and proposes that the cost allocation methodology utilized for GRIP, but updated with the allocations from the recently approved rate case, be used in GUARD calculations.

Similar to the GRIP, the GUARD program revenue requirement would include a return on investment, depreciation expense, customer notification expense, and ad valorem taxes; all expenses are dependent upon the level of investment costs. Staff believes that the proposed expenses are consistent with the approved GRIP revenue requirements and are reasonable with the exception of the proposed reliability projects; however, the revenue requirements should be reviewed in the annual petitions. FPUC should also quantify any operations and maintenance and depreciation cost savings resulting from the new replacement pipes and use the savings to offset the GUARD program revenue requirement. Any savings should be shown as a separate line item in the filings. If no savings can be identified, FPUC should provide an explanation in its annual GUARD petitions.

FPUC states it would calculate the return on investment using the equity and debt components of the weighted average cost of capital from FPUC's recent rate case as reflected in its most recent year end surveillance report. For subsequent GUARD program true-up filings, the utility would use the most recent earnings surveillance report. Consistent with the GRIP calculations, the GUARD surcharge would include depreciation expense associated with the replacement pipes at the rates approved in the most recent depreciation study.

Notification expenses include noticing required for regulatory purposes, general publications of planned activities, and notice to customers directly affected by replacement activities. FPUC anticipates that the ad valorem taxes will increase as a result of the capital projects to be undertaken during the 10-year project period. The utility requests that it be allowed to recover the ad valorem taxes through the surcharge grossed up for federal and state income taxes. The utility has estimated an ad valorem tax rate at 2 percent for this filing. The actual composite ad valorem tax rate for each year will be applied in the annual petitions.

GUARD Rate Impacts

In response to staff discovery, FPUC provided GUARD rate impacts for 2024 through 2034, assuming there is no rate case in the next 10 years in which the GUARD program revenue

¹⁵ The estimated \$7.6 million 2023 GUARD investment would be added to the \$5.84 million remaining GRIP investment in the September 2023 GUARD petition for 2024 GUARD factors.

requirement would be rolled into rate base and the GUARD surcharge would be reset.¹⁶ A residential customer on the RES-2/REST-2 rate schedule, using 20 therms a month, would have in 2024 an expected monthly bill impact of \$0.47 or \$5.65 annually. In year 10, the projected impact on a residential customer on the RES-2/REST-2 rate schedule, using 20 therms a month, would be \$4.62 per month, or \$55.60 annually. FPUC states that the costs are estimated expenses and projects filed and completed each year would vary based on numerous factors such as contractor resources, timelines, or cost of projects.

Conclusion

The Commission should approve FPUC's proposed 10-year GUARD program and two of its associated components: (1) replacement of problematic pipes, and (2) relocation of mains and facilities from rear lot to front lot easements, to be implemented as an annual surcharge mechanism starting on January 1, 2024. The above two components of the proposed GUARD program should enhance the safety and accessibility of portions of its natural gas distribution system. The Commission should deny inclusion of the proposed reliability program component because they are part of the utility's normal operations and therefore more appropriately addressed through traditional ratemaking processes.

Without the surcharge, it is reasonable to expect that FPUC would have to file for more frequent base rate proceedings to recover the expenses. The annual filings should provide the Commission with the oversight to ensure that projected expenses are reasonable and only actual costs are recovered. The GUARD program and associated surcharges should terminate when all replacements have been made and the revenue requirement has been rolled into rate base. If FPUC wishes to continue the GUARD program beyond the 10 years requested in this petition, FPUC should file a petition with the Commission seeking approval to continue or modify the GUARD program.

FPUC should be required to file its annual GUARD petitions to revise the surcharge on, or before, September 1 of each year and implement the revised surcharge effective January 1 through December 31 of the following year. The first petition should be filed on September 1, 2023, for GUARD factors to be effective January 1 through December 31, 2024. The annual GUARD petitions should include all calculations to show a final true-up, actual-estimated true-up, projected year investments and associated revenue requirements, and the calculations of the GUARD factors by rate class. The annual petitions should also include a report including the location, date, description, and associated costs of all replacement projects completed and all projects scheduled for the following year. The remaining GRIP amount of \$5.84 million and any remaining over- or under-recoveries should be included in the 2024 GUARD program cost recovery. In FPUC's next rate case, and any subsequent rate cases, the GUARD program revenue requirement should be moved into rate base.

¹⁶ Response No. 27 in Staff's First Data Request, Document No. 02609-2023.

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.

Item 10

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: July 20, 2023

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Economics (Draper, Hudson) *EJD*
Office of the General Counsel (Sandy) *JSC*

RE: Docket No. 20230050-GU – Petition for approval of Amendment No. 1 to Escambia County firm gas transportation service agreement with Florida Public Utilities Company to reflect construction of additional delivery point, by Peninsula Pipeline Company, Inc.

AGENDA: 08/01/23 – Regular Agenda – Proposed Agency Action - Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Clark

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Case Background

On April 12, 2023, Peninsula Pipeline Company, Inc. (Peninsula) filed a petition seeking approval of amendment No. 1 to Escambia County firm transportation service agreement (amendment) between Peninsula and Florida Public Utilities Company (FPUC) (collectively, the parties).

The purpose of the amendment is to revise certain provisions of the firm transportation service agreement, dated January 1, 2018, to reflect the construction of an additional point of delivery on the original project and to revise the monthly reservation charge to include the new point of delivery. 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.

The firm transportation agreement was approved by the Commission in 2018 and provided for Peninsula to construct an interconnection between Peninsula and Florida Gas Transmission's (FGT) interstate pipeline at the northernmost edge of Escambia County.² From the interconnection with FGT, the pipeline constructed by Peninsula extends approximately 33 miles south and delivers natural gas to FPUC's distribution system. The pipeline was constructed to provide transportation service to an industrial customer, Pensacola Energy, and provide FPUC opportunities to serve additional customers. Pensacola Energy is a municipal natural gas utility and provides natural gas service to the City of Pensacola and certain other areas in Escambia County.

The 2018 firm transportation service agreement was executed between Peninsula and the Florida Division of Chesapeake Utilities Corporation. In the recent rate case Docket No. 20220067-GU, the Commission approved the consolidation of four natural gas utilities, including the Florida Division of Chesapeake Utilities Corporation, into one utility operating under the name FPUC.³ As a result of the consolidation, FPUC assumed the 2018 firm transportation service agreement. Due to the timing of the consolidation approved in the rate case, the proposed amendment included in the petition was not dated and signed. On July 17, 2023, the parties filed a fully executed amendment that was dated and signed.⁴

The proposed amendment, as filed on July 17, 2023, and project map are shown as Attachments A and B to this recommendation. During the evaluation of the petition, staff issued a data request to the parties for which responses were received on May 11, 2023. The Commission has jurisdiction over this matter pursuant to Sections 366.05(1), 366.06, and 368.105, F.S

¹Order 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.*

²Order No. PSC-2018-0233-PAA-GU, issued May 8, 2018, in Docket No. 20180015-GU, *In re: Petition for approval of transportation service agreement with Florida Division of Chesapeake Utilities Corporation, by Peninsula Pipeline Company, Inc.*

³Order No. PSC-2023-0103-FOF-GU, issued March 15, 2023, in Docket No. 20220067-GU, *In re: Petition for rate increase by Florida Public Utilities Company, Florida Division of Chesapeake Utilities Corporation, Florida Public Utilities Company - Fort Meade, and Florida Public Utilities Company - Indiantown Division.*

⁴Document No. 04101-2023.

Discussion of Issues

Issue 1: Should the Commission approve the proposed amendment No. 1 to firm transportation agreement dated January 8, 2018, between FPUC and Peninsula?

Recommendation: Yes, the Commission should approve the proposed amendment No. 1 to firm transportation agreement dated January 8, 2018, between FPUC and Peninsula. The proposed amendment is reasonable and meets the requirements of Section 368.105, F.S. (Draper, Hudson)

Staff Analysis: The parties explained that Pensacola Energy has requested an additional point of delivery to enhance their gas service in the area. Specifically, the proposed project will begin by installing a tap to the existing Peninsula pipeline near the intersection of US 29 and Champion Drive. From this tap, Peninsula will install 510 feet of two-inch pipeline to the new point of delivery. Peninsula states that construction will commence in July 2023 and be completed by September 2023.

The 2018 transportation agreement contains a negotiated monthly reservation charge that reflects Peninsula's cost to construct and maintain the pipeline constructed in 2018 in Escambia county. The proposed amendment includes the reservation charge approved in the 2018 transportation agreement and an additional amount related to Peninsula's costs to construct the facilities necessary in response to Pensacola Energy's request for the additional point of delivery.

The parties stated that the amount associated with the increase in the reservation charge will be solely paid by Pensacola Energy and will not impact FPUC's general body of ratepayers. Staff believes that is appropriate as Pensacola Energy requested the additional point of delivery. The parties confirmed that Pensacola Energy has been informed of the construction costs and its responsibility to pay FPUC for the additional point of delivery. Finally, the parties assert that the negotiated rates in the amendment meet the requirements of Section 368.105(3), F.S., and are consistent with a market rate in that they are within the range of the rates set forth in similar agreements.

Staff recommends that the Commission should approve the proposed amendment No. 1 to firm transportation agreement dated January 8, 2018, between FPUC and Peninsula. The proposed amendment is reasonable and meets the requirements of Section 368.105, F.S.

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. (Sandy)

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.

AMENDMENT No. 1 TO
FIRM TRANSPORTATION SERVICE AGREEMENT

This First Amendment to Firm Transportation Service Agreement (“Amendment No. 1”) is made and entered into this 14th day of July, 2023, by and between Florida Public Utilities Company, a corporation of the state of Florida (herein called “Company” or “FPU”) (herein called “Shipper”) and Peninsula Pipeline Company, Inc., a corporation of the State of Delaware (herein called “Company” and jointly with Shipper called “Parties”) to amend certain provisions of the Firm Transportation Service Agreement dated January 8, 2018 between Company and Shipper.

WITNESSETH

WHEREAS, Company and Shipper are parties to that certain Firm Transportation Service Agreement entered into on January 8, 2018, and approved by the Florida Public Service Commission (“FPSC”) in Docket No. 20180015-GU (the “Agreement”), pursuant to which Company provides Shipper with firm transportation service in Escambia County, Florida; and

WHEREAS, the Parties desire to amend the Agreement to change the Monthly Reservation Charge and to include a new Delivery Point and Point of Delivery, and to include certain additional language in Article III of the Agreement;

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:

1. Capitalized terms not otherwise defined herein shall have the meanings given to such terms in the Agreement.
2. Article III of the Agreement is hereby amended by deleting Section 3.3 in its entirety and replacing it with the following:

If, at any time throughout the term of this Agreement, the Company is required by any Governmental Authority 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

AMENDMENT No. 1 TO
FIRM TRANSPORTATION SERVICE AGREEMENT

the right to terminate this Agreement pursuant to the conditions set forth in Section D of the Rules and Regulations of Company's Tariff.

3. Article III of the Agreement is hereby further amended by adding a new Section 3.4 as follows:

If, at any time throughout the term of this Agreement, the Company is required by any Governmental Authority asserting jurisdiction over this Agreement and the transportation of Gas hereunder, to incur additional capital expenditures with regard to the service provided by Company under this Agreement, other than any capital expenditures required to provide transportation services to any other customer on the pipeline system serving Shipper's facility, but including, without limitation, mandated relocations of Company's pipeline facilities serving Shipper's facility and costs to comply with any changes in pipeline safety regulations, 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.

4. Exhibit A to the Agreement is hereby superseded and replaced by First Revised Exhibit A attached to this Amendment No. 1.

5. The Parties agree that the rates, terms and conditions of this Amendment No. 1 may be placed into effect upon execution. The Parties further agree that, in the event that: (a) the FPSC declines to approve Amendment No. 1 to the Agreement; or (b) the FPSC fails to address Amendment No. 1 to the Agreement within twelve (12) months of execution; or (c) any person whose substantial interests are affected files a timely protest of the FPSC's order approving Amendment No. 1 to the Agreement, the rates, terms and conditions shall revert to the original Agreement as approved by FPSC Order No. PSC-2018-0233-PAA-GU.

6. Except as modified by this Amendment No. 1, the Agreement shall remain unchanged and continue in full force and effect.

AMENDMENT No. 1 TO
FIRM TRANSPORTATION SERVICE AGREEMENT

IN WITNESS WHEREOF, the parties hereto have caused this Amendment No. 1 to be executed by their duly authorized officers or representatives effective as of the date first written above.

COMPANY:
Peninsula Pipeline Company, Inc.

SHIPPER:
Florida Public Utilities Company

By: Marissa Stipa
Marissa Stipa

By: Bill Hancock
Bill Hancock
cn=Bill Hancock, o=Chesapeake
Utilities Corporation, ou=APP
Fuel Supply and Energy Logistics,
email=bhancock@chpk.com,
c=US,
2023.07.14 16:43:41 -0400

Title: Director

Title: Assistant Vice President

Date: 07/14/2023

Date: _____

(To be attested by the corporate secretary if not signed by an officer of the company)

By: Michael Card

By: _____

Title: VP, Regulatory Affairs

Title: _____

Date: 7/17/23

Date: _____

AMENDMENT No. 1 TO
FIRM TRANSPORTATION SERVICE AGREEMENT

FIRST REVISED EXHIBIT A

TO

FIRM TRANSPORTATION SERVICE AGREEMENT

BETWEEN

PENINSULA PIPELINE COMPANY, INC.

AND

FLORIDA PUBLIC UTILITIES COMPANY

Description of Transporter Delivery Point(s)

1. Interconnection with FGT Gate Station at mile post 238.6 in Escambia County, FL

Description of Point(s) of Delivery

1. Delivery Point - located on the Eastern side of Ascend Performance Materials property, near the intersection of Chemstrand Road and Old Chemstrand Road.
2. Delivery Point - located on County Road 95A, South of Old Chemstrand Road.
3. New Delivery point to Shipper's facilities located along US 29 and Champion Drive¹

MHTP:6%

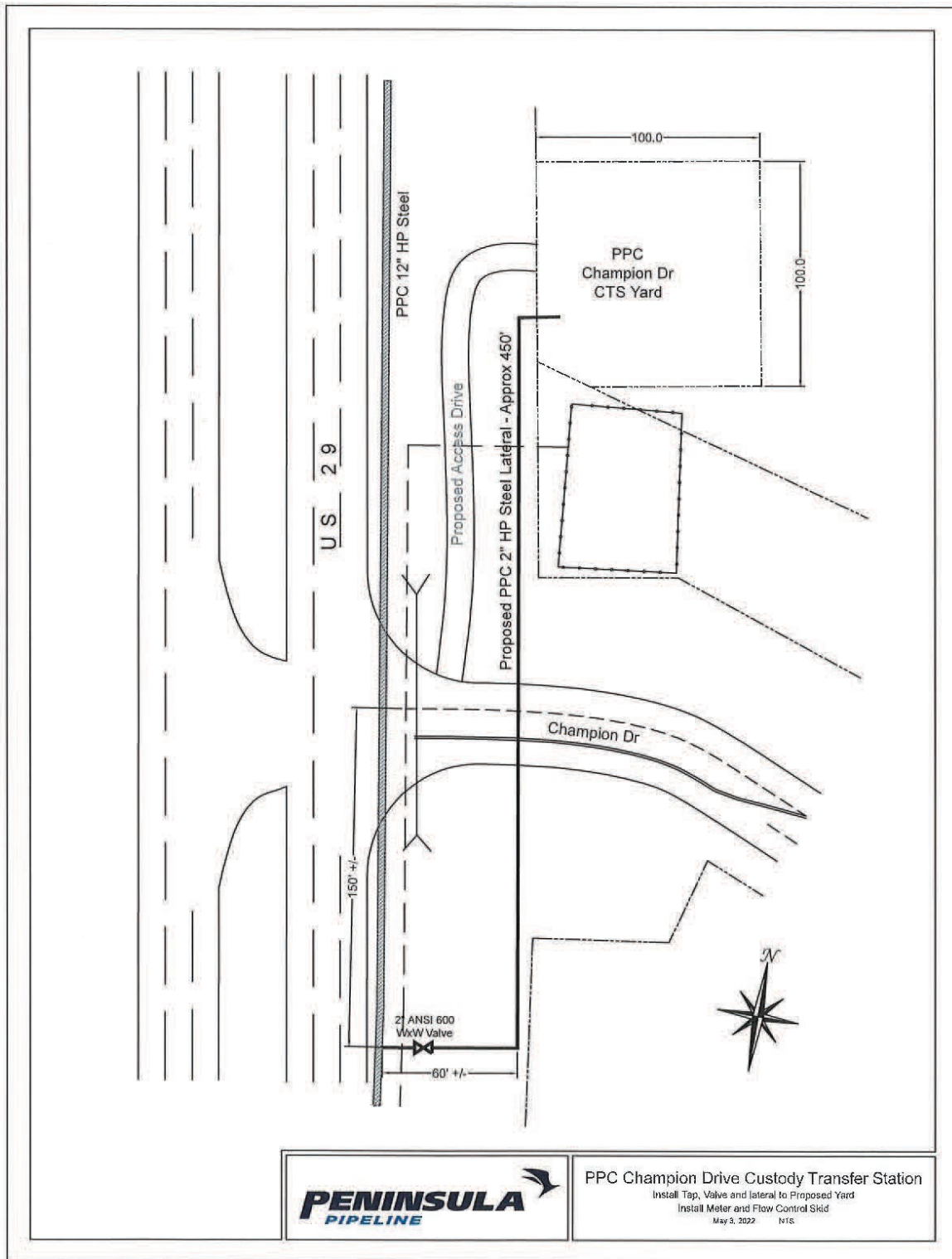
Total MDTQ (Dekatherms): [REDACTED] Dt/Day

Monthly Reservation Charge: [REDACTED] [REDACTED] Dekatherm).

This charge is subject to adjustment pursuant to the terms of this Agreement.

¹ The Parties to this Agreement acknowledge and recognize that the facilities to be installed represent an extension of existing facilities currently used by the Company to provide service to Shipper in Escambia County. The pricing hereunder does not otherwise duplicate charges for service from the existing interconnection "Delivery Point" (renamed "Point of Delivery" herein) with the existing Northwest Florida Pipeline owned and operated by Peninsula Pipeline Company, Inc. approved as part of the original Agreement in Docket No. 20180015-GU.

Project Map



PPC Champion Drive Custody Transfer Station
Install Tap, Valve and lateral to Proposed Yard
Install Meter and Flow Control Skid
May 3, 2022 NTS

Item 11

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: July 20, 2023

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Economics (Bethea, Bruce, Hudson) *ejd*
Division of Accounting and Finance (Norris, Swards) *alm*
Division of Engineering (Lewis, Ramos) *tb*
Office of the General Counsel (Thompson, Sandy) *jsc*

RE: Docket No. 20220201-WS – Request by Florida Community Water Systems, Inc. for a revenue-neutral rate restructuring in Brevard, Lake, and Sumter Counties.

AGENDA: 08/01/23 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: La Rosa

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Case Background

Florida Community Water System, Inc. (FCWS or utility) owns 10 water and 4 wastewater systems in Brevard, Lake, and Sumter counties. Service is provided to approximately 2,005 water and 390 wastewater customers. According to FCWS's 2022 Annual Report, the combined net operating revenues were \$1,138,981 for water and \$221,940 for wastewater. FCWS also recorded combined net operating expenses of \$1,001,103 for water and \$202,664 for wastewater.

The 10 water systems are Black Bear Waterworks, Inc. (Black Bear); Brendenwood Waterworks, Inc. (Brendenwood); Brevard Waterworks (Brevard); Harbor Waterworks, Inc. (Harbor); Jumper Creek Utility Company (Jumper Creek); Lake Idlewild Utility Company (Lake Idlewild); Lakeside Waterworks, Inc. (Lakeside); Pine Harbour Waterworks, Inc. (Pine Harbour); Raintree

Waterworks, Inc. (Raintree); and The Woods Utility Company (The Woods). Four of these systems also have wastewater systems: Harbor, Jumper Creek, Lakeside, and The Woods. In February of 2022, the Commission acknowledged the corporate reorganization and name change of these systems to FCWS.¹ The corporate reorganization resulted in no change in ownership or control of the utilities, and each FCWS system continued to charge its own Commission-approved rates and charges.

On November 14, 2022, FCWS filed an application for a revenue-neutral rate restructuring limited proceeding for the purpose of consolidating the rates of the 14 systems into uniform rates. In its application, FCWS states that the various rates reflect a wide disparity among the systems. The utility believes that implementing uniform rates will result in a more equitable disbursement of operating costs among the customer group. Several of the systems have had multiple rate cases before the Commission due to increased capital requirements, increased operating expenses, and decreased consumption. The following table reflects the rate proceedings in which rates were last established for FCWS's respective systems.

Last Proceedings Establishing Rates for FCWS Systems

| County | Former Utility Name | Order | Issuance Date |
|---------------|-------------------------------|----------------------|----------------------|
| Lake | Black Bear Waterworks, Inc. | N/A | N/A |
| Lake | Brendenwood Waterworks, Inc. | PSC-2022-0043-PAA-WU | January 26, 2022 |
| Brevard | Brevard Waterworks, Inc. | PSC-2016-0421-PAA-WU | October 3, 2016 |
| Lake | Harbor Waterworks, Inc. | N/A | N/A |
| Sumter | Jumper Creek Utility Company | PSC-2019-0145-PAA-WS | April 23, 2019 |
| Lake | Lake Idlewild Utility Company | PSC-2019-0142-PAA-WU | April 22, 2019 |
| Lake | Lakeside Waterworks, Inc. | PSC-2019-0528-PAA-WU | December 17, 2019 |
| Lake | Pine Harbour Waterworks, Inc. | PSC-2018-0552-PAA-WU | November 19, 2018 |
| Lake | Raintree Waterworks, Inc. | PSC-2019-0459-PAA-WU | October 24, 2019 |
| Sumter | The Woods Utility Company | PSC-2020-0087-PAA-WS | March 25, 2020 |

Rule 25-30.445(6), Florida Administrative Code (F.A.C.), provides that a limited proceeding will not be allowed if the utility has not had a rate case within seven years of the date of the petition for limited proceeding is filed with the Commission. Black Bear and Harbor have not had a rate case before the Commission. Therefore, on December 5, 2022, FCWS sought a partial variance or waiver of a requirement of Rule 25-30.445, F.A.C. On March 24, 2023, the Commission approved

¹Order No. PSC-2022-0095-FOF-WS, issued February 21, 2022, in Docket No. 20210192-WS, *In re: Joint application for acknowledgment of corporate reorganization and approval of name changes on Certificate No. 654-W in Lake County from Black Bear Waterworks, Inc., Certificate No. 339-W in Lake County from Brendenwood Waterworks, Inc., Certificate No. 002-W in Brevard County from Brevard Waterworks, Inc., Certificate Nos. 522-W and 565-S in Lake County from Harbor Waterworks, Inc., Certificate Nos. 667-W and 507-S in Sumter County from Jumper Creek Utility Company, Certificate No. 531-W in Lake County from Lake Idlewild Utility Company, Certificate Nos. 567-W and 494-S in Lake County from Lakeside Waterworks, Inc., Certificate No. 450-W in Lake County from Pine Harbour Waterworks, Inc., Certificate No. 539-W in Lake County from Raintree Waterworks, Inc., Certificate Nos. 507-W and 441-S in Sumter County from The Woods Utility Company to Florida Community Water Systems, Inc.*

FCWS's petition to waive Rule 25-30.445(6), F.A.C., for the limited purpose requested.² As a result, FCWS met the filing requirements of Rule 25-30.445, F.A.C.

Subsequent to the approval of the rule waiver, on April 17, 2023, FCWS filed revised schedules using 2022 operating revenues for the purpose of the revenue-neutral rate restructuring rather than 2021 operating revenues. Based on staff's earnings surveillance review of the 2021 Annual Report and the 2022 Annual Report, it was determined that the Black Bear, Brevard, Lakeside, and Harbor water systems were overearning. By letter dated May 18, 2023, FCWS proposed a refund for the disposition of the overearnings.³ Consistent with the proposed refund, the revised schedules reflected the removal of the overearnings.

In each of the system's last rate cases, before the consolidation into FCWS, the Commission found the overall quality of service to be satisfactory except for The Woods and Brevard. In its 2019 rate case, the Commission found The Woods' overall quality of service to be unsatisfactory for noncompliance with the Department of Environmental Protection's (DEP) lead and copper limits and ordered a penalty of a 100 basis point reduction to the authorized return on equity (ROE).⁴ The Woods was also ordered to engage with customers and the Office of Public Counsel (OPC) to work on improving the quality of its product. Additionally, The Woods was ordered to file status reports detailing the actions it took to meet the DEP's requirements and communications until DEP rescinded its additional monitoring. The Woods filed its required status reports and on August 31, 2021, notified the Commission that the utility was in compliance with DEP standards and was placed on triennial monitoring by DEP.⁵ While the Commission found Brevard's water product to be satisfactory, it found its water facilities to be marginal in its 2014 rate case due to excessive unaccounted for water.⁶ The Commission recognized that this was a known and ongoing issue that Brevard has attempted to address and ordered Brevard to explore solutions with OPC and the County. Thereafter, the parties conducted three customer meetings and discussed Brevard's proposed solution to replace its water distribution system. However, Brevard's customers objected to the replacement project and its potential rate impact. The Commission determined that the replacement project was not economically feasible.⁷ As stated above, Black Bear and Harbor have not had a rate case before the Commission, and therefore, have not previously had a quality of service determination.

Staff reviewed each system's customer complaint record from June 2018 through May 2023. There were four complaints filed with the Commission regarding secondary water quality standards, specifically cloudy water and low water pressure for The Woods, which were considered during its last rate case. The DEP also received one secondary water complaint for The Woods shortly after its last rate case was processed. The Woods installed several automatic flushers throughout

² Order No. PSC-2023-0113-PAA-WS, issued March 24, 2023, in the instant docket.

³ Document No. 03279-2023, dated May 18, 2023

⁴ Order No. PSC-2020-0087-PAA-WS, issued on March 25, 2020, in Docket No. 20190125-WS, *In re: Application for staff-assisted rate case in Sumter County by The Woods Utility.*

⁵ Document No. 09959-2021, dated August 31, 2021

⁶ Order No. PSC-15-0329-PAA-WU, issued August 14, 2015, in Docket No. 20140186-WU, *In re: Application for staff-assisted rate case in Brevard County by Brevard Waterworks, Inc.*

⁷ Order No. PSC-16-0421-PAA-WU, issued October 3, 2016, in Docket No. 20140186-WU, *In re: Application for staff-assisted rate case in Brevard County by Brevard Waterworks, Inc.*

Docket No. 20220201-WS

Date: July 20, 2023

The Woods' distribution system and a second high service pump in an effort to resolve these issues. The Woods passed its most recent DEP secondary water standard test on March 28, 2021.

DEP also received two secondary water complaints for Brendenwood regarding cloudy water in 2020. DEP determined that Brendenwood's cloudy water was attributed to trapped air in the system and was not harmful. Brendenwood passed its most recent DEP secondary water standard test on March 12, 2021. All other utility systems that make up FCWS system is passing DEP's secondary water standards.

A customer meeting was held virtually on June 20, 2023. No customers participated in the virtual meeting. One comment was filed in the docket file pertaining to water quality, which identified the water as being brown in color and the customer also reported low water pressure regarding The Woods.

This recommendation addresses the utility's proposed refunds for the disposition of overearnings and the request for a revenue-neutral uniform rate restructuring limited proceeding. The Commission has jurisdiction to consider this matter pursuant to Sections 367.0822 and 367.0816, Florida Statutes (F.S.).

Discussion of Issues

Issue 1: Should the Commission approve the refunds proposed by Florida Community Water Systems, Inc. to address overearnings?

Recommendation: Yes. FCWS should make the refunds outlined below. Pursuant to Rule 25-30.360, F.A.C., the refund should be made within 90 days of the Commission’s order. During the processing of the refund, monthly reports on the status of the refund should be made by the 20th of the following month. In addition, a preliminary report should be made within 30 days after the date the refund is completed and again 90 days thereafter. A final report should be made after all administrative aspects of the refund are completed.

| Former System Name | 2021 | | 2022 | |
|-------------------------|-----------|--------|-----------|-------|
| | \$ Amt | % | \$ Amt | % |
| Black Bear Water System | \$ 25,500 | 13.49% | \$ 4,720 | 3.08% |
| Brevard Water System | N/A | N/A | \$ 4,078 | 2.62% |
| Lakeside Water System | | | | |
| Water | N/A | N/A | \$ 8,456 | 9.79% |
| Wastewater | \$ 7,403 | 8.43% | \$ 5,564 | 6.30% |
| Harbor Water System | \$ 44,012 | 9.50% | \$ 23,041 | 4.92% |

(Norris)

Staff Analysis: Staff reviewed the 2021 Annual Reports filed in 2022 for each of the individual systems that comprise FCWS and identified systems that revealed possible overearnings. Over several months, staff requested and obtained updated data necessary to evaluate the utility’s financial position to evaluate the likelihood of continued overearnings, and to examine the level of operating revenues necessary to support ongoing utility operations. Staff’s analysis also incorporated the utility’s needs for continuing capital improvements and operating expenses. In consideration and timing of the instant docket, staff also included the review of the 2022 Annual Reports filed in 2023 for the consolidated FCWS systems in its final analysis.

FCWS proposed to make refunds to address possible overearnings by letter dated May 18, 2023.⁸ The utility styled its proposal as a settlement and stated that the Office of Public Counsel had expressed its agreement with the proposed refunds. Specifically, the utility agreed to make the refunds outlined below.

⁸ Document No. 03279-2023.

**Table 1-1
 Overearning Refunds**

| Former System Name | 2021 | | 2022 | |
|-------------------------|-----------|--------|-----------|-------|
| | \$ Amt | % | \$ Amt | % |
| Black Bear Water System | \$ 25,500 | 13.49% | \$ 4,720 | 3.08% |
| Brevard Water System | N/A | N/A | \$ 4,078 | 2.62% |
| Lakeside Water System | | | | |
| Water | N/A | N/A | \$ 8,456 | 9.79% |
| Wastewater | \$ 7,403 | 8.43% | \$ 5,564 | 6.30% |
| Harbor Water System | \$ 44,012 | 9.50% | \$ 23,041 | 4.92% |

Staff believes that FCWS’s proposal is a reasonable resolution because it would address the possible overearnings on a prospective basis as part of the revenue neutral rate restructuring addressed in Issue 2. Further, staff believes that it is in the public interest for the Commission to approve the refunds because it promotes administrative efficiency, avoiding the time and expense of a formal earnings investigation.

Staff notes that this recommendation is consistent with other Commission decisions regarding possible overearnings.⁹ Staff will continue to monitor the earnings of the utility, and if any subsequent overearnings are identified, staff may open a formal earnings investigation. Pursuant to Rule 25-30.360, F.A.C., the refund should be made within 90 days of the Commission’s order. During the processing of the refund, monthly reports on the status of the refund should be made by the 20th of the following month. In addition, a preliminary report should be made within 30 days after the date the refund is completed and again 90 days thereafter. A final report should be made after all administrative aspects of the refund are completed.

⁹ Order Nos. PSC-2015-0173-PAA-WS, issued May 5, 2015, in Docket No. 20150069, *In re: Settlement proposal for possible overearnings by Southlake Utilities, Inc. in Lake County*; PSC-11-0012-PAA-SU, issued January 4, 2011, in Docket No. 100446-SU, *In re: Settlement proposal for possible overearnings by Tierra Verde Utilities, Inc. in Pinellas County*; PSC-10-0680-PAA-SU, issued November 15, 2010 in Docket No. 100379-SU, *In re: Settlement proposal for possible overearnings by Mid-County Services, Inc. in Pinellas County*; and PSC-05-0956-PAA-SU, issued October 7, 2005, in Docket No. 050540-SU, *In re: Settlement offer for possible overearnings in Marion County by BFF Corp.*

Issue 2: Should Florida Community Water System's request for a revenue-neutral rate restructuring limited proceeding for uniform rates be approved?

Recommendation: Yes. The Commission should approve FCWS's request for a revenue-neutral rate restructuring limited proceeding for uniform rates. (Hudson, Bruce, Bethea)

Staff Analysis: FCWS indicated that the implementation of uniform rates would result in a more equitable disbursement of operating costs among the customers. FCWS believes it would be more efficient to have a uniform rate structure that would allow it to consolidate the accounting records and financial information into one set of books. In addition, according to the utility, the water rates for the Harbor system are extremely low, and compounded with the large size of the lots, creates an excessive amount of water use. The average residential demand for the Harbor system is approximately 28,000 gallons per month. The Harbor system is exceeding the permitted withdrawal limits of its consumptive use permit. FCWS has exhausted efforts in trying to implement water conserving measures for the Harbor system. The utility, with consolidated water rates, believes it would be able to implement rates that will promote conservation for the Harbor system.

In prior dockets, the Commission has approved rate consolidation because it encourages large utilities to acquire small utilities; recognizes economies of scale attributable to large utilities with respect to combined operations; results in cost savings associated with regulatory filings; and produces rate stability across all systems. In evaluating consolidated rates in prior decisions, the Commission has set a subsidy limit and evaluated the consolidated rates at the average residential demand for the individual systems.

The last subsidy limit was set by the Commission in 2017 at \$14.38 for water and wastewater.¹⁰ To put the \$14.38 subsidy limit in perspective, if the limit is indexed from 2017 through 2023, using the Commission-approved indexes,¹¹ it results in a subsidy limit of \$17.27 for the instant docket. In determining the average residential demand in the past, the Commission has removed an outlier that would skew the actual average residential demand.¹² The average water residential demand, excluding Harbor, is approximately 6,000 gallons. In this case, the Harbor water system's average residential demand is approximately 28,000 gallons a month. Therefore, it should be removed in determining the average residential demand for the subsidy analysis and the average water residential demand of approximately 6,000 gallons, excluding Harbor, should be used to evaluate subsidies for water. As reflected in Table 2-1, the Harbor system is the only system paying a subsidy for water using staff's recommended rates. The subsidy is below the subsidy limit of \$17.27.

¹⁰ Order No. PSC-2017-0361-FOF-WS, issued September 25, 2017, in Docket No. 20160101-WS, *In re: Application for increase in water and wastewater in Charlotte, Highlands, Lake, Lee, Marion, Orange, Pasco, Pinellas, Polk, and Seminole Counties by Utilities, Inc. of Florida*, p. 191.

¹¹ Order No. PSC-2022-0438-PAA-WS, issued December 27, 2022, in Docket No. 20220005-WS, *In re: Annual reestablishment of price increase or decrease index of major categories of operating costs incurred by water and wastewater utilities pursuant to Section 367.081(4)(a), F.S.*

¹² *Id.*

**Table 2-1
 Residential Water Bill Comparison
 Based on 6,000 Gallons a Month**

| System | Bill at Stand Alone Rate | Bill at Consolidated Rate | Subsidy Paid (Received) |
|---------------|---------------------------------|----------------------------------|--------------------------------|
| Black Bear | \$41.06 | \$26.21 | (\$14.85) |
| Brendenwood | \$32.35 | \$26.21 | (\$6.14) |
| Brevard | \$98.62 | \$26.21 | (\$72.41) |
| Harbor | \$17.61 | \$26.21 | \$8.60 |
| Jumper Creek | \$75.87 | \$26.21 | (\$49.66) |
| Lake Idlewild | \$38.98 | \$26.21 | (\$12.77) |
| Lakeside | \$56.86 | \$26.21 | (\$30.65) |
| Pine Harbor | \$52.51 | \$26.21 | (\$26.30) |
| Raintree | \$32.17 | \$26.21 | (\$5.96) |
| The Woods | \$79.51 | \$26.21 | (\$53.30) |

For wastewater, the Commission has evaluated the subsidies at the gallonage cap. FCWS proposed a gallonage cap of 6,000 gallons. Staff’s recommended wastewater rate structure for FCWS includes a gallonage cap of 6,000 gallons. As reflected in Table 2-2, Harbor and Lakeside are both paying subsidies. Both subsidies are below the subsidy limit of \$17.27.

**Table 2-2
 Residential Wastewater Bill Comparison
 Based on 6,000 Gallons a Month**

| System | Bill at Stand Alone Rate | Bill at Consolidated Rate | Subsidy Paid (Received) |
|---------------|---------------------------------|----------------------------------|--------------------------------|
| Harbor | \$64.87 | \$80.70 | \$15.83 |
| Jumper Creek | \$92.00 | \$80.70 | (\$11.30) |
| Lakeside | \$77.83 | \$80.70 | \$2.87 |
| The Woods | \$102.75 | \$80.70 | (\$22.05) |

Based on the above, the proposed consolidation of rates for both water and wastewater results in rates that are below the subsidy limit for each individual system, based on average usage. This is consistent with the Commission’s previous analysis methodology for similar dockets. As discussed previously, there are many benefits of rate consolidation. In addition, the consolidation would allow the Commission to better address the high usage at the Harbor system. As a result, the Commission should approve FCWS request for a revenue-neutral rate restructuring limited proceeding for uniform rates.

Issue 3: What is the appropriate revenue requirement for restructuring the rates?

Recommendation: The appropriate revenue requirement for restructuring the rates is \$1,216,076 for water and \$248,255 for wastewater. (Hudson, Bruce, Bethea)

Staff Analysis: In its application, FCWS requests the rate restructuring for uniform rates be revenue neutral. In its revised filing, the utility proposed to use the operating revenues that are currently being generated by the existing rates of each system less the 2022 operating revenues associated with overearning that were proposed for the refunds. In addition, FCWS requested rate case expense to cover the cost incurred in this proceeding.¹³

Subsequent to its revised filing, the utility was approved for price index rate adjustments for all 14 systems, effective June 3, 2023. In order to maintain the approved index rate adjustments, the operating revenues should be annualized using the rates effective June 3, 2023, and the 2022 billing data from the billing analysis. FCWS billing analyses are generated based on base facility charges.¹⁴ Therefore, when there is a rate change in a month, the prorated base facility charge shows up as two bills with a proration of usage for each in the billing analysis. The additional bills will overstate the operating revenues. The prorated usage will understate the operating revenues for the systems with tiered rates structures because the total usage would not be reflected in the appropriate tier. FCWS had a price indexed rate change in July of 2022. Staff adjusted the billing analyses to correct the issues that take place when there is a rate change during the month. Annualizing the operating revenues using the rates effective June 3, 2023, and the revised billing analysis resulted in operating revenues of \$1,252,002 for water and \$252,987 for wastewater.

The utility requested rate case expense to cover the filing fee, legal expenses, customer noticing, newspaper noticing, and travel expense to attend the Commission Conference. FCWS paid a filing fee of \$8,900. The utility also requested recovery of \$1,312 in legal expenses related to the rule waiver request. FCWS is required by Rule 25-22.0407, F.A.C., to mail notices of the case overview, final rates, and four-year rate reduction. Staff calculated noticing costs to be \$9,306. The utility calculated travel expense to the Commission Conference and back, as well as one night of lodging to be \$350. Staff has examined the requested expenses and supporting documentation and recommends total rate case expense of \$19,868 (\$8,900 + \$1,312 + \$9,306 + \$350). The recommended total rate case expense should be amortized over four years, which represents an annual expense of \$4,967 (\$19,868 / 4 Years). The annual expense grossed-up for regulatory assessments fees (RAFs) results in \$5,201 that should be recovered in rates. Based on the number of customers, the rate case expense should be allocated 84 percent or \$4,369 to water and 16 percent or \$832 to wastewater.¹⁵

The annualized 2022 operating revenues of \$1,252,002 for water and \$252,987 for wastewater should be increased by \$4,369 for water and \$832 for wastewater for the rate case expense. In addition, as mentioned in Issue 1, the total 2022 overearnings of \$40,295 for water and \$5,564 for wastewater should be removed. Based on the above, the appropriate revenue requirement for

¹³ Document No. 03373-2073, dated May 25, 2023

¹⁴ Document No. 03077-2023, dated May 4, 2023

¹⁵ There are 2,005 water customers and 390 wastewater customers for total of 2,395 customers. (water 2,005/2,395 = 84%; wastewater 390/2,395 = 16%)

restructuring the rates is \$1,216,076 ($\$1,252,002 + \$4,369 - \$40,295$) for water and \$248,255 ($\$252,987 + \$832 - \$5,564$) for wastewater.

Issue 4: What are the appropriate rate structures and rates for the water and wastewater systems?

Recommendation: The staff recommended rate structures and rates for the water and wastewater systems are shown on Schedule Nos. 1-A and 1-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 notices and the notices have been received by the customers. The utility should provide proof of the date notices were given within 10 days of the date of the notice. (Hudson, Bruce, Bethea)

Staff Analysis: For its consolidated water rates, FCWS proposed a rate structure which consists of recovering 40 percent of the operating revenues from the base facility charge (BFC) and a three-tier inclining block rate structure. The rate blocks are: (1) 0-4,000 gallons, (2) 4,001-10,000 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. For wastewater, the utility proposed a rate structure which consists of recovering 60 percent of the operating revenues from a uniform BFC for all residential meter sizes and a gallonage charge with a 6,000 gallon cap. For general service, FCWS proposed customers be billed a BFC by meter size and a gallonage charge that is 1.2 times higher than the residential gallonage charge.

Water Rates

FCWS provides water service to approximately 1,987 residential customers and 18 general service customers. A review of the consolidated billing data indicates that approximately 9 percent of the residential bills had zero gallons, which signifies a non-seasonal consolidated customer base. The average consolidated water demand, including Harbor, is 14,265 gallons per month. Staff performed an analysis of the utility's consolidated billing data 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.

Due to the water usage of Harbor, staff recommends that 30 percent of the water revenue be generated from the BFC rather than the utility's proposed 40 percent. The 30 percent BFC allocation 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 2.5; 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 4,000 gallons per month.¹⁶ Staff's review of the consolidated billing analysis indicates that the discretionary usage above 4,000 gallons represents 54 percent of the

¹⁶The overall average person per household was obtain from the average of the counties at the following websites:
<https://www.census.gov/quickfacts/fact/table/brevardcountyflorida/PST045222>;
<https://www.census.gov/quickfacts/fact/table/lakecountyflorida/PST045222>;
<https://www.census.gov/quickfacts/fact/table/sumtercountyflorida/PST045222>;

bills, which account for approximately 79 percent of the water demand. This is considered high discretionary usage for this customer base.

Staff recommends a BFC and a three-tier inclining block rate structure, which includes separate gallonage charges for non-discretionary and discretionary usage for residential water customers. The rate blocks are: (1) 0-4,000 gallons; (2) 4,001-10,000 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 60 percent of the usage, which is primarily the Harbor system. General service customers should be billed a BFC and a gallonage charge.

With the consolidation, approximately 79 percent of the total residential consumption is discretionary and, therefore, subject to the effects of repression. A repression adjustment quantifies changes in consumption patterns in response to an increase in price. Customers will typically reduce their discretionary consumption in response to price changes, while non-discretionary consumption remains relatively unresponsive to price changes. The residential consumption can be expected to decline by 91,406,000 gallons resulting in an anticipated average residential demand of 10,558 gallons per month. Staff recommends a 26 percent reduction in test year residential gallons for rate setting purposes. As a result, the corresponding reductions are \$21,172 for purchased power expense, \$4,466 for chemical expense, \$12,639 for purchased water, and \$1,804 for RAFs to reflect the anticipated repression, which results in a post-repression revenue requirement of \$1,175,994.

Wastewater

FCWS provides water service to approximately 385 residential customers and 5 general service customers. Staff reviewed the utility's consolidated billing data to evaluate various BFC cost recovery percentages and gallonage caps for the residential customers. The goal of the evaluation was to select the rate design parameters that: (1) produce the approved revenue requirement; (2) equitably distribute cost recovery among the utility's customers; and (3) implement a gallonage cap that considers approximately the amount of water that may return to the wastewater system.

Consistent with Commission practice, staff recommends 50 percent of the wastewater revenue be generated from the BFC due to the capital intensive nature of wastewater plants. FCWS proposed 60 percent of the wastewater revenue be generated from the BFC. A 60 percent allocation for the BFC would be more appropriate if there were seasonality. However, on a consolidated basis, there is no seasonality necessitating a need to ensure revenue stability with the higher allocation for the BFC.

Staff agrees with the wastewater gallonage cap of 6,000 for residential service proposed by the utility. Typically, monthly residential wastewater gallonage caps are set at 6,000, 8,000, or 10,000. The wastewater gallonage cap recognizes that not all water used by the residential customers is returned to the wastewater system. It is Commission practice to set the wastewater gallonage cap

at approximately 80 percent of residential water sold.¹⁷ Based on the review of the consolidated billing analysis, approximately 80 percent of the residential gallons are captured at the 24,000 gallon consumption level because of the high average water demand of the Harbor system. Staff believes the 6,000 gallonage cap is more appropriate as proposed by FCWS.

For wastewater, staff recommends, a uniform BFC for all residential meter sizes and a gallonage charge with a 6,000 gallon cap. General service should be billed a BFC by meter size and a gallonage charge that is 1.2 times higher than the residential gallonage charge.

In addition, based on the expected reduction in water demand described above, staff recommends that a repression adjustment also be made for wastewater. Because wastewater rates are calculated based on customers' water demand, if those customers' water demand is expected to decline, then the billing determinants used to calculate wastewater rates should also be adjusted. Based on the billing analysis for the wastewater system, staff recommends that a repression adjustment of 526,000 gallons to reflect the anticipated reduction in water demand be used to calculate wastewater rates. Staff recommends a 4.18 percent reduction in total residential consumption and corresponding reductions of \$231 for sludge removal, \$792 for purchased power, \$158 for chemicals, and \$53 for RAFs to reflect the anticipated repression, which results in a post repression revenue requirement of \$247,022.

The staff recommended rate structures and rates for the water and wastewater systems are shown on Schedule Nos. 1-A and 1-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 notices and the notices have been received by the customers. The utility should provide proof of the date notices were given within 10 days of the date of the notice.

¹⁷ Order No. PSC-2017-0459-PAA-WS, issued November 30, 2017, in Docket No. 20160176-WS, *In re: Application for staff-assisted rate case in Polk County by Four Lakes Golf Club, Ltd.*; Order No. PSC-2017-0361-FOF-WS, issued September 25, 2017, in Docket No. 20160101-WS, *In re: Application for increase in water and wastewater in Charlotte, Highlands, Lake, Lee, Marion, Orange, Pasco, Pinellas, Polk, and Seminole Counties by Utilities, Inc. of Florida*, p. 204.

Issue 5: What is the appropriate amount of rate case expense and what is the appropriate amount by which rates should be reduced four years after the published effective date to reflect the removal of the amortized rate case expense?

Recommendation: The appropriate amount of rate case expense is \$19,868. The total rate case expense should be amortized over four years, resulting in an annual expense of \$4,967. The rates should be reduced as shown on Schedule Nos. 1-A and 1-B, to remove rate case expense grossed-up for RAFs and amortized over a four-year period. In addition, for prior unamortized rate case expense, the rates should be reduced as shown on Schedule No. 2. 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. FCWS should be required to file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the reduction no later than one month prior to the actual date of the required rate reduction. If the utility files this reduction in conjunction with a price index or pass-through rate adjustment, the utility shall file separate data for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense. (Sewards, Hudson)

Staff Analysis: Section 367.081(8), F.S., requires that the rates be reduced immediately following the expiration of the recovery period by the amount of the rate case expense previously included in rates. The reduction will reflect the removal of revenue associated with the amortization of rate case expense and the gross-up for RAFs, as shown on Schedule Nos. 1-A and 1-B.

In addition, in prior dockets, The Woods and Brendenwood were allowed a four-year amortization period for rate case expense of \$226 and \$301, respectively. The amortization period has not expired. The amortization of prior rate case expense is set to expire on April 21, 2024, for The Woods and March 3, 2026, for Brendenwood. The dollar amount of the rate reductions at the end of the amortization period were defined in each system's respective order. The rate reductions were calculated based on the percentage of rate case expense to the revenue requirement and was applied to the Commission-approved rates. With the recommendation of consolidation, the prior amortization rate case expense is embedded in the consolidated rates. The amount of rate case expense for both The Woods and Brendenwood relative to the consolidated revenue requirement results in a lesser amount of rate reduction compared to the amount on a stand-alone basis. Using the rate reductions defined in the prior orders for The Woods and Brendenwood would result in more rate case expense being removed than appropriate. Therefore, staff has recalculated the amount of the reductions based on the recommended consolidation. The amount of the rate reductions should be applied to the consolidated rates, which will be applicable to all systems, at the end of the respective amortization period for The Woods and Brendenwood systems are shown on Schedule No. 2.

Staff recommends that the rates be reduced as shown on Schedule Nos. 1-A and 1-B, to remove rate case expense grossed-up for RAFs and amortized over a four-year period. In addition, for prior unamortized rate case expense, the rates should be reduced as shown on Schedule No. 2. The decrease in rates should become effective immediately following the expiration of the rate case expense recovery period, pursuant to Section 367.081(8), F.S. FCWS should be required to file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the

reduction no later than one month prior to the actual date of the required rate reduction. If the utility files this reduction in conjunction with a price index or pass-through rate adjustment, the utility shall file separate data for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense.

Issue 6: 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. This docket should remain open to allow staff to verify completion of the refund discussed in Issue 1. Furthermore, the docket should remain open for staff's verification that the revised tariff sheets and customer notices have been filed by the utility and approved by staff. Upon staff's approval of the tariff sheets and customer notices, along with staff's completion of the refund discussed in Issue 1, this docket should be closed administratively if no adjustments are necessary. (Thompson, Sandy)

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. This docket should remain open to allow staff to verify completion of the refund discussed in Issue 1. Furthermore, the docket should remain open for staff's verification that the revised tariff sheets and customer notices have been filed by the utility and approved by staff. Upon staff's approval of the tariff sheets and customer notices, along with staff's completion of the refund discussed in Issue 1, this docket should be closed administratively if no adjustments are necessary.

| BLACK BEAR WATERWORKS, INC. | | SCHEDULE NO. 1-A | | |
|--|--------------------------------------|---------------------------------------|--|--------------------------------------|
| TEST YEAR ENDED DECEMBER 31, 2022 | | DOCKET NO. 20220201-WS | | |
| MONTHLY WATER RATES | | | | |
| | Utility Current Rates | Utility Proposed Rates | Staff Recommended Rates | 4 Year Rate Reduction |
| Residential and General Service | | | | |
| Base Facility Charge by Meter Size | | | | |
| 5/8" x 3/4" | N/A | \$17.28 | \$13.19 | \$0.05 |
| 3/4" | N/A | \$25.91 | \$19.79 | \$0.08 |
| 1" | N/A | \$43.19 | \$32.98 | \$0.13 |
| 1-1/2" | N/A | \$86.38 | \$65.95 | \$0.25 |
| 2" | N/A | \$138.21 | \$105.52 | \$0.40 |
| 3" | N/A | \$276.42 | \$211.04 | \$0.80 |
| 4" | N/A | \$431.91 | \$329.75 | \$1.25 |
| 6" | N/A | \$860.97 | \$659.50 | \$2.50 |
| 8" | N/A | \$1,377.55 | \$1,055.20 | \$4.00 |
| 10" | N/A | N/A | \$1,516.85 | \$5.75 |
| All Meter Sizes - Residential and General Service | \$34.59 | N/A | N/A | N/A |
| Charge per 1,000 gallons - Residential and General Service | | | | |
| 0-5,000 Gallons | \$0.00 | N/A | N/A | N/A |
| 5,001 - 10,000 Gallons | \$6.47 | N/A | N/A | N/A |
| Over 10,000 Gallons | \$9.24 | N/A | N/A | N/A |
| Charge per 1,000 gallons - Residential | | | | |
| 0 - 4,000 Gallons | N/A | \$1.10 | \$1.86 | \$0.01 |
| 4,001 - 10,000 Gallons | N/A | \$1.65 | \$2.79 | \$0.01 |
| Over 10,000 Gallons | N/A | \$2.20 | \$3.72 | \$0.01 |
| Charge per 1,000 gallons - General Service | | | | |
| | N/A | \$2.98 | \$2.98 | \$0.01 |
| Typical Residential 5/8" x 3/4" Meter Bill Comparison | | | | |
| 4,000 Gallons | \$34.59 | \$21.68 | \$20.63 | |
| 6,000 Gallons | \$41.06 | \$24.98 | \$26.21 | |
| 8,000 Gallons | \$54.00 | \$28.28 | \$31.79 | |

| BRENDEWOOD WATERWORKS, INC. | | SCHEDULE NO. 1-A | | |
|--|--------------------------------------|---------------------------------------|--|--------------------------------------|
| TEST YEAR ENDED DECEMBER 31, 2022 | | DOCKET NO. 20220201-WS | | |
| MONTHLY WATER RATES | | | | |
| | Utility Current Rates | Utility Proposed Rates | Staff Recommended Rates | 4 Year Rate Reduction |
| Residential and General Service | | | | |
| Base Facility Charge by Meter Size | | | | |
| 5/8" x 3/4" | \$16.11 | \$17.28 | \$13.19 | \$0.05 |
| 3/4" | \$24.17 | \$25.91 | \$19.79 | \$0.08 |
| 1" | \$40.28 | \$43.19 | \$32.98 | \$0.20 |
| 1-1/2" | \$80.55 | \$86.38 | \$65.95 | \$0.25 |
| 2" | \$128.88 | \$138.21 | \$105.52 | \$0.40 |
| 3" | \$257.76 | \$276.42 | \$211.04 | \$0.80 |
| 4" | \$402.75 | \$431.91 | \$329.75 | \$1.25 |
| 6" | \$805.50 | \$863.81 | \$659.50 | \$2.50 |
| 8" | N/A | N/A | \$1,055.20 | \$4.00 |
| 10" | N/A | N/A | \$1,516.85 | \$5.75 |
| Charge per 1,000 gallons - Residential | | | | |
| 0-5,000 Gallons | \$2.60 | N/A | N/A | N/A |
| 5,001 - 10,000 Gallons | \$3.24 | N/A | N/A | N/A |
| Over 10,000 Gallons | \$5.84 | N/A | N/A | N/A |
| Charge per 1,000 gallons - Residential | | | | |
| 0 - 4,000 Gallons | N/A | \$1.10 | \$1.86 | \$0.01 |
| 4,001 - 10,000 Gallons | N/A | \$1.65 | \$2.79 | \$0.01 |
| Over 10,000 Gallons | N/A | \$2.20 | \$3.72 | \$0.01 |
| Charge per 1,000 gallons - General Service | | | | |
| | \$4.07 | \$3.16 | \$2.98 | \$0.01 |
| Typical Residential 5/8" x 3/4" Meter Bill Comparison | | | | |
| 4,000 Gallons | \$26.51 | \$21.68 | \$20.63 | |
| 6,000 Gallons | \$32.35 | \$24.98 | \$26.21 | |
| 8,000 Gallons | \$38.83 | \$28.28 | \$31.79 | |

| BREVARD WATERWORKS, INC. | | SCHEDULE NO. 1-A | | |
|--|--------------------------------------|---------------------------------------|--|--------------------------------------|
| TEST YEAR ENDED DECEMBER 31, 2022 | | DOCKET NO. 20220201-WS | | |
| MONTHLY WATER RATES | | | | |
| | Utility Current Rates | Utility Proposed Rates | Staff Recommended Rates | 4 Year Rate Reduction |
| Residential and General Service | | | | |
| Base Facility Charge by Meter Size | | | | |
| 5/8" x 3/4" | \$19.98 | \$17.28 | \$13.19 | \$0.05 |
| 3/4" | \$29.97 | \$25.91 | \$19.79 | \$0.08 |
| 1" | \$49.95 | \$43.19 | \$32.98 | \$0.13 |
| 1-1/2" | \$99.90 | \$86.38 | \$65.95 | \$0.25 |
| 2" | \$159.84 | \$138.21 | \$105.52 | \$0.40 |
| 3" | \$319.68 | \$276.42 | \$211.04 | \$0.80 |
| 4" | \$499.50 | \$431.91 | \$329.75 | \$1.25 |
| 6" | \$999.00 | \$863.81 | \$659.50 | \$2.50 |
| 8" | \$1,598.40 | \$1,382.10 | \$1,055.20 | \$4.00 |
| 10" | \$2,297.70 | \$1,986.76 | \$1,516.85 | \$5.75 |
| Charge per 1,000 gallons - Residential | | | | |
| 0-4,000 Gallons | \$11.26 | N/A | N/A | N/A |
| Over 4,000 Gallons | \$16.80 | N/A | N/A | N/A |
| Charge per 1,000 gallons - Residential | | | | |
| 0 - 4,000 Gallons | N/A | \$1.10 | \$1.86 | \$0.01 |
| 4,001 - 10,000 Gallons | N/A | \$1.65 | \$2.79 | \$0.01 |
| Over 10,000 Gallons | N/A | \$2.20 | \$3.72 | \$0.01 |
| Charge per 1,000 gallons - General Service | | | | |
| | \$12.25 | \$3.16 | \$2.98 | \$0.01 |
| Private Fire Protection | | | | |
| 2" | \$13.32 | \$11.52 | \$8.79 | \$0.03 |
| 3" | \$26.64 | \$23.03 | \$17.59 | \$0.07 |
| 4" | \$41.63 | \$35.99 | \$27.48 | \$0.10 |
| 6" | \$83.25 | \$71.98 | \$54.96 | \$0.21 |
| 8" | \$133.20 | \$115.17 | \$87.93 | \$0.33 |
| 10" | \$191.48 | \$165.56 | \$126.40 | \$0.48 |
| Typical Residential 5/8" x 3/4" Meter Bill Comparison | | | | |
| 4,000 Gallons | \$65.02 | \$21.68 | \$20.63 | |
| 6,000 Gallons | \$98.62 | \$24.98 | \$26.21 | |
| 8,000 Gallons | \$132.22 | \$28.28 | \$31.79 | |

| HARBOR WATERWORKS, INC. TEST YEAR ENDED DECEMBER 31, 2022 MONTHLY WATER RATES | | SCHEDULE NO. 1-A DOCKET NO. 20220201-WS | | |
|---|-----------------------------|--|-------------------------------|-----------------------------|
| | Utility Current Rates | Utility Proposed Rates | Staff Recommended Rates | 4 Year Rate Reduction |
| <u>Residential and General Service</u> | | | | |
| Base Facility Charge by Meter Size | | | | |
| 5/8" x 3/4" | \$9.51 | \$17.28 | \$13.19 | \$0.05 |
| 3/4" | \$14.27 | \$25.91 | \$19.79 | \$0.08 |
| 1" | \$23.78 | \$43.19 | \$32.98 | \$0.13 |
| 1-1/2" | \$47.55 | \$86.38 | \$65.95 | \$0.25 |
| 2" | \$76.08 | \$138.21 | \$105.52 | \$0.40 |
| 3" | \$152.16 | \$276.42 | \$211.04 | \$0.80 |
| 4" | \$237.75 | \$431.91 | \$329.75 | \$1.25 |
| 6" | \$475.50 | \$863.81 | \$659.50 | \$2.50 |
| 8" | N/A | \$1,382.10 | \$1,055.20 | \$4.00 |
| 10" | N/A | \$1,986.76 | \$1,516.85 | \$5.75 |
| Charge per 1,000 gallons - Residential and General Service | \$1.35 | N/A | N/A | N/A |
| Charge per 1,000 gallons - Residential | | | | |
| 0 - 4,000 Gallons | N/A | \$1.10 | \$1.86 | \$0.01 |
| 4,001 - 10,000 Gallons | N/A | \$1.65 | \$2.79 | \$0.01 |
| Over 10,000 Gallons | N/A | \$2.20 | \$3.72 | \$0.01 |
| Charge per 1,000 gallons - General Service | \$1.35 | \$3.16 | \$2.98 | \$0.01 |
| <u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u> | | | | |
| 4,000 Gallons | \$14.91 | \$21.68 | \$20.63 | |
| 6,000 Gallons | \$17.61 | \$24.98 | \$26.21 | |
| 8,000 Gallons | \$20.31 | \$28.28 | \$31.79 | |

| JUMPER CREEK UTILITY COMPANY | | SCHEDULE NO. 1-A | | |
|--|--------------------------------------|---------------------------------------|--|--------------------------------------|
| TEST YEAR ENDED DECEMBER 31, 2022 | | DOCKET NO. 20220201-WS | | |
| MONTHLY WATER RATES | | | | |
| | Utility Current Rates | Utility Proposed Rates | Staff Recommended Rates | 4 Year Rate Reduction |
| Residential and General Service | | | | |
| Base Facility Charge by Meter Size | | | | |
| 5/8" x 3/4" | \$23.55 | \$17.28 | \$13.19 | \$0.05 |
| 3/4" | \$35.33 | \$25.91 | \$19.79 | \$0.08 |
| 1" | \$58.88 | \$43.19 | \$32.98 | \$0.13 |
| 1-1/2" | \$117.75 | \$86.38 | \$65.95 | \$0.25 |
| 2" | \$188.40 | \$138.21 | \$105.52 | \$0.40 |
| 3" | \$376.80 | \$276.42 | \$211.04 | \$0.80 |
| 4" | \$588.75 | \$431.91 | \$329.75 | \$1.25 |
| 6" | \$1,177.50 | \$863.81 | \$659.50 | \$2.50 |
| 8" | \$1,884.00 | \$1,382.10 | \$1,055.20 | \$4.00 |
| 10" | N/A | \$1,986.76 | \$1,516.85 | \$5.75 |
| Charge per 1,000 gallons - Residential and General Service | \$8.72 | N/A | N/A | N/A |
| Charge per 1,000 gallons - Residential | | | | |
| 0 - 4,000 Gallons | N/A | \$1.10 | \$1.86 | \$0.01 |
| 4,001 - 10,000 Gallons | N/A | \$1.65 | \$2.79 | \$0.01 |
| Over 10,000 Gallons | N/A | \$2.20 | \$3.72 | \$0.01 |
| Charge per 1,000 gallons - General Service | \$8.72 | \$3.16 | \$2.98 | \$0.01 |
| Typical Residential 5/8" x 3/4" Meter Bill Comparison | | | | |
| 4,000 Gallons | \$58.43 | \$21.68 | \$20.63 | |
| 6,000 Gallons | \$75.87 | \$24.98 | \$26.21 | |
| 8,000 Gallons | \$93.31 | \$28.28 | \$31.79 | |

| LAKE IDLEWILD UTILITY COMPANY TEST YEAR ENDED DECEMBER 31, 2022 MONTHLY WATER RATES | | SCHEDULE NO. 1-A DOCKET NO. 20220201-WS | | |
|---|-----------------------------|--|-------------------------------|-----------------------------|
| | Utility Current Rates | Utility Proposed Rates | Staff Recommended Rates | 4 Year Rate Reduction |
| Residential and General Service | | | | |
| Base Facility Charge by Meter Size | | | | |
| 5/8" x 3/4" | \$21.04 | \$17.28 | \$13.19 | \$0.05 |
| 3/4" | \$31.56 | \$25.91 | \$19.79 | \$0.08 |
| 1" | \$52.60 | \$43.19 | \$32.98 | \$0.13 |
| 1-1/2" | \$105.20 | \$86.38 | \$65.95 | \$0.25 |
| 2" | \$168.32 | \$138.21 | \$105.52 | \$0.40 |
| 3" | \$336.64 | \$276.42 | \$211.04 | \$0.80 |
| 4" | \$526.00 | \$431.91 | \$329.75 | \$1.25 |
| 6" | \$1,052.00 | \$863.81 | \$659.50 | \$2.50 |
| 8" | N/A | N/A | \$1,055.20 | \$4.00 |
| 10" | N/A | N/A | \$1,516.85 | \$5.75 |
| Charge per 1,000 gallons - Residential | | | | |
| 0-3,000 Gallons | \$2.75 | N/A | N/A | N/A |
| Over 3,000 Gallons | \$3.23 | N/A | N/A | N/A |
| Charge per 1,000 gallons - Residential | | | | |
| 0 - 4,000 Gallons | N/A | \$1.10 | \$1.86 | \$0.01 |
| 4,001 - 10,000 Gallons | N/A | \$1.65 | \$2.79 | \$0.01 |
| Over 10,000 Gallons | N/A | \$2.20 | \$3.72 | \$0.01 |
| Charge per 1,000 gallons - General Service | \$3.16 | \$3.16 | \$2.98 | \$0.01 |
| Private Fire Protection | | | | |
| 2" | \$14.03 | \$11.52 | \$8.79 | \$0.03 |
| 3" | \$28.05 | \$23.03 | \$17.59 | \$0.07 |
| 4" | \$43.83 | \$35.99 | \$27.48 | \$0.10 |
| 6" | \$87.67 | \$71.98 | \$54.96 | \$0.21 |
| 8" | \$140.27 | \$115.17 | \$87.93 | \$0.33 |
| 10" | \$201.63 | \$165.56 | \$126.40 | \$0.48 |
| Typical Residential 5/8" x 3/4" Meter Bill Comparison | | | | |
| 4,000 Gallons | \$32.52 | \$21.68 | \$20.63 | |
| 6,000 Gallons | \$38.98 | \$24.98 | \$26.21 | |
| 8,000 Gallons | \$45.44 | \$28.28 | \$31.79 | |

| LAKESIDE WATERWORKS, INC. | | SCHEDULE NO. 1-A | | |
|--|--------------------------------------|---------------------------------------|--|--------------------------------------|
| TEST YEAR ENDED DECEMBER 31, 2022 | | DOCKET NO. 20220201-WS | | |
| MONTHLY WATER RATES | | | | |
| | Utility Current Rates | Utility Proposed Rates | Staff Recommended Rates | 4 Year Rate Reduction |
| Residential and General Service | | | | |
| Base Facility Charge by Meter Size | | | | |
| 5/8" x 3/4" | \$19.16 | \$17.28 | \$13.19 | \$0.05 |
| 3/4" | \$28.74 | \$25.91 | \$19.79 | \$0.08 |
| 1" | \$47.90 | \$43.19 | \$32.98 | \$0.13 |
| 1-1/2" | \$95.80 | \$86.38 | \$65.95 | \$0.25 |
| 2" | \$153.28 | \$138.21 | \$105.52 | \$0.40 |
| 3" | \$306.56 | \$276.42 | \$211.04 | \$0.80 |
| 4" | \$479.00 | \$431.91 | \$329.75 | \$1.25 |
| 6" | \$958.00 | \$863.81 | \$659.50 | \$2.50 |
| 8" | N/A | N/A | \$1,055.20 | \$4.00 |
| 10" | N/A | N/A | \$1,516.85 | \$5.75 |
| Charge per 1,000 gallons - Residential | | | | |
| 0 - 4,000 Gallons | \$5.77 | \$1.10 | \$1.86 | \$0.01 |
| 4,001 - 10,000 Gallons | \$7.31 | \$1.65 | \$2.79 | \$0.01 |
| Over 10,000 Gallons | \$12.81 | \$2.20 | \$3.72 | \$0.01 |
| Charge per 1,000 gallons - General Service | | | | |
| | \$7.55 | \$3.16 | \$2.98 | \$0.01 |
| Irrigation Service | | | | |
| Base Facility Charge by Meter Size | | | | |
| 0 - 4,000 Gallons | \$5.77 | \$1.10 | \$1.86 | \$0.01 |
| 4,001 - 10,000 Gallons | \$7.31 | \$1.65 | \$2.79 | \$0.01 |
| Over 10,000 Gallons | \$12.81 | \$2.20 | \$3.72 | \$0.01 |
| Private Fire Protection | | | | |
| 2" | \$12.77 | \$11.52 | \$8.79 | \$0.03 |
| 3" | \$25.55 | \$23.03 | \$17.59 | \$0.07 |
| 4" | \$39.92 | \$35.99 | \$27.48 | \$0.10 |
| 6" | \$79.83 | \$71.98 | \$54.96 | \$0.21 |
| 8" | N/A | \$115.17 | \$87.93 | \$0.33 |
| 10" | N/A | \$165.56 | \$126.40 | \$0.48 |
| Typical Residential 5/8" x 3/4" Meter Bill Comparison | | | | |
| 4,000 Gallons | \$42.24 | \$21.68 | \$20.63 | |
| 6,000 Gallons | \$56.86 | \$24.98 | \$26.21 | |
| 8,000 Gallons | \$71.48 | \$28.28 | \$31.79 | |

| PINE HARBOUR WATERWORKS, INC. | | SCHEDULE NO. 1-A | | |
|--|--------------------------------------|---------------------------------------|--|--------------------------------------|
| TEST YEAR ENDED DECEMBER 31, 2022 | | DOCKET NO. 20220201-WS | | |
| MONTHLY WATER RATES | | | | |
| | Utility Current Rates | Utility Proposed Rates | Staff Recommended Rates | 4 Year Rate Reduction |
| Residential and General Service | | | | |
| Base Facility Charge by Meter Size | | | | |
| 5/8" x 3/4" | \$19.33 | \$17.28 | \$13.19 | \$0.05 |
| 3/4" | \$29.00 | \$25.91 | \$19.79 | \$0.08 |
| 1" | \$48.33 | \$43.19 | \$32.98 | \$0.13 |
| 1-1/2" | \$96.65 | \$86.38 | \$65.95 | \$0.25 |
| 2" | \$154.64 | \$138.21 | \$105.52 | \$0.40 |
| 3" | \$309.28 | \$276.42 | \$211.04 | \$0.80 |
| 4" | \$483.25 | \$431.91 | \$329.75 | \$1.25 |
| 6" | N/A | N/A | \$659.50 | \$2.50 |
| 8" | N/A | N/A | \$1,055.20 | \$4.00 |
| 10" | N/A | N/A | \$1,516.85 | \$5.75 |
| Charge per 1,000 gallons - Residential | | | | |
| 0-4,000 Gallons | \$4.81 | N/A | N/A | N/A |
| Over 4,000 Gallons | \$6.97 | N/A | N/A | N/A |
| Charge per 1,000 gallons - Residential | | | | |
| 0 - 4,000 Gallons | N/A | \$1.10 | \$1.86 | \$0.01 |
| 4,001 - 10,000 Gallons | N/A | \$1.65 | \$2.79 | \$0.01 |
| Over 10,000 Gallons | N/A | \$2.20 | \$3.72 | \$0.01 |
| Charge per 1,000 gallons - General Service | | | | |
| | \$5.67 | \$3.16 | \$2.98 | \$1.00 |
| Private Fire Protection | | | | |
| 2" | \$12.89 | \$11.52 | \$8.79 | \$0.03 |
| 3" | \$25.77 | \$23.03 | \$17.59 | \$0.07 |
| 4" | \$40.27 | \$35.99 | \$27.48 | \$0.10 |
| 6" | N/A | \$71.98 | \$54.96 | \$0.21 |
| 8" | N/A | \$115.17 | \$87.93 | \$0.33 |
| 10" | N/A | \$165.56 | \$126.40 | \$0.48 |
| Typical Residential 5/8" x 3/4" Meter Bill Comparison | | | | |
| 4,000 Gallons | \$38.57 | \$21.68 | \$20.63 | |
| 6,000 Gallons | \$52.51 | \$24.98 | \$26.21 | |
| 8,000 Gallons | \$66.45 | \$28.28 | \$31.79 | |

| RAINTREE WATERWORKS, INC. | | SCHEDULE NO. 1-A | | |
|--|--------------------------------------|---------------------------------------|--|--------------------------------------|
| TEST YEAR ENDED DECEMBER 31, 2022 | | DOCKET NO. 20220201-WS | | |
| MONTHLY WATER RATES | | | | |
| | Utility Current Rates | Utility Proposed Rates | Staff Recommended Rates | 4 Year Rate Reduction |
| Residential and General Service | | | | |
| Base Facility Charge by Meter Size | | | | |
| 5/8" x 3/4" | \$18.46 | \$17.28 | \$13.19 | \$0.05 |
| 3/4" | \$27.69 | \$25.91 | \$19.79 | \$0.08 |
| 1" | \$46.15 | \$43.19 | \$32.98 | \$0.13 |
| 1-1/2" | \$92.30 | \$86.38 | \$65.95 | \$0.25 |
| 2" | \$147.68 | \$138.21 | \$105.52 | \$0.40 |
| 3" | \$295.36 | \$276.42 | \$211.04 | \$0.80 |
| 4" | \$461.50 | \$431.91 | \$329.75 | \$1.25 |
| 6" | \$923.00 | \$863.81 | \$659.50 | \$2.50 |
| 8" | N/A | N/A | \$1,055.20 | \$4.00 |
| 10" | N/A | N/A | \$1,516.85 | \$5.75 |
| Charge per 1,000 gallons - Residential | | | | |
| 0 - 3,000 Gallons | \$2.22 | N/A | N/A | N/A |
| 3,001 - 8,000 Gallons | \$2.35 | N/A | N/A | N/A |
| Over 8,000 Gallons | \$3.53 | N/A | N/A | N/A |
| Charge per 1,000 gallons - Residential | | | | |
| 0 - 4,000 Gallons | N/A | \$1.10 | \$1.86 | \$0.01 |
| 4,001 - 10,000 Gallons | N/A | \$1.65 | \$2.79 | \$0.01 |
| Over 10,000 Gallons | N/A | \$2.20 | \$3.72 | \$0.01 |
| Charge per 1,000 gallons - General Service | | | | |
| | \$2.90 | \$3.16 | \$2.98 | \$0.01 |
| Private Fire Protection | | | | |
| 2" | \$12.31 | \$11.52 | \$8.79 | \$0.03 |
| 3" | \$24.61 | \$23.03 | \$17.59 | \$0.07 |
| 4" | \$38.46 | \$35.99 | \$27.48 | \$0.10 |
| 6" | \$76.92 | \$71.98 | \$54.96 | \$0.21 |
| 8" | N/A | \$115.17 | \$87.93 | \$0.33 |
| 10" | N/A | \$165.56 | \$126.40 | \$0.48 |
| Typical Residential 5/8" x 3/4" Meter Bill Comparison | | | | |
| 4,000 Gallons | \$27.47 | \$21.68 | \$20.63 | |
| 6,000 Gallons | \$32.17 | \$24.98 | \$26.21 | |
| 8,000 Gallons | \$36.87 | \$28.28 | \$31.79 | |

| THE WOODS UTILITY COMPANY | | SCHEDULE NO. 1-A | | |
|---|-----------------------------|------------------------------|-------------------------------|-----------------------------|
| TEST YEAR ENDED DECEMBER 31, 2022 | | DOCKET NO. 20220201-WS | | |
| MONTHLY WATER RATES | | | | |
| | Utility Current Rates | Utility Proposed Rates | Staff Recommended Rates | 4 Year Rate Reduction |
| <u>Residential and General Service</u> | | | | |
| Base Facility Charge by Meter Size | | | | |
| 5/8" x 3/4" | \$26.47 | \$17.28 | \$13.19 | \$0.05 |
| 3/4" | \$39.71 | \$25.91 | \$19.79 | \$0.08 |
| 1" | \$66.18 | \$43.19 | \$32.98 | \$0.13 |
| 1-1/2" | \$132.35 | \$86.38 | \$65.95 | \$0.25 |
| 2" | \$211.76 | \$138.21 | \$105.52 | \$0.40 |
| 3" | \$423.52 | \$276.42 | \$211.04 | \$0.80 |
| 4" | \$661.75 | \$431.91 | \$329.75 | \$1.25 |
| 6" | \$1,323.50 | \$863.81 | \$659.50 | \$2.50 |
| 8" | \$2,117.60 | \$1,382.10 | \$1,055.20 | \$4.00 |
| 10" | \$3,044.05 | \$1,986.76 | \$1,516.85 | \$5.75 |
| Charge per 1,000 gallons - Residential | | | | |
| 0 - 6,000 Gallons | \$8.84 | N/A | N/A | N/A |
| 6,001 - 12,000 Gallons | \$13.25 | N/A | N/A | N/A |
| Over 12,000 Gallons | \$17.67 | N/A | N/A | N/A |
| Charge per 1,000 gallons - Residential | | | | |
| 0 - 4,000 Gallons | N/A | \$1.10 | \$1.86 | \$0.01 |
| 4,001 - 10,000 Gallons | N/A | \$1.65 | \$2.79 | \$0.01 |
| Over 10,000 Gallons | N/A | \$2.20 | \$3.72 | \$0.01 |
| Charge per 1,000 gallons - General Service | | | | |
| | \$10.06 | \$3.16 | \$2.98 | \$0.01 |
| <u>Private Fire Protection</u> | | | | |
| 2" | \$17.65 | \$11.52 | \$8.79 | \$0.03 |
| 3" | \$35.29 | \$23.03 | \$17.59 | \$0.07 |
| 4" | \$55.15 | \$35.99 | \$27.48 | \$0.10 |
| 6" | \$110.29 | \$71.98 | \$54.96 | \$0.21 |
| 8" | \$176.47 | \$115.17 | \$87.93 | \$0.33 |
| 10" | \$253.67 | \$165.56 | \$126.40 | \$0.48 |
| <u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u> | | | | |
| 4,000 Gallons | \$61.83 | \$21.68 | \$20.63 | |
| 6,000 Gallons | \$79.51 | \$24.98 | \$26.21 | |
| 8,000 Gallons | \$106.01 | \$28.28 | \$31.79 | |

| HARBOR WATERWORKS, INC. TEST YEAR ENDED DECEMBER 31, 2022 MONTHLY WASTEWATER RATES | | SCHEDULE NO. 1-B DOCKET NO. 20220201-WS | | |
|--|-----------------------------|--|-------------------------------|-----------------------------|
| | Utility Current Rates | Utility Proposed Rates | Staff Recommended Rates | 4 Year Rate Reduction |
| Residential Service | | | | |
| All Meter Sizes | \$32.83 | \$28.26 | \$24.30 | \$0.08 |
| Charge per 1,000 gallons - Residential 6,000 gallonage cap | \$5.34 | \$6.83 | \$9.40 | \$0.03 |
| Base Facility Charge by Meter Size | | | | |
| 5/8" x 3/4" | \$32.83 | \$28.26 | \$24.30 | \$0.08 |
| 3/4" | \$49.25 | \$42.40 | \$36.45 | \$0.12 |
| 1" | \$82.08 | \$70.66 | \$60.75 | \$0.20 |
| 1-1/2" | \$164.15 | \$141.32 | \$121.50 | \$0.40 |
| 2" | \$262.64 | \$226.12 | \$194.40 | \$0.64 |
| 3" | \$525.28 | \$452.24 | \$388.80 | \$1.28 |
| 4" | \$820.75 | \$706.62 | \$607.50 | \$2.00 |
| 6" | \$1,641.50 | \$1,413.24 | \$1,215.00 | \$4.00 |
| 8" | N/A | N/A | \$1,944.00 | \$6.40 |
| 10" | N/A | N/A | \$2,794.50 | \$9.20 |
| Charge per 1,000 gallons - General Service | \$6.42 | \$8.20 | \$11.28 | \$0.04 |
| Typical Residential 5/8" x 3/4" Meter Bill Comparison | | | | |
| 4,000 Gallons | \$54.19 | \$55.58 | \$61.90 | |
| 6,000 Gallons | \$64.87 | \$69.24 | \$80.70 | |
| 8,000 Gallons | \$64.87 | \$69.24 | \$80.70 | |

| JUMPER CREEK UTILITY COMPANY TEST YEAR ENDED DECEMBER 31, 2022 MONTHLY WASTEWATER RATES | | | SCHEDULE NO. 1-B DOCKET NO. 20220201-WS | |
|---|-----------------------------|------------------------------|--|-----------------------------|
| | Utility Current Rates | Utility Proposed Rates | Staff Recommended Rates | 4 Year Rate Reduction |
| Residential Service | | | | |
| All Meter Sizes | \$36.92 | \$28.26 | \$24.30 | \$0.08 |
| Charge per 1,000 gallons - Residential 6,000 gallonage cap | \$9.18 | \$6.83 | \$9.40 | \$0.03 |
| Base Facility Charge by Meter Size | | | | |
| 5/8" x 3/4" | \$36.92 | \$28.26 | \$24.30 | \$0.08 |
| 3/4" | \$55.38 | \$42.40 | \$36.45 | \$0.12 |
| 1" | \$92.30 | \$70.66 | \$60.75 | \$0.20 |
| 1-1/2" | \$184.60 | \$141.32 | \$121.50 | \$0.40 |
| 2" | \$295.36 | \$226.12 | \$194.40 | \$0.64 |
| 3" | \$590.72 | \$452.24 | \$388.80 | \$1.28 |
| 4" | \$923.00 | \$706.62 | \$607.50 | \$2.00 |
| 6" | \$1,846.00 | \$1,413.24 | \$1,215.00 | \$4.00 |
| 8" | \$2,953.60 | \$2,261.18 | \$1,944.00 | \$6.40 |
| 10" | N/A | N/A | \$2,794.50 | \$9.20 |
| Charge per 1,000 gallons - General Service | \$11.02 | \$8.20 | \$11.28 | \$0.04 |
| Typical Residential 5/8" x 3/4" Meter Bill Comparison | | | | |
| 4,000 Gallons | \$64.46 | \$55.58 | \$61.90 | |
| 6,000 Gallons | \$92.00 | \$69.24 | \$80.70 | |
| 8,000 Gallons | \$92.00 | \$69.24 | \$80.70 | |

| LAKESIDE WATERWORKS, INC. | | SCHEDULE NO. 1-B | | |
|---|--------------------------------------|---------------------------------------|--|--------------------------------------|
| TEST YEAR ENDED DECEMBER 31, 2022 | | DOCKET NO. 20220201-WS | | |
| MONTHLY WASTEWATER RATES | | | | |
| | Utility Current Rates | Utility Proposed Rates | Staff Recommended Rates | 4 Year Rate Reduction |
| <u>Residential Service</u> | | | | |
| All Meter Sizes | \$19.57 | \$28.26 | \$24.30 | \$0.08 |
| Charge per 1,000 gallons - Residential 6,000 gallonage cap | \$9.71 | \$6.83 | \$9.40 | \$0.03 |
| <u>General Service</u> | | | | |
| Base Facility Charge by Meter Size | | | | |
| 5/8" x 3/4" | \$19.57 | \$28.26 | \$24.30 | \$0.08 |
| 3/4" | \$29.36 | \$42.40 | \$36.45 | \$0.12 |
| 1" | \$48.93 | \$70.66 | \$60.75 | \$0.20 |
| 1-1/2" | \$97.85 | \$141.32 | \$121.50 | \$0.40 |
| 2" | \$156.56 | \$226.12 | \$194.40 | \$0.64 |
| 3" | \$313.12 | \$452.24 | \$388.80 | \$1.28 |
| 4" | \$489.25 | \$706.62 | \$607.50 | \$2.00 |
| 6" | \$978.50 | \$1,413.00 | \$1,215.00 | \$4.00 |
| 8" | N/A | N/A | \$1,944.00 | \$6.40 |
| 10" | N/A | N/A | \$2,794.50 | \$9.20 |
| Charge per 1,000 gallons - General Service | \$11.65 | \$8.20 | \$11.28 | \$0.04 |
| <u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u> | | | | |
| 4,000 Gallons | \$58.41 | \$55.58 | \$61.90 | |
| 6,000 Gallons | \$77.83 | \$69.24 | \$80.70 | |
| 8,000 Gallons | \$77.83 | \$69.24 | \$80.70 | |

| THE WOODS UTILITY COMPANY TEST YEAR ENDED DECEMBER 31, 2022 MONTHLY WASTEWATER RATES | | SCHEDULE NO. 1-B DOCKET NO. 20220201-WS | | |
|--|-----------------------------|--|-------------------------------|-----------------------------|
| | Utility Current Rates | Utility Proposed Rates | Staff Recommended Rates | 4 Year Rate Reduction |
| <u>Residential Service</u> | | | | |
| All Meter Sizes | \$42.45 | \$28.26 | \$24.30 | \$0.08 |
| Charge per 1,000 gallons - Residential 6,000 gallonage cap | \$10.05 | \$6.83 | \$9.40 | \$0.03 |
| <u>General Service</u> | | | | |
| Base Facility Charge by Meter Size | | | | |
| 5/8" x 3/4" | \$42.45 | \$28.26 | \$24.30 | \$0.08 |
| 3/4" | \$66.68 | \$42.40 | \$36.45 | \$0.12 |
| 1" | \$106.13 | \$70.66 | \$60.75 | \$0.20 |
| 1-1/2" | \$212.25 | \$141.32 | \$121.50 | \$0.40 |
| 2" | \$339.60 | \$226.12 | \$194.40 | \$0.64 |
| 3" | \$679.20 | \$452.24 | \$388.80 | \$1.28 |
| 4" | \$1,061.25 | \$706.62 | \$607.50 | \$2.00 |
| 6" | \$2,122.50 | \$1,413.00 | \$1,215.00 | \$4.00 |
| 8" | \$3,396.00 | \$2,260.80 | \$1,944.00 | \$6.40 |
| 10" | \$4,881.75 | \$3,249.90 | \$2,794.50 | \$9.20 |
| Charge per 1,000 gallons - General Service | \$12.08 | \$8.20 | \$11.28 | \$0.04 |
| <u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u> | | | | |
| 4,000 Gallons | \$82.65 | \$55.58 | \$61.90 | |
| 6,000 Gallons | \$102.75 | \$69.24 | \$80.70 | |
| 8,000 Gallons | \$102.75 | \$69.24 | \$80.70 | |

| SCHEDULE NO. 2 | | | |
|---|--|---|--|
| DOCKET NO. 20220201-WS | | | |
| UNAMORTIZED RATE CASE EXPENSE | | | |
| | Staff Recommended Rates | The Woods Rate Reduction 4/24/2024 | Brendenwood Rate Reduction 3/3/2026 |
| <u>Residential and General Service</u> | | | |
| Base Facility Charge by Meter Size | | | |
| 5/8" x 3/4" | \$13.19 | \$0.00 | \$0.00 |
| 3/4" | \$19.79 | \$0.00 | \$0.01 |
| 1" | \$32.98 | \$0.01 | \$0.01 |
| 1-1/2" | \$65.95 | \$0.01 | \$0.02 |
| 2" | \$105.52 | \$0.02 | \$0.03 |
| 3" | \$211.04 | \$0.04 | \$0.05 |
| 4" | \$329.75 | \$0.06 | \$0.08 |
| 6" | \$659.50 | \$0.13 | \$0.17 |
| 8" | \$1,055.20 | \$0.20 | \$0.27 |
| 10" | \$1,516.85 | \$0.29 | \$0.39 |
| Charge per 1,000 gallons - Residential | | | |
| 0 - 4,000 Gallons | \$1.86 | \$0.00 | \$0.00 |
| 4,001 - 10,000 Gallons | \$2.79 | \$0.00 | \$0.00 |
| Over 10,000 Gallons | \$3.72 | \$0.00 | \$0.00 |
| Charge per 1,000 gallons - General Service | | | |
| | \$2.98 | \$0.00 | \$0.00 |
| <u>Private Fire Protection</u> | | | |
| 2" | \$8.79 | \$0.00 | \$0.00 |
| 3" | \$17.59 | \$0.00 | \$0.00 |
| 4" | \$27.48 | \$0.01 | \$0.01 |
| 6" | \$54.96 | \$0.01 | \$0.01 |
| 8" | \$87.93 | \$0.02 | \$0.02 |
| 10" | \$126.40 | \$0.02 | \$0.03 |

Note: The rate reductions shown above should be applied to the consolidated water rates applicable to all water customers.