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Commission Conference Agenda
July 1, 2025

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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: June 19, 2025

TO: Office of Commission Clerk (Teitzman)

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

RE: Docket No. 20250062-TP – Commission approval of Florida Telecommunications Relay, Inc.'s fiscal year 2025/2026 proposed budget.

AGENDA: 07/01/25 – Regular Agenda – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Clark

CRITICAL DATES: None

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

Case Background

The Telecommunications Access System Act of 1991 (TASA) established a statewide telecommunications relay system. TASA provides that the Florida Public Service Commission (Commission) shall establish, implement, promote, and oversee the administration of the statewide telecommunications access system to provide access to telecommunications relay services by persons who are deaf, hard of hearing, or speech impaired. TASA provides for the purchase and distribution of specialized telecommunications devices as defined in Chapter 427, Florida Statutes (F.S.). In addition, Chapter 427, F.S. requires that the system provide telecommunications service for deaf or hard of hearing persons that is functionally equivalent to the service provided to hearing persons.

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

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

FTRI, as the TASA Administrator, is funded through the TRS surcharge. Only local exchange telecommunications companies are required to collect and remit this surcharge to FTRI. The Commission has changed the surcharge since its establishment by TASA to meet FTRI's budgetary needs. The monthly surcharge is currently \$0.08 per access line, for up to 25 lines per customer.

As part of its oversight responsibilities of the telecommunications access system, the Commission reviews and approves a budget submitted by FTRI on an annual basis. On April 10, 2025, FTRI submitted its Fiscal Year 2025/2026 budget for the Commission's consideration, which is included as Attachment A. FTRI provided a comparison of its proposed budget to the Commission-approved 2024/2025 budget, as well as its estimated revenue and expenses for the current fiscal year. FTRI estimated its revenue and expenses based on actual data from the first two quarters and estimated data for the remainder of the year. On April 28, 2025, FTRI filed third quarter financial information. With this updated information, staff formulated its own estimated expenses for Fiscal Year 2024/2025, which is reflected in Attachment B.

This recommendation addresses FTRI's proposed budget and recommended TRS surcharge for Fiscal Year 2025/2026. The TRS surcharge is the only rate the Commission establishes for telecommunications companies. The Commission is vested with jurisdiction pursuant to Chapter 427, F.S.

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Discussion of Issues

Issue 1: Should the Commission approve FTRI's proposed Fiscal Year 2025/2026 budget as presented in Attachment A?

Recommendation: No. Staff recommends the Commission modify FTRI's proposed budget expenses of \$4,097,190 to decrease TRS provider expense by \$409,796, decrease Legal expense by \$22,661, and increase VCP Speech Impaired expense by \$2,000. Staff recommends the Commission approve a total budget expense of \$3,666,733 for Fiscal Year 2025/2026, effective upon issuance of the consummating order. Staff recommends the Commission allow FTRI to transfer \$897,011 from the Reserve Account to offset staff's projected revenue shortfall. (Williams, Fogleman, Imig, Harper)

Staff Analysis:

Traditional Telecommunications Relay Service

Traditional TRS cost as approved in the T-Mobile contract is currently \$2.58 per session minute. T-Mobile initially forecasted 626,389 minutes of traditional TRS for Fiscal Year 2025/2026. T-Mobile performed additional analysis after its initial submission, and submitted a revised forecast projecting 467,554 minutes of use.

Based on continued advancements in technology and the expansion of consumer choice, it is anticipated that declines in minutes of use will continue. It has been observed that traditional TRS users are transitioning to the following services:

- IP Relay
- VRS
- IP CTS
- Wireless Service

Florida Telecommunications Relay, Inc. Budget

Attachment A reflects FTRI's Fiscal Year 2025/2026 proposed budget filed with the Commission, which was reviewed and adopted by FTRI's Board of Directors. FTRI proposed maintaining the current \$.08 surcharge per access line, which would result in total surcharge revenue of \$1,938,584. FTRI projected \$831,138 in interest income during Fiscal Year 2025/2026 through investments in its Investment Trust Money Market account and 3-month T-bills. As a result, FTRI's total operating revenue was estimated to be \$2,769,722. FTRI's proposed budget projected total expenses of \$4,097,190. Based on FTRI's projected revenue and expenses, it would need to transfer \$1,327,468 from the Reserve Account to offset the shortfall. FTRI has a Reserve Account of approximately \$20 million.

As explained above, T-Mobile initially forecasted 626,389 minutes of traditional TRS. FTRI's proposed TRS provider expense was developed using T-Mobile's initial forecast at \$2.58 per minute, resulting in TRS provider expense of \$1,616,085. T-Mobile's revised forecast was

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submitted after FTRI filed its proposed budget. Staff's budget adjustment for TRS provider expense is discussed in the analysis section of the recommendation.

Analysis

The two primary factors contributing to FTRI's proposed budget shortfall are continued declines in access lines, upon which the surcharge is assessed, and the increase in the TRS per minute rate from \$1.60 to \$2.58. Proposed surcharge revenue is projected to decline by \$411,058 compared to last year's approved budget as a result of continued declines in access lines. Staff made an adjustment to FTRI's proposed TRS provider expense based on T-Mobile's revised minutes of use forecast filed after FTRI's budget submission. Staff's recommended TRS provider expense is \$1,206,289, calculated by applying T-Mobile's revised forecast of 467,554 minutes at \$2.58 per minute.

Staff developed an estimate of FTRI's expenses for Fiscal Year 2024/2025, which is presented in Attachment B. Staff used actual data from the first three quarters and took an average of those three quarters to estimate the fourth. Staff's estimates were then used as one element in evaluating FTRI's proposed budget, along with analyzing past Commission-approved FTRI budgets to identify and evaluate ongoing cost reduction measures.

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

Category I – Relay Services

Category I captures TRS provider expenses for traditional TRS currently provided by T-Mobile. The Commission and FTRI have historically used the TRS provider's minutes of use forecast to develop the budget for this category.

T-Mobile explained that its initial modeling may have been impacted by a temporary spike in calls from November 2024 through February 2025, associated with the healthcare open enrollment period. After the four-month spike, T-Mobile has seen a steep decline that will affect the forecast going forward. Staff compared historical actual minutes of use to T-Mobile's forecasts, and found T-Mobile's revised forecast to be reasonable. For comparison, the Commission-approved budget for the current fiscal year forecasted 487,992 minutes of traditional TRS.

Staff recommends using T-Mobile's revised forecast of 467,554 minutes to calculate the TRS provider expense. At the contracted rate of \$2.58 per minute, the resulting TRS provider expense is \$1,206,289. This represents a reduction of \$409,796 from FTRI's proposed budget.

Category II – Equipment & Repairs

Category II expenses reflect the purchase of equipment to be distributed to clients and the repairs that FTRI must make to keep the equipment in working order. FTRI requested \$475,309 for Fiscal Year 2025/2026. FTRI's proposed budget represents a \$10,155 increase in expense from the current Commission-approved budget. The proposed increase is consistent with FTRI's strategy to replace legacy equipment with more advanced devices.

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FTRI requested, and the Commission approved, a pilot program for the XLC8 GLT Deluxe in its Fiscal Year 2024/2025 budget. The XLC8 GLT Deluxe replaces the legacy XLC8, which is a device associated with traditional CapTel service. The XLC8 GLT Deluxe includes a large captioning screen that only works with landlines and allows the customer to view larger captions on the screen via an installed application. The unit cost is \$565 new and \$45 refurbished. FTRI noted that the pilot program caption call equipment was met with positive demand from clients. As a result, FTRI is proposing to transition the XLC8 GLT Deluxe from a pilot program to fully supported equipment. FTRI has proposed \$113,000 for Fiscal Year 2025/2026.

This year, FTRI is also requesting approval of a pilot program for Volume Control Phone (VCP) Speech Impaired equipment. The pilot was proposed by FTRI in its Fiscal year 2023/2024 proposed budget, but was not approved by the Commission because the proposed devices required a wireless internet connection. FTRI's current budget request is for specially designed tablets that require landline-based technology to function.

The unit cost is \$1,380 new and \$95 refurbished. FTRI is requesting budget approval to purchase up to 20 new devices. FTRI explained that the actual number needed cannot be determined because it has not advertised this equipment and has not displayed it at outreach events. FTRI requested \$25,600 in its initial proposed budget, but corrected the amount in response to a staff inquiry to reflect \$27,600 (20 devices at \$1,380). FTRI also stated that it has already issued one unit to a client in 2025. Staff believes FTRI should have consulted with staff prior to distributing this equipment given that the 2023/2024 VCP Speech Impaired pilot proposal was denied.

FTRI explained that refurbished devices are used devices that were previously purchased by FTRI and have been returned. FTRI stated that it aims to purchase new devices to distribute to clients and distribute refurbished devices only if new devices are out of stock. Staff recommends that the Commission direct FTRI to distribute refurbished equipment in stock prior to ordering new equipment as a cost saving measure.

The requested increased expense associated with the XLC8 GLT Deluxe and VCP Speech Impaired equipment is being offset by decreases in other equipment categories with declining demand. Requested expense for VCP Hearing Impaired equipment and In-Line Amplifier equipment are both lower than the current fiscal year approved budget expense.

Staff notes that the Legislature passed a bill during the 2025 Session that revises TASA, allowing for the distribution of more modern equipment, but at the time of writing that bill has not been sent to the Governor for signature. FTRI stated that if CS/CS/SB 344 becomes law, its planned expenditures for the XLC8 GLT Deluxe and VCP Speech Impaired devices will not need to be modified. However, FTRI noted that it may seek a budget amendment to address potential costs related to purchasing and distributing wireless equipment.

Staff recommends approval of \$477,309 for equipment and repairs expense.

Category III – Equipment Distribution & Training

Category III reflects the cost of distributing equipment throughout the state and the training of consumers in the use of that equipment. FTRI's proposed budget requests \$188,565 for

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distribution and training, which reflects a \$73,435 decrease from the current Commission-approved budget.

Expenses related to Regional Distribution Centers (RDCs) are the largest component of Category III expenses. FTRI's proposed budget for RDCs is \$145,940, which is \$54,060 lower than the current Commission-approved budget.

Staff recommends approval of FTRI's proposed budget for Category III expenses of \$188,565.

Category IV – Outreach

Outreach efforts are designed to promote FTRI's equipment distribution services and to raise awareness about TRS. FTRI's proposed Fiscal Year 2025/2026 Outreach budget increases this expense by \$54,975.

Factors contributing to the increase in Outreach Expense include the hiring of a second Outreach Specialist, associated travel expenses, and advertising vendor price increases. FTRI employs various forms of communication in its outreach strategy. FTRI plans to expand outreach efforts, including continued advertising in newspapers using free-standing insert ads (flyers), social media, and television.

Staff recommends approval of FTRI's proposed budget for Category IV expenses.

Category V – General & Administrative

Category V reflects expenses associated with FTRI's operations, such as office and furnishings, employee compensation, contracted services (auditors, attorney and computer consultants), computers, and other operating expenses. FTRI is proposing \$1,182,950 for Fiscal Year 2025/2026, which represents a \$124,495 increase in Category V expense from the current Commission-approved budget. Factors contributing to the increase include legal, computer consultation, and employee compensation expenses.

FTRI's Fiscal Year 2024/2025 Commission approved budget for Legal expense was \$20,000. Subsequently, after consultation with Commission staff, FTRI hired a lobbyist for the 2025 legislative session in support of CS/CS/SB 344. As a result, FTRI's Fiscal Year 2024/2025 estimated Legal expense is \$49,061. Fiscal Year 2025/2026 proposed Legal expense is \$56,652, which includes the lobbying services, along with projected increases in billable hours for RDC contract negotiations, vendor contracts, and personnel expense.

The current lobbying agreement/contract ends on July 31, 2025. FTRI acknowledged that if relay reform legislation passes, there is no need to extend the lobbying contract. FTRI explained that forty percent of the Legal expense is associated with lobbying. This equates to \$22,661 based on FTRI's \$56,652 budget request. Staff does not believe there is a need to approve lobbying expenses for Fiscal Year 2025/2026, but notes that FTRI continues to have flexibility to move funds within budget categories if needed, as was done to hire lobbyists for the recent Legislative Session.

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Computer Consultation expense shows a \$24,113 increase over FTRI's Fiscal Year 2024/2025 estimate. The increase is associated with redesigning its website, technical support, network administration, and desktop troubleshooting. FTRI stated that the last significant redesign of its website was in 2016. FTRI also stated that the website is currently not designed to render consistently across all browsers, incompatible with most mobile device browsers, and does not satisfy basic accessibility requirements. Staff believes these expenses are reasonable.

Staff recommends reducing Legal expense by \$22,661 associated with lobbying services, and approval of \$1,160,289 for FTRI's Category V expenses.

Revenue Shortfall

If staff's recommended adjustments are approved, FTRI's Fiscal Year 2025/2026 budget will have a shortfall of \$897,011. Without staff's adjustments, FTRI's proposed budget presents a shortfall of \$1,327,468. As the Commission has approved in recent years, staff believes it is appropriate to draw upon the Reserve Account to cover the shortfall. FTRI's Reserve Account is approximately \$20 million.

Conclusion

Staff recommends the Commission modify FTRI's proposed budget expenses of \$4,097,190 to decrease TRS provider expense by \$409,796, decrease Legal expense by \$22,661, and increase VCP Speech Impaired expense by \$2,000. Staff recommends the Commission approve a total budget expense of \$3,666,733 for Fiscal Year 2025/2026, effective upon issuance of the consummating order. Staff recommends the Commission allow FTRI to transfer \$897,011 from the Reserve Account to offset staff's projected revenue shortfall. (Williams, Fogleman, Imig, Harper)

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Issue 2: Should the Commission maintain the current Telecommunications Relay Service (TRS) surcharge of \$0.08 per line, per month for Fiscal Year 2025/2026?

Recommendation: Yes. Staff recommends the Commission maintain the current TRS surcharge of \$0.08 per line, per month for Fiscal Year 2025/2026. Staff recommends the Commission order all local exchange companies to continue billing the \$0.08 TRS surcharge for Fiscal Year 2025/2026. (Williams, Fogleman, Imig, Harper)

Staff Analysis: FTRI has not requested a change in the TRS surcharge. Staff believes the current TRS surcharge of \$0.08 per line, per month is reasonable given the size of the Reserve Account identified in Issue 1.

Conclusion

Staff recommends the Commission maintain the current TRS surcharge of \$0.08 per line, per month for Fiscal Year 2025/2026. Staff recommends the Commission order all local exchange companies to continue billing the \$0.08 TRS surcharge for Fiscal Year 2025/2026.

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Issue 3: Should this docket be closed?

Recommendation: If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, this docket should be closed upon the issuance of a consummating order. (Imig, Harper)

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

Florida Telecommunications Relay, Inc.
Fiscal Year 2025/2026 Budget at 8 cents surcharge

	2024/2025 APPROVED BUDGET	2024/2025 ESTIMATED REV & EXPEND	2025/2026 BUDGET	Estimated to Budget VARIANCE 2024/2025 2025/2026	Budget to Budget VARIANCE 2024/2025 2025/2026
OPERATING REVENUE					
1 Surcharges	2,349,642	2,178,184	1,938,584	(239,600)	(411,058)
2 Interest Income	1,099,754	822,293	831,138	8,845	(268,616)
TOTAL OPERATING REVENUE	3,449,396	3,000,477	2,769,722	(230,755)	(679,674)
OTHER REVENUE/FUNDS					
3 Reserve Funds	20,175,809	20,288,776	20,222,848	(65,928)	47,039
TOTAL REVENUE	23,625,205	23,289,253	22,992,570	(296,683)	(632,635)
OPERATING EXPENSES					
CATEGORY I - RELAY SERVICES					
4 DPR Provider	921,793	921,793	1,616,085	694,292	694,292
SUBTOTAL-CATEGORY I	921,793	921,793	1,616,085	694,292	694,292
CATEGORY II - EQUIPMENT & REPAIRS					
5 TTY/TDD	0	0	0	0	0
6 Caption Call Equipment	28,250	121,615	113,000	(8,615)	84,750
7 VCP Hearing Impaired	284,697	227,996	226,803	(1,193)	(57,894)
8 VCP Speech Impaired	0	0	25,600	25,600	25,600
9 TeliTalk Speech Aid	14,925	22,100	22,100	0	7,175
10 In-Line Amplifier	89,123	19,796	23,157	3,361	(65,966)
11 ARS Signaling Equip	270	0	0	0	(270)
12 VRS Signaling Equip	10,141	34,293	34,293	0	24,152
13 Accessories & Supplies	7,500	10,455	10,500	45	3,000
14 Telecomm Equip Repair	30,248	19,055	19,856	801	(10,392)
SUBTOTAL-CATEGORY II	465,154	455,310	475,309	19,999	10,155
CATEGORY III - EQUIPMENT DISTRIBUTION & TRAINING					
15 Freight-Telecomm Equip	37,000	39,632	42,157	2,525	5,157
16 Regional Distr Centers	200,000	140,332	145,940	5,608	(54,060)
17 Training Expense	25,000	468	468	0	(24,532)
SUBTOTAL-CATEGORY III	262,000	180,432	188,565	8,133	(73,435)

**Florida Telecommunications Relay, Inc.
Fiscal Year 2025/2026 Budget at 8 cents surcharge**

	2024/2025 APPROVED BUDGET	2024/2025 ESTIMATED REV & EXPEND	2025/2026 BUDGET	Estimated to Budget VARIANCE 2024/2025 2025/2026	Budget to Budget VARIANCE 2024/2025 2025/2026
CATEGORY IV - OUTREACH					
18 Outreach Expense	579,306	579,306	634,281	54,975	54,975
SUBTOTAL-CATEGORY IV	579,306	579,306	634,281	54,975	54,975
CATEGORY V - GENERAL & ADMINISTRATIVE					
19 Advertising	0	0	0	0	0
20 Accounting/Auditing	26,833	28,534	29,950	1,416	3,117
21 Legal	20,000	49,061	56,652	7,591	36,652
22 Computer Consultation	6,403	3,786	27,899	24,113	21,496
23 Bank Charges	37,108	36,848	38,690	1,842	1,582
24 Dues & Subscriptions	2,500	5,695	5,866	171	3,366
25 Office Equipment Purchase	8,240	5,143	6,505	1,362	(1,735)
26 Office Equipment Lease	1,842	1,630	1,871	241	29
27 Insurance-Hlth/Life/Dsblty	147,544	100,871	148,831	47,960	1,287
28 Insurance-Other	15,605	13,489	15,415	1,926	(190)
29 Office Expense	13,820	12,958	14,902	1,944	1,082
30 Postage	2,060	3,397	3,200	(197)	1,140
31 Printing	750	1,628	1,000	(628)	250
32 Rent	94,842	94,032	95,133	1,101	291
33 Utilities	7,881	5,655	5,825	170	(2,056)
34 Retirement	88,469	77,711	104,312	26,601	15,843
35 Employee Compensation	513,176	423,338	552,193	128,855	39,017
36 Taxes - Payroll	39,258	30,319	39,350	9,031	92
37 Taxes - Unemplmt Comp	63	63	70	7	7
38 Taxes - Licenses	61	61	61	0	0
39 Telephone	16,750	20,887	19,520	(1,367)	2,770
40 Travel & Business	8,000	7,865	8,500	635	500
41 Equipment Maint.	1,250	889	1,205	316	(45)
42 Employee Training/Dev	500	0	0	0	(500)
43 Meeting & Interpreter Exp	5,500	5,704	6,000	296	500
SUBTOTAL-CATEGORY V	1,058,455	929,564	1,182,950	253,386	124,495
TOTAL EXPENSES	3,286,708	3,066,405	4,097,190	1,030,785	810,482
REVENUE LESS EXPENSES	20,338,497	20,222,848	18,895,380	(1,327,468)	(1,443,117)
OPERATING REVENUE LESS EXP.	162,688	(65,928)	(1,327,468)		

STAFF'S BUDGET COMPARISON

	2024/2025 APPROVED BUDGET	2024/2025 FTRI ESTIMATED	2024/2025 FPSC STAFF ESTIMATED	2025/2026 FTRI AMENDED BUDGET	2025/2026 FPSC STAFF PROPOSED BUDGET
REVENUE					
Surcharge	2,349,642	2,178,184	2,178,184	1,938,584	1,938,584
Interest	1,099,754	822,293	822,293	831,138	831,138
TOTAL OPERATING REVENUE	3,449,396	3,000,477	3,000,477	2,769,722	2,769,722
Surplus Account	20,175,809	20,288,776	20,288,776	20,222,848	20,222,848
TOTAL REVENUE	23,625,205	23,289,253	23,289,253	22,992,570	22,992,570

OPERATING EXPENSES

CATEGORY I - RELAY SERVICES					
DPR Provider	921,793	921,793	997,748	1,616,085	1,206,289
SUBTOTAL CATEGORY I	921,793	921,793	997,748	1,616,085	1,206,289

CATEGORY II - EQUIPMENT & REPAIRS					
TDD Equipment	0	0	0	0	0
Large Print TDD	0	0	0	0	0
VCO/HCO-TDD	0	0	0	0	0
VCO-Telephone	0	0	0	0	0
Dual Sensory Equipment	0	0	0	0	0
Caption Call Equipment	28,250	121,615	94,353	113,000	113,000
VCP Hearing Impaired	284,697	227,996	222,203	226,803	226,803
VCP Speech Impaired	0	0	0	27,600	27,600
TeliTalk Speech Aid	14,925	22,100	29,467	22,100	22,100
In Line Amplifier	89,123	19,796	20,285	23,157	23,157
ARS-Signaling Equipment	270	0	0	0	0
VRS-Signaling Equipment	10,141	34,293	39,336	34,293	34,293
Equipment Accessories/Supplies	7,500	10,455	13,940	10,500	10,500
Telecom Equipment Repair	30,248	19,055	14,188	19,856	19,856
SUBTOTAL CAT II	465,154	455,310	433,772	477,309	477,309

CATEGORY III - EQUIPMENT DISTRIBUTION & TRAINING					
Freight - Telecomm Equipment	37,000	39,632	35,709	42,157	42,157
Regional Distribution Centers	200,000	140,332	116,695	145,940	145,940
Training Expense for RDCs	25,000	468	624	468	468
SUBTOTAL CAT III	262,000	180,432	153,028	188,565	188,565

CATEGORY IV - OUTREACH					
Outreach Expense	579,306	579,306	539,940	634,281	634,281
SUBTOTAL CAT IV	579,306	579,306	539,940	634,281	634,281

STAFF'S BUDGET COMPARISON

	2024/2025 APPROVED BUDGET	2024/2025 FTRI ESTIMATED	2024/2025 FPSC STAFF ESTIMATED	2025/2026 FTRI AMENDED BUDGET	2025/2026 FPSC STAFF PROPOSED BUDGET
CATEGORY V - GENERAL AND ADMINISTRATIVE					
Advertising	0	0	0	0	0
Accounting/Audit	26,833	28,534	36,272	29,950	29,950
Legal	20,000	49,061	53,132	56,652	33,991
Consultation-Computer	6,403	3,786	5,473	27,899	27,899
Bank Charges	37,108	36,848	37,292	38,690	38,690
Dues/Subscriptions	2,500	5,695	5,137	5,866	5,866
Office Equipment Purchase	8,240	5,143	10,920	6,505	6,505
Office Equipment Lease	1,842	1,630	1,451	1,871	1,871
Insurance -Health/Life/Disability	147,544	100,871	97,201	148,831	148,831
Insurance-Other	15,605	13,489	13,181	15,415	15,415
Office Expense	13,820	12,958	12,915	14,902	14,902
Postage	2,060	3,397	3,536	3,200	3,200
Printing	750	1,628	1,555	1,000	1,000
Rent	94,842	94,032	94,164	95,133	95,133
Utilities	7,881	5,655	5,713	5,825	5,825
Retirement	88,469	77,711	74,161	104,312	104,312
Employee Compensation	513,176	423,338	420,300	552,193	552,193
Taxes - Payroll	39,258	30,319	31,547	39,350	39,350
Taxes - Unemployment Comp	63	63	75	70	70
Taxes - Licenses	61	61	81	61	61
Telephone	16,750	20,887	21,239	19,520	19,520
Travel & Business Expense	8,000	7,865	9,723	8,500	8,500
Equipment Maintenance	1,250	889	1,144	1,205	1,205
Employee Training	500	0	0	0	0
Meeting & Interpreter Expense	5,500	5,704	6,724	6,000	6,000
SUBTOTAL CAT V	1,058,455	929,564	942,936	1,182,950	1,160,289
TOTAL EXPENSES	3,286,708	3,066,405	3,067,424	4,099,190	3,666,733
REVENUES LESS EXPENSES	162,688	-65,928	-66,947	-1,329,468	-897,011

Item 2

^bState of Florida



Public Service Commission

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

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

DATE: June 19, 2025

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Economics (Kunkler, Galloway, Richards, Wu) *EJD*
Division of Accounting and Finance (Buys, Higgins, Souchik) *MC*
Office of the General Counsel (Sparks, Harper, Imig) *AEH*

RE: Docket No. 20250035-GU – Petition for approval of 2025 depreciation study and for approval to amortize reserve imbalance, by Florida City Gas.

AGENDA: 07/01/25 – Regular Agenda – Decision on Motion for Reconsideration – Oral Argument Requested

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Fay

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Case Background

On February 24, 2025, Florida City Gas (FCG or Company) filed its Petition for Approval of Depreciation Study and for Approval to Amortize Reserve Imbalance (Petition) in the instant docket in accordance with Rule 25-7.045, Florida Administrative Code (F.A.C.). The 2025 Depreciation Study included with the Petition produces a reserve surplus of \$27.3 million. Accordingly, FCG seeks approval of its 2025 Depreciation Study, and FCG also requests to amortize the resulting surplus of \$27.3 million over a two-year period.

FCG last filed a depreciation study alongside its 2022 request for an increase in base rates. As part of its 2022 Petition, FCG sought approval of certain depreciation parameters that would result in a surplus in the depreciation reserve. A total reserve surplus of \$52,126,500 was

ultimately approved by Order No. PSC-2023-0177-FOF-GU (2023 Final Order), issued June 9, 2023, of which the Commission allowed the Company to address \$25 million through the implementation of a Reserve Surplus Amortization Mechanism (RSAM). The Office of Public Counsel (OPC) filed a Motion for Reconsideration of the 2023 Final Order, which the Commission denied by Order No. PSC-2023-0299-FOF-GU (2023 Clarifying Order). OPC appealed the 2023 Final Order and 2023 Clarifying Order to the Florida Supreme Court, including the approval of the use of the RSAM and the depreciation parameters associated with the 2022 Depreciation Study. Oral argument was heard on December 10, 2024, and a decision is currently pending.

On February 26, 2025, the Office of Public Counsel (OPC) filed a Notice of Intervention in this docket pursuant to Section 350.0611, Florida Statutes (F.S.).¹ The following day, OPC filed its Motion to Hold Proceedings in Abeyance (Motion for Abeyance) pursuant to Rule 28-106.211, F.A.C. FCG filed a Response in Opposition to Citizens' Motion for Abeyance (Response) on March 6, 2025. Order No. PSC-2025-0102-PCO-GU denying OPC's Motion was issued on April 1, 2025 (Denial Order). On April 11, 2025, OPC filed its Citizens' Motion for Reconsideration (Motion for Reconsideration) and accompanying Request for Oral Argument. On April 17, 2025, FCG filed its Response in Opposition to Citizens' Motion for Reconsideration and Response to Request for Oral Argument (Reconsideration Response). This recommendation addresses OPC's Motion and corresponding Request for Oral Argument. The Commission has jurisdiction pursuant to Chapter 366, F.S.

¹ OPC's intervention was acknowledged via Order No. 2025-0081-PCO-GU, issued March 17, 2025.

Date: June 19, 2025

Discussion of Issues

Issue 1: Should OPC's Request for Oral Argument on its Motion for Reconsideration of Order No. PSC-2025-0102-PCO-GU be granted?

Recommendation: No. Staff believes that the pleadings are sufficient on their face for the Commission to evaluate and rule on the Motion. However, if the Commission chooses to exercise its discretion to hear oral argument, staff recommends that 5 minutes per side is sufficient. (Sparks, Imig)

Staff Analysis:

Law

Rule 25-22.0022(1), Florida Administrative Code (F.A.C.), allows a party to request oral argument before the Commission for any dispositive motion (such as motions for reconsideration) by filing a separate written pleading filed concurrently with the motion on which argument is requested, and stating with particularity why oral argument would aid the Commission. Granting or denying oral argument is within the sole discretion of the Commission under Rule 25-22.0022(3), F.A.C.

OPC's Position

OPC contends that the issues it raises "involve complex depreciation matters," and OPC states that oral argument "could benefit the Commission's review and deliberation of the issues" and serve to "answer any questions the Commissioners may have." OPC requests 10 minutes for each party should the Commission grant its request.

FCG's Position

FCG states that OPC's Motion for Reconsideration does not involve "complex depreciation matters" that necessitate oral argument. To the contrary, the question appropriately before the Commission as a result of OPC's Motion is whether the Prehearing Officer made a mistake of fact or law in determining that the depreciation issues pending before the Florida Supreme Court are sufficiently distinct from the depreciation study and petition that are the subject of this proceeding such that this docket should be allowed to proceed. Oral argument is unlikely to provide additional insight in that regard.

Conclusion

Granting or denying oral argument is within the sole discretion of the Commission. Staff believes that the pleadings are sufficient on their face for the Commission to evaluate and decide OPC's Motion. However, if the Commission wants to exercise its discretion to hear oral argument, staff recommends 5 minutes per side is sufficient.

Date: June 19, 2025

Issue 2: Should OPC's Motion for Reconsideration be Granted?

Recommendation: No. Staff recommends denying OPC's Motion for Reconsideration under the Commission's traditional standard of review for such motions as: OPC has failed to articulate a reason to depart from that standard; the Motion fails to raise a point of fact or law that the Prehearing Officer overlooked or failed to consider in rendering the Denial Order; and the Commission has jurisdiction to continue with this docket.

Staff Analysis:

Law

The appropriate standard of review for reconsideration of a Commission order is whether the motion identifies a point of fact or law that the Commission overlooked or failed to consider in rendering the order under review. *See Stewart Bonded Warehouse, Inc. v. Bevis*, 294 So. 2d 315 (Fla. 1974); *Diamond Cab Co. v. King*, 146 So. 2d 889 (Fla. 1962); and *Pingree v. Quaintance*, 394 So. 2d 162 (Fla. 1st DCA 1981). It is not appropriate to reargue matters that have already been considered. *Sherwood v. State*, 111 So. 2d 96 (Fla. 3d DCA 1959) (citing *State ex. rel. Jaytex Realty Co. v. Green*, 105 So. 2d 817 (Fla. 1st DCA 1958)). Furthermore, a motion for reconsideration should not be granted "based upon an arbitrary feeling that a mistake may have been made, but should be based upon specific factual matters set forth in the record and susceptible to review." *Stewart Bonded Warehouse, Inc.*, 294 So. 2d at 317.

OPC's Arguments

As an initial matter, OPC "asserts that the Commission practice of applying the same review standard when the full Commission reviews the decision of a single Commissioner is neither in the public interest nor just." OPC argues the ordinary standard for reconsideration should not apply here because these matters have not been previously considered by a majority of the Commission nor have they been the subject of any hearing or public deliberation. OPC, therefore, asks that the Commission apply a de novo standard of review to its motion.

In regard to the merits of its Motion, OPC makes three arguments. First, OPC argues that, in its original Motion for Abeyance, it stated "[i]t would be premature of the Commission to initiate proceedings regarding amortization of the remaining \$27.3 million reserve surplus when the legality of the creation of the surplus is pending before the Florida Supreme Court." OPC asserts this is the same as stating the Commission lacks jurisdiction to hear this case at this time. To support this position, OPC argues that "the Commission cannot entertain the transmutation or relabeling of the reserve surplus and associated parameters on appeal without encroaching on the Florida Supreme Court's jurisdiction" and that "[p]roceeding with this docket directly affects the subject matter of the appeal in violation of Florida Law." OPC argues the Prehearing Officer overlooked or failed to consider this point of law.

Second, OPC argues the Commission should reconsider its Order because the Prehearing Officer overlooked or failed to consider that whether FCG conducted its in-house 2025 Depreciation Study "in accord with previous practices" is a legal issue to be litigated in this docket and therefore must not be prejudged.

Date: June 19, 2025

Third, OPC argues that the Prehearing Officer failed to consider the fact that the depreciation parameters on appeal and those from the 2025 Depreciation study are from the same source, FCG. OPC states that, as FCG is the source of both the 2022 and the 2025 Depreciation Study, “the Order’s conclusion that the in-house 2025 Depreciation Study ‘is a new study conducted by a different expert’ is not accurate.” OPC additionally argues that this fact further demonstrates how the depreciation parameters on appeal and the proposed depreciation parameters are inextricably intertwined. OPC argues that, as the Prehearing Officer overlooked or failed to consider this point of fact, the Commission should reconsider the Denial Order and hold these proceedings in abeyance.

FCG’s Response

In regard to the standard of review, FCG argues that, as the Commission has recognized time and again, the appropriate standard of review in a motion for reconsideration is whether the motion identifies a point of fact or law that was overlooked or that the Prehearing Officer failed to consider in rendering his or her decision. FCG argues that OPC fails to elaborate on why departing from the norm in this case is necessary or why the application of the traditional standard is not in the public interest, and that some rationale is required to make such a departure. FCG states that the Commission has previously rejected OPC arguments and should reject them again here. Applying the traditional standard, FCG argues that OPC’s Motion must be denied because it fails to identify any mistake of fact or law in the Prehearing Officer’s decision, or anything that was overlooked in rendering that decision. Instead, OPC simply disagrees with the Prehearing Officer’s conclusion, which is not sufficient to merit reconsideration.

FCG states OPC’s first argument regarding jurisdiction is wrong for several reasons, but mainly contends the matter pending before the Commission is FCG’s 2025 Depreciation Study, while the subject matter of the appeal pending before the Florida Supreme Court in Docket SC2023-0988 is FCG’s 2022 Depreciation Study.

FCG argues OPC’s second argument, which claims that the Prehearing Officer prejudged whether FCG’s 2025 Study was conducted “in accord with previous practices” is demonstrably incorrect by the language in the Denial Order itself. As stated in the Denial Order, the Prehearing Officer simply determined that the subject of the appeal and the 2025 Depreciation Study which is the subject of this docket were distinct. In that context, the Prehearing Officer also recognized that the 2023 Final Order, as well as the 2023 Clarifying Order, regarding FCG’s 2022 rate Request and 2022 Depreciation Study, have not been stayed. FCG argues OPC has identified no mistake of fact or law in the Prehearing Officer’s Decision on this point.

Finally, in regard to OPC’s final argument, FCG states that it is a re-argument that should not serve as the basis for reconsideration. The Prehearing Officer both understood and acknowledged that the depreciation study that is the subject of the appeal currently being considered in SC2023-0988 was submitted by the same Company that has submitted the 2025 Depreciation Study in this proceeding. That both were submitted by the same Company does not, however, demonstrate that the parameters and rates are “inextricably intertwined” nor does it demonstrate that the Prehearing Officer’s determination that to allow this case to proceed was erroneous. As OPC has

Date: June 19, 2025

failed to identify a mistake of fact or law in the Denial Order on this point and therefore, it must be denied.

Analysis and Recommendation

In regard to the standard of review, staff agrees with FCG that the Commission's traditional standard regarding Motions for Reconsideration should apply here, and OPC failed to provide sufficient rationale to differ from long-standing Commission precedent for review of a Prehearing Officer's decision on a motion for abeyance. OPC contends a mistake of fact or law standard does not fit this scenario because the matters for which OPC seeks review have either not been previously considered by the majority of the Commission, or have not been the subject of a hearing. The Commission has held that a mistake of fact or law standard applies to reconsideration by the Commission of a Prehearing Officer's order.² Pursuant to Rule 28-106.211, F.A.C., the Prehearing Officer may issue any orders necessary to effectuate discovery, to prevent delay, and to promote the just, speedy, and inexpensive determination of all aspects of the case. The Prehearing Officer has wide discretion in balancing the interests of parties in the furtherance of the orderly administration of justice.³ OPC has failed to provide a compelling reason to differ from prior practices, and staff does not recommend doing so in this case.

In regard to the merits of the Motion for Reconsideration, OPC has not clearly identified any specific mistakes of fact or law the Prehearing Officer made or overlooked in issuing the Denial Order. Without a specific mistake of fact or law, a motion for reconsideration must be denied, even if the reviewing body would have reached a different decision.⁴

As to OPC's first argument, OPC essentially acknowledges it is simply restating an argument that was considered and rejected by the Prehearing Officer and therefore should be rejected here. Nonetheless, as OPC claims the Commission lacks jurisdiction, staff addresses the merits of this claim.

In support of its claim, OPC argues that taking up FCG's petition in this docket would violate the Florida Supreme Court's exclusive jurisdiction over the matters on appeal from FCG's 2023 rate

² See Order No. PSC-2016-0231-FOF-EI, issued June 10, 2016, in Docket No. 20160021-EI, *In re: Petition for rate increase by Florida Power & Light Company*; Order No. PSC-2002-1442-FOF-EI, issued October 21, 2002, in Docket Nos. 20020262-EI, *In re: Petition to Determine Need for an Electrical Power Plant in Martin County by Florida Power & Light Company* and 20020263-EI, *In re: Petition to Determine Need for an Electrical Power Plant in Manatee County by Florida Power & Light Company*; Order No. PSC-2001-2021-FOF-TL, issued October 9, 2001, in Docket No. 19960786A-TL, *In re: Consideration of BellSouth Telecommunications, Inc.'s entry into interLATA services pursuant to Section 271 of the Federal Telecommunications Act of 1996*; Order No. PSC-1997-0098-FOF-EU, issued January 27, 1997, in Docket No. 19930885-EU, *In re: Petition to Resolve territorial dispute with Gulf Coast Electric Cooperative, Inc. by Gulf Power Company*; Order No. PSC-1996-0133-FOF-EI, issued January 29, 1996, in Docket No. 19950110-EI, *In re: Standard offer contract for the purchase of firm capacity and energy from a qualifying facility between Panda-Kathleen, L.P., and Florida Power Corporation*.

³ Order No. 25245, issued October 23, 1991, in Docket No. 19880069-TL, *In re: Petitions of Southern Bell Telephone and Telegraph Company for Rate Stabilization and Implementation Orders and Other Relief* (balancing competing interests of new counsel desiring more time to prepare and party seeking to proceed with discovery by delaying deposition).

⁴ *Stewart Bonded Warehouse, Inc. v. Bevis*, 294 So.2d 315, 317 (Fla. 1974); Order No. PSC 2016-0231-FOF-EI, issued June 10, 2016, in Docket No. 20160021-EI, *In re: Petition for rate increase by Florida Power & Light Company* (page 5).

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case. Florida law recognizes that during the pendency of an appeal, the appellate court has exclusive jurisdiction over the subject matter covered by the appeal. *See Willey v. W.J. Hoggson Corp.*, 105 So. 126, 128 (Fla. 1925) (“When the jurisdiction of the appellate court attaches, it is exclusive *as to the subject covered by the appeal.*”) (emphasis added); *Thursby v. Stewart*, 138 So. 742, 751 (Fla. 1931) (stating that “when an appeal is perfected . . . [t]he authority of the lower court is terminated . . . *at least as to the subject-matter of the appeal*, until the appeal is heard and determined”) (emphasis added). However, “the test to determine loss of jurisdiction is not whether the trial court is proceeding in matters *related* to the final judgment, but rather the proper test is whether the trial court is proceeding in a matter which *affects* the subject matter on appeal.” *Dep’t of Revenue ex rel. Simmons v. Wardlaw*, 25 So. 3d 80, 82 (Fla. 4th DCA 2009) (quoting *Casavan v. Land O’Lakes Realty, Inc. of Leesburg*, 526 So.2d 215, 21516 (Fla. 5th DCA 1988) (emphasis in original)).

Staff recommends that the Commission has jurisdiction to consider the petition. Although FCG’s petition for approval of the 2025 Depreciation Study is *related* to the Commission’s final order that is currently on appeal, it cannot be said that a decision in the present docket would *affect* the subject matter on appeal. In other words the Commission’s decision in this case would not alter any part of its prior orders. Assuming arguendo the Commission agrees with OPC that it loses jurisdiction over all matters related to a case on appeal, such a limitation would impact any docket in which a previous docket was still under appeal, including entire base rate proceedings.

As to OPC’s second argument, staff submits that a plain reading of the Order does not reflect any prejudgment in regard to the study or the veracity of any of the claims made by FCG, nor of any of the claims made by OPC. Instead, the Denial Order merely concludes that the two matters are sufficiently distinct to proceed “[b]ased on the representations of FCG,” and that moving forward “pragmatically balances regulatory efficiency, fairness to all the concerned parties, and the public interest in general.” Accordingly, OPC has identified no mistake of fact or overlooked point of law in the decision on this point, and therefore, no relief should be granted on these grounds.

As to OPC’s third argument, staff submits that the Prehearing Officer correctly denied the abeyance motion because there has been no demonstration that the cases are “inextricably intertwined” so much so that it would affect the matter on appeal. The Denial Order acknowledges that FCG filed both the depreciation study that is the subject in this docket and the depreciation study that is the subject of the appeal currently being considered in SC2023-0988. That alone sufficiently demonstrates that the Prehearing Officer did not overlook or fail to consider this fact. Furthermore, the fact that both were submitted by the same Company does not demonstrate that the parameters and rates are “inextricably intertwined.” Nor does it render “the Order’s conclusion that the in-house 2025 Depreciation Study ‘is a new study conducted by a different expert’” inaccurate, as the Denial Order explicitly states this conclusion is based on FCG’s representations. OPC has failed to identify a mistake of fact or law in the Prehearing Officer’s Denial Order and therefore, the Motion for Reconsideration should not be granted on these grounds.

Date: June 19, 2025

Conclusion

Staff recommends denying OPC's Motion for Reconsideration under the Commission's traditional standard of review for such motions as: OPC has failed to articulate a reason to depart from that standard; the Motion fails to raise a point of fact or law that the Prehearing Officer overlooked or failed to consider in rendering the Denial Order; and the Commission has jurisdiction to continue with this docket.

Issue 3: Should this docket be closed?

Recommendation: This docket should remain open pending the Commission's final resolution of FCG's proposed depreciation study.

Staff Analysis: This docket should remain open pending the Commission's final resolution of FCG's proposed depreciation study.

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: June 19, 2025

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Engineering (Thompson, Ellis, King, Ramos) *TB*
Division of Economics (Hampson) *ED*
Office of the General Counsel (Imig, Sparks) *ACH*

RE: Docket No. 20250048-EG – Petition for approval of proposed demand-side management plan, by Florida Power & Light Company.

AGENDA: 07/01/25 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Clark

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Case Background

Sections 366.80 through 366.83, and 403.519, Florida Statutes (F.S.), known collectively as the Florida Energy Efficiency and Conservation Act (FEECA), require the Florida Public Service Commission (Commission) to adopt conservation goals to increase the efficiency of energy consumption. FEECA emphasizes reducing the growth rates of weather-sensitive peak demand, reducing and controlling the growth rates of electricity consumption, reducing the consumption of expensive resources such as petroleum fuels, and encouraging demand-side renewable energy resources. The Commission most recently established conservation goals for Florida Power & Light Company (FPL or Utility) in Docket No. 20240012-EG (2024 Goalsetting Order).¹ On March 18, 2025, FPL filed a petition requesting approval of its Demand-Side Management

¹ Order No. PSC-2024-0505-FOF-EG, issued December 18, 2024, in Docket No. 20240012-EG, *In re: Commission review of numeric conservation goals (Florida Power & Light Company)*.

(DSM) Plan and the associated program participation standards in order to meet the Commission approved numeric goals. The petition also included tariffs with minor revisions to the existing Residential On Call program, and the new HVAC Services Rider and HVAC Services Agreement. The HVAC Services Rider tariff implements the HVAC On-Bill Pilot program discussed in Issue 1. The proposed tariffs, in legislative format, are included as Attachment C.

The Commission has jurisdiction over this matter pursuant to Sections 366.80 through 366.83, and 403.519, F.S.

Date: June 19, 2025

Discussion of Issues

Issue 1: Should the Commission approve Florida Power & Light Company's proposed DSM Plan, program standards, and tariffs?

Recommendation: Yes, with modifications. The programs included in FPL's proposed DSM Plan are cost-effective based upon the Participants test, and either the Rate Impact Measure (RIM) or Total Resource Cost (TRC) test. FPL's DSM Plan is projected to meet the annual numeric conservation goals approved by the Commission in the 2024 Goalsetting Order. In addition, staff has reviewed FPL's program participation standards and they appear to be consistent with FPL's DSM Plan.

However, staff recommends the following modifications to FPL's HVAC On-Bill Pilot program: (1) require participants to also participate in FPL's Residential HVAC program; (2) eliminate the participants' requirement to participate in the Residential On Call program for the entire 10-, 12-, or 15-year service agreement terms; (3) cap program participation at the projections provided by FPL; and (4) cap program costs to those costs agreed upon by FPL and program participants at the time the service agreements are executed. These modifications would more closely align with the objectives of FEECA by increasing overall energy efficiency savings, remove participants' long-term commitment for participation in a load management program, and provide additional safeguards for the general body of ratepayers during the pilot phase of the program.

If staff's proposed modifications are approved, staff recommends that FPL submit revised versions of its Optional HVAC Services Rider tariff, Optional HVAC Services Agreement tariff, and program participation standards, as applicable, that reflect these modifications within 30 days of the Consummating Order in this docket, and that the Commission grant staff administrative authority to review and approve these documents. If the Commission approves FPL's proposal without modifications, then the tariffs as shown in Attachment C should be approved effective on the day of the Commission's vote.

Upon final approval by the Commission, FPL may file for cost recovery of the programs included in its DSM Plan in the Energy Conservation Cost Recovery (ECCR) clause proceeding. However, FPL must demonstrate that the expenditures to implement its DSM programs are reasonable and prudent in order to recover those expenditures. (Thompson, Hampson)

Staff Analysis: Section 366.82(7), F.S., requires that following the adoption of annual conservation goals, the Commission shall also require each utility subject to FEECA to develop a DSM plan to meet its conservation goals. Rule 25-17.0021(4), Florida Administrative Code (F.A.C.), requires each electric utility subject to FEECA to file its DSM plan, which consists of one or more DSM programs, and program participation standards for Commission approval.

The Commission considers the appropriateness of DSM programs by evaluating the following criteria, first outlined in Order No. 22176: (1) whether the program advances the policy objectives of FEECA and its implementing rules (such as reducing demand and energy usage); (2) whether the program is directly monitorable and yields measurable results; and (3) whether

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the program is cost-effective.² Pursuant to 366.82(7), F.S., the Commission may then elect to approve, modify, or deny the utility's DSM plan.

FPL's Proposed DSM Plan

As a result of the 2023 amendments to Rule 25-17.0021, F.A.C., the utilities subject to FEECA proposed, and the Commission established, DSM goals based upon proposed DSM programs for the first time. Staff reviewed FPL's proposed DSM Plan, including its demand and energy savings, cost-effectiveness, and rate impact. Overall, the programs within the proposed DSM Plan are consistent with the proposed DSM programs evaluated by the Commission in the 2024 Goalsetting proceeding. A complete list of the programs and a brief description of each can be found in Attachment A. Staff has also reviewed FPL's program participation standards, which can be found in Attachment B, and they appear to be consistent with FPL's DSM Plan.

FPL's proposed DSM Plan consists of a total of 15 programs, including seven residential programs, two of which are pilot programs, seven commercial/industrial programs, and one research and development program. FPL has proposed to continue 13 existing programs, three with modifications, and add two new programs. The modifications consist of removing measures that were no longer cost-effective, and adding new measures that were cost-effective based on the 2024 Technical Potential Study, and suitable for inclusion in FPL's current programs. FPL's new programs, the Low-Income Renter Pilot program and the HVAC On-Bill Pilot program, were included in the proposed programs used to develop FPL's DSM goals in its 2024 goalsetting proceeding. The Utility stated that the Low-Income Renter Pilot program was added to incentivize landlords of low-income rental properties to install higher efficiency heating, ventilation, and air conditioning (HVAC) equipment to benefit current and future tenants with lower energy bills. Participation in the pilot is limited to 500 installations per year over a three-year pilot period to assess the program's effectiveness. The HVAC On-Bill Pilot program is discussed below.

As noted above, the 15 programs included in FPL's DSM Plan are consistent with the proposed programs used to develop FPL's DSM goals in its 2024 goalsetting proceeding, with the exception of FPL's HVAC On-Bill Pilot program, which is discussed below, and the Conservation Research and Development (CRD) program. The CRD program does not directly produce demand or energy savings, but it has been included in FPL's prior DSM Plans and allows the Utility to investigate technologies that may support the development of new demand response and energy efficiency programs. These studies have resulted in several measures being incorporated into FPL's DSM portfolio, and also serve as a source for providing FPL's customers with accurate information and responses to their energy technology questions. As such, staff believes that the continued inclusion of the CRD program in FPL's DSM Plan is reasonable.

Regarding program participation rates, FPL's projected program participation rates for the programs included in its DSM Plan are consistent with the participation rates provided in the Stipulation that was approved per the 2024 Goalsetting Order, including the participation increase for FPL's Residential Low-Income Weatherization program. The projected program

² PSC Order No. 22176, issued November 14, 1989, in Docket No. 890737-PU, *In re: Implementation of Section 366.80-.85, F.S., Conservation Activities of Electric and Natural Gas Utilities*.

demand and energy savings meet the goals established by the Commission in the 2024 Goalsetting Order, and the programs included in FPL's DSM Plan are directly monitorable and measurable.

As required by Rule 25-17.008, F.A.C., FPL provided cost-effectiveness analyses for the programs included in its DSM Plan using the Participants, RIM, and TRC tests. The programs included in FPL's proposed DSM Plan are cost-effective based upon the Participants test, and either the RIM or TRC test. Table 1-1 shows an estimate of the annual ECCR expenditures and monthly rate impact on a typical residential customer for FPL's DSM Plan.

Table 1-1
FPL's DSM Plan Annual ECCR Costs and Estimated Monthly Rate Impact

Year	Annual ECCR Costs	Residential Customer
	(\$)	(\$/1,000 kWh/mo)
2025	\$170,699,814	\$1.44
2026	\$170,490,353	\$1.43
2027	\$166,239,808	\$1.38
2028	\$165,738,981	\$1.36
2029	\$166,047,747	\$1.35
2030	\$166,869,100	\$1.33
2031	\$167,001,598	\$1.31
2032	\$166,874,551	\$1.29
2033	\$167,058,768	\$1.26
2034	\$167,278,257	\$1.24
Total	\$1,674,298,976	-

Source: Document No. 03028-2025

The results of these cost-effectiveness analyses are consistent with the cost-effectiveness analyses results provided for the proposed programs used to develop FPL's DSM goals in its 2024 goalsetting proceeding. Therefore, staff recommends that FPL's DSM Plan, with the modifications discussed below, and the associated program participation standards be approved.

FPL is responsible for monitoring actual participation rates and seeking Commission action, if necessary, to modify, add, or remove programs. If FPL is unable to meet the DSM goals established by the Commission, the Utility may be subject to appropriate action by the Commission.

HVAC On-Bill Pilot Program

The proposed HVAC On-Bill Pilot program is an option within FPL's traditional Residential On Call program that would allow participants to acquire a new HVAC unit under the Utility's proposed HVAC Services Rider and Optional HVAC Services Agreement. To qualify, participants would need to meet FPL's proposed eligibility requirements, which include being home owners, being in good standing with the Utility, and meeting the Utility's minimum credit requirements (i.e., providing a cash security, a surety bond, or a bank letter of credit as requested by the Utility). In addition, participants are required to install an HVAC that meets the minimum

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baseline efficiency standard, but may opt to install a more energy-efficient HVAC unit, if desired. FPL, through its authorized contractors, will design, procure, and install the HVAC units, and offer participants the option of a 10-, 12-, or 15-year term, dependent on the life of the HVAC equipment's warranty. Under the HVAC On-Bill Pilot program, FPL would own and maintain the HVAC unit for the duration of the term, and participants would be required to make levelized monthly payments, which would cover the capital cost of the HVAC equipment, including a return on capital investment, plus all operations and maintenance expenses for the unit, including administrative costs and assumptions for uncollectible customer payments (bad debt), for the duration of the agreement. Upon participant selection and at FPL's discretion, the HVAC On-Bill Pilot program load management credits would be applied as one of the following options: (1) the net present value of the monthly credits available under the traditional Residential On Call program as (a) a credit against the participant's initial monthly fees, or (b) an up-front credit; or (2) as an offset against the monthly program fees as provided under the traditional Residential On Call program. Once all payment obligations under the service agreement are satisfied, the participant can take ownership of the HVAC unit.

The costs associated with the HVAC On-Bill Pilot program would flow through the ECCR clause. Due to the levelized program design, the general body of ratepayers would subsidize the program during the first half of each service agreement term, but are projected to be made whole under the second half of the agreement terms as participants' levelized monthly payments exceed the declining revenue requirements. In the event of any under-recoveries related to program costs, such as maintenance, repair, or administrative costs above the estimates included in the monthly payment obligations under the service agreements, and/or payment defaults, FPL intends to recover these costs from future participants' payments. This includes any costs associated with debt collection attempts, bad debt, and return on capital investment. These costs would also be subsidized by the general body of ratepayers initially through the ECCR clause before being fully recovered from future HVAC On-Bill Pilot program participants. In the event of payment defaults, FPL has indicated that participants would be subject to disconnection of their electric service, as a last resort, after providing at least five working days written notice if the payment default is not cured. However, FPL indicated that should there remain any under-recovered costs from program participants, the balance would be recovered from the general body of ratepayers through the ECCR clause.

FPL's HVAC On-Bill Pilot program was originally proposed as a permanent program in the 2024 goalsetting proceeding, but has since been reclassified as a five-year pilot program, and includes updated costs, as a result of discussions with staff, to align HVAC On-Bill credits with the credits provided under FPL's traditional Residential On Call program.³ FPL has also made additional modifications based on these discussions, which include modifying the participants' property insurance requirements, and providing each participant an informational document

³ In Docket No. 20240012-EG, FPL originally proposed a monthly bill credit of \$6.75 for the HVAC On-Bill program, which would result in a participant receiving approximately \$81 in bill credits annually; whereas, FPL proposed a monthly bill credit of \$6.00 for the months of April through October for central electric air conditioners, and a monthly bill credit of \$2.75 for the months of November through March for central electric heaters under the traditional Residential On Call program. The latter results in an annual bill credit amount of approximately \$55.75. Therefore, this modification results in an overall reduction in bill credit costs that the general body of ratepayers will be responsible for under this program.

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summarizing the terms and conditions under the Optional HVAC Services Agreement. Regarding the property insurance, FPL will now secure insurance to cover any force majeure loss or damages to the HVAC equipment, and will recover these costs from participants over the life of the service agreement. Regarding the informational document, FPL will ensure that customers enrolling in the HVAC On-Bill Pilot program have full awareness of the terms and conditions, including the required payment schedule for the service, costs for early termination of the service agreement, and the possibility of electric service disconnection as a result of payment defaults. FPL also indicated that the monthly charge for the program would be shown as a separate line item on the participant's electric bill. Regarding reporting, FPL indicated that during the term of the HVAC On-Bill pilot period, the Utility will report pilot costs and revenues to the Commission in the Utility's annual ECCR True-Up and Projection filings, and report pilot achievements in the Utility's DSM Annual Report.

Staff believes that the modifications described above will improve the program, but recommends the following additional HVAC On-Bill Pilot program modifications to further due so: (1) require participants to also participate in FPL's Residential HVAC program; (2) eliminate the participants' requirement to participate in the Residential On Call program for the entire 10-, 12-, or 15-year service agreement terms; (3) cap program participation at the projections provided by FPL; and (4) cap program costs to those costs agreed upon by FPL and program participants at the time the service agreements are executed. Each of these modifications are discussed further below.

The first proposed modification would result in the installation of an HVAC unit above the minimum SEER standard, and allow participants to also receive a rebate for the installation of a high efficiency HVAC unit, which could assist with participants' overall HVAC On-Bill Pilot program costs. This modification would also increase participants' overall energy efficiency savings, which further aligns with the FEECA initiatives and the stipulation language agreed upon by FPL and the parties in the Commission-approved 2024 Goalsetting Order.⁴ Based on example cost estimates provided by FPL, a participant would pay approximately \$20,035 over a 10-year service agreement term for expenses associated with the installation of a 16 SEER HVAC unit under the service agreement, as compared to \$18,730 for a similarly sized 15 SEER HVAC unit, which is the minimum SEER rating for Florida, over the same service agreement term.⁵ This amount would be further reduced to approximately \$19,835 for a 16 SEER HVAC unit over the same service agreement term due to participation in FPL's Residential HVAC program. This results in a cost differential of approximately \$1,105 over the 10-year service agreement term, which staff believes is reasonable based on the additional energy efficiency savings a participant would receive as a result of installing a more efficient HVAC unit. As such, staff recommends that this modification be approved.

The second proposed modification to eliminate the participants' requirement to participate in the Residential On Call program for the entire 10-, 12-, or 15-year service agreement terms provide

⁴ Attachment A, paragraph 6, Issue 10 stipulation language states the following: "The Parties stipulate and agree that the record supports a Commission finding that FPL's proposed HVAC On-Bill option expands the existing On Call® load-management program to allow greater customer access to new energy-saving HVAC equipment in a way that also passes the RIM cost-effectiveness test, and should be included in FPL's proposed DSM Goals."

⁵ These estimates do not include pre-payment of load control credits.

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participants flexibility if they decide that they no longer want their loads controlled. As currently proposed, HVAC On-Bill Pilot program participants would be required to pay an early termination fee, which consists of the remaining payment obligations under their service agreements and a refund of any advanced payment of bill credits, in order to exit the program. This means that participants who are not satisfied with the load control program will not be able to discontinue having their loads controlled, and therefore will have to continue doing so throughout the duration of their 10-, 12-, or 15-year service agreement terms, or pay the termination fee. However, under the traditional Residential On Call program, participants are able to exit the program at any time and at no cost, as long as FPL is provided at least seven days advance notice. As such, staff recommends that the same flexibility provided to participants of the traditional Residential On Call program be provided to HVAC On-Bill Pilot program participants. However, those participants who received advanced payment of bill credits but elect to leave the load control portion of the HVAC On-Bill Pilot program should be required to pay the termination fee associated with only those credits to exit the program. In addition, participants exiting the program would still be responsible for the remaining monthly payments associated with the HVAC equipment and maintenance. By keeping the existing Residential On Call and the HVAC On Bill Pilot programs aligned, the Utility and the Commission can gain valuable information regarding the impact of the HVAC On-Bill Pilot program. Basically, such modifications would focus the results to the impact of providing a novel financing option to customers.

The third and fourth proposed modifications to cap program participation at the projections provided by FPL, and cap program costs to those costs agreed upon by FPL and program participants at the time the Optional HVAC Services Agreements are executed, would provide additional protection for the general body of ratepayers. As proposed and as previously discussed, the costs associated with the executed service agreements would flow through the ECCR clause, and due to the HVAC On-Bill Pilot program design, the general body of ratepayers would already be responsible for the shortfalls during the first half of each service agreement term as participants' payments would be leveled over the agreement terms. If allowed as proposed, the general body of ratepayers would also be at risk if there are any under-recovered costs that are not able to be recovered from program participants, as indicated by FPL. Traditionally, it has been Commission practice that pilot programs serve as vehicles for utilities to explore new technologies or processes, and assess the benefits using a sample prior to permanent implementation.⁶ As such, staff believes that capping program costs and participation would allow FPL to evaluate the potential program cost differentials and benefits prior to full scale implementation while providing additional protection for the general body of ratepayers. This information may then enable the Utility to more accurately determine participant program costs in order to develop a future program or tariff offering. As such, staff believes that limiting the allowance of costs that flow through the ECCR clause to those costs agreed upon by FPL and the participants at the time that the service agreements are executed, and capping program participation to the projections provided by FPL, would limit the risk to the general body of ratepayers, and therefore recommends that this modification be approved. FPL would still have the ability to either work directly with the program participants separately to recover any

⁶ Order No. PSC-2021-0237-PAA-EI, issued June 30, 2021, in Docket No. 20200234-EI, *In re: Petition for approval of direct current microgrid pilot program and for variance from or waiver of Rule 25-6.065, F.A.C., by Tampa Electric Company.*

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additional costs, or modify the pilot program as necessary without adding additional risk to the general body of ratepayers.

If staff's proposed modifications are approved, staff recommends that FPL submit revised versions of its Optional HVAC Services Rider tariff, Optional HVAC Services Agreement tariff, and program participation standards that reflect these modifications, and grant staff authority to administratively approve them, if consistent with the modifications above. The documents should indicate participants' option to opt out of the load management portion of the HVAC On-Bill Pilot program, outline participants' requirements to be eligible to do so, and provide an annual estimate of the amount to be refunded for any advanced payment of bill credits. If the Commission approves FPL's proposal without modifications, then the tariffs as shown in Attachment C should be approved effective on the day of the Commission's vote.

Conclusion

The programs included in FPL's proposed DSM Plan are cost-effective based upon the Participants test, and either the RIM or TRC test. FPL's DSM Plan is projected to meet the annual numeric conservation goals approved by the Commission in the 2024 Goalsetting Order. In addition, staff has reviewed FPL's program participation standards and they appear to be consistent with FPL's DSM Plan.

However, staff recommends the following modifications to FPL's HVAC On-Bill Pilot program: (1) require participants to also participate in FPL's Residential HVAC program; (2) eliminate the participants' requirement to participate in the Residential On Call program for the entire 10-, 12-, or 15-year service agreement terms; (3) cap program participation at the projections provided by FPL; and (4) cap program costs to those costs agreed upon by FPL and program participants at the time the service agreements are executed. These modifications would more closely align with the objectives of FEECA by increasing overall energy efficiency savings, remove participants' long-term commitment for participation in a load management program, and provide additional safeguards for the general body of ratepayers during the pilot phase of the program.

If staff's proposed modifications are approved, staff recommends that FPL submits revised versions of its Optional HVAC Services Rider tariff, Optional HVAC Services Agreement tariff, and program participation standards, as applicable, that reflect these modifications within 30 days of the Consummating Order in this docket, and that the Commission grant staff administrative authority to review and approve these documents. If the Commission approves FPL's proposal without modifications, then the tariffs as shown in Attachment C should be approved effective on the day of the Commission's vote.

Upon final approval by the Commission, FPL may file for cost recovery of the programs included in its DSM Plan in the ECCR clause proceeding. However, FPL must demonstrate that the expenditures to implement its DSM programs are reasonable and prudent in order to recover those expenditures.

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Issue 2: Should this docket be closed?

Recommendation: Yes. If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, a consummating order will be issued. However, if Issue 1 is approved, the docket should remain open for staff's verification that the revised documents have been filed by the Utility and approved by staff. When the proposed agency action is final and the revised documents have been approved, this docket may be closed administratively. (Imig, Sparks)

Staff Analysis: If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, a consummating order will be issued. However, if Issue 1 is approved, the docket should remain open for staff's verification that the revised documents have been filed by the Utility and approved by staff. When the proposed agency action is final and the revised documents have been approved, this docket may be closed administratively.

Florida Power & Light Company 2025 – 2034 DSM Programs

Residential Programs:

Residential Energy Survey Program

The Residential Energy Survey program is designed to educate customers on energy efficiency and encourage them to participate in FPL's demand-side management (DSM) programs, as well as implement recommended energy-saving measures and practices that may not be included in FPL's residential programs. In addition to individual surveys, the program offers customer education on conservation measures through presentations at community events and local schools. The Residential Energy Survey program plays a crucial role in helping educate FPL customers on ways to reduce energy consumption and costs while supporting FPL's overall DSM efforts. The program assists customers in recognizing potential energy savings and helps identify candidates for other FPL DSM programs. By offering various channels for energy surveys and promoting energy efficiency education, the program ensures that all FPL residential customers, whether homeowners or renters, can benefit from improved energy efficiency and cost savings. Energy surveys are offered through the following channels:

- Home Energy Survey: Conducted by an FPL representative at the customer's home, this in-person survey identifies opportunities for customers to improve energy efficiency and participate in other FPL DSM programs.
- Online Home Energy Survey: Customers can perform this self-service survey using FPL's online system, which provides personalized recommendations based on customer input.
- Phone Energy Survey: Conducted by an FPL representative over the phone using FPL's online system, this survey provides similar benefits to the in-home survey but with added convenience.

Residential Load Management (On Call®) Program

The Residential On Call® program is designed to help FPL manage energy demand by allowing the utility to turn off certain customer-selected appliances during periods of extreme demand, capacity shortages, and system emergencies including system frequency regulation. FPL installs equipment to control eligible appliances, including central air conditioners/electric heating, water heaters, and pool pumps. Through this program, customers are educated on the benefits of participating in load management initiatives which help maintain system reliability and efficiency. By enrolling in the Residential On Call® program, customers actively contribute to reducing peak demand and overall energy consumption during critical periods, supporting both personal cost savings and broader energy conservation goals.

HVAC On-Bill (HOB) Pilot Program

The HOB pilot is an option within FPL's Residential On Call® program that provides customers with new HVAC equipment, routine service, and maintenance for a fixed monthly charge on their electric service bill. The HOB pilot encourages the adoption of efficient, new HVAC equipment without requiring an upfront payment from the customer and provides cost-effective load control to FPL and the general body of customers. The HVAC equipment installed under

the pilot is subject to load management and participants receive bill credits in accordance with the Utility's Residential On Call® tariff and the HVAC Services Agreement.

Residential HVAC Program

The Residential HVAC program aims to help customers reduce their heating and cooling costs by providing rebates for the installation of high-efficiency central air conditioning or heat pump systems. This program educates customers on the benefits of installing high-efficiency HVAC systems to reduce energy costs and improve overall home comfort. By providing a monetary incentive, the program encourages customers to opt for systems that exceed federal efficiency standards, thereby contributing to energy conservation and DSM goals. The goal is to encourage the adoption of high-efficiency HVAC systems, thereby enhancing energy efficiency in residential settings. FPL delivers this program through Participating Independent Contractors (PICs), who offer the rebate to the customer at the time of qualifying air conditioning or heat pump installation.

Residential Ceiling Insulation Program

The Residential Ceiling Insulation program encourages customers to improve their home's thermal efficiency by providing rebates for ceiling insulation in qualifying homes. FPL delivers this program through PICs, who provide the rebate to the qualifying customer at the time of ceiling insulation installation. The program aims to enhance energy efficiency and reduce energy consumption in residential properties by improving the building envelope's thermal efficiency.

Residential New Construction (BuildSmart®) Program

The Residential BuildSmart® program is designed to encourage builders and developers to design and construct energy-efficient new homes that achieve BuildSmart certification and move to achieve ENERGY STAR® qualifications, achieving an energy performance improvement score of at least ten points better than current building codes require. The program educates builders and developers on the benefits of constructing energy-efficient homes and provides technical support, regular training, and certification processes, alongside financial incentives to builders. By promoting superior building practices that align with ENERGY STAR® qualifications, the program leads to significant energy savings and enhanced sustainability. The BuildSmart® program is delivered to builders, developers, and owner-builders of new homes by FPL Program Specialists who certify that the homes meet the BuildSmart program requirements.

Residential Low-Income Weatherization Program

The Residential Low-Income Weatherization program is specifically designed to assist low-income customers by providing direct installation of energy saving measures. The program operates through two distinct models. First, low-income areas are identified and proactively canvassed to recruit qualifying customers for measure installation through FPL's Community Energy Saver initiative. The initiative also includes a free energy survey to help customers identify additional low and no-cost ways to reduce energy consumption. Second, Weatherization Assistance Providers or other FPL-approved agencies who have installed specified measures can submit rebate requests to FPL.

Low-Income Renter Pilot Program

FPL's Low-Income Renter Pilot program encourages landlords of low-income rental properties to upgrade HVAC systems for energy efficiency, benefiting renters with lower energy bills. The program offers financial incentives to cover the incremental cost of replacing code-compliant units with high-efficiency HVAC systems. This initiative supports FPL's commitment to energy conservation and helps low-income renters reduce their energy costs. Participation is limited to 500 installations per year over three years to assess the program's effectiveness for potential future expansion.

Commercial/Industrial Programs:***Business Energy Evaluation (BEE) Program***

The BEE program is designed to educate customers on energy efficiency and encourage the implementation of recommended practices and measures, even if these are not included in FPL's DSM programs. The BEE program is also used to identify potential candidates for other FPL DSM programs. This program is delivered through three channels: online through an FPL system, by phone with FPL representatives using the online system, or on-site by FPL representatives. These delivery methods ensure that business customers, whether they own or rent their facility, can access the program and benefit from its services.

Business On Call® Program

The Business On Call® program is designed to help FPL manage energy demand by allowing the utility to turn off air conditioners during periods of extreme demand, capacity shortages, and system emergencies including system frequency regulation. FPL installs equipment to control customer's Direct Expansion (DX) central electric air conditioners. Through this program, customers are educated on the benefits of participating in load management initiatives which help maintain system reliability and efficiency. By enrolling in the Business On Call® program, customers actively contribute to reducing peak demand and overall energy consumption during critical periods, supporting both personal cost savings and broader energy conservation goals. The Business On Call® program utilizes contractors to install and service the load control equipment necessary for participation.

Commercial/Industrial Demand Reduction (CDR) Program

The CDR program is designed to allow FPL to control customer loads of 200 kW or greater during periods of extreme demand, capacity shortages, or system emergencies. Participating customers receive monthly bill credits based on the amount of kW they are willing to have interrupted. Participation in the program is governed by the FPL CDR Rider and Agreement. Each customer enrollment is unique, determined by the specific amount of kW the customer agrees to have interrupted. Once a completed agreement is executed, contractors install equipment at the customer's premises that allow FPL to remotely interrupt the applicable load.

Commercial/Industrial Load Control (CILC) Program (CLOSED)

The CILC program allows FPL to control customer loads of 200 kW or greater during periods of extreme demand, capacity shortages, or system emergencies. This initiative helps maintain system reliability and efficiency by shedding large commercial and industrial customer loads as referenced in the CILC agreement. The program is governed by the requirements in FPL CILC

Tariff Sheet Nos. 8.650 – 8.659 and applicable Agreement. The program was closed to new participants as of December 31, 2000, and is only available to existing participants who had entered into a CILC agreement as of March 19, 1996.

Business HVAC Program

The Business HVAC Program is designed to encourage commercial and industrial customers to install high-efficiency electric HVAC systems and aims to help these customers reduce their overall heating and cooling costs. The primary types of eligible systems include chillers and split/package DX systems. The program also encourages the installation of Variable Frequency Drives on HVAC pumps to enhance system efficiency.

FPL Business Lighting Program

The Business Lighting Program encourages customers to install high-efficiency LED lighting systems by providing incentives for the installation of qualifying lighting fixtures. Customers enroll in the program by submitting project details, including the number and size of qualifying lighting fixtures installed, and FPL provides the rebate through a direct payment to the customer.

FPL Business Custom Incentive (BCI) Program

The BCI Program helps business customers save energy by providing customized rebates for the installation of unique high-efficiency technologies not covered by other FPL DSM programs. FPL will evaluate the energy and demand savings of the project and determine any potential rebate based on the program standards.

Other Programs:

Conservation Research and Development (CRD) Program

The CRD Program identifies and scientifically evaluates the energy and demand reductions and customer economics of emerging energy efficiency and demand response technologies and practices under FPL's climate conditions. This program allows for FPL-specific analysis to provide accurate assessments of cost-effectiveness and applicability for possible inclusion in a future DSM Plan.

Florida Power & Light Company
Demand Side Management
Program Standards
2025

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FPL Residential Program Portfolio

Program Standards

2025

Residential Energy Survey Program Standards

1. Program Overview

The Residential Energy Survey program is designed to educate customers on energy efficiency and encourage them to participate in Florida Power & Light Company's (FPL) Demand-Side Management (DSM) programs, as well as implement recommended energy-saving measures and practices that may not be included in FPL's residential programs. In addition to individual surveys, the program offers customer education on conservation measures through presentations at community events and local schools. The Residential Energy Survey program plays a crucial role in helping educate FPL customers on ways to reduce energy consumption and costs while supporting FPL's overall DSM efforts. The program assists customers in recognizing potential energy savings and helps identify candidates for other FPL DSM programs. By offering various channels for energy surveys and promoting energy efficiency education, the program ensures that all FPL residential customers, whether homeowners or renters, can benefit from improved energy efficiency and cost savings. Energy surveys are offered through the following channels:

- Home Energy Survey (HES): Conducted by an FPL representative at the customer's home, this in-person survey identifies opportunities for customers to improve energy efficiency and participate in other FPL DSM programs.
- Online Home Energy Survey (OHES): Customers can perform this self-service survey using FPL's online system, which provides personalized recommendations based on customer input.
- Phone Energy Survey (PES): Conducted by an FPL representative over the phone using FPL's online system, this survey provides similar benefits to the in-home survey but with added convenience.

2. Eligibility Requirements

- Customers must have an active FPL residential account.

3. Participation Requirements

- The survey must be performed by an FPL representative either at the customer's home, over the phone, or by the customer using FPL's online survey tool at FPL.com.

4. Incentives

- The program is free of charge to participants.
- Residential Energy Surveys identify opportunities for customers to receive financial incentives through other FPL residential programs.

5. Reporting Requirements

- Program costs will be reported to the Commission in FPL's Energy Conservation Cost Recovery (ECCR) True-Up and Projection filings.
- Program achievements will be reported in FPL's DSM Annual Report.

6. Disclaimers

- “The utility does not warrant or guarantee the audit findings or recommendations, nor is the utility liable as a result of the audit for the acts or omissions of any person who implements or attempts to implement those conservation measures recommended by the auditor” (Rule 25-17.003, Florida Administrative Code).
- It is the sole responsibility of the customer to determine whether any energy conservation measure is appropriate for their property and to manage any independent contractor that is selected and hired by the customer.

Residential Load Management (On Call®) Program Standards

1. Program Overview

The Residential Load Management (On Call®) program is designed to help FPL manage energy demand by allowing the utility to turn off certain customer-selected appliances during periods of extreme demand, capacity shortages, and system emergencies including system frequency regulation. FPL installs equipment to control eligible appliances, including central air conditioners/electric heating, water heaters, and pool pumps. Through this program, customers are educated on the benefits of participating in load management initiatives which help maintain system reliability and efficiency. By enrolling in the On Call program, customers actively contribute to reducing peak demand and overall energy consumption during critical periods, supporting both personal cost savings and broader energy conservation goals. The On Call program utilizes contractors to install and service the load control equipment necessary for participation.

2. Eligibility Requirements

The program is available to all FPL residential customers who have eligible end-use equipment and occupied the premise for at least nine months of the year. See Applicable Tariff Sheets: 8.217 – 8.218.

3. Participation Requirements

FPL-installed equipment is connected to eligible customer- selected end-use equipment (*i.e.*, central air conditioning, central electric heating, electric water heaters, and pool pumps), allowing FPL to control these loads. See Applicable Tariff Sheets: 8.217 – 8.218.

4. Incentives

Participants in the On Call program will receive a monthly credit on their electric bill, as specified in Tariff Sheet No. 8.217. The credit amount depends on the type and number of appliances enrolled in the program.

5. Incentive Processing:

Participant bill credits will commence upon the installation and completion of required verification of the load control equipment.

6. Reporting Requirements

Program costs will be reported to the Commission in FPL's Energy Conservation Cost Recovery (ECCR) True-Up and Projection filings. Program achievements will be reported in FPL's Demand-Side Management (DSM) Annual Report.

7. Disclaimers

See Applicable Tariff Sheet Nos. 8.217 – 8.218.

HVAC On-Bill (On Call) Pilot Program Standards

1. Program Overview

The HVAC On-Bill (HOB) pilot is an option within FPL's Residential On Call® program that provides customers with new HVAC equipment, routine service, and maintenance for a fixed monthly charge on their electric service bill. This pilot encourages the adoption of efficient, new HVAC equipment without requiring an upfront payment from the customer and provides cost-effective load control to FPL and the general body of customers. The HVAC equipment installed under the pilot is subject to load management and participants receive monthly bill credits in accordance with the Company's Residential On Call Tariff and the HVAC Service Agreement.

2. Eligibility Requirements

- The pilot is available to residential customers in FPL's service area who own their home that is permanently affixed to the underlying real property, and
- Customer must be in good standing and meet minimum credit requirements established by FPL.
- Customer must be eligible for Residential Service under rate schedule RS-1, or RS-1/2EV.
- Customer must allow reasonable access to the residential property for installation and servicing of HVAC equipment and devices used to effect load control.

3. Participation Requirements

3.1 General Requirements

Participation requirements are specified in Rate Schedule ROC, Sheet Nos. 8.217-8.281, Optional HVAC Services Rider (HVAC), Sheet Nos. 8.220-8.221, Optional HVAC Services Agreement, Sheet Nos. 9.858-9.866 and associated Statement of Work (SOW).

3.2 Contractor Requirements:

- FPL at its sole discretion will determine the number of Participating Independent Contractors (PICs) eligible to participate in the pilot.
- PIC must be a licensed mechanical or air conditioning contractor in good standing in the State of Florida at all times.
- PIC must sign an agreement with FPL regarding participation in the pilot.
- PIC is required to comply with all requirements FPL establishes for offer, approval, and execution of the HVAC Services Agreement and SOW. A failure to comply can result in removal from participation in the pilot.
- The PIC must complete the installation of HVAC equipment in compliance with all local code and permit requirements.
- Equipment necessary for load control must be installed in accordance with FPL specifications.

3.2.1 Service Level Agreements (SLAs) – HVAC Services

a) Standard Service/Preventative Maintenance Response

- Contractors will schedule service appointments within 48 hours of customer request.

b) Emergency Service Response

- For no heating (below 40°F) or no cooling (above 85°F) outside temperatures, an on-site service visit must occur within 24 hours or the next business day after customer contact.

c) Arrival Time Window

- Contractors will provide a 4-hour arrival window and adhere to the scheduled timeframe.

d) Repair Completion Time

- Simple Repairs: Completed within 24 hours of diagnosis.
- Complex Repairs/Replacements: Complete repairs within a commercially reasonable timeframe.

e) Customer Communication

- Contractors will provide regular status updates to customers until service completion.

f) Parts Availability

- Contractors will maintain an inventory of common replacement parts to ensure timely repairs and minimize delays.

g) Customer Complaint Resolution

- Valid Complaints: Acknowledge within 1 business day and resolve within a commercially reasonable timeframe.
- Invalid Complaints: Provide a response with an explanation within 2 business days.
- Regulatory Complaints (Florida Public Service Commission (PSC)): Submit a formal response to the PSC within 10 business days, including documented service history.

h) Service Documentation & Reporting

- Contractors must upload detailed work orders and service reports to the portal

within 7 business days of service completion.

i) Performance Metrics & Compliance

- Quarterly Performance Reviews: Contractors must participate in performance evaluations and corrective action planning.
- Customer Satisfaction: Maintain a post-service customer satisfaction rating of 85% or higher.
- Issue Escalation: Unresolved issues beyond SLA limits must be escalated to program management within 24 hours or the next business day.
- First-Time Fix Rate: At least 90% of service requests should be resolved on the first visit to minimize repeat calls.
- Contractor Responsiveness: Contractors must respond to program management inquiries within 24 hours or the next business day for active cases.

j) Completion Confirmation

- Contractors must obtain customer confirmation of satisfactory service completion after each installation or repair.

k) Disaster Recovery Plan

- Implement and maintain a disaster recovery plan to ensure service continuity during emergencies.

4. Service Charge and Incentives

- Monthly HVAC Service Charge accepted by customer in SOW will be added to the customer's monthly FPL bill for the term of the Service.
- Customer bill credits will be provided in accordance with the Residential On Call program Rate Schedule ROC, Sheet No. 8.217 and HVAC Service Agreement, Sheet No. 9.859.
- As authorized by the Florida Public Service Commission Rule 25-6.105 (Refusal or Discontinuance of Service by Utility), in the event of a payment default on the participating customer's electric bill (including, but not limited to, any or all of the monthly HVAC Service charge), FPL may discontinue electrical service to customer's residence.

5. Incentive Processing:

Participant bill credits will commence upon the installation and completion of required verification of the load control equipment.

6. Reporting Requirements

Pilot costs and revenues will be reported to the Commission in FPL's Energy Conservation Cost Recovery ("ECCR") True-Up and Projection filings. Pilot achievements will be reported in FPL's Demand-Side Management ("DSM") Annual Report.

In addition to reporting requirements associated with all approved DSM programs, FPL will provide:

- Monthly service charge for each installation in the annual ECCR True-Up filing
- SEER level of new and replaced HVAC equipment in the DSM Annual Report

Example Project Cost Recovery Schedule and Early Termination Fees¹

	HVAC Services Rev Req	HVAC Services Payments	Net ECCR Impact		Early Termination Schedule
Year	Nominal	Nominal	Nominal	PV	
1	\$2,287	\$1,873	\$414	\$383	\$8,307
2	\$2,154	\$1,873	\$281	\$241	\$7,744
3	\$2,023	\$1,873	\$150	\$119	\$7,075
4	\$1,917	\$1,873	\$44	\$32	\$6,316
5	\$1,820	\$1,873	(\$53)	(\$36)	\$5,470
6	\$1,730	\$1,873	(\$143)	(\$90)	\$4,537
7	\$1,655	\$1,873	(\$218)	(\$127)	\$3,524
8	\$1,586	\$1,873	(\$287)	(\$155)	\$2,432
9	\$1,519	\$1,873	(\$354)	(\$177)	\$1,255
10	\$1,464	\$1,873	(\$409)	(\$189)	\$0
Total	\$18,154	\$18,730	(\$576)	\$0	

¹ Based on a project cost of \$7,600 and no pre-payment of load control credits

7. Disclaimers

See Applicable Tariff Sheets: 8.217 – 8.218, 8.220-8.221, and 9.858-9.866.

Residential HVAC Program Standards

1. Program Overview

The Residential HVAC program aims to help customers reduce their heating and cooling costs by providing rebates for the installation of high-efficiency central air conditioning or heat pump systems. This program educates customers on the benefits of installing high-efficiency HVAC systems to reduce energy costs and improve overall home comfort. By providing a monetary incentive, the program encourages customers to opt for systems that exceed federal efficiency standards, thereby contributing to energy conservation and demand-side management goals. The goal is to encourage the adoption of high-efficiency HVAC systems, thereby enhancing energy efficiency in residential settings.

FPL delivers this program through Participating Independent Contractors (PICs), who offer the rebate to the customer at the time of qualifying air conditioning or heat pump installation.

2. Eligibility Requirements

- Customers must have an active FPL residential account.
- Customers must not have received a rebate for the same HVAC system within the past two years. This limitation may be waived, at FPL's sole discretion, if the HVAC system is damaged by a state or federally recognized natural disaster, tornado, fire, or similar event.

3. Participation Requirements

3.1 Customer Requirements

- Customers must select an HVAC system that meets all equipment specifications.
- Customers must select, verify, and hire a Participating Independent Contractor (PIC) to perform the installation work.
- Governmental entities, including local, state, and federal agencies, may, with FPL's pre-approval, perform installations themselves provided they comply with all other program standards requirements.

3.2. Equipment/Materials Requirements

- HVAC systems must be straight-cool and heat pump, electric-driven, air-cooled or water-cooled systems, excluding window units and single-zone mini splits.
- HVAC systems must have a Seasonal Energy Efficiency Ratio (SEER2) equal to or greater than one point above current federal efficiency standards.
- HVAC systems must be new, not previously installed, or used.
- HVAC systems must be certified by the Air Conditioning, Heating & Refrigeration Institute (AHRI) as listed on its website (www.ahridirectory.org) and listed (including any supplemental devices) by Underwriters Laboratories (UL) or another nationally recognized testing organization in accordance with UL standards.

- HVAC systems must completely replace an existing electric-driven cooling system, including the condenser, blower, evaporator coil, and any supplemental devices. Replacement of only some components does not qualify.

3.3. Contractor Requirements

- A PIC is required to comply with all requirements of these program standards, and a failure to comply can result in denial of the rebate and the PIC's removal from participation in the program.
- The rebate amount must appear as an itemized credit on the PIC's invoice to the customer, and the customer must have paid the amount net of the rebate.
- A PIC must sign an agreement with FPL regarding participation in the program. This is separate and independent from any agreement between the customer and the PIC.
- A PIC must be a licensed mechanical or air conditioning contractor in good standing in the State of Florida at all times.
- FPL, at its sole discretion, will determine the number of PICs eligible to participate in the program.

4. Incentives

- The rebate amount is \$200 per qualifying unit.

5. Incentive Processing

- PICs shall submit a rebate reimbursement request and all required documentation through FPL's online portal, or through any other administrative process as may be established by FPL, in a timely and accurate manner.
- PICs must include the following in the submission:
 - A completed rebate form
 - The AHRI document, which verifies the efficiency certification of the installed HVAC system
 - An outdoor photo of the HVAC unit, clearly showing the model number
 - An indoor photo of the HVAC unit, clearly showing the model number
 - A photo of the house number to verify the installation location.
- For the sole purpose of ensuring Program compliance in order to issue the rebate, FPL reserves the right to verify any installation and will be the sole determiner of whether the requirements of these Program Standards have been met. Customer must allow access for this purpose.
- FPL will process the rebate reimbursement to the PIC after 45 days of receiving a completed and approved customer enrollment.

6. Reporting Requirements

- Program costs will be reported to the Commission in FPL's Energy Conservation Cost Recovery (ECCR) True-Up and Projection filings.
- Program achievements will be reported in FPL's DSM Annual Report.

7. Disclaimers

- The issuance of a rebate by FPL under the program shall not be considered or relied upon by the customer to be confirmation that the customer has selected the proper HVAC system for their residence and/or that any of the underlying work performed by the PIC was done properly pursuant to the manufacturer recommendations and specifications, building codes, other applicable laws, industry standards, or individual contract requirements. FPL does not participate in or approve the selection of the HVAC system and does not manage or provide oversight of the work performed by the PIC selected and hired by the customer. It is the sole responsibility of the customer to investigate and select an HVAC System that is appropriate for their specific application, perform their own due diligence in selecting the PIC, manage the PIC they select and hire to perform the work, and to take the necessary precautions they deem prudent to ensure the equipment, materials, and work meets their expectations.
- FPL does not provide any supervision, control, or instructions to PICs regarding the means and methods for performing any work that might be eligible for a rebate. This is entirely the responsibility of the PIC who is an independent contractor and likewise the sole responsibility of the customer to manage and inspect the work performed by the PIC. FPL provides no guaranty or warranty regarding the amount of energy savings to be expected, the material, and/or the work provided by the PIC.

Residential Ceiling Insulation Program Standards

1. Program Overview

The Residential Ceiling Insulation program encourages customers to improve their home's thermal efficiency by providing rebates for ceiling insulation in qualifying homes. FPL delivers this program through Participating Independent Contractors (PICs), who provide the rebate to the qualifying customer at the time of ceiling insulation installation. The program aims to enhance energy efficiency and reduce energy consumption in residential properties by improving the building envelope's thermal efficiency.

2. Eligibility Requirements

- Customers must have an active FPL residential account.
- The home must have whole-house central electric air conditioning and heating.
- The home must have a verified ceiling insulation R-value of less than R-8.

3. Participation Requirements

3.1 Customer Requirements

- Customers must select, verify, and hire a Participating Independent Contractor (PIC) to perform the installation work.
- Governmental entities, including local, state, and federal agencies, may, with FPL's pre-approval, perform installations themselves provided they comply with all other program standards requirements.
- Customers must provide access to all attic spaces to determine eligibility.

3.2. Equipment/Materials Requirements

- Ceiling insulation material must include, but is not limited to, the following insulation types: blown-in, batt, or spray foam.
- Ceiling insulation must be new, meaning it cannot be refurbished, previously installed, or otherwise used.
- Ceiling insulation must have a specified R-Value. Thermal properties, technical specifications, and performance characteristics must be independently tested and verified using the applicable test methods/standards established by the American Society of Testing and Materials (ASTM) or based on other FPL-approved calculations and test methods, where appropriate.

3.3. Contractor Requirements

- PICs must comply with all requirements of these program standards. Failure to comply can result in denial of the rebate and the PIC's removal from participation in the program.
- PICs must sign an agreement with FPL regarding their overall participation in the program. This is separate and independent from any agreement between the customer and the PIC.
- PICs must have the appropriate license in good standing to perform the work.
- Installation by the PIC must meet a minimum of current state, county, and local code

requirements, and cover all conditioned space, including the scuttle hole where applicable (additions or renovations do not qualify).

- Installation must be in an accessible attic (inaccessible attics and flat roof installations are not eligible).
- Ceiling insulation must not be installed on top of unfinished (drop) ceilings.
- The rebate amount must appear as an itemized credit on the PIC's invoice to the customer, and the customer must have paid the amount net of the rebate.
- PICs must leave a product specification sheet for FPL at the premise.
- FPL, at its sole discretion, will determine the number of PICs eligible to participate in the program.

4. Incentives

- The rebate amount is \$220 per installation.

5. Incentive Processing

- PICs shall submit a rebate reimbursement request and all required documentation through FPL's online portal, or through any other administrative process as may be established by FPL, in a timely and accurate manner.
- PICs must include the following in the submission:
 - A completed rebate form
 - A pre-insulation photo showing the level of existing insulation
 - A post-insulation photo showing the level of new insulation
 - A photo of the house number to verify the installation location.
- For the sole purpose of ensuring program compliance to issue the rebate, FPL reserves the right to verify any installation and will be the sole determiner of whether the requirements of these Program Standards have been met. Customer must allow access for this purpose.
- FPL will process the rebate reimbursement to the PIC after 45 days of receiving a completed and approved customer enrollment.

6. Reporting Requirements

- Program costs will be reported to the Commission in FPL's Energy Conservation Cost Recovery (ECCR) True-Up and Projection filings.
- Program achievements will be reported in FPL's Demand-Side Management (DSM) Annual Report.

7. Disclaimers

The issuance of a rebate by FPL under the program shall not be considered or relied upon by the customer to be confirmation that the customer has selected the proper ceiling insulation for their residence or that any of the underlying work performed by the PIC was done properly pursuant to the manufacturer recommendations and specifications, building codes, other applicable laws, industry standards, or individual contract requirements. FPL does not participate in or approve the selection of the ceiling insulation and does not manage or provide oversight of the work performed by the PIC selected and hired by the customer. It is the sole responsibility of the customer to investigate and select ceiling insulation that is appropriate for their specific application, perform their own due diligence in

selecting the PIC, manage the PIC they select and hire to perform the work, and to take the necessary precautions they deem prudent to ensure the equipment, materials, and work meets their expectations.

FPL does not provide any supervision, control, or instructions to PICs regarding the means and methods for performing any work that might be eligible for a rebate. This is entirely the responsibility of the PIC who is an independent contractor and likewise the sole responsibility of the customer to manage and inspect the work performed by the PIC. FPL provides no guaranty or warranty regarding the amount of energy savings to be expected, the material, and/or the work provided by the PIC.

Residential New Construction (BuildSmart®) Program Standards

1. Program Overview

The Residential New Construction (BuildSmart®) program is designed to encourage builders and developers to design and construct energy-efficient new homes that achieve BuildSmart certification and move to achieve ENERGY STAR® qualifications, achieving an energy performance improvement score of at least ten points better than current building codes require. The program educates builders and developers on the benefits of constructing energy-efficient homes and provides technical support, regular training, and certification processes, alongside financial incentives to builders. By promoting superior building practices that align with ENERGY STAR® qualifications, the program leads to significant energy savings and enhanced sustainability.

The BuildSmart program is delivered to builders, developers, and owner-builders of new homes by FPL Program Specialists who certify that the homes meet the BuildSmart program requirements. To verify that a new home achieves an energy performance improvement score of at least ten points better than the minimum code requirements, a program specialist calculates the home's energy improvement score using an Energy Gauge calculation based on construction plans or the output from a certified third-party rater Home Energy Rating System (HERS) report, as defined in the Florida Administrative Code 9B-60.002.

2. Eligibility Requirements

- The program is open to all builders, developers, and owner-builders of new homes within FPL's service territory.
- The home must be a new residential single-family detached or single-family attached home where each housing unit is separated by a ground-to-roof wall and has no unit constructed above or below.
- The home must have whole-house electric cooling and heating supplied by a central HVAC system.

3. Participation Requirements

3.1 Home Requirements

- The home must achieve an energy performance improvement of at least ten points better than an applicable baseline home required by the Florida Energy Efficiency Code for Building Construction, as determined by FPL's BuildSmart energy performance calculation.

3.2. Builder Requirements

- The builder must construct a home that will be served by FPL.
- The builder must be licensed by the State of Florida as a General Contractor, a Building Contractor, or a Residential Contractor.
- Governmental entities, including local, state, and federal agencies, may, with FPL's pre-approval, perform installations themselves provided they comply with all other Program Standards requirements.

- The builder must submit the following documentation to FPL:
 - Construction information notice including:
 - Physical address/lot number
 - Home model information
 - Construction start/stop dates
 - Data to perform the energy performance calculations including:
 - Home plans (floor, elevation, orientation, etc.)
 - Equipment specifications
 - Other information FPL deems necessary to properly model the energy score
- If applicable, the builder must provide a certified EnergyGauge Buildings (ENB) file or another FPL-approved file.
- For the sole purpose of issuing the BuildSmart certificate, FPL reserves the right to verify any home and will be the sole determiner of whether the requirements of these Program Standards have been met. The builder must allow access for this purpose.

4. Incentives

Financial incentives may be provided in addition to a BuildSmart certification:

- ENERGY STAR® Incentive: \$75 for homes qualified as achieving both BuildSmart and ENERGY STAR® certification.

5. Incentive Processing

- Payments of incentives are sent to the builder based on their designated payee upon verification of Energy Star qualification.

6. Reporting Requirements

- Program costs will be reported to the Commission in FPL's Energy Conservation Cost Recovery (ECCR) True-Up and Projection filings.
- Program achievements will be reported in FPL's Demand-Side Management (DSM) Annual Report filed with the Florida Public Service Commission.

7. Disclaimers

The issuance of a financial incentive by FPL under the program shall not be considered or relied upon by the customer or builder to be confirmation that the installed energy conservation measure(s) was appropriate for the residence or that any of the underlying work performed by the builder in the design and construction of the house and/or the installation of any energy conservation measure was done properly pursuant to the manufacturer recommendations and specifications, building codes, building plans, other applicable laws, design and engineering standards, industry standards, or individual contract requirements. FPL does not participate in or approve the selection of the energy conservation measure(s) and/or participate in the construction of the house and does not manage or provide any oversight of the work performed by the builder. It is the sole responsibility of the customer to perform any due diligence necessary in connection with any decision made in purchasing a home which may be BuildSmart certified. The issuance of a financial incentive under the program does not provide the builder or customer with any type of guarantee, assurance, and/or warranty related to a BuildSmart

home, including the amount of energy savings to be expected.

The builder is neither employed by FPL nor an agent of FPL but rather an independent contractor. FPL does not provide any engineering, plans, designs, or instructions regarding the construction of a BuildSmart home and does not provide any supervision, control, or instructions to the builder regarding the means and methods for performing any work that might be eligible for a financial incentive under the program. This is entirely the responsibility of the builder, who is an independent contractor, and likewise the sole responsibility of the customer to manage and inspect the work performed by the builder.

Residential Low-Income Weatherization Program Standards

1. Program Overview

The Residential Low-Income Weatherization program is specifically designed to assist low-income customers by providing direct installation of energy saving measures. The program operates through two distinct models. First, low-income areas are identified and proactively canvassed to recruit qualifying customers for measure installation through FPL's Community Energy Saver initiative. The initiative also includes a free energy survey to help customers identify additional low and no-cost ways to reduce energy consumption. Second, Weatherization Assistance Providers (WAPs) or other FPL-approved agencies who have installed specified measures can submit rebate requests to FPL.

2. Eligibility Requirements

- Customers must be existing FPL residential customers who meet certain low-income criteria.
 - FPL's Community Energy Saver program is conducted in areas where the majority of customers' incomes are below 200% of the federal poverty level. All customers in these identified areas are eligible to participate.
 - For measures installed by WAP or other FPL approved agencies, customers eligibility is determined by the agency.

3. Participation Requirements

- Customer must agree to have measures installed by FPL, FPL designated representative, or FPL approved agency.

4. Incentives

- Customers will receive installed energy and water-saving measures for free whether provided through FPL, a WAP, or any other FPL approved entity.
- Reimbursement amounts for each measure installed by WAP or other FPL approved agencies will be as follows:

<u>Measure Type</u>	<u>Reimbursement Amount</u> <i>(per household)</i>
Weatherization/Infiltration	
- Weatherstripping, Caulking, and Door Sweeps (Infiltration)	\$90
Air Conditioning	
- Duct Testing & Repair	\$60
- Outdoor Coil Cleaning	\$60
Water Heating	
- Low Flow Showerhead	\$30
- Faucet Aerator	\$10
- Pipe Wrap	\$40
Ceiling Insulation	
- Below Code Add R-10	\$500
Lighting	
- LED Bulbs	\$6

5. Incentive Processing

- FPL-approved agency shall submit the Low-Income Weatherization Rebate Form to FPL within 90 days of installation.
- Reimbursement amounts for each measure installed by WAP or other FPL approved agencies will be paid to the approved agency after 45 days of receiving completed documentation and confirming all program requirements are met.
- FPL-approved agency must correct any deficiency in installation or materials identified by FPL within 90 days of notification.

6. Reporting Requirements

- Program costs will be reported to the Commission in FPL's Energy Conservation Cost Recovery (ECCR) True-Up and Projection filings.
- Program achievements will be reported in FPL's Demand-Side Management (DSM) Annual Report.

7. Disclaimers

The issuance of an incentive by FPL under the program shall not be considered or relied upon by the customer to be confirmation that any of the underlying work performed by the FPL-approved agency was done properly pursuant to the manufacturer recommendations and specifications, building codes, other applicable laws, industry standards, or individual contract requirements. FPL does not participate in or approve the selection of conservation measures installed by the FPL-approved agencies and does not manage or provide oversight of the work performed by the FPL-approved agency. It is the sole responsibility of the customer and the FPL-approved agencies to investigate and select conservation measures that are appropriate for their specific application, perform the work, and to take the necessary precautions they deem prudent to ensure the equipment, materials, and work meets their expectations.

FPL does not provide any supervision, control, or instructions to FPL-approved agencies regarding the means and methods for performing any work that might be eligible for a rebate. This is entirely the responsibility of the FPL-approved agency and likewise the sole responsibility of the customer to manage and inspect the work performed by the FPL-approved agency. FPL provides no guaranty or warranty regarding the amount of energy savings to be expected, the equipment, and/or the work provided by the FPL-approved agencies.

Low-Income Renter Pilot Program Standards

1. Program Overview

FPL's Low-Income Renter Pilot program encourages landlords of low-income rental properties to upgrade HVAC systems for energy efficiency, benefiting renters with lower energy bills. The program offers financial incentives to cover the incremental cost of replacing code-compliant units with high-efficiency HVAC systems. This initiative supports FPL's commitment to energy conservation and helps low-income renters reduce their energy costs. Participation is limited to 500 installations per year over three years to assess the program's effectiveness for potential future expansion.

2. Eligibility Requirements

- The property must have renters with an active FPL residential account.
- The property must be a residential rental home where the landlord or agency can provide income eligibility via renter participation in assistance from recognized assistance agencies.
- The property must not have received a rebate for the same HVAC system within the past two years. This limitation may be waived, at FPL's sole discretion, if the HVAC system is damaged by a state or federally recognized natural disaster, tornado, fire, or similar events.

3. Participation Requirements

3.1. Equipment/Materials Requirements

- HVAC systems must be straight-cool and heat pump, electric-driven, air-cooled systems, excluding window units and single-zone mini splits.
- The system must have a Seasonal Energy Efficiency Ratio (SEER2) minimum equal to or greater than one point above current federal efficiency standards.
- The system must be new (*i.e.*, cannot be refurbished, previously installed, or used).
- The system must be certified by the Air Conditioning, Heating & Refrigeration Institute (AHRI) as listed on its website (www.ahridirectory.org) and listed (including any supplemental devices) by Underwriters Laboratories (UL) or another nationally recognized testing organization in accordance with UL standards.
- The system must completely replace an existing electric-driven cooling system (*i.e.*, condenser, blower, coil, and any supplemental devices). Replacement of only some components does not qualify.

3.2. General Requirements

- The landlord must select an HVAC system that meets all equipment requirements.
- The landlord must ensure that the installation is performed by a licensed HVAC contractor, WAP, or Community Action Agency.
- The landlord must submit detailed project information, including income eligibility documentation and HVAC system specifications to FPL.
- The property must allow reasonable access for FPL representatives to inspect the HVAC installation and verify compliance with program requirements.

4. Incentives

- The rebate amount will be the difference in the quoted cost of standard efficiency HVAC equipment and qualifying efficiency HVAC equipment, not to exceed \$1,000.
- The rebate shall be paid directly to the landlord or designated payee. Rebates paid directly to licensed HVAC contractors will be applied as an itemized discount on the invoice to the landlord.

5. Incentive Processing

- Incentive payments will be made as a direct payment to the customer or designated payee after 45 days of receipt of completed documentation and confirming eligibility and participation requirements are met.
- Participation is limited to 500 installations per year over a three-year period. FPL will close current-year participation upon reaching this limit.

6. Reporting Requirements

- Program costs will be reported to the Commission in FPL's Energy Conservation Cost Recovery (ECCR) True-Up and Projection filings.
- Program achievements will be reported in FPL's Demand-Side Management (DSM) Annual Report.

7. Disclaimers

The issuance of a rebate by FPL under the Program shall not be considered or relied upon by the customer as confirmation that: (i) the customer has selected the proper HVAC system for the rental property; and/or (ii) any of the underlying work performed by the licensed HVAC contractor was done properly pursuant to the manufacturer's recommendations and specifications, building codes, other applicable laws, industry standards, or individual contract requirements. FPL does not participate in or approve the selection of the HVAC system and does not manage or provide oversight of the work performed by the contractor selected and hired by the customer. It is the sole responsibility of the customer to investigate and select an HVAC system that is appropriate for their specific application, perform their own due diligence in selecting the licensed HVAC contractor, manage the contractor they select and hire to perform the work, and take the necessary precautions they deem prudent to ensure the equipment, materials, and work meet their expectations.

FPL does not provide any supervision, control, or instructions to contractors regarding the means and methods for performing any work that might be eligible for a rebate. This responsibility lies entirely with the contractor, who is an independent contractor, and it is likewise solely the customer's responsibility to manage and inspect the work performed by the contractor. FPL provides no guarantee or warranty regarding the amount of energy savings to be expected, the equipment, or the work provided by the contractor.

FPL Business Program Portfolio
Program Standards
2025

Business Energy Evaluation Program Standards

1. Program Overview

The Business Energy Evaluation (BEE) program is designed to educate customers on energy efficiency and encourage the implementation of recommended practices and measures, even if these are not included in FPL's Demand-Side Management (DSM) programs. The BEE is also used to identify potential candidates for other FPL DSM programs. This program is delivered through three channels: online through an FPL system, by phone with FPL representatives using the online system, or on-site by FPL representatives. In 2023, FPL introduced the Business Energy Manager tool, which allows business customers to better understand their energy usage and identify savings opportunities. The objective of the BEE program is to educate business customers on energy efficiency and encourage them to participate in applicable FPL DSM programs and implement other recommended actions. Customers receive a Business Energy Evaluation upon survey completion.

The Business Energy Evaluation program is delivered through the following channels:

- Online BEE: Performed by customers using FPL's online system.
- Phone BEE: Conducted by FPL representatives using FPL's online system.
- Field BEE: Conducted by FPL representatives at the customer's facility.

These delivery methods ensure that business customers, whether they own or rent their facility, can access the program and benefit from its services.

2. Eligibility Requirements

- The customer must have an active FPL business account.

3. Participation Requirements

- The survey must be performed by the customer using FPL's online survey tool at FPL.com or by an FPL representative over the phone or on-site at the customer's business.

4. Incentives

- There are no direct financial incentives offered under the Business Energy Evaluation program.
- Business Energy Surveys identify opportunities for customers to receive financial incentives through other FPL business programs.

5. Reporting Requirements

- Program costs will be reported to the Commission in FPL's Energy Conservation Cost Recovery (ECCR) True-Up and Projection filings.
- Program achievements will be reported in FPL's Demand-Side Management (DSM) Annual Report.

6. Disclaimers

The utility does not warrant or guarantee the audit findings or recommendations, nor is the utility liable as a result of the audit for the acts or omissions of any person who implements or attempts to implement those conservation measures recommended by the auditor” (Rule 25-17.003, Florida Administrative Code). It is the sole responsibility of the customer to determine whether any energy conservation measure is appropriate for their property and to manage any independent contractor that is selected and hired by the customer.

Business On Call® Program Standards

1. Program Overview

The Business Load Management (On Call®) program is designed to help FPL manage energy demand by allowing the utility to turn off air conditioners during periods of extreme demand, capacity shortages, and system emergencies including system frequency regulation. FPL installs equipment to control customer's DX central electric air conditioners. Through this program, customers are educated on the benefits of participating in load management initiatives which help maintain system reliability and efficiency. By enrolling in the On Call program, customers actively contribute to reducing peak demand and overall energy consumption during critical periods, supporting both personal cost savings and broader energy conservation goals. The On Call program utilizes contractors to install and service the load control equipment necessary for participation.

2. Eligibility Requirements

The program is available to FPL business customers on rate schedule GS-1 and GSD1 that normally operates air conditioners between 3pm – 6pm at least four days a week. See Applicable Tariff Sheet Nos. 8.109-8.110 for requirements.

3. Participation Requirements

FPL-installed equipment is connected to eligible customer's central electric air conditioners-allowing FPL to control these loads. See Applicable Tariff Sheet Nos. 8.109-8.110 for requirements.

4. Incentives

Participants in the On Call program receive a monthly credit on their electric bill, as specified in Tariff Sheet No. 8.109. The credit amount depends on the number of air conditioning units and tonnage enrolled in the program.

5. Incentive Processing:

Participant bill credits will commence upon the installation and completion of required verification of the load control equipment. See applicable Tariff Sheet Nos. 8.109-8.110

6. Reporting Requirements

Program costs will be reported to the Commission in FPL's Energy Conservation Cost Recovery ("ECCR") True-Up and Projection filings. Program achievements will be reported in FPL's Demand-Side Management ("DSM") Annual Report.

7. Disclaimers

See applicable Tariff Sheet Nos. 8.109-8.110

Commercial/Industrial Demand Reduction (CDR) Program Standards

1. Program Overview

The Commercial/Industrial Demand Reduction (CDR) program is designed to allow FPL to control customer loads of 200 kW or greater during periods of extreme demand, capacity shortages, or system emergencies. Participating customers receive monthly bill credits based on the amount of kW they are willing to have interrupted. Participation in the program is governed by the FPL Commercial/Industrial Demand Reduction Rider and Agreement. Each customer enrollment is unique, determined by the specific amount of kW the customer agrees to have interrupted. Once a completed agreement is executed, contractors install equipment at the customer's premises that allow FPL to remotely interrupt the applicable load.

2. Eligibility Requirements

The program is available to FPL business customers who meet the requirements outlined in the CDR Rider (Tariff Sheet Nos. 8.680 – 8.685).

3. Participation Requirements

See the CDR Rider (Tariff Sheet Nos. 8.680 – 8.685) for program requirements.

4. Incentives

Participants in CDR program receive a monthly credit on their electric bill, as specified in Tariff Sheet Nos. 8.680 – 8.685.

5. Incentive Processing:

Participant bill credits will commence upon the installation and completion of required verification and testing of the load control equipment. See Tariff Sheet Nos. 8.680 – 8.685.

6. Reporting Requirements

Program costs will be reported to the Commission in FPL's Energy Conservation Cost Recovery ("ECCR") True-Up and Projection filings. Program achievements will be reported in FPL's Demand-Side Management ("DSM") Annual Report.

7. Disclaimers

See Tariff Sheet Nos. 8.680 – 8.685

Commercial/Industrial Load Control (CILC) Program Standards (CLOSED)
(Closed to New Participants)

1. Program Overview

The Commercial/Industrial Load Control (CILC) program allows FPL to control customer loads of 200 kW or greater during periods of extreme demand, capacity shortages, or system emergencies. This initiative helps maintain system reliability and efficiency by shedding large commercial and industrial customer loads as referenced in the CILC agreement. The program is governed by the requirements in FPL CILC Tariff Sheet Nos. 8.650 – 8.659 and applicable Agreement. The program was closed to new participants as of December 31, 2000, and is only available to existing participants who had entered into a CILC agreement as of March 19, 1996.

2. Eligibility Requirements

The CILC program was closed to new participants as of December 31, 2000. It remains available only to existing CILC customers who entered into a CILC agreement as of March 19, 1996, and continue to meet the requirements outlined in the CILC Tariff (Tariff Sheet Nos: 8.650 – 8.659). Customers are responsible for providing appropriate contact information to FPL for communication of load management event alerts and program notifications.

3. Participation Requirements

- The program is closed to new participants.
- Existing participants shall be responsible for providing appropriate contact information to FPL for communication of load management event alerts and program notifications.
- See Tariff Sheet Nos, 8.650 – 8.659 for program requirements.

4. Incentives

See Tariff Sheet Nos, 8.650 – 8.659.

5. Incentive Processing:

See Tariff Sheet Nos, 8.650 – 8.659.

6. Reporting Requirements

Program costs will be reported to the Commission in FPL's Energy Conservation Cost Recovery ("ECCR") True-Up and Projection filings. Program achievements will be reported in FPL's Demand-Side Management ("DSM") Annual Report.

7. Disclaimers

See Tariff Sheet Nos, 8.650 – 8.659.

Business Heating Ventilation & Air Conditioning (HVAC) Program Standards

1. Program Overview

The Business Heating, Ventilating & Air Conditioning (HVAC) Program is designed to encourage commercial and industrial customers to install high-efficiency electric HVAC systems and aims to help these customers reduce their overall heating and cooling costs. The primary types of eligible systems include chillers and split/package Direct Expansion (DX) systems. The program also encourages the installation of Variable Frequency Drives (VFD) on HVAC pumps to enhance system efficiency.

2. Eligibility Requirements

- The customer must have an active FPL business account.
- The HVAC system must be for new construction or retrofit installations.

3. Participation Requirements

3.1 Equipment/Materials Requirements

- The equipment must be new (*i.e.*, cannot be refurbished, previously installed, or used) unless pre-approved by FPL.
- The HVAC system must be part of the facility's primary HVAC system.
- The equipment must exceed Florida Building Code requirements as specified by FPL.
- The equipment must operate during FPL's seasonal summer on-peak periods (3:00 p.m. to 6:00 p.m. ET weekdays from June 1 through September 30).

3.1.1 Requirements for Chillers

- The chiller must be certified by the manufacturer to AHRI Standards 550/590 Current Edition.
- The chilled water must be rated at a leaving temperature of 44°F.
- The chilled water must be rated at an entering temperature of 54°F.
- Water-cooled condensers must be rated at return temperatures of 85°F with a flow rate of 3.0 gpm per ton.
- Air-cooled condensers must be rated at an ambient air temperature of 95°F.

3.1.2 Requirements for DX Systems

- The equipment must be used to air condition a facility or process load.
- The DX system must not be used as a backup or emergency unit that is not part of the normal operational sequence.
- The equipment must exceed Florida Building Code SEER2 or EER Requirement / ASHRAE 90.1 Standards Current Edition.
- The equipment must be AHRI or AHRI/ISO certified.
- For any special class/size of HVAC equipment not AHRI/ISO certified or for any HVAC equipment model numbers with minor (non-energy) variations from AHRI/ISO listings, manufacturer verified specifications shall be provided.

3.1.3 Requirements for Variable Frequency Drives (VFD) on HVAC Pumps

- The VFD shall meet ANSI/AHRI Standard 1210.
- The VFD must regulate motor speed by adjusting the frequency and voltage of the electrical power supplied to the motor.
- The VFD cannot be mechanically integrated into the motor and electric commutated motor (EC motor) controller.

4. Incentives

4.1 Rebate Amount for Chillers

The rebate amount for qualifying chillers is calculated based on a maximum of \$145 per Summer kW reduction.

4.2 Rebate Amount for DX Systems

System Capacity	Minimum Efficiency	Rebate Amount
Less than 5.42 tons	SEER2: 14.78	\$200 per unit
Equal to 5.42 tons and less than 11.25 tons	EER: 11.98	\$400 per unit
Equal to 11.25 tons and less than 20 tons	EER: 11.77	\$800 per unit
Equal to 20 tons and less than 63.33 tons	EER: 10.70	\$820 per summer kW reduction
Equal to 63.33 tons and greater	EER: 10.38	\$820 per summer kW reduction

4.3 Rebate Amount for VFDs

The rebate amount is calculated based on a maximum of \$1,600 per summer kW reduction.

5. Incentives Processing

Incentive payments will be processed by providing a direct payment to the customer or designated payee after 45 days of receiving completed documentation and confirming eligibility and participation requirements are met, including receipt of the following documentation:

- One of the following providing specifications for the HVAC equipment:
 - Mechanical Schedules
 - Manufacturer Specification Sheets
 - Schedule of Values
- The AHRI Certificate verifying the efficiency certification of the installed HVAC system
- Original invoice or purchase order, which must contain the model number and quantity of units
- Pictures of the units installed to confirm proper installation
- The installing contractor's license (if applicable)
- A completed and signed rebate form.

6. Reporting Requirements

Program costs will be reported to the Commission in FPL's Energy Conservation Cost Recovery (ECCR) True-Up and Projection filings. Additionally, the program achievements will be reported in the Demand-Side Management (DSM) Annual Report.

7. Disclaimers

The issuance of a rebate by FPL under the Program shall not be considered or relied upon by the customer to be confirmation that: (i) The customer has selected the proper HVAC system; and/or (ii) any of the underlying work performed by the contractor was done properly pursuant to the manufacturer's recommendations and specifications, building codes, other applicable laws, industry standards, or individual contract requirements.

FPL does not participate in or approve the selection of the HVAC system and does not manage or provide oversight of the work performed by the contractor selected by the customer. It is the sole responsibility of the customer to investigate and select an HVAC system that is appropriate for their specific application, perform their own due diligence in selecting the contractor, manage the contractor they select to perform the work, and take the necessary precautions they deem prudent to ensure the equipment, materials, and work meet their expectations.

FPL does not provide any supervision, control, or instructions to the contractor regarding the means and methods for performing any work that might be eligible for a rebate. This is entirely the responsibility of the contractor and the customer to manage, inspect, and accept the work performed by the contractor. FPL provides no guarantee or warranty regarding the amount of energy savings to be expected, the equipment, or the work provided by the contractor.

FPL Business Lighting Program Standards

1. Program Overview

The Business Lighting Program encourages customers to install high-efficiency lighting systems by providing incentives for the installation of qualifying lighting fixtures. Customers enroll in the program by submitting project details, including the number and size of qualifying lighting fixtures installed, and FPL provides the rebate through a direct payment to the customer. This program is delivered primarily through customer advisors and paid digital and online advertising. FPL also promotes the program through trade publications.

2. Eligibility Requirements

2.1 Customer Eligibility Requirements:

- The customer must have an active FPL business account.
- The customer must select LED lighting fixtures that meet all equipment specifications.

2.2 Lighting Fixture Specifications:

- The fixtures must replace existing less efficient interior lighting with a permanent LED fixture (including interior spaces in parking garages). The lighting fixture will not qualify if it is required by code.
- The fixtures must be ceiling mounted, fully integrated and hardwired, including Low, Medium, and High Bay fixtures.
- The fixtures must be new (i.e., cannot be refurbished, previously installed, or used).
- The fixtures must be listed on the Design Lights Consortium (DLC) or ENERGY STAR® website.
- The fixtures must operate during FPL's seasonal summer on-peak periods (3:00 p.m. to 6:00 p.m. ET weekdays from June 1 through September 30).

3. Participation Requirements

- Customers must submit detailed project information, including the number and size of qualifying lighting fixtures installed.
- Customers must ensure that the installed lighting equipment meets the program's specifications.
- The customer must allow reasonable access for FPL representatives to inspect the lighting installation to verify compliance with program requirements.

4. Incentives

Fixture	Rebate (per Fixture)
LED Linear	\$10
LED (0-140 Watts)	\$20
LED (greater than 140 Watts)	\$40

5. Incentive Processing:

- Rebates are processed upon confirmation of the completed installation and submission of all required documentation.
- For the sole purpose of ensuring program compliance in order to issue the rebate, FPL reserves the right to verify any installation and will be the sole determiner of whether the requirements of these Program Standards have been met. Customer must allow access for this purpose.
- Incentive payments will be made as a direct payment to the customer or designated payee after 45 days of receipt of completed documentation and confirming eligibility and participation requirements are met.

6. Reporting Requirements

Program costs will be reported to the Commission in FPL's Energy Conservation Cost Recovery (ECCR) True-Up and Projection filings. Additionally, program achievements, including the number of projects completed and total energy savings achieved, will be reported in the Demand-Side Management (DSM) Annual Report.

7. Disclaimers

The issuance of a rebate by FPL under the Program shall not be considered or relied upon by the customer to be confirmation that: (i) The customer has selected the proper lighting system; and/or (ii) any of the underlying work performed by the contractor was done properly pursuant to the manufacturer's recommendations and specifications, building codes, other applicable laws, industry standards, or individual contract requirements.

FPL does not participate in or approve the selection of the lighting system and does not manage or provide oversight of the work performed by the contractor selected by the customer. It is the sole responsibility of the customer to investigate and select a lighting system that is appropriate for their specific application, perform their own due diligence in selecting the contractor, manage the contractor they select to perform the work, and take the necessary precautions they deem prudent to ensure the equipment, materials, and work meet their expectations.

FPL does not provide any supervision, control, or instructions to the contractor regarding the means and methods for performing any work that might be eligible for a rebate. This is entirely the responsibility of the contractor and likewise the sole responsibility of the customer to manage and inspect the work performed by the contractor. FPL provides no guarantee or warranty regarding the amount of energy savings to be expected, the equipment, or the work provided by the contractor.

FPL Business Custom Incentive Program Standards

1. Program Overview

The Business Custom Incentive (BCI) Program helps business customers save energy by providing customized rebates for the installation of unique high-efficiency technologies not covered by other FPL Demand-Side Management (DSM) programs. This program encourages customers to install unique high-efficiency technologies and is primarily promoted through customer advisors as they become aware of potential projects. FPL will evaluate the energy and demand savings of the project and determine any potential rebate based on the program standards.

2. Eligibility Requirements

2.1 Customer Eligibility Requirements:

- The customer must have an active FPL business account.
- The customer must operate the equipment during FPL's seasonal summer on-peak periods (3:00 p.m. to 6:00 p.m. ET weekdays from June 1 through September 30).
- The customer must reduce their facility's electrical demand coincident with FPL's seasonal summer system peak by a minimum of 25 kW.

2.2 Project Requirements:

- The project must not be covered by any other FPL program.
- The project must be permanent (*i.e.*, not an operational, controls, or maintenance improvement) as determined by FPL.
- The equipment must be new (*i.e.*, cannot be refurbished, previously installed, or used) unless pre-approved by FPL.
- The equipment must not have been installed prior to the date of written acceptance of the customer's proposal by FPL.
- The equipment must not be installed later than one year after the acceptance date, unless pre-approved by FPL.
- The project must not adversely impact FPL's system reliability, equipment, or safety.
- The project must pass RIM or TRC and Participants test and not involve fuel switching.
- The project must not be based exclusively on a change or improvement to the customer's electrical equipment such as electrical wiring, transformers, electric distribution equipment, substation equipment, or transmission facilities.
- The project must be formally approved by FPL before installation.
- The project must be accessible for post-installation verification and performance monitoring for one year.

3. Participation Requirements

- Customers must submit detailed project proposals, including equipment specifications, energy and demand savings projections, verifiable cost information, and any other information that demonstrate compliance with program requirements.
- Customers must allow reasonable access for FPL representatives to inspect the equipment

installation and verify compliance with program requirements.

- The customer must cooperate with FPL's post-installation verification and performance monitoring for a period of one year following installation.

4. Incentives

4.1 Rebate Amount:

- The rebate amount is project-specific and based on the following Commission-approved cost-effectiveness testing results:
 - The payback to the customer must be greater than two (2) years.
 - The total rebate cannot exceed 25% of the incremental cost.
 - The total payment cannot exceed \$250,000.

4.2 Potential Adjustments:

- Once the monitoring and verification of the project are completed, the total rebate amount may be adjusted downward if the actual summer coincident peak demand savings is more than 15 percent below that stated in the project proposal. No upward adjustment will be made.
- Any adjustment will be based on the cost-effectiveness testing utilizing the actual savings and the same resource assumptions in effect at the time of FPL's approval of the customer's formal proposal.

5. Incentive Processing:

- Payment will be made upon satisfactory completion of the project installation, monitoring, and verification work, and all other Program Standards and contract requirements.

6. Reporting Requirements

Program costs will be reported to the Commission in FPL's Energy Conservation Cost Recovery (ECCR) True-Up and Projection filings. Additionally, program achievements, including the number of projects completed and total energy savings achieved, will be reported in the Demand-Side Management (DSM) Annual Report.

7. Disclaimers

The issuance of a rebate by FPL under the Program shall not be considered or relied upon by the customer to be confirmation that: (i) the customer has selected the proper equipment or conservation measure; and/or (ii) that any of the underlying work performed by the customer or a third party was done properly pursuant to the manufacturer recommendations and specifications, building codes, other applicable laws, industry standards, or individual contract requirements.

FPL does not participate in or approve the selection of the equipment, conservation measure, or third-party installer. FPL does not install the conservation measure for the customer and does not manage, supervise, control, or provide any oversight of the work performed for such installation by the customer or any third-party selected by the customer. It is the sole responsibility of the customer to

investigate and select the equipment and/or conservation measure that is appropriate for their specific application, manage any third party they select to perform the work, and to take the necessary precautions they deem prudent to ensure the equipment and work is proper and meets their expectations. FPL provides no guaranty or warranty regarding the amount of energy saving, the equipment, and/or the work performed by the customer or third party.

FLORIDA POWER & LIGHT COMPANY ~~Sixty-Fifth~~**Sixty-Sixth** Revised Sheet No. 8.010
~~Cancels Sixty-Fifth Sixty-Fourth~~ Revised Sheet No. 8.010

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Issued by: **Tiffany Cohen, Senior Director, Regulatory Rates, Cost of Service and Systems-VP Financial Planning and Rate Strategy**
Effective: **January 1, 2022**

FLORIDA POWER & LIGHT COMPANY

~~Second-Third~~ Revised Sheet No. 8.217
Cancels ~~Second-First~~ Revised Sheet No. 8.217

RESIDENTIAL LOAD MANAGEMENT PROGRAM
(RESIDENTIAL ON CALL® PROGRAM)

RATE SCHEDULE: ROC

AVAILABLE:

Available only within the geographic areas served by the Company's Load Management System.

APPLICATION:

To customers receiving service under Rate Schedule RS-1 or RS-1/2EV who elect to participate in this program and who utilize central electric air conditioning.

The following electric appliances are eligible: central air conditioners, central space heaters, conventional electric resistance water heaters (excludes tankless/instantaneous, solar, heat pump, and heat recovery unit water heaters), and swimming pool pumps. All new program participants as of October 31, 2020 must include central electric air conditioners. If the participant's system also has a central electric heater, this must also be included. Inclusion of water heaters and swimming pool pumps is optional. Prior program participants' appliance selections and eligibility requirements remain unchanged. Participants who exit the program and later rejoin will be subject to the participation requirements in effect at that time.

This Rate Schedule is not applicable for service to commonly-owned facilities of condominium, cooperative or homeowners' associations.

SERVICE:

The same as specified in Rate Schedule RS-1.

LIMITATION OF SERVICE:

The same as specified in Rate Schedule RS-1. Participant's premise must be occupied for at least 9 months of the year. The participant-selected electrical appliances shall be interrupted at the option of the Company by means of load management equipment installed at the participant's premise.

TERM OF SERVICE:

A participant may change: (i) their interruption option (from Cycle to Shed only); (ii) the selection of appliances; or (iii) discontinue service under this Rate Schedule by giving the Company seven (7) days advance notice. If the participant requests to have one or more appliances removed from participation in the program, such appliance(s) will be ineligible to re-participate again for one year (12 months) from the time participation ended.

MONTHLY BILL CREDIT:

Participants receiving service under this Rate Schedule will receive a Monthly Bill Credit as follows:

Appliance	Applicability	Monthly Bill Credit
Central Electric Air Conditioner	April – October	\$6.00
Central Electric Space Heater	November – March	\$2.75
Conventional Electric Water Heater	Year-Round	\$1.50
Swimming Pool Pump	Year-Round	\$1.50
Prior Participants Only (Cycling)		
- Central Electric Air Conditioner	April – October	\$3.00
- Central Electric Heater	November – March	\$2.00

The total Monthly Bill Credit shall not exceed 40 percent of the Rate Schedule RS-1 "Base Energy Charge" actually incurred for the month (if the Budget Billing Plan is selected, actual energy charges will be utilized in the calculations, not the leveled charges) and no credit will be applied to reduce the minimum bill specified on Rate Schedule RS-1.

(Continued on Sheet No. 8.218)

Issued by: Tiffany Cohen, Director, Rates and Tariffs VP Financial Planning and Rate Strategy
Effective: July 7, 2020

FLORIDA POWER & LIGHT COMPANY

~~Third-Second~~ **Third-Fourth** Revised Sheet No. 8.218
Cancels ~~Third-Second~~ Revised Sheet No. 8.218

(Continued from Sheet No. 8.217)

INTERRUPTION SCHEDULE:

Appliance	Interruption Schedule
Central Electric Air Conditioner	Up to 180 minutes per day
Central Electric Space Heater	Up to 180 minutes per day
Convention Electric Water Heater	Up to 240 minutes per day
Swimming Pool Pump	Up to 240 minutes per day
Prior Participants Only (Cycling Only) - Central Electric Air Conditioner	15 minutes per 30-minute period / cumulative interruption up to 180 minutes per day. If unable to provide sufficient demand reduction to avert an emergency situation, may increase to 17.5 minutes per 30-minute period / cumulative interruption up to 210 minutes per day
- Central Electric Space Heater	15 minutes per 30-minute period / cumulative interruption up to 180 minutes per day

The limitations on interruptions shall not apply during emergencies on the Company's system or to interruptions ~~that occur as a result of: (a) fuel shortages; (b) breakdown or damage to Company's generation, transmission, or distribution facilities; (c) repairs or changes in the Company generation, transmission, or distribution facilities; (d) ordinary negligence of the Company's employees, servants, or agents; or (e) any other act or omission or related injury that is directly or indirectly related to events of caused by Force majeure or other causes beyond the control of the Company.~~ The Company at its discretion may also perform interruptions for readiness testing purposes.

SPECIAL PROVISIONS

- The Company shall not install load management equipment if the installation cannot be economically justified for reasons such as: excessive installation costs, oversized/undersized heating or cooling equipment or abnormal utilization of equipment; (including vacation or other limited occupancy residences).
- Billing under this Rate Schedule will commence upon the installation and completion of required inspections of the load management equipment.
- If a customer has multiple units of the same appliance type then at least two must be connected with load management equipment to qualify for the Monthly Bill Credit attributable to that appliance type. In such circumstances, only a single Monthly Bill Credit for that appliance type will be applied per premise.
- Installation of the Company's load management equipment at the participant's premise is the sole responsibility of a licensed, independent contractor or Company representative. The participant agrees that the Company shall not be liable for any damages or injuries that may occur as a result of the interruption or restoration of electric service pursuant to the terms of this Rate Schedule.
- If the Company determines that the participant no longer uses one or more of the appliances signed up for the program, or the equipment is disconnected or not communicating, then the Company shall discontinue the associated Monthly Bill Credits and has the right, at the Company's sole discretion, to remove the associated load management equipment.
- The participant is required to give the Company and the licensed, independent contractor reasonable access for installing, maintaining, testing and removing the Company's load management equipment, and for verifying that the equipment effectively controls the participant's appliances as intended by this Rate Schedule. Failure to provide access will result in the removal of the affected appliances from the program or full participation termination until such access is granted.
- If the Company determines that the effect of equipment interruptions has been offset by the participant's use of supplementary or alternative electrical equipment, then service under this Rate Schedule may be discontinued and the participant billed for all prior Monthly Bill Credits received under this Rate Schedule from an established date upon which supplementary or alternative electrical equipment was used. If such a date cannot be established, then rebilling shall be for the Monthly Bill Credits received by the participant for the lesser of the number of months receiving service under this Rate Schedule or the previous twelve (12) months. The participant will be ineligible to participate in the program for twelve (12) months from the time their participation was terminated.
8. If the Company determines that its load management equipment at the participant's premise has been rendered ineffective by mechanical, electrical or other devices, disconnection or other intentional actions ("tampering") by the participant, then the Company may discontinue their participation in the program and bill for all expenses involved in removal of the load management equipment, plus applicable investigative charges. The Company may rebill all prior Monthly Bill Credits received by the participant from an established tampering date. If such a date cannot be established, then rebilling of the Monthly Bill Credits shall be for the lesser of the number of months receiving service under this Rate Schedule or the previous twelve (12) months. If the Company terminates the participant, then they will be ineligible to participate in the program for twelve (12) months from the time their participation was terminated.
- 8.9. Participants in the HVAC Services Rider are subject to the Central Air Conditioner and Central Electric Space Heater Monthly Bill Credits and Interruption Schedule.

Issued by: **Tiffany Cohen, Director, Rates and Tariffs** V.P. Financial Planning and Rate Strategy
Effective: **July 7, 2020**

FLORIDA POWER & LIGHT COMPANY

Original Sheet No. 8.220

HVAC SERVICES RIDER
(OPTIONAL)

RATE SCHEDULE: HVAC

AVAILABLE:

In all areas served.

This optional rider ("Rider") is available on a voluntary basis to Customers who desire (1) the installation of Company owned, operated, and maintained HVAC equipment ("Equipment") that meets current energy efficiency codes and standards at the time of installation and (2) the receipt of billing credits for interruptible service consistent with this Rider and the Company's Residential On Call tariff (Tariff Nos. 8.217-8.218). The Rider is available to individually metered customers in owner-occupied residences receiving electric service under a rate schedule, where the customer's account is current and not on an active installment payment plan. To participate in the program, the property owner, must sign the Optional HVAC Services Agreement. Unless otherwise noted, terms of the Company's Residential On Call Program that apply to the HVAC Services Rider apply to participants of this Rider.

APPLICATION:

Service is provided through the installation of Equipment by the Company at the Customer's premise, the purpose of which is to meet the Customer's requested scope of service. To meet the service need identified by the Customer, the Company will conduct an evaluation of Customer requirements and of potential solutions. The Company and the Customer may thereafter execute a Residential HVAC Services Agreement ("Agreement") using the form of agreement approved by the Commission, which must include a description of the Equipment to be installed, the service to be performed, and the monthly charge for the service. Upon receipt of the proposed Agreement from Company, the Customer shall have no more than seven (7) days to execute the Agreement. After seven (7) days, the proposed Agreement shall be considered expired, unless extended in writing by the Company.

LIMITATION OF SERVICE:

Installation of the Equipment shall be made only when, in the judgment of the Company, the location and the type of the Equipment are, and will continue to be economical, accessible, and viable. Service shall be limited to Customers with no delinquent balances with the Company. The Company will own, operate, and maintain the Equipment for the term of the Agreement subject to the terms of the Agreement.

Services shall be limited to provision through new Equipment. By participation in this Rider, Customer agrees to allow the Company to interrupt Equipment as outlined in the Interruption Schedule of the Residential On Call Program and receive a credit for such authorization as described in the Monthly Service Payment section below.

TERM OF SERVICE:

The term of service will be specific to each HVAC Services Agreement.

MONTHLY SERVICE PAYMENT:

The Company will design, procure, install, own, operate, and maintain all Equipment included in the determination of the Monthly Service Payment. The Monthly Service Payment under this Rider is in addition to the monthly billing determined under the Customer's otherwise applicable rate schedule and any other applicable charges, and shall be calculated based on the following formula:

Monthly Service Payment = Capital Cost + Expenses

(Continue on Sheet No. 8.221)

Tiffany Cohen, VP Financial Planning and Rate Strategy
Effective:

FLORIDA POWER & LIGHT COMPANY

Original Sheet No. 8.221

(Continue from Sheet No. 8.220)

In the reasonable discretion of Company, Company may (i) apply the net present value of the monthly credits available under the Company's Residential On Call Program for the Equipment as (a) a credit against the initial monthly fees of this program, or (b) an up-front credit, or (ii) utilize the monthly HVAC Services Rider credit available under the Company's Residential On Call Program as an offset against the monthly fees of this program.

WHERE:

Capital Cost shall be levelized over the term of service based upon the estimated installed cost of Equipment times a carrying cost. The carrying cost is the cost of capital, reflecting current capital structure and most recent FPSC-approved return on common equity.

Replacement cost(s) from normal wear and tear incurred during the term of Service will also be included. Any equipment installed by the Company that is not necessary to support the Equipment shall not be included in the Monthly Service Payment.

The Monthly Service Payment(s) may be adjusted, by agreement of both the Customer and the Company, to reflect the Customer's request for modifications to the Service and Equipment specified in the HVAC Services Agreement. Modifications include, but are not limited to, Equipment modifications necessitated by changes in the character of service required by the Customer, requests by the Customer for supplemental Equipment or services, or changes or increases in the Customer's facilities which will materially affect the operation of the Company's Equipment.

PROVISIONS FOR EARLY TERMINATION:

Customer has the right to terminate the Agreement for its convenience upon written notice to the Company at least ninety (90) days prior notice. Termination fees will be assessed in accordance with the HVAC Services Agreement.

RULES AND REGULATIONS:

Service under this Rider is subject to orders of governmental bodies having jurisdiction and to the currently effective "General Rules and Regulations for Electric Service" on file with the Florida Public Service Commission. In case of conflict between any provision of this Rider and said, "General Rules and Regulations for Electric Service", the provision of this Rider shall apply.

Tiffany Cohen, VP Financial Planning and Rate Strategy
Effective:

FLORIDA POWER & LIGHT COMPANY

~~Sixteenth-Seventeenth~~ Revised Sheet No. 9.011
Cancels ~~Sixteenth-Fifteenth~~ Revised Sheet No. 9.011

(Continued from Sheet No. 9.010)

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Issued by: Tiffany Cohen, Senior Director, Regulatory Rates, Cost-of-Service and Systems VP Financial Planning and Rate Strategy
Effective: January 1, 2022

FLORIDA POWER & LIGHT COMPANYOriginal Sheet No. 9.858OPTIONAL HVAC SERVICES AGREEMENT

THIS Optional HVAC Services Agreement ("Agreement") is made and entered into this _____ day of _____, 20____ by and between _____, having a primary residence located at _____ (hereafter, the "Customer") and Florida Power & Light Company, a Florida corporation, having offices at 700 Universe Boulevard, Juno Beach, Florida 33408 (hereafter "Company") (each a "Party" and collectively the "Parties"). The Service (as defined in the paragraph below) provided under this Agreement is subject to the Rules and Orders of the Florida Public Service Commission ("FPSC") and to Company's Electric Tariff, including, but not limited to the Optional HVAC Services Rider Rate Schedule, as approved or subsequently revised by the FPSC (hereafter the "Rider") and the Company's General Rules and Regulations for Electric Service as they are now written, or as they may be hereafter revised, amended or supplemented (collectively, hereafter referred to as the "Electric Tariff"). In case of conflict between any provision of this Agreement and the Electric Tariff, this Agreement shall control. Capitalized terms not defined herein shall have the meaning set forth in the Electric Tariff.

WHEREAS, the Customer hereby applies to Company for receipt of service, as more specifically described in a Statement of Work ("SOW"), for the purpose of providing installation, maintenance and operating control (as described in the Company's Residential On Call Program) of HVAC equipment (collectively, the "Service") at the Customer residential property located at _____ (hereafter the "Residential Property"), Customer's participation in the Company's Residential On Call Program is a condition precedent to this Agreement.

NOW THEREFORE, in consideration of their mutual promises and undertakings, the Parties agree to the following terms and conditions in this Agreement:

1. **Effective Date.** This Agreement shall become effective upon the acceptance hereof by Company ("Effective Date"), evidenced by the signature of Company's authorized representative appearing below, which, together with the Electric Tariff and the SOW, shall constitute the entire agreement between the Customer and Company with respect to provision of the Service.
2. **Term of Agreement.** The term of this Agreement will commence on the Effective Date and will continue for a term of [10, 12, or 15] years following the Residential Operation Date as defined in Section 4(a) below (the "Term").
3. **Scope of Services.** Company, through its authorized contractors, will design, procure, install, own, operate, and provide maintenance to all HVAC equipment ("Equipment") to furnish the Service as more specifically described in the SOW. Customer acknowledges and agrees that (i) the Equipment will be removable and will not be a fixture or otherwise part of the Residential Property, (ii) Company will own the Equipment, and (iii) Customer has no ownership interest in the Equipment. For the avoidance of doubt, it is the Parties' intent that this Agreement (i) is for the Company's provision of Services to Customer using Company's Equipment, and (ii) is not a lease of the Equipment by Company to Customer.
4. **Design and Installation.** Company, through its authorized contractors, will design, procure, and install the Equipment pursuant to the requirements of the SOW.
 - (a) **Residential Operation.** Upon completion of the installation of the applicable Equipment in accordance with the requirements of the SOW, Company shall deliver to Customer a notice that the Equipment is ready for operation, with the date of such notice being the "Residential Operation Date".
 - (b) **Commencement of Monthly Service Payment Upon Residential Operation Date.** Customer's obligation to pay the applicable Customer's monthly Service payment, plus applicable taxes due from Customer pursuant to Section 6 (Customer Payments), shall begin on the Residential Operation Date and shall be due and payable by Customer pursuant to the Company's General Rules and Regulations for Electric Service.
5. **Equipment Maintenance; Alterations.** During the Term, Company shall provide maintenance to the applicable Equipment in accordance with generally accepted industry practices. Customer shall promptly notify Company when Customer has knowledge of any operational issues or damage related to the Equipment. Company shall inspect and repair Equipment that is not properly operating within the timelines agreed upon in the SOW. Company will invoice Customer for repairs that are the Customer's financial responsibility under

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Section 12(c), due and payable by Customer within thirty (30) days of the date of such invoice. The Customer shall not move, modify, remove, adjust, alter, or change in any material way the Equipment, or any part thereof, during the term of the Agreement, except in the event of an occurrence reasonably deemed by the Customer or Company to constitute a bona fide emergency. All replacements of, and alterations or additions to, the Equipment shall become part of the Equipment. In the event of a breach of this Section 5 by Customer, Company may, at its option and sole discretion, restore Equipment to its original condition at Customer's sole cost and expense.

6. Customer Payments.

(a) Fees. The Customer's monthly Service payment shall be in the amount set forth in the SOW ("Monthly Service Payment"). Applicable taxes will also be included in or added to the Monthly Service Payment.

(b) Late Payment. Charges for Services due and rendered which are unpaid as of the past due date are subject to a Late Payment Charge of the greater of \$5.00 or 1.5% applied to any past due unpaid balance of all accounts. Further, if the Customer fails to make any undisputed payment owed the Company hereunder within five (5) business days of receiving written notice from the Company that such payment is past due, Company may cease to supply Service under this Agreement until the Customer has paid the bills due. It is understood, however, that discontinuance of Service pursuant to the preceding sentence shall not constitute a breach of this Agreement by Company, nor shall it relieve the Customer of the obligation to comply with all payment obligations under this Agreement.

(c) HVAC Services Credits. At the request of the Customer, Company may at its discretion either (i) apply the net present value of the monthly credits available under the Company's Residential On Call Program for the Equipment as (a) a credit against the initial monthly fees of this Agreement, or (b) an up-front credit, or (ii) utilize the monthly credits available under the Company's Residential On Call Program as an offset against the monthly fees of this Agreement. The application of the credits will be reflected in the applicable SOW.

7. Customer Credit Requirements. In the reasonable discretion of Company to assure Customer payment of Monthly Service Payments, Company may request and Customer will be required to provide cash security, a surety bond, or a bank letter of credit, in an amount as set forth in the SOW, prior to Company's procurement or installation of Equipment. Each Customer that provides a surety bond or a bank letter of credit must enter into the agreement(s) set forth in Sheet No. 9.440 of the Company's Electric Tariff for the surety bond and Sheet Nos. 9.430 and 9.435 of the Company's Electric Tariff for the bank letter of credit. Failure to provide the requested security in the manner set forth above within ninety (90) days of the date of this Agreement shall be a material breach of this Agreement unless such 90-day period is extended in writing by Company. Upon the end of the Term and after Company has received final payment for all bills, including any applicable Termination Fee pursuant to Section 13(a), for Service incurred under this Agreement, any cash security held by the Company under this Agreement will be refunded, and the obligors on any surety bond or letter of credit will be released from their obligations to the Company.

8. Right of Access. Customer hereby grants Company an access easement on the Residential Property sufficient to allow Company, in Company's sole discretion, to (i) laydown and stage the Equipment, tools, materials, other equipment and rigging and to park construction crew vehicles in connection with the installation or removal of the Equipment, (ii) inspect and provide maintenance to the Equipment; or (iii) provide any other service contemplated or necessary to perform under this Agreement. Furthermore, if any event creates an imminent risk of damage or injury to the Equipment, any person or person's property, Customer grants Company immediate unlimited access to the Residential Property to take such action as Company deems appropriate to prevent such damage or injury (collectively "Access").

9. Company Interruption, Operation and Testing of Equipment. The Company shall have the right to interrupt the operation of the Equipment pursuant to the Company's Residential On Call Program. The Company shall also have the right to manually and/or remotely control the Equipment for purposes of fulfilling its obligations under this Agreement.

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10. Customer Responsibilities. Company shall be entitled to rely on the accuracy and completeness of any information provided by the Customer related to the Residential Property. The Customer shall be obligated, at its sole expense, to keep the Residential Property free and clear of anything that may (i) impair the maintenance or removal of Equipment, (ii) impair the Company's operation of the Equipment pursuant to Section 9, or (iii) cause damage to the Equipment.

11. Permits and Regulatory Requirements. Company shall be responsible for obtaining and for compliance with any license or permit required to enable it to provide the Service. Customer agrees to cooperate with Company and to assist Company in obtaining and closing any required permit.

12. Title and Risk of Loss.

(a) **Title.** The Customer agrees that Equipment installed at the Residential Property is and will remain the sole property of Company unless and until such time as the Customer satisfies its obligations under the Agreement through the end of its term or exercises any purchase option set forth in the Agreement and pays such applicable purchase price to Company. Company reserves the right to modify or upgrade Equipment as Company deems necessary, in its sole discretion, for the continued supply of the Service. Any modifications, upgrades, alterations, additions to the Equipment, or replacement of the Equipment shall become part of the Equipment and shall be subject to the ownership provisions of this Section 12(a). The Parties agree that the Equipment is personal property of Company and not a fixture to the Residential Property and shall retain the legal status of personal property as defined under the applicable provisions of the Uniform Commercial Code. With respect to the Equipment, and to preserve the Company's title to, and rights in the Equipment, Company may file one or more precautionary UCC financing statements or fixture filings, as applicable, in such jurisdictions as Company deems appropriate. Furthermore, the Parties agree that Company has the right to record notice of its ownership rights in the Equipment in the public records of the county of the Residential Property.

(b) **Liens.** Customer shall keep the Equipment free from any liens by third parties. Customer shall provide timely notice of Company's title and ownership of the Equipment to all persons that may come to have an interest in or lien upon the Residential Property.

(c) **Risk of Loss to Equipment (Customer Responsibility).** **CUSTOMER SHALL BEAR ALL RISK OF LOSS OR DAMAGE OF ANY KIND WITH RESPECT TO ALL OR ANY PART OF THE EQUIPMENT LOCATED AT THE RESIDENTIAL PROPERTY TO THE EXTENT SUCH LOSS OR DAMAGE IS CAUSED BY THE ACTIONS, NEGLIGENCE, WILLFUL MISCONDUCT OR GROSS NEGLIGENCE OF CUSTOMER, ITS CONTRACTORS, AGENTS, INVITEES AND/OR GUESTS (COLLECTIVELY A "CUSTOMER CASUALTY").**

(d) **Risk of Loss to Equipment.** In the event the Equipment is damaged and is not a Customer Casualty, the Company will repair or replace the Equipment at Company's cost, or, in the event that Equipment is so severely damaged or has such a severe failure that substantial replacement is necessary, the Company may in its sole discretion either (i) terminate this Agreement for its convenience upon written notice to Customer, provided that Company will have the right to remove the Equipment at its cost within a reasonable period of time, and Customer will be obligated to pay any outstanding Monthly Service Payments and applicable taxes for Service provided to Customer up to and through the date the Equipment was damaged, or (ii) mutually agree with Customer to replace the Equipment and (a) adjust the Monthly Service Payments to reflect the new in-place cost of the Equipment less the in-place cost of the replaced Equipment and/or (b) extend the Term of the Agreement to enable Company to recover the capital cost of the replacement Equipment.

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For the avoidance of doubt, Company has the right, but not the obligation, to access and remove any and all Equipment, at its sole discretion. Title to Equipment that Company elects not to remove shall transfer to Customer upon written notice by Company to Customer of such an election. In the event the Equipment is damaged and is a Customer Casualty, the Company will repair or replace the Equipment at Customer's cost, or, in the event that Equipment is so severely damaged or has such a severe failure that substantial replacement is necessary, the Company may terminate this Agreement for its convenience upon written notice to Customer and Customer shall be responsible for paying the Termination Fee as more fully described in Section 13(a).

13. Expiration or Termination of Agreement.

- (a) **Early Termination for Convenience by Customer.** Subject to the obligation of Customer to pay Company the Termination Fee (as defined below), the Customer has the right to terminate this Agreement for its convenience upon written notice to Company at least ninety (90) days prior to the effective date of termination. The "Termination Fee" will be an amount equal to (i) any outstanding Monthly Service Payments and applicable taxes for Service provided to Customer prior to the effective date of termination, plus (ii) any unrecovered maintenance costs expended by Company prior to the effective date of termination, plus (iii) the unrecovered capital costs of the Equipment (including the recovery of the amount Customer would have paid had Company not levelized the Monthly Service Payments during the Term) less any salvage value of Equipment removed by Company, plus (iv) any removal cost of any Equipment, plus (v) any advance payment of HVAC Services Credits by Company to Customer under the Company's Residential On Call Program, plus (vi) the cost of removal of the Fixture Filing (as defined in Section 20), minus (vii) any payment security amounts recovered by the Company under Section 7 (Customer Credit Requirements). For the avoidance of doubt, Company has the right, but not the obligation, to access and remove any and all Equipment, at its sole discretion. Title to Equipment that Company elects not to remove shall transfer to Customer upon written notice by Company to Customer of such an election. Company will invoice Customer the Termination Fee, due and payable by Customer within thirty (30) days of the date of such invoice. Company's invoice may include an estimated salvage value of Equipment removed by Company. Company retains the right to invoice Customer based upon actual salvage value within one-hundred eighty (180) days of the date of Company's removal of Equipment. In lieu of the credit for any salvage value of the Equipment pursuant to subsection (iii) above or the charge for removal costs pursuant to subsection (iv) above, Customer may elect to take title to the Equipment upon full payment of the balance of the Termination Fee plus any applicable taxes.
- (b) **Early Termination by Company for Convenience or by Company Due to Change in Law.** The Company has the right to terminate this Agreement for its convenience upon written notice to Customer at least ninety (90) days prior to the effective date of termination, or, in whole or in part, immediately upon written notice to Customer as a result of FPSC actions or change in applicable laws, rules, regulations, ordinances or applicable permits of any federal, state or local authority, or of any agency thereof, that have the effect of terminating, limiting or otherwise prohibiting Company's ability to provide the Service. Upon a termination for convenience by Company pursuant to this Section 13(b), Customer must choose to either: (i) Purchase the Equipment upon payment of the Termination Fee as defined in Section 13(a) plus applicable taxes, but not including a credit for any salvage value of the Equipment or charge for removal costs; or (ii) Request that Company remove the Equipment, at Company's sole cost, within a reasonable time period, provided that, for the avoidance of doubt, Company has the right, but not the obligation, to access and remove any and all Equipment, at its sole discretion. Title to Equipment that Company elects not to remove shall transfer to Customer upon written notice by Company to Customer of such an election.

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If Customer and Company cannot reach agreement as to the transfer price of the Equipment within ninety (90) days of Company's notice of termination for convenience, Customer shall be deemed to have elected the request for Company to remove the Equipment. Notwithstanding anything to the contrary above, upon FPSC actions or change in applicable laws, rules, regulations, ordinances or applicable permits of any federal, state or local authority, or of any agency thereof, that have the effect of terminating, limiting or otherwise prohibiting Company's ability to provide the Service, Company will use commercially reasonable efforts to assign its rights and obligations under this Agreement to a third party pursuant to Section 20.

(c) **Early Termination of Agreement for Cause.** In addition to any other termination rights expressly set forth in this Agreement, Company and Customer, as applicable, may terminate this Agreement for cause upon any of the following events of default (each an "Event of Default"): (i) Customer fails to timely pay the Monthly Service Payment and fails to cure such deficiency within five (5) business days of written notice from the Company; (ii) Company materially breaches its obligations under the Agreement and such failure is not cured within thirty (30) days after written notice thereof by Customer; (iii) Customer fails to perform or observe any other covenant, term or condition under the Agreement and such failure is not cured within thirty (30) days after written notice thereof by Company; (iv) Subject to Section 20, Customer sells, transfers or otherwise disposes of the Residential Property; (v) Customer enters into any voluntary or involuntary bankruptcy or other insolvency or receivership proceeding, or makes an assignment for the benefit of creditors; (vi) any representation or warranty made by Customer or otherwise furnished to Company in connection with the Agreement shall prove at any time to have been untrue or misleading in any material respect; (vii) Customer removes or allows a third party to remove, any portion of the Equipment from the Residential Property; or (viii) Customer discontinues its participation in the Company's Residential On Call Program.

i. Upon a termination for cause by Company, the Company shall have the right to access and remove the Equipment, and Customer shall be responsible for paying the Termination Fee as more fully described in Section 13(a). For the avoidance of doubt, Company has the right, but not the obligation, to access and remove any and all Equipment, at its sole discretion. Title to Equipment that Company elects not to remove shall transfer to Customer upon written notice by Company to Customer of such an election. Additionally, the Customer shall be liable to Company for any attorney's fees or other costs incurred in collection of the Termination Fee. In the event that Company and a purchaser of the Residential Property (who has not assumed the Agreement pursuant to Section 20) agree upon a purchase price of the Equipment, such purchase price shall be credited against the Termination Fee owed by Customer.

ii. Upon a termination for cause by Customer, Customer must choose to either (i) pursue the purchase option pursuant to Section 13(e), or (ii) request that Company remove the Equipment, at Company's sole cost, within a reasonable time period, and pay no Termination Fee; provided that, for the avoidance of doubt, Company has the right, but not the obligation, to access and remove any and all Equipment, at its sole discretion. Title to Equipment that Company elects not to remove shall transfer to Customer upon written notice by Company to Customer of such an election.

(d) **Expiration of Agreement.** At least ninety (90) days prior to the end of the Term, Customer shall provide Company with written notice of an election of one of the three following options: (i) to take title of the Equipment if Customer has made all payments required under this Agreement (ii) to renew the Term of this Agreement, subject to modifications to be agreed to by Company and the Customer, for a period and price to be agreed upon between Company and the Customer; (iii) to purchase the Equipment by payment of the purchase option price set forth in Section 13(e) if Customer has not made all payments required in the Agreement, or (iv) to request that Company remove the Equipment and for Customer to pay Company the Termination Fee.

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In the event that Customer fails to make a timely election, Customer shall be deemed to have elected the request for Company to remove the Equipment and for Customer to pay the Termination Fee. For the avoidance of doubt, Company has the right, but not the obligation, to access and remove any and all Equipment, at its sole discretion. Title to Equipment that Company elects not to remove shall transfer to Customer upon written notice by Company to Customer of such an election. If options (i) or (ii) is selected by Customer but the Parties have failed to reach agreement as to the terms of the applicable option by the expiration of the then current Term, the Agreement will auto-renew on a month-to-month basis until (A) the date on which the Parties reach agreement and finalize the option, or (B) the date Customer provides written notice to Company to change its election to option (iii) above.

- (c) Customer Purchase Option. Pursuant to a purchase option under Section 13(c), Section 13(d), or Section 20, the Customer may elect to purchase and take title to the Equipment upon payment of the Termination Fee as defined in Section 13(a) plus applicable taxes but not including a credit for any salvage value of the Equipment or charge for removal costs. Company will invoice Customer the purchase option price within thirty (30) days of Customer's election of the purchase option, due and payable by Customer within thirty (30) days of the date of such invoice.

14. Warranty and Representations.

- (a) Company's Disclaimer of Express and/or Implied Warranties. CUSTOMER ACKNOWLEDGES AND AGREES THAT COMPANY HAS NOT MADE, DOES NOT MAKE AND SPECIFICALLY NEGATES AND DISCLAIMS ANY REPRESENTATIONS, WARRANTIES, PROMISES, COVENANTS, AGREEMENTS OR GUARANTEES OF ANY KIND OR CHARACTER WHATSOEVER, WHETHER EXPRESS OR IMPLIED, ORAL OR WRITTEN, PAST, PRESENT OR FUTURE, OF, AS TO, CONCERNING, OR WITH RESPECT TO THE COMPANY'S OBLIGATIONS, SERVICES AND/OR THE EQUIPMENT. CUSTOMER ACKNOWLEDGES THAT THERE IS NO WARRANTY IMPLIED BY LAW, INCLUDING THE IMPLIED WARRANTY OF MERCHANTABILITY, THE IMPLIED WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE, AND THE IMPLIED WARRANTY OF CUSTOM OR USAGE. CUSTOMER FURTHER ACKNOWLEDGES IN NO EVENT DOES COMPANY WARRANT AND/OR GUARANTY TO THE CUSTOMER THAT THE ELECTRICAL SERVICES TO THE RESIDENTIAL PROPERTY WILL BE UNINTERRUPTED OR THAT THE INSTALLATION OF THE EQUIPMENT AND PROVISION OF SERVICES PROVIDED HEREUNDER WILL AVERT OR PREVENT THE INTERRUPTION OF ELECTRIC SERVICES.
- (b) Customer Representations and Warranties. The Customer represents and warrants that (i) the Residential Property at which Company's Equipment is to be located is suitable for the location of such Equipment; (ii) the placing of such Equipment at such Residential Property will comply with all laws, rules, regulations, ordinances, zoning requirements, or any other federal, state, and local governmental requirements applicable to Customer; (iii) all information provided by the Customer related to the Residential Property is accurate and complete; and (iv) Customer holds sole and exclusive title to the Residential Property or has the sole and exclusive right of possession of the Residential Property for the Term.

15. LIMITATIONS OF LIABILITY.

- (a) IT IS UNDERSTOOD AND ACKNOWLEDGED BY CUSTOMER THAT COMPANY IS NOT AN INSURER OF LOSSES OR DAMAGES THAT MIGHT ARISE OR RESULT FROM THE EQUIPMENT NOT OPERATING AS EXPECTED. BY SIGNING THIS AGREEMENT, CUSTOMER ACKNOWLEDGES AND AGREES THAT COMPANY SHALL NOT BE LIABLE TO THE CUSTOMER FOR COMPLETE OR PARTIAL INTERRUPTION OF SERVICE, RESULTING FROM CAUSES BEYOND ITS CONTROL OR THROUGH THE ORDINARY NEGLIGENCE OF ITS EMPLOYEES, SERVANTS OR AGENTS.

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(b) SUBJECT TO SECTION 15(c), NEITHER COMPANY NOR CUSTOMER SHALL BE LIABLE TO THE OTHER FOR CONSEQUENTIAL, SPECIAL, EXEMPLARY, INDIRECT, OR INCIDENTAL LOSSES OR PUNITIVE DAMAGES UNDER THE AGREEMENT, INCLUDING LOSS OF USE, COST OF CAPITAL, LOSS OF GOODWILL, LOST REVENUES, OR LOSS OF PROFIT, AND COMPANY AND CUSTOMER EACH HEREBY RELEASES THE OTHER FROM ANY SUCH LIABILITY.

(c) THE LIMITATIONS OF LIABILITY UNDER SECTION 15(a) AND SECTION 15(b) ABOVE SHALL NOT BE CONSTRUED TO LIMIT ANY INDEMNITY OR DEFENSE OBLIGATION OF CUSTOMER UNDER SECTION 18(c). Customer's initials below indicate that Customer has read, understood and voluntarily accepted the terms and provisions set forth in Section 15.

16. Force Majeure. Force Majeure is defined as an event or circumstance that is not reasonably foreseeable, is beyond the reasonable control of and is not caused by the negligence or lack of due diligence of the affected Party or its contractors or suppliers. Such events or circumstances may include, but are not limited to, actions or inactions of civil or military authority (including courts and governmental or administrative agencies), acts of God, war, riot or insurrection, blockades, embargoes, sabotage, epidemics, explosions and fires not originating in the Residential Property or caused by its operation, hurricanes, floods, strikes, lockouts or other labor disputes or difficulties (not caused by the failure of the affected Party to comply with the terms of a collective bargaining agreement). If a Party is prevented or delayed in the performance of any such obligation by a Force Majeure event, such Party shall provide notice to the other Party of the circumstances preventing or delaying performance and the expected duration thereof. The Party so affected by a Force Majeure event shall endeavor, to the extent reasonable, to remove the obstacles which prevent performance and shall resume performance of its obligations as soon as reasonably practicable. Provided that the requirements of this Section 16 are satisfied by the affected Party, to the extent that performance of any obligation(s) is prevented or delayed by a Force Majeure event, the obligation(s) of the affected Party that is obstructed or delayed shall be extended by the time period equal to the duration of the Force Majeure event. Notwithstanding the foregoing, the occurrence of a Force Majeure event shall not relieve Customer of payment obligations under this Agreement.

17. Confidentiality. "Confidential Information" shall mean all nonpublic information, regardless of the form in which it is communicated or maintained (whether oral, written, electronic, or visual) and whether prepared by Company or otherwise, which is disclosed to Customer. Confidential Information shall not be used for any purpose other than for purposes of this Agreement and shall not be disclosed without the prior written consent of Company.

18. Insurance and Indemnity.

(a) Insurance to Be Maintained by the Company. At any time that the Company is performing Services under this Agreement at the Customer Residential Property, the Company shall, maintain, at its sole cost and expense, liability insurance as required by law, including workers' compensation insurance mandated by the applicable laws of the State of Florida. Company may meet the above required insurance coverage with any combination of primary, excess, or self-insurance.

(b) Insurance to Be Maintained by the Customer. During and throughout the Term of this Agreement and until all amounts payable to the Company pursuant to this Agreement are paid in full, the Customer shall maintain a homeowner's insurance policy with minimum liability coverage of Three Hundred Thousand (\$300,000.00) Dollars.

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- (c) Indemnity. The Customer shall indemnify, hold harmless, and defend Company from and against any and all liability, proceedings, suits, cost, or expense for loss, damage, or injury to persons or property ("Losses") to the extent arising out of, connected with, relating to or in any manner directly or indirectly connected with this Agreement; provided, that nothing herein shall require Customer to indemnify Company for Losses caused by Company's own negligence, gross negligence, or willful misconduct. The provisions of this paragraph shall survive termination or expiration of this Agreement.
- 19. Non-Waiver.** The failure of either Party to insist upon the performance of any term or condition of this Agreement or to exercise any right hereunder on one or more occasions shall not constitute a waiver or relinquishment of its right to demand future performance of such term or condition, or to exercise such right in the future.
- 20. Assignment.** Neither this Agreement, nor the Service, nor any duty, interest or rights hereunder shall be subcontracted, assigned, transferred, delegated, or otherwise disposed of by Customer without Company's prior written approval. Customer will provide written notice to Company of a prospective sale of the real property upon which the Equipment is installed, at least thirty (30) days prior to the sale of such property. In the event of the sale of the real property upon which the Equipment is installed, subject to the obligations of this Agreement including Section 7 (Customer Credit Requirements), the Customer has the option to purchase the Equipment pursuant to Section 13(e), or this Agreement may be assigned by the Customer to the purchaser if such obligations have been assumed by the purchaser and agreed to by the Customer and the Company in writing. This Agreement shall inure to the benefit of, and be binding upon the successors and assigns of the Customer and Company. This Agreement is free of any restrictions that would prevent the Customer from freely transferring the Residential Property. Company will not prohibit the sale, conveyance, or refinancing of the Residential Property. Company may choose to file in the real estate records one or more precautionary UCC financing statements or fixture filings (collectively "Fixture Filing") that preserves their rights in the Equipment. The Fixture Filing is intended only to give notice of its rights relating to the Equipment and is not a lien or encumbrance against the Residential Property. Company shall explain the Fixture Filing to any subsequent purchasers of the Residential Property and any related lenders as requested. Company may assign its rights and obligations under this Agreement as allowed by applicable law upon written notice to Customer.
- 21. Dispute Resolution, Governing Law, Venue and Waiver of Jury Trial.** This Agreement shall be governed by, construed, and enforced in accordance with the laws of the State of Florida, exclusive of conflicts of laws provisions. Each Party agrees not to commence or file any formal proceedings against the other Party related to any dispute under this Agreement for at least forty-five (45) days after notifying the other Party in writing of the dispute. A court of competent jurisdiction in the Circuit Court for Palm Beach County, Florida or the United States District Court for the Southern District of Florida only, as may be applicable under controlling law, shall decide any unresolved claim or other matter in question between the Parties to this Agreement arising out of or related in any way to this Agreement, with such court having sole and exclusive jurisdiction over any such matters. EACH OF THE PARTIES HEREBY KNOWINGLY, VOLUNTARILY, AND INTENTIONALLY WAIVES ANY RIGHTS THAT MIGHT EXIST TO HAVE A TRIAL BY JURY WITH RESPECT TO ANY LITIGATION BASED UPON, RELATING TO, ARISING OUT OF, UNDER OR IN ANY WAY CONNECTED WITH THIS AGREEMENT, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER ORAL OR WRITTEN), OR ACTIONS OF EITHER PARTY HERETO. THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE PARTIES ENTERING INTO THIS AGREEMENT.
- 22. Modification.** No statements or agreements, oral or written, made prior to the date hereof, shall vary or modify the written terms set forth herein and neither Party shall claim any amendment, modification, or release from any provision hereof by reason of a course of action or mutual agreement unless such agreement is in writing, signed by both Parties and specifically states it is an amendment to this Agreement.

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23. Severability. If any provision of this Agreement or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Agreement, or the application of such provisions to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

24. Survival. The obligations of the Parties hereunder which by their nature survive the termination or expiration of the Agreement and/or the completion of the Service hereunder, shall survive and inure to the benefit of the Parties. Those provisions of this Agreement which provide for the limitation of or protection against liability shall apply to the full extent permitted by law and shall survive termination or expiration of this Agreement and/or completion of the Service.

25. Notices. All notices, demands, offers, or other written communications required or permitted to be given pursuant to this Agreement shall be in writing signed by the Party giving such notice and, shall be either hand-delivered, sent via certified mail, return receipt requested and postage prepaid, or sent via overnight courier to such Party's address as set forth in the first paragraph of this Agreement and with respect to Company, sent to the attention of HVAC Services Program Administrator. Each Party shall have the right to change the place to which notices shall be sent or delivered or to specify additional addresses to which copies of notices may be sent, in either case by similar notice sent or delivered in like manner to the other Party.

26. Further Assurances. Company and Customer each agree to do such other and further acts and things, and to execute and deliver such additional instruments and documents, as either Party may reasonably request from time to time whether at or after the execution of this Agreement, in furtherance of the express provisions of this Agreement.

27. Entire Agreement. The Agreement constitutes the entire understanding between Company and the Customer relating to the subject matter hereof, superseding any prior or contemporaneous agreements, representations, warranties, promises or understandings between the Parties, whether oral, written, or implied, regarding the subject matter hereof.

IN WITNESS WHEREOF, the Parties hereby caused this Agreement to be executed by their duly authorized representatives, effective as of the Effective Date.

Customer

Florida Power & Light Company

By: _____
(Signature)

By: _____
(Signature of Authorized Representative)

(Print or Type Name)

(Print or Type Name)

Date: _____

Title: _____

Date: _____

Customer

By: _____
(Signature)

(Print or Type Name)

Date: _____

Tiffany Cohen, VP Financial Planning and Rate Strategy
Effective:

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: June 19, 2025

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Engineering (Ramirez-Abundez, Ramos, Smith II) *TB*
Division of Accounting and Finance (Folkman, Higgins, Kelley, Lenberg) *ALM*
Division of Economics (Bruce, Richards) *CP*
Office of the General Counsel (Farooqi, Imig) *ACH*

RE: Docket No. 20240105-SU – Application for staff-assisted rate case in Polk County, by West Lakeland Wastewater, LLC.

AGENDA: 07/01/25 – Regular Agenda – Proposed Agency Action Except for Issue Nos. 13 and 14 – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Fay

CRITICAL DATES: 12/26/25 (15-Month Effective Date (SARC))

SPECIAL INSTRUCTIONS: None

Case Background

West Lakeland Wastewater, LLC (West Lakeland or Utility) is a Class C utility providing wastewater service to approximately 316 residential customers in Polk County. Water service is provided by the City of Lakeland Utilities. The Utility's last staff-assisted rate case (SARC) was in 2018.¹ In June 2023, the Utility, along with several other sister utilities, was approved for a

¹ Order No. PSC-2019-0503-PAA-SU, issued November 25, 2019, in Docket No. 20180202-SU, *In re: Application for staff-assisted rate case in Polk County by West Lakeland Wastewater, LLC.*

limited alternative rate increase.² According to the Utility's 2024 annual report, its operating revenues were \$194,398 and operating expenses were \$200,505.

West Lakeland has been in existence since 1972 and was granted a Grandfather Certificate by the Commission in 2001 in the name of ABCA, Inc., and was subsequently transferred to West Lakeland Wastewater, Inc.³ In 2009, the Utility was abandoned and Michael Smallridge was appointed as receiver of the wastewater system.⁴ Subsequent to the abandonment, the Utility was transferred to West Lakeland Wastewater, LLC.⁵

On July 25, 2024, the Utility filed an application for a SARC and the official filing date was established as September 20, 2024. The 12-month period ending on June 30, 2024, was selected as the test year. A customer meeting occurred on April 2, 2025, no customers provided comment.

The Commission has jurisdiction pursuant to Sections 367.011, 367.081, 367.0812, 367.0814, 367.091, and 367.121, F.S.

² Order No. PSC-2023-0192-PAA-WS, issued June 30, 2023, in Docket No. 20220185-WS, *In re: Application for limited alternative rate increase in Hardee, Manatee, Marion, Polk, and Pasco Counties, by Charlie Creek Utilities, LLC, Crestridge Utilities, LLC, East Marion Utilities, LLC, Heather Hills Utilities, LCC, Holiday Gardens Utilities, LLC, Lake Yale Utilities, LLC, McLeod Garden Utilities, LLC, Orange Land Utilities, LLC, Sunny Shores Utilities, LLC, Sunrise Water, LLC and West Lakeland Wastewater, LLC.*

³ Order Nos. PSC-98-0752-FOF-SU, issued June 1, 1998, in Docket No. 19971531-SU, *In re: Application for grandfather certificate to operate wastewater utility in Polk County by ABCA, Inc.* and PSC-01-1271-PAA-SU, issued June 6, 2001, in Docket No. 20010382-SU, *In re: Application for transfer of Certificate No. 515-S in Polk County from ABCA, Inc. to West Lakeland Wastewater, Inc.*

⁴ Order No. PSC-09-0607-FOF-SU, as amended by PSC-09-0607A-FOF-SU, issued February 16, 2010, in Docket No. 20090154-SU, *In re: Notice of abandonment of wastewater system for The Village of Lakeland Mobile Home Park in Polk County, by West Lakeland Wastewater, Inc.*

⁵ Order No. PSC-2018-0377-PAA-SU, issued July 30, 2018, in Docket No. 20170246-SU, *In re: Application for authority to transfer facilities and certificate No. 515-S in Polk County from West Lakeland Wastewater, Inc. to West Lakeland Wastewater, LLC.*

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Discussion of Issues

Issue 1: Is the quality of service provided by West Lakeland Wastewater, LLC satisfactory?

Recommendation: Yes. West Lakeland has been responsive to customer complaints and is currently in compliance with the Department of Environmental Protection (DEP); therefore, the quality of service should be considered satisfactory. (Ramirez-Abundez)

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

The Utility's Attempt to Address Customer Satisfaction

Staff reviewed the complaints filed in the Commission's Consumer Activity Tracking System (CATS), received by the Utility, and filed with the DEP for the test year and four years prior. There were no complaints recorded in CATS, 1 complaint recorded by the DEP, and 19 complaints recorded by the Utility. Out of the 19 complaints recorded by the Utility, 14 were regarding quality of service, and 5 pertained to billing. The 14 quality of service complaints consisted of noise complaints due to the wastewater treatment plant alarm sounding, odor, and the sewer system backing up. The five billing complaints consisted of incorrect billing and late fees. The Utility indicated that all 19 complaints have been resolved. As stated above, the DEP received one complaint regarding a lift station spill near a customer's house. The Utility addressed the issue to the DEP's satisfaction, and the complaint was closed. As stated in the case background, West Lakeland serves approximately 316 customers.

A customer meeting was held on April 2, 2025, no customers spoke at the meeting; however, one customer comment was placed in the docket file. The customer comment opposed the proposed rate increase. Staff performed a supplemental review, through May 16, 2025, of complaints filed in CATS following the customer meeting and found no additional complaints.

Conclusion

West Lakeland has been responsive to customer complaints and is currently in compliance with the DEP standards; therefore, the quality of service should be considered satisfactory.

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Issue 2: Are the infrastructure and operating conditions of West Lakeland Wastewater, LLC's wastewater system in compliance with the DEP's regulations?

Recommendation: Yes. The West Lakeland wastewater system is currently in compliance with the DEP. (Ramirez-Abundez)

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

Wastewater System Operating Conditions

West Lakeland's wastewater system is a Type III contact stabilization domestic wastewater treatment facility with a permitted capacity of 70,000 gallons per day (GPD), based on a Three-Month Rolling Average Daily Flow. This facility is operated to provide secondary treatment with basic disinfection. Liquid chlorine disinfection is applied prior to wastewater effluent flowing into the percolation ponds and spray field. Staff reviewed the Utility's compliance evaluation inspections conducted by the DEP to determine the Utility's overall wastewater facility compliance. A review of the inspection conducted on April 17, 2024, indicated that the DEP noted minor deficiencies with flow measurement and the Sanitary Sewer Overflow Survey. All deficiencies were corrected with information provided during and after the inspection. West Lakeland's wastewater treatment facility is in compliance with the DEP's rules and regulations.

While West Lakeland is currently in compliance with the DEP, prior to its most recent inspection, it entered into a Settlement Agreement (Settlement) with the DEP due to an overflow issue at a lift station.⁶ This Settlement was executed on October 4, 2024, as a result of a reported unauthorized discharge of approximately 1,920 gallons of untreated wastewater on February 21, 2024. In lieu of a civil penalty, the Utility opted to install a Mission Auto Dialer on lift station number two, as well as building an earthen berm around the lift station to contain any possible overflows. Both the Auto Dialer and earthen berm projects took place at the same lift station where the unauthorized discharged originally occurred. On January 6, 2025, the DEP acknowledged that the requirements of the Settlement have been completed by the Utility.⁷ The earthen berm project was completed during the test year. Therefore, those costs are reflected in the Utility's test year plant in service. However, the Mission Auto Dialer is part of the Utility's pro forma request and is discussed further in Issue 4.

Conclusion

The West Lakeland wastewater system is currently in compliance with the DEP.

⁶ This is a separate incident than the one addressed in Issue 1.

⁷ Document No. 00479-2025, filed January 27, 2025.

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Issue 3: What are the used and useful (U&U) percentages of West Lakeland's wastewater treatment plant (WWTP) and the wastewater collections system?

Recommendation: West Lakeland's WWTP and wastewater collection system should both be considered 100 percent U&U. No adjustment to operating expenses is recommended for excessive infiltration and inflow (I&I). (Ramirez-Abundez)

Staff Analysis: As stated in Issue 2, West Lakeland's WWTP is permitted by the DEP as a 70,000 GPD facility. According to the Utility, its wastewater collection system is comprised of 1,835 feet of 4-inch polyvinyl chloride (PVC) force mains and 13,376 feet of 6-inch PVC collecting mains. There are 12 manholes and three lift stations throughout the service area. Liquid chlorine disinfection is applied prior to wastewater effluent flowing into the percolation ponds and spray field.

Wastewater Treatment Plant and Collection System U&U

In its last rate case, the Commission found the WWTP and wastewater collection system to be 100 percent U&U.⁸ There has been no change in service area or plant additions in the past five years, and there are no plans for expansion; therefore, in accordance with the Commission's previous order, staff recommends a U&U of 100 percent for the WWTP and wastewater collection system.

Infiltration and Inflow

Rule 25-30.432, F.A.C., provides that in determining the amount of U&U plant, the Commission will consider I&I. Staff calculated the allowable infiltration based on system parameters, and calculates the allowable inflow based on the water sold to customers. The sum of these amounts is the allowable I&I. Staff next calculates the estimated amount of wastewater returned from customers. The estimated return is determined by summing 80 percent of the water sold to residential customers with 90 percent of the water sold to non-residential customers. Adding the estimated return to the allowable I&I yields the maximum amount of wastewater that should be treated by the wastewater system without incurring an adjustment to operating expenses. By convention, the allowance for infiltration is 500 gpd per inch diameter pipe per mile, and an additional 10 percent of residential water billed is allowed for inflow.

Using the pipe lengths of West Lakeland's collection system, the infiltration allowance is calculated to be 3,027,703 gallons per year. Ten percent of the total gallons sold to customers is allowed for inflow, which totals 2,885,600 gallons. The sum of these amounts is the total allowable I&I, which is 5,913,303 gallons per year. The amount calculated for estimated return is 23,084,800 gallons per year. To find the total amount of wastewater allowed, the total allowable I&I and the estimated return are summed, yielding 28,998,103 gallons per year. Finally, this total is compared to the total wastewater treated during the test year, which is 17,519,000 gallons according to the Utility's daily flow report. This is less than the estimated maximum amount allowable. Therefore, there is no excessive I&I, and no adjustment to operating expenses is necessary.

⁸ Order No. PSC-2019-0503-PAA-SU, issued November 25, 2019, in Docket No. 20180202-SU, *In re: Application for staff-assisted rate case in Polk County by West Lakeland Wastewater, LLC*.

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Conclusion

Staff recommends that West Lakeland's WWTP and wastewater collection system should both be considered 100 percent U&U. There is no excessive I&I, and no adjustment to operating expenses is necessary.

Issue 4: What is the appropriate average test year rate base for West Lakeland Wastewater, LLC?

Recommendation: The appropriate average test year rate base for West Lakeland is \$10,861. (Richards, Ramirez-Abundez)

Staff Analysis: The appropriate components of the Utility's rate base include utility plant in service (UPIS), land and land rights, accumulated depreciation, contributions-in-aid of construction (CIAC), accumulated amortization of CIAC, and working capital. Staff selected the test year ended June 30, 2024, for the instant rate case. Commission audit staff determined that the Utility's books and records are in compliance with the currently applicable National Association of Regulatory Utility Commissioners' Uniform System of Accounts (NARUC USOA). A summary of each component and the recommended adjustments are discussed below.

Utility Plant In Service

The Utility recorded UPIS of \$309,485. Staff made an averaging adjustment to reduce test year UPIS by \$69. Two pro forma projects were requested by the Utility: 1) the installation of a Mission Auto Dialer in the amount of \$7,980; and, 2) the allocated cost of a dump trailer in the amount of \$656.⁹ Therefore, staff recommends an average UPIS balance of \$318,051 (\$309,485 - \$69 + \$656 + \$7,980).

Pro Forma Plant Additions

Table 4-1 shows West Lakeland's two pro forma plant items and their costs. The first item was the result of a DEP Settlement for an unauthorized discharge, as stated in Issue 2. The Utility opted to install a Mission Auto Dialer, which is a device attached to the lift station panel that notifies the Utility and its operators of any problems. This device gives the Utility the ability to respond to an emergency before any raw sewage gets to the ground, as its lift station is gravity flow. Staff believes that this project will benefit customers, more so than the Utility paying a fine, by helping prevent overflows at this lift station. Therefore, staff believes the cost of the Mission Auto Dialer should be recovered through rates. The Mission Auto Dialer was installed on October 31, 2024, with a total cost of \$7,980.

The Utility also requested cost recovery for a dump trailer for hauling and dumping dirt, sod, or larger items for wastewater line repairs. Other uses include tree removals and other utility repairs. The dump trailer was purchased by the Utility's parent company, Florida Utility Services 1, LLC (FUS1), on December 2, 2024, to be used by all subsidiary systems including West Lakeland, for a total of \$7,294. The percentage allocated to West Lakeland is nine percent, for a total amount of \$8,636. These amounts are shown below in Table 4-1.

Table 4-1
Pro Forma Plant Items

Project	Acct. No.	Amount
Auto Dialer	396	\$7,980
Dump Trailer	391	\$656
Net Adjustment		\$8,636

⁹ Document No. 02110-2025, filed March 25, 2025.

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The Auto Dialer was installed by Consta Flow, the Utility's operator. When asked if three bids were obtained - as is Commission practice - the Utility stated that it was unaware of any other companies in the area that performed this type of work. Staff believes the Utility provided a reasonable response for not obtaining additional bids. In addition, the Utility provided a paid invoice for this item.

West Lakeland also did not provide multiple bids for the dump trailer. In response to staff's data request, the Utility stated that it chose the vendor because they were the only company within a reasonable distance who could provide any needed repairs or warranty services.¹⁰ Staff believes the Utility provided a reasonable response for why no other bids were obtained. In addition, the Utility provided a paid invoice for the dump trailer. Staff recommends that these pro forma items costs are appropriate.

Used and Useful

As discussed in Issue 3, the Utility's system is considered 100 percent U&U. Therefore, no U&U adjustment is necessary.

Accumulated Depreciation

The Utility recorded accumulated depreciation of \$271,797. Audit staff reduced this amount by \$5,005 to align the Utility's records with regulatory standards and correct prior-year discrepancies. Additionally, staff increased accumulated depreciation by \$3,774 to reflect an averaging adjustment. Staff further increased this account by \$817 to reflect the appropriate accumulated depreciation adjustments for the pro forma projects discussed above. Therefore, staff recommends an average accumulated depreciation balance of \$271,383 ($\$271,797 - \$5,005 + \$3,774 + \817).

Contributions-In-Aid of Construction

The Utility recorded CIAC of \$221,480. Staff made no adjustments to CIAC, and therefore recommends an average CIAC balance of \$221,480.

Land and Land Rights

The Utility recorded land and land rights balance of \$356. Staff made no adjustment to land and land rights, and therefore recommends a land and land rights balance of \$356.

Accumulated Amortization of CIAC

The Utility recorded accumulated amortization of CIAC of \$164,343. Staff decreased this balance by \$1,600 to reflect an averaging adjustment. Therefore, staff recommends an average accumulated amortization of CIAC balance of \$162,743 ($\$164,343 - \$1,600$).

Working Capital Allowance

Working capital is defined as the short-term investor-supplied funds that are necessary to meet operating expenses. Consistent with Rule 25-30.433(3), F.A.C., staff used the one-eighth operation and maintenance (O&M) expense (less rate case expense) formula for calculating the working capital allowance. As such, for this calculation, staff removed the rate case expense of

¹⁰ Document No. 02110-2025, filed March 25, 2025.

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\$718. This resulted in an adjusted O&M expense balance of \$180,593 (\$181,311 - \$718). Applying this formula, staff recommends a working capital allowance of \$22,574 ($\$180,593 \div 8$).

Rate Base Summary

Based on the foregoing, staff recommends that the appropriate average test year rate base is \$10,861. Rate base is shown on Schedule No. 1-A. The related adjustments are shown on Schedule No. 1-A.

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Issue 5: What is the appropriate return on equity and overall rate of return for West Lakeland Wastewater, LLC?

Recommendation: The appropriate return on equity is 11.2 percent, with a range of 10.24 percent to 12.24 percent. The appropriate overall rate of return is 5.92 percent. (Richards)

Staff Analysis: The Utility's capital structure consists of long-term debt and customer deposits. The Utility recorded \$123,013 as negative retained earnings in common equity. It is Commission practice to remove all negative retained earnings when calculating an overall rate of return. Therefore, staff made an adjustment zeroing out common equity.

The Utility's capital structure has been reconciled with staff's recommended rate base. The appropriate return on equity (ROE) is 11.24 percent based on the Commission-approved leverage formula currently in effect.¹¹ Staff recommends an ROE of 11.24 percent, with a range of 10.24 percent to 12.24 percent, and an overall rate of return of 5.92 percent. The ROE and overall rate of return are shown on Schedule No. 2.

¹¹ Order No. PSC-2024-0165-PAA-WS, issued May 22, 2024, in Docket No. 20240006-WS, *In re: Water and wastewater industry annual reestablishment cf authorized range cf return on common equity for water and wastewater utilities pursuant to Section 367.081(4)(j), F.S.*

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Issue 6: What are the appropriate test year revenues for West Lakeland Wastewater, LLC?

Recommendation: The appropriate test year revenues for West Lakeland are \$199,727. (Lenberg)

Staff Analysis: West Lakeland recorded total test year revenues of \$190,996, which included \$183,393 of service revenues and \$7,603 of miscellaneous revenues. Staff made three adjustments to service revenues. Subsequent to the audit, staff reviewed the billing data and discovered a few customers with significantly high usage. Staff contacted the Utility and in response to staff's inquiry, the Utility adjusted the billing data to reflect the three customers that were incorrectly billed. The Utility also recorded \$58 for general service revenues; however, there are no general service customers. Therefore, staff removed the revenues of \$58 reflected for the general service customers. The Utility also had a price index that became effective on June 1, 2024. As a result, staff annualized service revenues by applying the number of adjusted billing determinants to the rates in effect as of June 1, 2024, and determined service revenues should be \$191,977, which is an increase of \$8,584.

In addition, staff made an adjustment to miscellaneous revenues to reflect revenues collected as a result of occurrences during the test year. Therefore, staff increased miscellaneous revenues by \$147 to reflect total miscellaneous revenues of \$7,750 (\$7,603 + \$147). Based on the above, the appropriate test year revenues for West Lakeland are \$199,727 (\$191,977+ \$7,750).

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Issue 7: What is the appropriate amount of operating expense for West Lakeland Wastewater, LLC?

Recommendation: The appropriate amount of operating expense for West Lakeland is \$211,272. (Richards, Ramirez-Abundez)

Staff Analysis: The Utility recorded an operating expense of \$207,252. The test year O&M expenses have been reviewed by staff, including invoices and other supporting documentation. Staff made several adjustments to the Utility's operating expense as described below.

Operation and Maintenance Expense

New Maintenance Technician Position

On January 27, 2025, the Utility requested a new maintenance technician position to be added to FUS1's currently approved positions. The maintenance technician's responsibilities include weekly lift station maintenance, spray field sprinkler maintenance, percolation pond maintenance, mowing grass, bar screen cleaning, digester tank skimming, tree trimming, hurricane season prep, running generators, sludge hauling, and cleaning up spills or sewage overflows. According to the Utility, this new maintenance technician is required, as FUS1 intends to promote a current employee to the level of Operations Supervisor, which would reduce the maintenance technician positions from 4 to 3 employees.

The Utility stated that reliance on overtime from current employees and using outside contractors has been required to maintain FUS1's systems. West Lakeland provided invoices from outside contractors and overtime payroll information to justify the need for a new maintenance technician position.¹² Additionally, the Utility filed a letter from Consta Flow, West Lakeland's outside Contractor, which addresses an operations cost increase for West Lakeland due to new technology, insurance costs, and employment costs.¹³

As such, staff recommends that in order to maintain the number of maintenance technician positions and reduce the additional costs incurred from overtime and outside contractors, the addition of a new maintenance technician position is appropriate.

Salaries and Wages – Employees (701)

The Utility recorded \$42,711 for salaries and wages – employees. Staff increased this amount by \$4,732 to reflect the Utility's allocated portion of an additional maintenance position discussed above.¹⁴ Therefore, staff recommends salaries and wages – employees expense of \$47,443 (\$42,711 + \$4,732).

Salaries and Wages – Officers and Directors (703)

The Utility recorded \$7,197 for salaries and wages – officers and directors. Staff made no adjustment to this amount, and therefore recommends salaries and wages – officers and directors expense of \$7,197.

¹² Document No. 03158-2025, filed April 23, 2025.

¹³ Document No. 10119-2024, filed December 2, 2024.

¹⁴ Document No. 00478-2025, filed January 27, 2025.

Employee Pensions and Benefits (704)

The Utility recorded \$5 for employee pensions and benefits. Staff decreased this amount by \$5 to reflect the removal of non-utility related expenses. Therefore, staff recommends employee pensions and benefits expense of \$0 (\$5 - \$5).

Purchased Wastewater Treatment (710)

The Utility recorded \$560 for purchased wastewater treatment. Audit staff decreased this amount by \$3 due to lack of supporting documentation. Therefore, staff recommends purchased wastewater treatment expense of \$557 (\$560 - \$3).

Sludge Removal Expense (711)

The Utility recorded \$33,918 for sludge removal. Audit staff decreased this amount by \$443 due to lack of supporting documentation. Therefore, staff recommends sludge removal expense of \$33,475 (\$33,918 - \$443).

Purchased Power (715)

The Utility recorded \$13,338 for purchased power. Staff made no adjustment to this amount and therefore recommends purchased power expense of \$13,338.

Chemicals (718)

The Utility recorded \$2,715 for chemicals expense. Staff made no adjustment to this amount and therefore recommends chemicals expense of \$2,715.

Materials and Supplies (720)

The Utility recorded \$8,000 for materials and supplies. Audit staff decreased this amount by \$863 due to lack of supporting documentation. Staff further decreased this amount by \$12 to remove non-utility related expenses. Therefore, staff recommends materials and supplies expense of \$7,125 (\$8,000 - \$863 - \$12).

Contractual Services – Professional (731)

The Utility recorded \$1,092 for contractual services – professional. Staff made no adjustment to this amount and therefore recommends contractual services – professional expense of \$1,092.

Contractual Services – Testing (735)

The Utility recorded \$1,240 for contractual services – testing. Staff made no adjustment to this amount and therefore recommends contractual services – testing expense of \$1,240.

Contractual Services – Other (736)

The Utility recorded \$30,148 for contractual services – other. Audit staff decreased this amount by \$807 due to lack of supporting documentation. The Utility submitted a new contract from Consta Flow, reflecting an increase in monthly costs from \$965 (\$11,580 annually) to \$1,062 (\$12,744 annually).¹⁵ This represents an annual increase of \$1,164 (\$12,744 - \$11,580). Therefore, staff recommends contractual services – other expense of \$30,505 (\$30,148 - \$807 + \$1,164).

¹⁵ Document No. 10119-2024, filed December 6, 2024.

Rents (740)

The Utility recorded \$9,591 for rental expense. Audit staff decreased this amount by \$2,659 to reflect the appropriate allocated portion of rental expense. Therefore, staff recommends rental expense of \$6,932 (\$9,591 - \$2,659).

Transportation Expense (750)

The Utility recorded \$7,985 for transportation expense. Staff made no adjustment to this amount and therefore recommends transportation expense of \$7,985.

Insurance Expense (755)

The Utility recorded \$8,506 for insurance expense. Staff made no adjustment to this amount and therefore recommends insurance expense of \$8,506.

Rate Case Expense (765)

The Utility did not record any rate case expense. The Utility is required by Rule 25-22.0407, F.A.C., to mail notices of the rate case overview, final rates, and four-year rate reduction. Staff calculated noticing costs to be \$1,103. Staff calculated the distance from the Utility to Tallahassee as 226 miles. Based on the 2025 Internal Revenue Service business mileage rate of \$0.70, staff calculated the round-trip mileage expense to the Commission Conference of \$316 plus \$200 for lodging for a total of \$516.¹⁶ However, because the Utility representative will be attending the Commission Conference for a sister utility as well, staff only allocated 50 percent, or \$258 of travel expense to West Lakeland.¹⁷ Additionally, the Utility paid a filing fee of \$1,000.¹⁸

On May 22, 2025, the Utility submitted its invoices for consulting fees from OCBOA Consulting, LLC, which serves as the Utility's accounting firm.¹⁹ The summary of expenses attached to the invoices reflect rate case expense of \$154, \$214, and \$143 for March, April, and May 2025, respectively. There was an additional estimated expense of \$380 included in the summary. Staff did not include the estimated portion, but believes the March, April and May amounts are reasonable. As such, staff included \$511 for consulting fees as part of rate case expense.

Staff recommends a total rate case expense, consisting of noticing costs, 50 percent of travel expense, filing fee, and consulting fee of \$2,872 (\$1,103 + \$258 + \$1,000 + \$511), which amortized over four years is \$718 (\$2,872 ÷ 4 years).

Bad Debt Expense (770)

The Utility recorded bad debt expense of \$4,506. Staff notes that it is Commission practice to calculate bad debt expense using a three-year average when the information is available. Using its 2021, 2022, and 2023 Annual Reports, the Utility recorded annual bad debt expenses of \$750, \$2,566 and \$3,914, respectively. Staff calculated the average bad debt expense for these previous

¹⁶ <https://www.irs.gov/tax-professionals/standard-mileage-rates>

¹⁷ Alturas Water, LLC, as Docket No. 20240119-WU, is currently scheduled for the same Commission Conference.

¹⁸ Document No. 09132-2024, filed September 20, 2024.

¹⁹ Document No. 03852-2025, filed May 22, 2025.

three years to be \$2,410 $((\$750 + \$2,566 + \$3,914) \div 3)$ which represents a decrease of \$2,096. Therefore, staff recommends total bad debt expense of \$2,410 $(\$4,506 - \$2,096)$.

Miscellaneous Expenses (775)

The Utility recorded \$10,563 for miscellaneous expenses. Audit staff decreased this amount by \$467 and staff further decreased this amount by \$23 to remove allocated costs due to lack of supporting documentation. Therefore, staff recommends miscellaneous expenses of \$10,073 $(\$10,563 - \$467 - \$23)$.

Operation and Maintenance Expense Summary

The Utility recorded test year O&M expense of \$182,075. Based on the above adjustments, staff recommends O&M expense be reduced by \$764. This results in a total O&M expense of \$181,311 $(\$182,075 - \$764)$. Staff's recommended adjustments to O&M are shown on Schedule No. 3-C.

Depreciation Expense

The Utility recorded depreciation expense of \$9,516. Using the depreciation rates prescribed in Rule 25-30.140, F.A.C., staff increased this amount by \$1,757. Additionally, staff increased depreciation expense by \$817 to reflect the appropriate rates associated with the Utility's pro forma projects. Therefore, staff recommends depreciation expense of \$12,090 $(\$9,516 + \$1,757 + \$817)$.

Amortization of CIAC

The Utility recorded amortization of CIAC of \$3,200. Staff made no adjustments and therefore recommends amortization of CIAC of \$3,200.

Taxes Other Than Income (TOTI)

The Utility recorded TOTI of \$12,461; this amount included \$755 for property taxes, \$3,111 for payroll taxes and \$8,595 for RAFs.

Staff decreased property taxes by \$58 to reflect the appropriate amount of tangible property tax and real estate property tax.²⁰ Further, staff increased property taxes by \$102 to reflect the increase in plant associated with pro forma. As such, staff recommends property taxes of \$799 $(\$755 - \$58 + \$102)$.

Based on the Utility's response to the Staff Report, staff increased payroll taxes by \$210.²¹ As part of the Utility's request for a pro forma increase for an additional maintenance position, staff further increased payroll taxes by \$369.²² As such, staff recommends payroll taxes of \$3,690 $(\$3,111 + \$210 + \$369)$.

Audit staff increased TOTI by \$389 to reflect the appropriate regulatory assessment fees (RAFs) based on corrected Utility test year revenues. Based on revenues discussed in Issue 6, TOTI

²⁰ Tangible property tax calculated at \$587 and real estate property tax calculated at \$110.

²¹ Document No. 00955-2025, filed February 13, 2025.

²² Document No. 00478-2025, filed January 27, 2025.

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should be increased by \$4 to reflect RAFs of 4.5 percent of the change in revenues. As such, staff recommends the appropriate amount of test year RAFs be \$8,988 ($\$8,595 + \$389 + \4).

As discussed in Issue 9, staff recommends revenues be increased by \$26,545 in order to reflect the change in revenue required to cover expenses and allow the Utility to earn an operating margin of \$15,000. As a result, TOTI should be increased by \$1,195 to reflect RAFs of 4.5 percent of the change in revenues. Therefore, staff recommends TOTI of \$14,671 ($\$799 + \$3,690 + \$8,988 + \$1,195$).

Operating Expense Summary

The Utility recorded operating expenses of \$207,252. The application of staff's recommended adjustments to the Utility's recommended operating expense results in a total operating expense of \$211,272. Operating expenses are shown on Schedule No. 3-A, and the related adjustments are shown on Schedule No. 3-B.

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Issue 8: Does West Lakeland Wastewater, LLC meet the criteria for application of the operating ratio methodology?

Recommendation: Yes, West Lakeland meets the requirement for application of the operating ratio methodology for calculating the revenue requirement. (Richards)

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

With respect to West Lakeland, staff recommended a rate base of \$10,861. After removal of rate case expense, staff calculated an O&M expense of \$180,593 (\$181,311 - \$718). Based on staff's recommended amounts, the Utility's rate base is 6.01 percent of its adjusted O&M expense. Based on this, the Utility qualifies for application of the operating ratio methodology.

Rule 25-30.4575, F.A.C., limits the operating ratio adjustment to \$15,000; therefore, staff recommends the appropriate margin is \$15,000.

Issue 9: What is the appropriate revenue requirement for West Lakeland Wastewater, LLC?

Recommendation: The appropriate revenue requirement is \$226,272, resulting in an annual increase of \$26,545 (13.29 percent). (Richards)

Staff Analysis: West Lakeland should be allowed an annual increase of \$26,545 (13.29 percent). This should allow the Utility the opportunity to recover expenses and earn an operating margin of \$15,000. The calculations for revenue requirement are shown on Table 9-1.

Table 9-1
Revenue Requirement

Adjusted O&M Expense	\$180,036
Operating Margin (%)	<u>12.00%</u>
Operating Margin (\$)	<u>\$15,000</u>
Wastewater O&M Expense	\$181,311
Depreciation Expense	12,090
Amortization	3,200
Taxes Other Than Income	<u>14,671</u>
Revenue Requirement	<u>\$226,272</u>
Less Test Year Revenues	\$199,727
Annual Increase	\$26,545
Percent Increase	13.29%

Source: Staff calculations.

Date: June 19, 2025

Issue 10: What are the appropriate rates and rate structure for West Lakeland Wastewater, LLC?

Recommendation: The recommended rate structures and monthly wastewater rates are shown on Schedule No. 4. The Utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rates should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The Utility should provide proof of the date notice was given within 10 days of the date of the notice. (Lenberg)

Staff Analysis: West Lakeland provides wastewater service to approximately 316 residential customers and no general service customers. Currently, the wastewater rate structure for residential customers consists of a monthly uniform base facility charge (BFC) for all meter sizes and gallonage charge with a 6,000 gallonage cap. The general service rate structure consists of BFCs by meter size and a gallonage charge that is 1.2 times higher than the residential gallonage charge.

Staff performed an analysis of the Utility's billing data in order to evaluate various BFC cost recovery percentages and gallonage caps for the residential wastewater 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; and 3) implement a gallonage cap, where appropriate, that considers approximately the amount of water that may return to the wastewater system.

Consistent with Commission practice, staff allocated 50 percent of the wastewater revenue to the BFC due to the capital intensive nature of wastewater plants. The Utility's current wastewater gallonage cap is set at 6,000 gallons per month. The wastewater gallonage cap recognizes that not all water used by the residential customers is returned to the wastewater system. Based on staff's review of the billing data, staff recommends that the gallonage cap for residential customers remain at 6,000 gallons. Staff also recommends that the general service gallonage charge continue to be 1.2 times greater than the residential gallonage charge, which is consistent with Commission practice.

In addition, wastewater rates are calculated on customers' water demand; if those customers' water demand is expected to decline due to repression, then the billing determinants used to calculate wastewater rates should be adjusted accordingly. In determining the number of wastewater gallons subject to repression, staff uses the gallons between the non-discretionary threshold and the wastewater gallonage cap and applies the percentage reduction in water gallons. In this case, there is no water system to calculate repression. Therefore, a repression adjustment for wastewater is not applicable.

Date: June 19, 2025

Issue 11: What are the appropriate initial customer deposits for West Lakeland Wastewater, LLC?

Recommendation: The appropriate initial customer deposit is \$115 for all residential meter sizes. The approved initial customer deposits should be effective for service rendered or connections made on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475, F.A.C. The Utility should be required to collect the approved initial customer deposits until authorized to change them by the Commission in a subsequent proceeding. (Lenberg)

Staff Analysis: Rule 25-30.311, F.A.C., provides the criteria for collecting, administering, and refunding customer deposits. Customer deposits are designed to minimize the exposure of bad debt expense for the Utility and, ultimately, the general body of ratepayers. An initial customer deposit ensures that the cost of providing service is recovered from the cost causer. Historically, the Commission has set initial customer deposits equal to two times the average estimated bill.²³ Currently, the Utility has an initial customer deposit of \$78. However, this amount does not cover two months' average bills based on staff's recommended rates. According to the Utility's billing data, the average monthly residential wastewater usage is 3,319 gallons per customer. Therefore, the average residential monthly bill based on staff's recommended rates is approximately \$57.49.

Staff recommends the appropriate initial customer deposit is \$115 for all residential meter sizes. The approved initial customer deposits should be effective for service rendered or connections made on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475, F.A.C. The Utility should be required to collect the approved initial customer deposits until authorized to change them by the Commission in a subsequent proceeding.

²³ Order No. PSC-15-0142-PAA-SU, issued March 26, 2015, in Docket No. 20130178-SU, *In re: Application for staff assisted rate case in Polk County by Crooked Lake Park Sewerage Company*.

Issue 12: What are the appropriate miscellaneous service charges for West Lakeland Wastewater, LLC?

Recommendation: The appropriate miscellaneous service charges are shown on Table 12-4 and should be approved. The Utility should be required to file a proposed customer notice to reflect the Commission-approved charges. The approved charges should be effective for service rendered or connections made on or after the stamped approval date on the tariff 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. (Lenberg)

Staff Analysis: West Lakeland is requesting to revise its existing miscellaneous service charges to reflect an increase in the amount of some of the charges. The Utility's existing miscellaneous service charges for wastewater were established in 1997.²⁴ The Utility's late payment charge was approved in 2011.²⁵ The Utility's convenience charge was approved in 2013.²⁶ Section 367.091, F.S., authorizes the Commission to change miscellaneous service charges. The Utility's violation reconnection charge and convenience charge will remain unchanged. The Utility's requested increase of miscellaneous service charges were accompanied with cost justification as required by Section 367.091(6), F.S. The Utility's existing and requested miscellaneous service charges are shown below in Tables 12-1.

Table 12-1
West Lakeland's Existing and Requested Miscellaneous Service Charges

	<u>Existing</u>	<u>Requested</u>
Initial Connection Charge	\$15.00	\$80.00
Normal Reconnection Charge	\$15.00	\$80.00
Violation Reconnection Charge	Actual Cost	Actual Cost
Premises Visit Charge	\$10.00	\$80.00
Late Payment Charge	\$7.00	\$7.85
Convenience Charge	\$2.50	N/A

Source: Utility's current tariffs and cost justification documentation.

Premises Visit Charge

As shown on Table 12-1, the Utility is requesting to increase the amount of some of its existing miscellaneous service charges. The existing miscellaneous service charges include initial connection and normal reconnection charges which are obsolete and inconsistent with the Rule 25-30.460, F.A.C. The Utility provided cost justification of \$81.02; however, the Utility requested a charge of \$80.00 for the premises visit which represents the cost of a trip to perform a specified service. Staff believes the cost justification is reasonable and impose the cost on the

²⁴ Order No. PSC-98-0752-FOF-SU, issued June 1, 1998, in Docket No. 19971531-SU, *In re: Application for grandfather certificate to operate wastewater Utility in Polk County by ABCA, Inc.*

²⁵ Order No. PSC-11-0204-TRF-SU, issued April 25, 2011, in Docket No. 20100413-SU, *In re: Request for approval of tariff amendment to include a late fee of \$14.00 in Polk County by West Lakeland Wastewater.*

²⁶ Order No. PSC-13-0426-TRF-SU, issued September 19, 2013, in Docket No. 20120289-SU, *In re: Request for approval of tariff sheets for miscellaneous service charges in Polk County by West Lakeland Wastewater LLC.*

cost causer. Based on the rule, staff recommends that the initial connection and normal reconnection charges be removed. Staff also recommends that the definition for the premises visit charge be updated to comply with Rule 25-30.460, F.A.C. The premises visit charge should be \$80.00. The Utility's calculation for the premises visit charge is shown below on Table 12-2.

Table 12-2
Calculation for Requested Premises Visit

	<u>Cost</u>
Mileage (\$0.70 per mile x 40)	\$28.00
Labor – Tech – Round Trip Drive (\$27.85 x 1.15)	32.03
Labor – Tech – Location Labor Time (\$27.85 x 0.50)	13.93
Labor – Tech – Customer Care Representative (28.25 x 0.25)	<u>7.06</u>
Total	<u><u>\$81.02</u></u>

Source: Utility's cost justification documentation.

Late Payment Charge

The Utility currently has a \$7.00 late payment charge. The Utility is requesting a \$7.85 late payment charge to recover the cost of labor, supplies, and postage associated with processing late payment notices. The purpose of this charge is not only to provide an incentive for customers to make timely payment, thereby reducing the number of delinquent accounts, but also to place the cost burden of processing delinquent accounts solely upon those who are cost causers. The Utility calculated the actual costs for its late payment charges to be \$7.85. The Utility indicated that it will take approximately 15 minutes per account to research, compile, and produce late notices. The delinquent customer accounts will be processed by the administrative employee, which results in labor cost of \$7.06 (\$28.25 x 0.25hr). This is consistent with prior Commission decisions where the Commission has allowed 5-15 minutes per account per month for the administrative labor associated with processing delinquent customer accounts.²⁷ In addition, the Utility included material cost of \$0.79 for paper, envelopes, and postage, which results in total costs of \$7.85 (\$7.06 + \$0.79). The Utility's calculation for its costs associated with a late payment charge is shown on Table 12-3. Staff recommends the requested late payment charge of \$7.85 be approved.

²⁷ Order Nos. PSC-16-0041-TRF-WU, issued January 25, 2016, in Docket No. 20150215-WU, *In re: Request for approval of tariff amendment to include miscellaneous service charges for the Earlene and Ray Keen Subdivisions, the Ellison Park Subdivision and the Lake Region Paradise Island Subdivision in Polk County, by Keen Sales, and Utilities, Inc.* and PSC-15-0569-PAA-WS, issued December 16, 2015, in Docket No. 20140239-WS, *In re: Application for staff-assisted rate case in Polk County by Orchid Springs Development Corporation.*

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Table 12-3
Calculation of Proposed Late Payment Charge

	<u>Cost</u>
Supply – Paper Envelope (\$0.10 x 1.00)	\$0.10
Supply – Postage (\$0.69 x 1.00)	0.69
Labor – Customer Care Representative (\$28.25 x 0.25)	7.06
Total	<u>\$7.85</u>

Source: Utility's cost justification documentation.

Table 12-4
Staff's Recommended Miscellaneous Service Charges

Premises Visit Charge	\$80.00
Late Payment Charge	\$7.85

Source: Staff's Calculations.

Conclusion

The appropriate miscellaneous service charges are shown on Table 12-4 and should be approved. The Utility should be required to file a proposed customer notice to reflect the Commission approved charges. The approved charges should be effective for service rendered or connections made on or after the stamped approval date on the tariff 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.

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Issue 13: 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 rates should be reduced as shown on Schedule No. 4, to remove rate case expense grossed-up for RAFs and amortized over a four-year period. Pursuant to Section 367.081(8), F.S., the decrease in rates should become effective immediately following the expiration of the rate case expense recovery period. West Lakeland should be required to file revised tariffs and a proposed customer notice setting forth the lower rates and rationale no later than one month prior to the effective date of the new rates. If the Utility files revised tariffs reflecting this reduction in conjunction with a price index or pass-through rate adjustment, separate data should be filed for the price index and/or pass-through increase and the reduction in the rates due to the amortized rate case expense. (Richards)

Staff Analysis: Section 367.081(8), F.S., requires that the rates be reduced by the amount of rate case expense previously included in rates immediately following the expiration of the recovery period. With respect to West Lakeland, the reduction will reflect the removal of revenue associated with the amortization of rate case expense and the gross-up for RAFs. The total reduction is \$752.

Staff recommends that the rates should be reduced as shown on Schedule No. 4, to remove rate case expense grossed-up for RAFs and amortized over a four-year period. Pursuant to Section 367.081(8), F.S., the decrease in rates should become effective immediately following the expiration of the rate case expense recovery period. West Lakeland should be required to file revised tariffs and a proposed customer notice setting forth the lower rates and rationale no later than one month prior to the effective date of the new rates. If the Utility files revised tariffs reflecting this reduction in conjunction with a price index, or pass-through rate adjustment, separate data should be filed for the price index and/or pass-through increase and the reduction in the rates due to the amortized rate case expense.

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Issue 14: Should the recommended rates be approved for West Lakeland Wastewater, LLC on temporary basis, subject to refund with interest, in the event of a protest filed by a party other than the Utility?

Recommendation: Yes. Pursuant to Section 367.0814(7), F.S., the recommended rates should be approved for the Utility on a temporary basis, subject to refund with interest, in the event of a protest filed by a party other than the Utility. West Lakeland should file revised tariff sheets and a proposed customer notice reflecting the Commission-approved rates. The approved rates should be effective for services rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the temporary rates should not be implemented until staff has approved the proposed notice, and the notice has been received by the customers. Further, prior to implementing any temporary rates, the Utility should provide appropriate financial security.

If the recommended rates are approved on a temporary basis, the rates collected by the Utility should be subject to the refund provisions discussed below in the staff analysis. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., the Utility should file reports with the Commission's Office of Commission Clerk no later than the 20th of each month indicating both the current monthly and total amount subject to refund at the end of the preceding month. The report filed should also indicate the status of the security being used to guarantee repayment of any potential refund. (Richards)

Staff Analysis: This recommendation proposes an increase in rates. A timely protest might delay a rate increase resulting in an unrecoverable loss of revenue to the Utility. Therefore, pursuant to Section 367.0814(7), F.S., in the event of a protest filed by a party other than the Utility, staff recommends that the proposed rates be approved on a temporary basis. West Lakeland should file revised tariff sheets and a proposed customer notice reflecting the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the temporary rates should not be implemented until staff has approved the proposed notice, and it has been received by the customers. The additional revenue produced by staff's recommended rates and collected by the Utility should be subject to the refund provisions discussed below.

West Lakeland should be authorized to initiate the temporary rates upon staff's approval of an appropriate security for the potential refund and cost of the proposed customer notice. Security should be in the form of either a bond or letter of credit in the amount of \$18,208. Alternatively, the Utility may establish an escrow agreement with an independent financial institution.

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

1. The Commission approves the rate increase; or,
2. If the Commission denies the increase, the Utility shall refund the amount collected that is attributable to the increase.

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

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

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

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

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

The Utility should maintain a record of the amount of the bond, and the amount of revenues that are subject to refund. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., the Utility should file reports with the Commission Clerk's office no later than the 20th of every month indicating the monthly and total amount of money subject to refund

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at the end of the preceding month. The report filed should also indicate the status of the security being used to guarantee repayment of any potential refund.

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Issue 15: Should West Lakeland Wastewater, LLC be required to notify the Commission within 90 days of an effective order finalizing this docket, that it has adjusted its books for all the applicable NARUC USOA?

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

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

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Issue 16: Should this docket be closed?

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

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

WEST LAKELAND WASTEWATER, LLC TEST YEAR ENDED 06/30/2024 SCHEDULE OF WASTEWATER RATE BASE		SCHEDULE NO. 1-A DOCKET NO. 20240105-SU	
DESCRIPTION	BALANCE PER UTILITY	STAFF ADJ.	BALANCE PER STAFF
1. UTILITY PLANT IN SERVICE	\$309,485	\$8,566	\$318,051
2. LAND & LAND RIGHTS	356	0	356
3. ACCUMULATED DEPRECIATION	(271,797)	414	(271,383)
4. CIAC	(221,480)	0	(221,480)
5. ACCUMULATED AMORTIZATION OF CIAC	164,343	(1,600)	162,743
6. WORKING CAPITAL ALLOWANCE	<u>\$0</u>	<u>\$22,574</u>	<u>\$22,574</u>
WASTEWATER RATE BASE	<u>(\$19,093)</u>	<u>\$29,954</u>	<u>\$10,861</u>

WEST LAKELAND WASTEWATER, LLC		SCHEDULE NO. 1-B
TEST YEAR ENDED 6/30/2024		DOCKET NO. 20240105-SU
ADJUSTMENTS TO RATE BASE		
		<u>WASTEWATER</u>
<u>UTILITY PLANT IN SERVICE</u>		
1.	To reflect an averaging adjustment.	(\$69)
2.	To reflect pro forma plant additions.	<u>8,636</u>
	Total	<u>\$8,566</u>
<u>ACCUMULATED DEPRECIATION</u>		
1.	To reflect auditing adjustments.	\$5,005
2.	To reflect an averaging adjustment.	(3,774)
3.	To reflect pro forma adjustments.	<u>(817)</u>
	Total	<u>\$414</u>
<u>ACCUMULATED AMORTIZATION OF CIAC</u>		
	To reflect an averaging adjustment.	<u>(\$1,600)</u>
<u>WORKING CAPITAL ALLOWANCE</u>		
	To reflect 1/8 O&M expense (less RCE).	<u>\$22,574</u>

WEST LAKELAND WASTEWATER, LLC TEST YEAR ENDED 6/30/2024 SCHEDULE OF CAPITAL STRUCTURE							SCHEDULE NO. 2 DOCKET NO. 20240105-SU	
CAPITAL COMPONENT	PER UTILITY	SPECIFIC ADJUST- MENTS	BALANCE AFTER ADJ.	PRO RATA ADJUST- MENTS	BALANCE PER STAFF	PERCENT OF TOTAL	COST	WEIGHTED COST
1. LONG-TERM DEBT	\$23,947	\$0	\$23,947	(\$15,722)	\$8,225	75.73%	7.18%	5.44%
2. COMMON EQUITY	(123,013)	123,013	0	0	0	0.00%	11.24%	0.00%
3. CUSTOMER DEPOSITS	7,675	0	7,675	(5,039)	2,636	24.27%	2.00%	0.49%
TOTAL CAPITAL	<u>(\$91,391)</u>	<u>\$123,013</u>	<u>\$31,622</u>	<u>(\$20,761)</u>	<u>\$10,861</u>	<u>100.00%</u>		<u>5.92%</u>
<u>RANGE OF REASONABLENESS</u>							<u>LOW</u>	<u>HIGH</u>
RETURN ON EQUITY							10.24%	12.24%
OVERALL RATE OF RETURN							5.92%	5.92%

WEST LAKELAND WASTEWATER, LLC TEST YEAR ENDED 6/30/2024 SCHEDULE OF WASTEWATER OPERATING INCOME				SCHEDULE NO. 3-A DOCKET NO. 20240105-SU	
	TEST YEAR PER UTILITY	STAFF ADJUST- MENTS	STAFF ADJUSTED TEST YEAR	ADJUST. FOR INCREASE	REVENUE REQUIREMENT
1. TOTAL OPERATING REVENUES	\$190,996	\$8,731	\$199,727	\$26,545 13.29%	\$226,272
2. OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	\$182,075	(\$764)	\$181,311	\$0	\$181,311
3. DEPRECIATION	9,516	2,574	12,090	0	12,090
4. AMORTIZATION	3,200	0	3,200	0	3,200
5. TAXES OTHER THAN INCOME	<u>\$12,461</u>	<u>\$1,016</u>	<u>\$13,477</u>	<u>\$1,195</u>	<u>\$14,671</u>
TOTAL OPERATING EXPENSES	<u>\$207,252</u>	<u>\$2,826</u>	<u>\$210,078</u>	<u>\$1,195</u>	<u>\$211,272</u>
6. OPERATING INCOME/(LOSS)	(\$16,256)		(\$10,351)		\$15,000
7. WASTEWATER RATE BASE	(\$19,093)		\$29,954		\$10,861
8. OPERATING MARGIN					12.00%

WEST LAKELAND WASTEWATER, LLC TEST YEAR ENDED 6/30/2024 ADJUSTMENTS TO OPERATING INCOME		SCHEDULE 3-B DOCKET NO. 20240105-SU PAGE 1 OF 2 WASTEWATER
OPERATING REVENUES		
1.	To reflect an auditing adjustment to Service Revenues.	\$8,642
2.	To reflect the appropriate test year Service Revenues.	(58)
3.	To reflect the appropriate test year Miscellaneous Revenues.	147
	Total	<u>\$8,731</u>
OPERATION AND MAINTENANCE EXPENSES		
1.	Salaries and Wages – Employees (701) To reflect pro forma additional maintenance position.	<u>\$4,732</u>
2.	Employee Pensions and Benefits (704) To reflect removal of non-utility related expense.	<u>(\$5)</u>
3.	Purchased Sewage (710) To reflect an audit adjustment.	<u>(\$3)</u>
4.	Sludge Removal Expense (711) To reflect audit adjustments.	<u>(\$443)</u>
5.	Materials and Supplies (720) a. To reflect an audit adjustment.	<u>(\$863)</u>
	b. To reflect removal of non-utility related expense.	<u>(12)</u>
	Total	<u>(\$875)</u>
6.	Contractual Services – Other (736) a. To reflect audit adjustments.	<u>(\$807)</u>
	b. To reflect increase in Consta Flow contract.	<u>1,164</u>
	Total	<u>\$357</u>
7.	Rental Expense (740) To reflect an audit adjustment.	<u>(\$2,659)</u>
8.	Rate Case Expense (765) To reflect 1/4 rate case expense.	<u>\$718</u>
9.	Bad Debt Expense (770) To reflect three-year average of bad debt expense.	<u>(\$2,096)</u>
10.	Miscellaneous Expense (775) a. To reflect audit adjustments.	<u>(\$467)</u>
	b. To reflect removal of allocated cost due to lack of support.	<u>(23)</u>
	Total	<u>(\$490)</u>
TOTAL O&M ADJUSTMENT		<u>(\$764)</u>

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WEST LAKELAND WASTEWATER, LLC. TEST YEAR ENDED 6/30/2024 ADJUSTMENTS TO OPERATING INCOME		SCHEDULE 3-B DOCKET NO. 20240105-SU PAGE 2 OF 2 WASTEWATER
DEPRECIATION EXPENSE		
1.	To reflect appropriate test year depreciation expense.	\$1,757
2.	To reflect pro forma additions.	817
	Total	<u>\$2,574</u>
TAXES OTHER THAN INCOME		
1.	To reflect an auditing adjustment for RAFs.	\$389
2.	To reflect appropriate test year RAFs	4
3.	To reflect appropriate property taxes.	(58)
4.	To reflect appropriate test year payroll taxes.	210
5.	To reflect pro forma payroll taxes.	369
6.	To reflect property taxes associated with pro forma additions.	102
	Total	<u>\$1,016</u>
TOTAL OPERATING EXPENSE ADJUSTMENTS		<u>\$2,826</u>

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WEST LAKELAND WASTEWATER, LLC		SCHEDULE NO. 3-C		
TEST YEAR ENDED 6/30/2024		DOCKET NO. 20240105-SU		
ANALYSIS OF WASTEWATER O&M EXPENSE				
<u>ACCT.#</u>	<u>DESCRIPTION</u>	<u>TOTAL PER UTILITY</u>	<u>STAFF ADJUST- MENT</u>	<u>TOTAL PER STAFF</u>
701	Salaries and Wages – Employees	\$42,711	\$4,732	\$47,443
703	Salaries and Wages – Officers	7,197	0	7,197
704	Employee Pensions and Benefits	5	(5)	0
710	Purchased Wastewater Treatment	560	(3)	557
711	Sludge Removal Expense	33,918	(443)	33,475
715	Purchased Power	13,338	0	13,338
718	Chemicals	2,715	0	2,715
720	Materials and Supplies	8,000	(875)	7,125
731	Contractual Services – Professional	1,092	0	1,092
735	Contractual Services – Testing	1,240	0	1,240
736	Contractual Services – Other	30,148	357	30,505
740	Rents	9,591	(2,659)	6,932
750	Transportation Expense	7,985	0	7,985
755	Insurance Expense	8,506	0	8,506
765	Rate Case Expense	0	718	718
770	Bad Debt Expense	4,506	(2,096)	2,410
775	Miscellaneous Expenses	<u>\$10,563</u>	<u>(\$490)</u>	<u>\$10,073</u>
	Total O&M Expense	<u>\$182,075</u>	<u>(\$764)</u>	<u>\$181,311</u>
	Working Capital is 1/8 O&M Less RCE			\$22,574

WEST LAKELAND WASTEWATER, LLC		SCHEDULE NO. 4	
TEST YEAR ENDED 6/30/24		DOCKET NO. 20240105-SU	
MONTHLY WASTEWATER RATES			
	UTILITY'S CURRENT RATES	STAFF RECOMMENDED RATES	4 YEAR RATE REDUCTION
<u>Residential</u>			
Base Facility Charge - All Meter Sizes	\$22.61	\$28.75	\$0.09
Charge per 1,000 gallons (6,000 gallon cap)	\$8.41	\$8.66	\$0.03
-			
<u>General Service</u>			
Base Facility Charge by Meter Size			
5/8" x 3/4"	\$22.61	\$28.75	\$0.09
3/4"	\$33.92	\$43.13	\$0.14
1"	\$56.53	\$71.88	\$0.23
1-1/2"	\$113.05	\$143.75	\$0.45
2"	\$180.88	\$230.00	\$0.72
3"	\$361.76	\$460.00	\$1.44
4"	\$565.25	\$718.75	\$2.25
6"	\$1,130.50	\$1,437.50	\$4.50
8"	\$1,808.80	\$2,300.00	\$7.20
Charge per 1,000 gallons	\$10.09	\$10.40	\$0.03
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
3,000 Gallons	\$47.84	\$54.73	
6,000 Gallons	\$73.07	\$80.71	
8,000 Gallons	\$73.07	\$80.71	

Item 5

State of Florida



Public Service Commission

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

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

DATE: June 19, 2025

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Engineering (Wooten, Ellis, King) *TB*
Division of Accounting and Finance (Folkman, Higgins, Lenberg) *ALM*
Division of Economics (Bruce, Hudson, Richards) *OP*
Office of the General Counsel (Farooqi, Harper) *AC*

RE: Docket No. 20240119-WU – Application for staff-assisted rate case in Polk County, by Alturas Water, LLC.

AGENDA: 07/01/25 – Regular Agenda – Proposed Agency Action Except for Issue Nos. 13 and 14 – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Clark

CRITICAL DATES: 12/19/25 (15-Month Effective Date (SARC))

SPECIAL INSTRUCTIONS: None

Case Background

Alturas Water, LLC (Alturas or Utility) is a Class C utility providing water service to approximately 53 residential customers and 7 general service customers in Polk County. Wastewater service is provided by septic tanks. The Utility's last staff-assisted rate case (SARC) was in 2014.¹ In 2019, the Utility was transferred from Alturas Utilities, L.L.C. to Alturas Water, LLC.² In October 2020, the Utility, along with three sister utilities, was approved for a limited

¹ Order No. PSC-16-0128-PAA-WU, issued March 29, 2016, in Docket No. 20140219-WU, *In re: Application for staff-assisted rate case in Polk County by Alturas Utilities, L.L.C.*

² Order No. PSC-2019-0304-PAA-WU, issued July 29, 2019, in Docket No. 20180175-WU, *In re: Application to transfer facilities and Certificate No. 628-W in Polk County from Alturas Utilities, L.L.C. to Alturas Water, LLC.*

alternative rate increase.³ According to the Utility's 2024 Annual Report, its operating revenues were \$38,080 and operating expenses were \$41,637.

Alturas has been in existence since 1928 and was granted a Grandfather Certificate by the Commission in 1997 in the name of Alturas Water Works.⁴ The Utility's service territory is located in the Southwest Florida Water Management District (SWFWMD) and is subject to a year-round irrigation rule.

On August 12, 2024, the Utility filed an application for a SARC and the official date of filing was established as September 20, 2024. The 12-month period ending on June 30, 2024 was selected as the test year. A customer meeting occurred on April 2, 2025, no customers provided comments.

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

³ Order No. PSC-2020-0396-PAA-WS, issued October 22, 2020, in Docket No. 20200152-WS, *In re: Application for a limited alternative rate increase proceeding in Polk and Marion Counties, by Alturas Water, LLC, Sunrise Water, LLC, Pinecrest Utilities, LLC, and East Marion Utilities, LLC.*

⁴ Order No. PSC-97-0513-FOF-WU, issued May 5, 1997, in Docket No. 19961109-WU, *In re: Application for grandfather certificate to operate a water utility in Polk County by Alturas Water Works.*

Date: June 19, 2025

Discussion of Issues

Issue 1: Is the quality of service provided by Alturas Water, LLC satisfactory?

Recommendation: Yes. Alturas has been responsive to customer complaints and the quality of the product is in compliance with the Department of Environmental Protection (DEP) standards; therefore, staff recommends that the quality of service be considered satisfactory. (Wooten)

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

Quality of the Utility's Product

In evaluation of Alturas' product quality, staff reviewed the Utility's compliance with the DEP's primary and secondary drinking water standards. Primary standards protect public health while secondary standards regulate contaminants that may impact the taste, odor, and color of drinking water. In the DEP's last Sanitary Survey Report, dated March 20, 2023, no chemical or bacteriological exceedances were noted for the previous 12 months, and the Utility was determined to be in compliance with the DEP's standards. In the Utility's last Consumer Confidence Report, dated April 22, 2024, no violations of contaminant levels were noted for the testing period.

The Utility's Attempt to Address Customer Satisfaction

Staff reviewed the complaints filed in the Commission's Consumer Activity Tracking System (CATS), received by the Utility, and filed with the DEP for the test year and four years prior. There were six complaints filed in CATS. Five of these complaints were related to an outage caused by a lightning strike and one was related to low water pressure. The Utility reported that it received 21 complaints during this timeframe. Of these 21 complaints, 7 were related to billing, 7 were related to low water pressure and 7 were related to utility repair requests. The Utility indicated that all 21 complaints were resolved. The DEP indicated that it did not receive any complaints during this timeframe.

A customer meeting was held on April 2, 2025, no customers spoke at the meeting; however, one customer comment was placed in the docket file. This customer comment was in opposition of the rate increase and expressed frustration with the Utility for constant "boil water" notices, intermittent service disruptions, and water quality issues. Staff notes that three water service interruptions occurred in the service area between March 2025 and April 2025. Two of these service interruptions were due to water line breaks, and one service interruption was attributed to

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a customer water tank installation, which were all resolved in a timely manner. Staff performed a supplemental review, through May 15, 2025, of complaints filed in the CATS following the customer meeting and found no additional complaints.

Conclusion

Alturas has been responsive to customer complaints and the quality of the product is in compliance with the DEP's standards; therefore, staff recommends that the quality of service be considered satisfactory.

Date: June 19, 2025

Issue 2: Are the infrastructure and operating conditions of Alturas Water, LLC in compliance with the DEP's regulations?

Recommendation: Yes. The Alturas water system is currently in compliance with the DEP. (Wooten)

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

Water System Operating Conditions

The Utility's water system has one well with a pumping capacity of 350 gallons per minute (gpm) and one hydropneumatic tank with a capacity of 3,000 gallons. Its permitted capacity is 108,000 gallons per day (gpd). The water system provides finished water obtained from a single well, which draws ground water from the aquifer. The raw water is injected with liquid chlorine prior to entering a 3,000-gallon hydropneumatic tank, and then pumped into the water distribution system. The distribution system is a composite network mix of polyvinyl chloride (PVC), concrete and galvanized pipe. Staff reviewed Alturas' sanitary survey reports conducted by the DEP to determine the Utility's overall water facility compliance. A review of the inspection conducted on March 20, 2023, indicated that Alturas' water treatment facility is in compliance with the DEP's rules and regulations.

Conclusion

The Alturas water system is currently in compliance with the DEP.

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Issue 3: What are the used and useful (U&U) percentages of the Alturas Water, LLC water treatment plant (WTP) and water distribution system?

Recommendation: Alturas' WTP and its distribution system should both be considered 100 percent U&U. Additionally, a 26.2 percent adjustment for Excessive Unaccounted for Water (EUW) should be made to operating expenses for chemicals and purchased power. (Wooten)

Staff Analysis: Alturas' water system is served by a single 6-inch diameter well, rated at 350 gpm. The raw water is injected with liquid chlorine prior to entering the 3,000-gallon hydropneumatic tank, and then pumped into the water distribution system. The Utility is permitted to withdraw an average of 34,200 gpd, up to 108,000 gpd peak. According to the Utility, there are no fire hydrants in the service area.

Water Treatment Plant and Distribution System U&U

The Commission found both the WTP and distribution system to be 100 percent U&U in the prior SARC.⁵ There have been no major plant additions or growth in the last five years. Therefore, consistent with the prior Commission decision, the WTP and distribution system should be considered 100 percent U&U.

Excessive Unaccounted for Water

Rule 25-30.4325, F.A.C., describes EUW as unaccounted for water in excess of 10 percent of the amount produced. When establishing the Rule, the Commission recognized that some uses of water are readily measurable and others are not. Unaccounted for water is all water produced that is not sold, metered or accounted for in the records of the Utility. The Rule provides that to determine whether adjustments to plant and operating expenses, such as purchased electrical power and chemicals cost, are necessary, the Commission will consider all relevant factors as to the reason for EUW, solutions implemented to correct the problem, and whether a proposed solution is economically feasible. The unaccounted for water is calculated by subtracting both the gallons used for other purposes, such as flushing, and the gallons sold to customers from the total gallons pumped for the test year.

In its reports to DEP, the Utility stated it produced a total of 4,700,969 gallons during the test year. In its review, staff determined June 2024 had abnormally low flows. In response to a staff data request, the Utility indicated that a flow meter failed to properly operate during the majority of June 2024, due to a blockage. As a result, complete data of the water treated for the test year was unavailable. Using the available flow data, from July 2023 through May 2024, staff calculated an average daily flow value of 13,580 gpd, and applied that to zero flow days to estimate the total gallons produced during the test year, resulting in a value of 4,999,722 gallons. In response to a staff data request, the Utility indicated that it purchased no water and used 163,460 gallons for other uses during the test year. According to the staff audit report, the Utility sold 3,028,000 gallons of water for the test year. Therefore, the total amount of unaccounted for water is 1,808,262 gallons or 36.2 percent $[(4,999,722 \text{ gal} - 163,460 \text{ gal} - 3,028,000 \text{ gal}) / (4,999,722 \text{ gal})]$ that are unaccounted for. Ten percent of the gallons produced is allowed per the

⁵ Order No. PSC-16-0128-PAA-WU, issued March 29, 2016, in Docket No. 20140219-WU, *In re: Application for staff-assisted rate case in Polk County by Alturas Utilities, L.L.C.*

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rule; therefore, the EUW is 26.2 percent. Accordingly, staff recommends an adjustment of 26.2 percent be made to reduce operating expenses (chemicals and purchased power) due to EUW.

Conclusion

Alturas' water treatment plant and its distribution system should both be considered 100 percent U&U. Additionally, a 26.2 percent adjustment for EUW should be made to operating expenses for chemicals and purchased power.

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Issue 4: What is the appropriate average test year rate base for Alturas Water, LLC?

Recommendation: The appropriate average test year rate base for Alturas is \$67,586. (Folkman, Wooten)

Staff Analysis: The appropriate components of the Utility's rate base include utility plant in service (UPIS), land and land rights, accumulated depreciation, and working capital. Staff selected the test year ended June 30, 2024, for the instant rate case. Commission audit staff determined that the Utility's books and records are in compliance with the currently applicable National Association of Regulatory Utility Commissioners' Uniform System of Accounts (NARUC USOA). A summary of each component and the recommended adjustments are discussed below.

Utility Plant in Service

The Utility recorded UPIS of \$77,221. Audit staff made an adjustment decreasing UPIS by \$2,167 due to lack of supporting documentation. Further, staff made an averaging adjustment reducing this amount by \$1,333, and several pro forma adjustments as described below.

Pro Forma Plant Additions

Table 4-1 shows Alturas' two pro forma plant items and their costs. The first item is the replacement of the water storage tank which was struck by lightning and an emergency replacement was required. This included replacing the storage tank and piping. Also, crane rental, concrete and bacterial testing at the water treatment plant. The total cost of this project was \$40,169 and was completed in November 2024.

The second item is a dump trailer that will be used for hauling dirt, sod and other larger items used in maintaining the system.⁶ The dump trailer was purchased by Alturas' parent company, Florida Utility Services 1, LLC (FUS1), to be used by all subsidiary systems, including Alturas, for a total of \$7,294. This results in only a percentage of the total purchase being allocated to Alturas, as shown below in Table 4-1.

The Utility provided one bid for each pro forma item. As the water storage tank replacement was an emergency the Utility could not seek additional bids for this item. Regarding the dump trailer, the Utility indicated that the trailer vendor was the only option available in a reasonable distance that could provide service work or warranty repairs. Staff believes the Utility provided a reasonable response for why no other bids were obtained. Also, the Utility provided paid invoices for both items. Staff recommends that the pro forma project costs are appropriate.

⁶ Document No. 02110-2025, filed March 25, 2025, in Docket No. 20240105-SU.

**Table 4-1
Pro Forma Plant Items**

<u>Description</u>	<u>Amount</u>
Emergency Water Storage Tank Replacement – Acct. No. 330	\$40,169
<i>Associated Retirement</i>	(\$30,127)
Dump Trailer – Acct. No. 341	<u>\$146</u>
Net Adjustment	<u>\$10,188</u>

As detailed above in Table 4-1, staff increased UPIS by \$40,315. This amount was offset by retirements of \$30,127. Table 4-2 below summarizes staff's adjustments to UPIS.

**Table 4-2
Staff Adjustments to UPIS**

<u>Description</u>	<u>Adjustment</u>
To reflect auditing adjustments.	(\$2,167)
To reflect an averaging adjustment.	(1,333)
To reflect pro forma additions.	40,315
To reflect associated pro forma retirements.	<u>(30,127)</u>
Net adjustment to UPIS	<u>\$6,688</u>

Source: Staff calculations.

As described above and summarized in Table 4-2, staff's adjustments to UPIS result in an increase of \$6,688. Therefore, staff recommends an average UPIS balance of \$83,909 (\$77,221 - \$2,167 - \$1,333 + \$40,315 - \$30,127).

Land and Land Rights

The Utility recorded a land and land rights balance of \$500. Staff made no adjustments to this account, therefore recommends a land and land right balance of \$500.

Used and Useful

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

Accumulated Depreciation

The Utility recorded accumulated depreciation of \$46,391. Audit staff reduced this amount by \$142 to reflect the depreciation rates established by Rule 25-30.140, F.A.C. Additionally, staff increased accumulated depreciation by \$5,328 to reflect an averaging adjustment. Staff further decreased accumulated depreciation by \$29,804 for pro forma additions. Staff's adjustments are summarized below in Table 4-3.

Date: June 19, 2025

Table 4-3
Staff Adjustments to Accumulated Depreciation

<u>Description</u>	<u>Adjustment</u>
To reflect auditing adjustments.	(\$142)
To reflect an averaging adjustment.	5,328
To reflect pro forma adjustments.	(29,804)
Total adjustments to accumulated depreciation.	(\$24,618)

Source: Staff calculations.

As described above and summarized in Table 4-3, staff's adjustments to accumulated depreciation result in a decrease of \$24,618. Therefore, staff recommends an average accumulated depreciation balance of \$21,773 (\$46,391 - \$142 + \$5,328 - \$29,804).

Working Capital Allowance

Working capital is defined as the short-term investor-supplied funds that are necessary to meet operating expenses. Consistent with Rule 25-30.433(3), F.A.C., staff used the one-eighth operation and maintenance (O&M) expense (less rate case expense) formula for calculating the working capital allowance. As such, for this calculation staff removed the rate case expense of \$480. This resulted in an adjusted O&M expense balance of \$39,599 (\$40,079 - \$480). Applying this formula, staff recommends a working capital allowance of \$4,950 (\$39,599 ÷ 8).

Rate Base Summary

Based on the foregoing, staff recommends that the appropriate average test year rate base is \$67,586. Rate base is shown on Schedule No. 1-A. The related adjustments are shown on Schedule No. 1-B.

Date: June 19, 2025

Issue 5: What is the appropriate return on equity and overall rate of return for Alturas Water, LLC?

Recommendation: The appropriate return on equity (ROE) is 11.24 percent with a range of 10.24 percent to 12.24 percent. The appropriate overall rate of return is 7.58 percent. (Folkman)

Staff Analysis: The Utility's capital structure consists of long-term debt, common equity, and customer deposits. In response to the audit, the Utility stated its equity consists of \$3,675 in allocated plant, \$85,825 in negative retained earnings, and a related party debt totaling \$94,858. It is Commission practice to treat related party debt as equity when no interest or scheduled payments on principal are being made.⁷ As such, staff adjusted the Utility's capital structure to reflect the related party debt as common equity. Therefore, the total equity balance for Alturas is \$12,708 (\$3,675 – \$85,825 + \$94,858). In response to a staff email, the Utility stated additional long-term debt of \$34,742 will be used to finance the pro forma items.

The Utility's capital structure has been reconciled with staff's recommended rate base. The appropriate ROE is 11.24 percent based on the Commission-approved leverage formula currently in effect.⁸ Staff recommends an ROE of 11.24 percent with a range of 10.24 percent to 12.24 percent, and an overall rate of return of 7.58 percent. The ROE and overall rate of return are shown on Schedule No. 2.

⁷ Order No. PSC-2021-0106-PAA-WS, issued March 17, 2021, in Docket No. 20200169-WS; *In re: Application for staff-assisted rate case in Lake County, and request for interim rate increase, by Lake Yale Utilities, LLC.*

⁸ Order No. PSC-2024-0165-PAA-WS, issued May 22, 2024, in Docket No. 20240006-WS; *In re: Water and wastewater industry annual reestablishment of authorized range of return on common equity for water and wastewater utilities pursuant to Section 367.081(4)(j), F.S.*

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Issue 6: What are the appropriate test year operating revenues for Alturas Water, LLC?

Recommendation: The appropriate test year revenues for Alturas are \$40,000. (Lenberg)

Staff Analysis: Alturas recorded total test year revenues of \$37,330, which included \$36,173 of service revenues and \$1,169 of miscellaneous revenues. The Utility had a price index that became effective on June 1, 2024, within the test year, and a four-year rate reduction subsequent to the test year, which became effective on November 18, 2024. Therefore, staff annualized revenues to reflect the change in rates. By applying the rates subsequent to the test year, along with the test year billing determinants, staff determined service revenues should be \$38,851. This results in an increase of \$2,678 ($\$38,851 - \$36,173$) to test year service revenues. Staff also made adjustments to miscellaneous revenues, which included removing an unapproved non-sufficient funds charge of \$50. The Utility did not record two normal reconnections during the test year in the amount of \$30 total. This results in miscellaneous revenues of \$1,149 ($\$1,169 + \$30 - \50). As a result, miscellaneous revenues should be decreased by \$20 ($\$1,169 - \$1,149$). Based on the above, the appropriate test year revenues for Alturas are \$40,000 ($\$38,851 + \$1,149$).

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Issue 7: What are the appropriate operating expenses for Alturas Water, LLC?

Recommendation: The appropriate amount of operating expenses for Alturas are \$45,972. (Folkman)

Staff Analysis: The Utility recorded operating expenses of \$47,603. The test year O&M expenses have been reviewed by staff, including invoices and other supporting documentation. Staff has made several adjustments to the Utility's operating expense as described below.

Operation and Maintenance Expenses

New Maintenance Technician Position

On January 27, 2025, the Utility requested a new maintenance technician position be added to FUS1's currently approved positions. The maintenance technician's responsibilities include weekly lift station maintenance, spray field sprinkler maintenance, percolation pond maintenance, mowing grass, bar screen cleaning, digester tank skimming, tree trimming, hurricane season prep, running generators, sludge hauling, and cleaning up spills or sewage overflows. According to the Utility, this new maintenance technician is required, as FUS1 intends to promote a current employee to the level of Operations Supervisor, which would reduce the maintenance technician positions from 4 to 3 employees.

The Utility stated that reliance on overtime from current employees and contracting outside contractors has been required to maintain FUS1's systems. Alturas provided invoices from outside contractors and overtime payroll information to justify the need for a new maintenance technician position.⁹ Additionally, the Utility filed a letter from Consta Flow, Alturas' outside Contractor, which addresses an operations cost increase for Alturas due to new technology, insurance costs, and employment costs.¹⁰ As such, staff recommends that in order to maintain the number of maintenance technician positions and reduce the additional costs incurred from overtime and outside contractors, the addition of a new maintenance technician position is appropriate.

Salaries and Wages – Employees (601)

The Utility recorded salaries and wages – employees expense of \$8,915. Audit staff increased this amount by \$576 as calculated from allocations from the Utility's source documentation. Additionally, staff increased this account by \$1,067 to reflect the Utility's allocated portion of an additional maintenance position.¹¹ Therefore, staff recommends salaries and wages – employees expense of \$10,558 (\$8,915 + \$576 + \$1,067).

Salaries and Wages – Officers and Directors (603)

The Utility recorded \$1,600 for salaries and wages – officers and directors. Staff made no adjustment to this amount and therefore recommends salaries and wages – officers and directors expense of \$1,600.

⁹ Document No. 03159-2025, filed April 25, 2025.

¹⁰ Document No. 10118-2024, filed December 6, 2024.

¹¹ Document No. 00478-2025, filed January 27, 2025.

Employee Pensions and Benefits (604)

The Utility recorded employee pensions and benefits expense of \$6. Audit staff decreased this amount by \$6 to reflect an auditing adjustment to remove allocated non-utility related costs. Therefore, staff recommends employee pensions and benefits expense of \$0 (\$6 - \$6).

Purchased Power (615)

The Utility recorded purchased power expense of \$2,241. Audit staff decreased this amount by \$10 to reflect the Utility's source documentation. Staff further decreased this amount by \$363 to reflect an EUW adjustment. Therefore, staff recommends purchased power expense of \$1,868 (\$2,241 - \$10 - \$363).

Chemicals (618)

The Utility recorded an expense for chemicals of \$2,130. Audit staff decreased this amount by \$203 to reflect the Utility's source documentation. Staff further decreased this amount by \$345 to reflect an EUW adjustment. Therefore, staff recommends chemicals expense of \$1,582 (\$2,130 - \$203 - \$345).

Materials and Supplies (620)

The Utility recorded materials and supplies expense of \$2,525. Audit staff decreased this amount by \$2,022 to reflect the Utility's source documents. However, staff increased this amount by \$3,395 to reflect the documentation of costs that were provided by the Utility. Therefore, staff recommends materials and supplies expense of \$3,898 (\$2,525 - \$2,022 + \$3,395).

Contractual Services – Professional (631)

The Utility recorded contractual services – professional expense of \$265. Audit staff increased this amount by \$1,515 to reflect the Utility's source documentation and to add \$1,440 of expense erroneously entered as contractual services - testing. However, the \$1,440 that was originally posted to this account was reclassified by the Utility to Account 186.2 – Deferred Tank Inspection and should not be included as an expense. Staff decreased this amount by \$1,537 to reflect the deferred tank inspection and the appropriate allocated costs. Therefore, staff recommends contractual services – professional expense of \$243 (\$265 + \$1,515 - \$1,537).

Contractual Services – Testing (635)

The Utility recorded contractual services – testing expense of \$1,460. Audit staff decreased this amount by \$1,460 to reflect the Utility's source documentation and to remove \$1,440 of expense that was erroneously entered under this account instead of contractual services – professional. In response to Staff's Fourth Data Request, the Utility provided supporting documentation for \$4,410 of contractual services – testing.¹² However, one of the invoices included a triennial sample totaling \$2,568 that should be amortized over three years. Therefore, staff decreased this amount by \$1,712 to remove two years of expense. Staff recommends contractual services – testing expense of \$2,698 (\$1,460 - \$1,460 + \$4,410 - \$1,712).

Contractual Services – Other (636)

The Utility recorded contractual services other expense of \$7,092. Audit staff decreased this amount by \$32 to reflect the Utility's source documentation. Staff further decreased this amount

¹² Document No. 02074-2025, filed March 24, 2025.

Date: June 19, 2025

by \$144 to remove amortization of the tank inspection that was posted in error. Therefore, staff recommends contractual services – other expense of \$6,916 ($\$7,092 - \$32 - \144).

Rents (640)

The Utility recorded rental of building/real property expense of \$1,155. Audit staff decreased this amount by \$507 to reflect the appropriate allocated portion of rental expense. Therefore, staff recommends a rents expense of \$648 ($\$1,155 - \507).

Transportation Expense (650)

The Utility recorded transportation expense of \$1,777. Staff decreased this amount by \$2 to reflect the appropriate allocated portion from the Utility's source documentation. Therefore, staff recommends a transportation expense of \$1,775 ($\$1,777 - \2).

Insurance Expense (655)

The Utility recorded an insurance expense of \$4,706. Audit staff increased this amount by \$181 to reflect the Utility's source documentation. Staff decreased this amount by \$109 to reflect periodic policy changes within the test year that were provided in the Utility's response to the audit. Therefore, staff recommends an insurance expense of \$4,778 ($\$4,706 + \$181 - \109).

Rate Case Expense (665)

The Utility recorded an annual rate case expense of \$1,143. The Utility is required by Rule 25-22.0407, F.A.C., to mail notices of the rate case overview, final rates, and, and four-year rate reduction. Staff calculated noticing costs to be \$200. Staff calculated the distance from the Utility to Tallahassee as 226 miles. Based on the 2025 Internal Revenue Service (IRS) business mileage rate of \$0.70, staff calculated round-trip travel and lodging expense to the Commission Conference of \$516.¹³ However, because the Utility representative will be attending the Commission Conference for a sister utility as well, staff allocated only 50 percent, or \$258, of travel expense to Alturas.¹⁴ Additionally, the Utility paid a filing fee of \$1,000.¹⁵

On May 22, 2025, the Utility submitted its invoices for consulting fees from OCBOA Consulting, LLC, which serves as the Utility's accounting firm.¹⁶ The summary of expenses attached to the invoices reflect rate case expense of \$154, \$166, and \$143 for March 2025, April 2025, and May 2025, respectively. There was an additional estimated expense of \$380 included in the summary. Staff did not include the estimated portion, but believes the March, April and May amounts are reasonable. As such, staff included \$463 for consulting fees as part of rate case expense.

Staff recommends a total rate case expense, consisting of noticing costs, travel and lodging expenses, consulting fees, and filing fee of \$1,922 ($\$200 + \$258 + \$1,000 + \463), which amortized over four years is \$480 ($\$1,922 \div 4$ years). Therefore, staff recommends a rate case expense decrease of \$663.

¹³ <https://www.irs.gov/tax-professionals/standard-mileage-rates>

¹⁴ West Lakeland Wastewater, LLC, as Docket No. 20240105-SU, is currently scheduled for the same Commission Conference.

¹⁵ Document No. 09130-2024, filed September, 20, 2024.

¹⁶ Document No. 03852-2025, filed May 22, 2025.

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Bad Debt Expense (670)

The Utility recorded bad debt expense of \$647. Staff notes that it is Commission practice to calculate bad debt expense using a three-year average when the information is available. Using the Utility's 2021, 2022, and 2023 Annual Reports, the Utility recorded bad debt expenses of \$115, \$24, and \$647, respectively. Staff calculated the average bad debt expense for these previous three years to be \$262 $((\$647 + \$24 + \$115) \div 3)$ which represents a decrease of \$385. Therefore, staff recommends bad debt expense of \$262 $(\$647 - \$385)$.

Miscellaneous Expense (675)

The Utility recorded a miscellaneous expense of \$2,953. Staff decreased this amount by \$180 to remove allocated costs due to lack of supporting documentation and non-utility related costs. Therefore, staff recommends a miscellaneous expense of \$2,773 $(\$2,953 - \$180)$.

Operation and Maintenance Expense Summary

The Utility recorded test year O&M expense of \$38,615. Based on the above adjustments, staff recommends O&M expense be increased by \$1,464. This results in a total O&M expense of \$40,079 $(\$38,615 + \$1,464)$. Staff's recommended adjustments to O&M are shown on Schedule No. 3-C.

Depreciation Expense

The Utility recorded depreciation expense of \$2,448. Using the depreciation rates prescribed in Rule 25-30.140, F.A.C., staff increased this amount by \$80. Additionally, staff increased depreciation expense by \$322 due to pro forma additions. Therefore, staff recommends depreciation expense of \$2,850 $(\$2,448 + \$80 + \$322)$.

Taxes Other Than Income (TOTI)

The Utility recorded a TOTI of \$6,540; this amount included \$4,169 for property taxes, \$691 for payroll taxes, and \$1,680 for regulatory assessment fees (RAFs).

Staff decreased property taxes by \$600 to reflect a DEP fee that was included in Account 675. Additionally, staff removed \$3,506 to reflect a Polk County Service Tax that is a franchise fee assessed by Polk County and is remitted to the county and is not recorded as revenue. Furthermore, staff increased TOTI by \$129 to reflect property taxes associated with pro forma plant additions.

Staff increased payroll taxes by \$47 as calculated from allocations from the Utility's source documents. As part of the Utility's request for a pro forma increase for an additional maintenance position, staff further increased payroll taxes by \$83.¹⁷ As such, staff recommends payroll taxes of \$821 $(\$691 + \$47 + \$83)$.

Audit staff increased TOTI by \$147 to reflect the appropriate RAFs based on corrected Utility test year revenues. Based on revenues discussed in Issue 6, TOTI should be decreased by \$27 to reflect RAFs of 4.5 percent of the change in revenues. As such, staff recommends the appropriate amount of test year RAFs be \$1,800 $(\$1,680 + \$147 - \$27)$.

¹⁷ Document No. 00478-2025, filed January 27, 2025.

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As discussed in Issue 9, staff recommends revenues be increased by \$11,377 in order to reflect the change in revenue required to cover expenses and allow the Utility to earn a 7.58 percent return on rate base. As a result, TOTI should be increased by \$512 to reflect RAFs of 4.5 percent of the change in revenues. Therefore, staff recommends TOTI of \$3,325 ($\$6,540 - \$600 - \$3,506 + \$129 + \$47 + \$83 + \$147 - \$27 + \512).

Operating Expense Summary

The Utility recorded operating expenses of \$47,603. The application of staff's recommended adjustments to the Utility's operating expense results in a total of \$46,254. Operating expenses are shown on Schedule No. 3-A, and the related adjustments are shown on Schedule No. 3-B.

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Issue 8: Does Alturas Water, LLC meet the criteria for application of the operating ratio methodology?

Recommendation: No, Alturas does not meet the requirement for application of the operating ratio methodology for calculating the revenue requirement. (Folkman)

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

With respect to Alturas, staff has recommended a rate base of \$67,586. After removal of rate case expense, staff has calculated an adjusted O&M expense of \$39,598. Based on staff's preliminary recommended amounts, the Utility's rate base is 170.68 percent of its adjusted O&M expense. Based on this, the Utility does not qualify for application of the operating ratio methodology.

Issue 9: What is the appropriate revenue requirement for Alturas Water, LLC?

Recommendation: The appropriate revenue requirement is \$51,377, resulting in an annual increase of \$11,377 (28.44 percent). (Folkman)

Staff Analysis: Alturas should be allowed an annual increase of \$11,377 (28.44 percent). This should allow the Utility the opportunity to recover expenses and earn a 7.58 percent return on rate base. The calculations for revenue requirement are shown on Table 9-1.

Table 9-1
Revenue Requirement

Water Rate Base	\$67,586
Rate of Return	<u>7.58%</u>
Return on Rate Base	<u>\$5,123</u>
Water O&M Expense	40,079
Depreciation Expense	2,850
Taxes Other Than Income	<u>3,325</u>
Revenue Requirement	<u>\$51,377</u>
Less Test Year Revenues	\$40,000
Annual Increase	\$11,377
Percent Increase	28.44%

Source: Staff calculations.

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Issue 10: What are the appropriate rates and rate structure for Alturas Water, LLC?

Recommendation: The recommended rate structure and monthly water rates are shown on Schedule No. 4. The Utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rates should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The Utility should provide proof of the date notice was given within 10 days of the date of the notice. (Lenberg)

Staff Analysis: Alturas is located in Polk County within the SWFWMD. The Utility provides water service to 53 residential customers and there are 7 general service customers. Approximately 13 percent of the residential customer bills during the test year had zero gallons, indicating a non-seasonal customer base. The average residential water demand is 4,330 gallons per month. Currently, the Utility's water rate structure consists of a monthly base facility charge (BFC) and a charge per 1,000 gallons for residential and general service customers.

Staff performed an analysis of the Utility's 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.

For this case, staff recommends that 30 percent of the water revenues be generated from the BFC, which will provide sufficient revenues to design gallonage charges that send pricing signals to customers using above the non-discretionary level. The average people per household served by the water system is 2.70;¹⁸ therefore, based on the number of people per household, 50 GPD per person, and the number of days per month, the non-discretionary usage threshold should be 5,000 gallons per month. Staff's review of the billing data indicates that discretionary usage above 5,000 gallons represents approximately 25 percent of the bills, which accounts for approximately 28 percent of water demand. This indicates that there is moderate amount of discretionary usage above 5,000 gallons.

Staff recommends a two-tier inclining block rate structure, which includes separate gallonage charges for non-discretionary and discretionary usage for residential water rates. The rate blocks are: 1) 0-5,000 gallons and 2) all usage in excess of 5,000 gallons per month. Due to the moderate usage above 5,000 gallons per month, staff believes that it is appropriate in this case to recommend a rate factor of 1.25 in the second tier because it will target those customers with higher levels of consumption. General service customers should continue to be billed a BFC and uniform gallonage charge.

Based on staff's recommended revenue increase of 29.3 percent, which excludes miscellaneous revenues, the residential consumption can be expected to decline by 57,000 gallons, resulting in

¹⁸ Average person per household was obtained from www.census.gov/quickfacts/polkcounty, Florida.

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anticipated average residential demand of 4,243 gallons per month. Staff recommends a 2.0 percent reduction in test year residential gallons for rate setting purposes. As a result, the corresponding reductions are \$42 for purchased power expense, \$36 for chemicals expense, and \$4 for RAFs to reflect the anticipated repression, which results in a post repression revenue requirement of \$50,147.

The recommended rate structures and monthly water rates are shown on Schedule No. 4. The Utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rates should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The Utility should provide proof of the date notice was given within 10 days of the date of the notice

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Issue 11: What are the appropriate initial customer deposits for Alturas Water, LLC?

Recommendation: The appropriate initial customer deposit should be \$131 for the 5/8 inch x 3/4 inch meter size. The initial customer deposit for all other residential meter sizes and all general service meter sizes should be two times the average estimated bill for water. The approved initial customer deposits should be effective for connections made on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475, F.A.C. The Utility should be required to collect the approved deposits until authorized to change them by the Commission in a subsequent proceeding. (Lenberg)

Staff Analysis: Rule 25-30.311, F.A.C., provides the criteria for collecting, administering, and refunding customer deposits. Customer deposits are designed to minimize the exposure of bad debt expense for the Utility and, ultimately, the general body of ratepayers. An initial customer deposit ensures that the cost of providing service is recovered from the cost causer. Historically, the Commission has set initial customer deposits equal to two times the average estimated bill.¹⁹ Currently, the Utility has an initial customer deposit of \$86 for the 5/8 inch x 3/4 inch meter size. However, this amount does not cover two months' average bills based on staff's recommended rates. Based on the staff recommended water rates and the post repression average residential demand of 4,243, the appropriate initial customer deposit should be \$131 to reflect an average residential customer bill for two months. The monthly average residential bill is \$65.52.

Staff recommends that the appropriate initial customer deposit should be \$131 for the 5/8 inch x 3/4 inch meter size. The initial customer deposit for all other residential meter sizes and all general service meter sizes should be two times the average estimated bill for water. The approved initial customer deposits should be effective for connections made on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475, F.A.C. The Utility should be required to collect the approved deposits until authorized to change them by the Commission in a subsequent proceeding.

¹⁹ Order No. PSC-15-0142-PAA-SU, issued March 26, 2015, in Docket No. 20130178-SU, *In re: Application for staff-assisted rate case in Polk County by Crooked Lake Park Sewerage Company*.

Issue 12: What are the appropriate miscellaneous service charges for Alturas Water, LLC?

Recommendation: The appropriate miscellaneous service charges are shown on Table 12-4 and should be approved. The Utility should be required to file a proposed customer notice to reflect the Commission-approved charges. The approved charges should be effective for service rendered or connections made on or after the stamped approval date on the tariff 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. (Lenberg)

Staff Analysis: Alturas is requesting to revise its existing miscellaneous service charges to reflect an increase in the amount of some of the charges. The late payment charge was established in 1997.²⁰ The Utility's existing miscellaneous service charges were established in 1996.²¹ Section 367.091, F.S., authorizes the Commission to change miscellaneous service charges. The Utility's requested miscellaneous charges were accompanied with cost justification as required by Section 367.091(6), F.S. The Utility's existing and requested miscellaneous service charges are shown below in Tables 12-1.

Table 12-1
Alturas' Existing and Requested Miscellaneous Service Charges

	<u>Existing</u>	<u>Requested</u>
Initial Connection Charge	\$15.00	\$30.00
Normal Reconnection Charge	\$15.00	\$30.00
Violation Reconnection Charge	\$15.00	\$30.00
Premises Visit Charge	\$10.00	\$30.00
Late Payment Charge	\$5.50	\$7.85
Investigation of Meter Tampering Charge	N/A	Actual Cost
Meter Tampering Charge	N/A	Actual Cost

Source: Utility's Current Tariffs and Application Filings.

Premises Visit Charge

As shown on Table 12-1, the Utility is requesting to increase the amount of some of its existing miscellaneous service charges. The existing miscellaneous service charges include initial connection and normal reconnection charges which are obsolete and inconsistent with Rule 25-30.460, F.A.C. The Utility provided cost justification of \$30.05; however, the utility requested a charge of \$30.00 for the premises visit which represents the cost of a trip to perform a specified service. Staff believes the cost justification is reasonable and imposes the cost on the cost causer. Based on the Rule, staff recommends that the initial connection and normal reconnection charges be removed. Staff also recommends that the definition for the premises visit charge be updated to

²⁰ Order No. PSC-98-1752-FOF-WU, issued December 22, 1998, in Docket No. 19980536-WU, *In re: Application for transfer of water facilities from Alturas Water Works to Keen Sales, Rentals and Utilities, Inc. in Polk County, cancellation of Alturas' Certificate No. 591-W, and amendment of Keen's Certificate No. 582-W to include additional territory.*

²¹ Order No. PSC-97-0513-FOF-WU, issued May 5, 1997, in Docket No. 19961109-WU, *In re: Application for grandfather certificate to operate a water utility in Polk County by Alturas Water Works.*

comply with Rule 25-30.460, F.A.C. The premises visit charge should be \$30.00. The Utility's calculation for the premises visit charge is shown below on Table 12-2.

Table 12-2
Calculation for Requested Premises Visit

<u>Activity</u>	<u>Cost</u>
Mileage (\$0.70 per mile x 1)	\$0.70
Labor – Tech – Round Trip Drive (\$27.85 x 0.30)	\$8.36
Labor – Tech – Location Labor Time (\$27.85 x 0.50)	\$13.93
Labor – Tech – Customer Care Representative (28.25 x 0.25)	\$7.06
Total	<u>\$30.05</u>

Source: Utility's Cost Justification.

Late Payment Charge

The Utility currently has a \$5.50 late payment charge. The Utility is requesting a \$7.85 late payment charge to recover the cost of labor, supplies, and postage associated with processing late payment notices. The purpose of this charge is not only to provide an incentive for customers to make timely payment, thereby reducing the number of delinquent accounts, but also to place the cost burden of processing delinquent accounts solely upon those who are cost causers. The Utility calculated the actual costs for its late payment charges to be \$7.85. The Utility indicated that it will take approximately 15 minutes per account to research, compile, and produce late notices. The delinquent customer accounts will be processed by the administrative employee, which results in labor cost of \$7.06 (\$28.25 x 0.25hr). This is consistent with prior Commission decisions where the Commission has allowed 5-15 minutes per account per month for the administrative labor associated with processing delinquent customer accounts. In addition, the Utility included material cost of \$0.79 for paper, envelopes, and postage, which results in total costs of \$7.85 (\$7.06 + \$0.79). The Utility's calculation for its costs associated with a late payment charge is shown on Table 12-3. Staff recommends the requested late payment charge of \$7.85 be approved.

Table 12-3
Calculation of Proposed Late Payment Charge

	<u>Cost</u>
Supply- Paper Envelope (\$0.10 x 1.00)	\$0.10
Supply - Postage (\$0.69 x 1.00)	\$0.69
Labor – Customer Care Representative (28.25 x 0.25)	<u>\$7.06</u>
Total	<u>\$7.85</u>

Source: Utility's cost justification documentation.

Table 12-4
Staff's Recommended Miscellaneous Service Charges

Premises Visit Charge	\$30.00
Late Payment Charge	\$7.85

Source: Staff Calculations.

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Conclusion

The appropriate miscellaneous service charges are shown on Table 12-4 and should be approved. 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.

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Issue 13: What is the appropriate amount by which rates should be reduced four years after the published effective date to reflect removal of the amortized rate case expense?

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

Staff Analysis: Section 367.081, F.S., requires that the rates be reduced immediately following the expiration of the 4-year 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. This results in a reduction of \$503.

Staff recommends that the rates should be reduced as shown on Schedule No. 4, to remove rate case expense grossed-up for RAFs and amortized over a four-year period. Pursuant to Section 367.081(8), F.S., the decrease in rates should become effective immediately following the expiration of the rate case expense recovery period. Alturas should be required to file revised tariffs and a proposed customer notice setting forth the lower rates and rationale no later than one month prior to the effective date of the new rates. If the Utility files revised tariffs reflecting this reduction in conjunction with a price index, or pass-through rate adjustment, separate data should be filed for the price index and/or pass-through increase and the reduction in the rates due to the amortized rate case expense.

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Issue 14: Should the recommended rate be approved for Alturas Water, LLC on a temporary basis, subject to refund with interest, in the event of a protest filed by a party other than the Utility?

Recommendation: Yes. Pursuant to Section 367.0814(7), F.S., the recommended rates should be approved for the Utility on a temporary basis, subject to refund with interest, in the event of a protest filed by a party other than the Utility. Alturas should file revised tariff sheets and a proposed customer notice reflecting the Commission-approved rates. The approved rates should be effective for services rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the temporary rates should not be implemented until staff has approved the proposed notice, and the notice has been received by the customers. Further, prior to implementing any temporary rates, the Utility should provide appropriate financial security.

If the recommended rates are approved on a temporary basis, the rates collected by the Utility should be subject to the refund provisions discussed below in the staff analysis. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., the Utility should file reports with the Commission's Office of Commission Clerk no later than the 20th of each month indicating both the current monthly and total amount subject to refund at the end of the preceding month. The report filed should also indicate the status of the security being used to guarantee repayment of any potential refund. (Folkman)

Staff Analysis: This recommendation proposes an increase in rates. A timely protest might delay a rate increase resulting in an unrecoverable loss of revenue to the Utility. Therefore, pursuant to Section 367.0814(7), F.S., in the event of a protest filed by a party other than the Utility, staff recommends that the proposed rates be approved on a temporary basis. Alturas should file revised tariff sheets and a proposed customer notice reflecting the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the temporary rates should not be implemented until staff has approved the proposed notice, and it has been received by the customers. The additional revenue produced by staff's recommended rates and collected by the Utility should be subject to the refund provisions discussed below.

Alturas should be authorized to initiate the temporary rates upon staff's approval of an appropriate security for the potential refund and cost of the proposed customer notice. Security should be in the form of either a bond or letter of credit in the amount of \$7,804. Alternatively, the Utility may establish an escrow agreement with an independent financial institution.

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

1. The Commission approves the rate increase; or,
2. If the Commission denies the increase, the Utility shall refund the amount collected that is attributable to the increase.

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

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

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

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

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

The Utility should maintain a record of the amount of the bond, and the amount of revenues that are subject to refund. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., the Utility should file reports with the Commission Clerk's office no later than the 20th of every month indicating the monthly and total amount of money subject to refund

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at the end of the preceding month. The report filed should also indicate the status of the security being used to guarantee repayment of any potential refund.

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Issue 15: Should Alturas Water, LLC be required to notify the Commission within 90 days of an effective order finalizing this docket, that it has adjusted its books for all the applicable NARUC USOA?

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

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

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Issue 16: Should this docket be closed?

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

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

ALTURAS WATER, LLC TEST YEAR ENDED 06/30/2024 SCHEDULE OF WATER RATE BASE		SCHEDULE NO. 1-A DOCKET NO. 20240119-WU	
DESCRIPTION	BALANCE PER UTILITY	STAFF ADJ.	BALANCE PER STAFF
1. UTILITY PLANT IN SERVICE	\$77,221	\$6,688	\$83,909
2. LAND & LAND RIGHTS	500	0	500
3. ACCUMULATED DEPRECIATION	(46,391)	24,618	(21,773)
4. WORKING CAPITAL ALLOWANCE	<u>0</u>	<u>4,950</u>	<u>4,950</u>
WATER RATE BASE	<u>\$31,330</u>	<u>\$36,256</u>	<u>\$67,586</u>

ALTURAS WATER, LLC		SCHEDULE NO. 1-B
TEST YEAR ENDED 06/30/2024		DOCKET NO. 20240119-WU
ADJUSTMENTS TO RATE BASE		
		WATER
UTILITY PLANT IN SERVICE		
1.	To reflect audit adjustments.	(\$2,167)
2.	To reflect an averaging adjustment.	(1,333)
3.	To reflect pro forma additions.	40,315
4.	To reflect pro forma retirements.	(30,127)
	Total	<u>\$6,688</u>
ACCUMULATED DEPRECIATION		
1.	To reflect audit adjustments.	(\$142)
2.	To reflect an averaging adjustment.	5,328
3.	To reflect pro forma adjustments.	(29,804)
	Total	<u>(\$24,618)</u>
WORKING CAPITAL ALLOWANCE		
	To reflect 1/8 of test year O&M expenses (less RCE).	<u>\$4,950</u>

ALTURAS WATER, LLC TEST YEAR ENDED 6/30/2024 SCHEDULE OF CAPITAL STRUCTURE							SCHEDULE NO. 2 DOCKET NO. 20240119-WS	
CAPITAL COMPONENT	PER UTILITY	SPECIFIC ADJUST- MENTS	BALANCE AFTER ADJ.	PRO RATA ADJUST- MENTS	BALANCE PER STAFF	PERCENT OF TOTAL	COST	WEIGHTED COST
1. LONG-TERM DEBT	\$27,043	\$34,742	\$61,785	(\$6,939)	\$54,846	81.15%	6.98%	5.66%
2. COMMON EQUITY	(82,150)	94,858	12,708	(1,427)	11,281	16.69%	11.24%	1.88%
3. CUSTOMER DEPOSITS	<u>1,644</u>	<u>0</u>	<u>1,644</u>	<u>(185)</u>	<u>1,459</u>	<u>2.16%</u>	2.00%	<u>0.04%</u>
TOTAL CAPITAL	<u>(\$53,463)</u>	<u>\$129,600</u>	<u>\$76,137</u>	<u>(\$8,551)</u>	<u>\$67,586</u>	<u>100.00%</u>		<u>7.58%</u>
<u>RANGE OF REASONABLENESS</u>							<u>LOW</u>	<u>HIGH</u>
RETURN ON EQUITY							10.24%	12.24%
OVERALL RATE OF RETURN							7.41%	7.75%

ALTURAS WATER, LLC TEST YEAR ENDED 06/30/2024 SCHEDULE OF WATER OPERATING INCOME			SCHEDULE NO. 3-A DOCKET NO. 20240119-WU		
	TEST YEAR PER UTILITY	STAFF ADJUST- MENTS	STAFF ADJUSTED TEST YEAR	ADJ. FOR INCREASE	REVENUE REQUIREMENT
1. TOTAL OPERATING REVENUES	\$37,329	\$2,671	\$40,000	\$11,377 28.44%	\$51,377
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	\$38,615	\$1,464	\$40,079		\$40,079
3. DEPRECIATION	2,448	\$402	2,850		2,850
4. TAXES OTHER THAN INCOME	6,540	(\$3,727)	2,813	512	3,325
TOTAL OPERATING EXPENSES	<u>\$47,603</u>	<u>(\$1,861)</u>	<u>\$45,742</u>	<u>\$512</u>	<u>\$46,254</u>
5. OPERATING INCOME/(LOSS)	(\$10,274)		(\$5,742)		\$5,123
6. WATER RATE BASE	\$31,330		36,256		\$67,586
7. RATE OF RETURN					7.58%

ALTURAS WATER, LLC. TEST YEAR ENDED 6/30/2024 ADJUSTMENTS TO OPERATING INCOME		SCHEDULE 3-B DOCKET NO. 20240119-WU
		WASTEWATER
OPERATING REVENUES		
1.	To reflect auditing adjustments to Service Revenues.	\$3,260
2.	To reflect the appropriate test year Service Revenues.	(582)
3.	To reflect the appropriate test year Miscellaneous Revenues.	(7)
	Total	<u>\$2,671</u>
OPERATION & MAINTENANCE EXPENSE		
1.	Salaries and Wages – Employees (601)	
	To reflect an auditing adjustment.	\$576
	To reflect pro forma maintenance tech position addition.	1,067
	Subtotal	<u>\$1,643</u>
2.	Salaries and Wages – Officers and Directors (603)	
	To reflect an auditing adjustment.	\$444
	To remove auditing adjustment reversal.	(444)
	Subtotal	<u>\$0</u>
3.	Employee Pensions and Benefits (604)	
	To reflect an auditing adjustment.	(\$6)
4.	Purchased Power (615)	
	To reflect an auditing adjustment.	(\$10)
	To reflect EUW adjustment.	(363)
	Subtotal	<u>(\$373)</u>
5.	Chemicals Expense (618)	
	To reflect an auditing adjustment.	(\$203)
	To reflect EUW adjustment.	(345)
	Subtotal	<u>(\$548)</u>
6.	Materials and Supplies (620)	
	To reflect an auditing adjustment.	(\$2,022)
	To reflect documentation provided by the Utility.	3,395
	Subtotal	<u>\$1,373</u>
7.	Contractual Services – Professional (631)	
	To reflect an auditing adjustment.	\$1,515
	To reflect Utility response.	(1,537)
	Subtotal	<u>(\$22)</u>
8.	Contractual Services – Testing (635)	
	To reflect an auditing adjustment.	(\$1,460)
	To reflect documentation proved in Response to Staff's data request.	4,410
	To reflect triennial sample amortization.	(1,712)
	Subtotal	<u>\$1,238</u>

Date: June 19, 2025

9.	Contractual Services – Other (636)	
	To reflect an auditing adjustment.	(\$32)
	To remove double amortization of deferred tank inspection.	(144)
	Subtotal	<u>(\$176)</u>
10.	Rental Expense (640)	
	To reflect an auditing adjustment.	(\$507)
11.	Transportation Expense (650)	
	To reflect an auditing adjustment.	(\$2)
12.	Insurance Expense (655)	
	To reflect an auditing adjustment.	\$181
	To reflect Utility's adjustment due to policy timing.	<u>(109)</u>
	Subtotal	<u>\$72</u>
13.	Rate Case Expense (665)	
	To reflect 1/4 rate case expense.	(663)
14.	Bad Debt Expense (670)	
	To reflect a three year average Bad Debt expense.	(385)
15.	Miscellaneous Expense (675)	
	To reflect unsupported expenses.	<u>(180)</u>
TOTAL OPERATION & MAINTENANCE ADJUSTMENTS		<u>\$876</u>
DEPRECIATION EXPENSE		
1.	To reflect appropriate depreciation expense.	\$80
2.	To reflect pro forma additions.	<u>322</u>
	Total	<u>\$402</u>
TAXES OTHER THAN INCOME		
1.	To reflect auditing adjustments.	\$147
2.	To reflect appropriate test year RAFs.	(27)
3.	To reflect removal of DEP fee.	(600)
4.	To reflect removal of Polk County Service Tax.	(3,506)
5.	To reflect payroll tax auditing adjustment.	47
6.	To reflect payroll tax of pro forma maintenance technician addition.	83
7.	To reflect property taxes associated with pro-forma plant additions.	<u>129</u>
	Total	<u>(\$3,727)</u>
TOTAL OPERATING EXPENSE ADJUSTMENTS		<u>(\$1,861)</u>

ALTURAS WATER, LLC TEST YEAR ENDED 06/30/2024 ANALYSIS OF WATER O&M EXPENSES		SCHEDULE NO. 3-C DOCKET NO. 20240119-WU		
ACCT.#	DESCRIPTION	TOTAL PER UTILITY	STAFF ADJUST- MENT	TOTAL PER STAFF
601	Salaries and Wages – Employees	\$8,915	\$1,643	\$10,558
603	Salaries and Wages – Officers and Directors	1,600	0	1,600
604	Employee Pensions and Benefits	6	(6)	0
615	Purchased Power	2,241	(373)	1,868
618	Chemicals	2,130	(548)	1,582
620	Materials and Supplies	2,525	1,373	3,898
631	Contractual Services – Professional	265	(22)	243
635	Contractual Services – Testing	1,460	1,238	2,698
636	Contractual Services – Other	7,092	(176)	6,916
640	Rents	1,155	(507)	648
650	Transportation Expense	1,777	(2)	1,775
655	Insurance Expense	4,706	72	4,778
665	Regulatory Commission Expense	1,143	(663)	480
670	Bad Debt Expense	647	(385)	262
675	Miscellaneous Expenses	<u>2,953</u>	<u>(180)</u>	<u>2,773</u>
	Total O&M Expense	<u>\$38,615</u>	<u>\$1,464</u>	<u>\$40,079</u>
	Working Capital is 1/8 of O&M less RCE			\$4,950

ALTURAS WATER, LLC		SCHEDULE NO. 4	
TEST YEAR ENDED 6/30/24		Docket NO. 20240119-WU	
MONTHLY WATER RATES			
	UTILITY'S CURRENT 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"	\$17.85	\$18.55	\$0.18
3/4"	\$26.77	\$27.83	\$0.27
1"	\$44.62	\$46.38	\$0.45
1-1/2"	\$89.25	\$92.75	\$0.89
2"	\$142.80	\$148.40	\$1.42
3"	\$285.60	\$296.80	\$2.85
4"	\$446.25	\$463.75	\$4.45
6"	\$892.50	\$927.50	\$8.90
Charge per 1,000 gallons	\$8.05	N/A	N/A
Charge per 1000 gallons - Residential			
0 - 5,000 gallons	N/A	\$11.07	\$0.11
Over 5,000 gallons	N/A	\$13.84	\$0.13
Charge per 1,000 gallons - General Service	N/A	\$11.81	\$0.11
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
3,000 Gallons	\$58.10	\$73.90	
6,000 Gallons	\$98.35	\$143.10	
8,000 Gallons	\$138.60	\$212.30	

Item 6

State of Florida



Public Service Commission

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

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

DATE: June 19, 2025

TO: Docket No. 20240130-WS

FROM: Adam J. Teitzman, Commission Clerk, Office of Commission Clerk

A handwritten signature in blue ink, appearing to be "AJT".

RE: Rescheduled Commission Conference Item

Commission staff's memorandum assigned DN 03828-2025 was filed on May 21, 2025, for the June 3, 2025 Commission Conference. As the vote sheet reflects, this item was withdrawn. This item has been placed on the July 1, 2025 Commission Conference Agenda.

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: May 21, 2025

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Engineering (Lewis, Ramos, Smith II) *LVR*
Division of Accounting and Finance (Bardin, Cicchetti, Norris, Sowards) *ALM*
Division of Economics (Bruce, Sibley) *CS*
Office of the General Counsel (Brownless) *JSC*

RE: Docket No. 20240130-WS – Application for grandfather certificate to operate water and wastewater utility in Citrus County, by CSWR-Florida Utility Operating Company, LLC.

AGENDA: 06/03/25 – Regular Agenda – Proposed Agency Action for Issues 3, 4, 5, 6, and 7 – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Graham

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Case Background

On May 28, 2024, the Board of County Commissioners of Citrus County (County) adopted Resolution No. 2024-040 (Resolution), transferring regulation of the privately-owned, for profit water and wastewater utilities in Citrus County to the Florida Public Service Commission (Commission). Effective upon the adoption of the Resolution, all non-exempt water and wastewater systems in Citrus County became subject of the provisions of Chapter 367, Florida

Statutes (F.S.). By Order No. PSC-2024-0267-FOF-WS, the Commission acknowledged the Resolution.¹

Pursuant to Section 367.171(2)(b), F.S., each utility engaged in the operation or construction of a system shall be entitled to receive a certificate for the area served by such utility on the day the chapter becomes applicable to the utility. On August 26, 2024, CSWR-Florida Utility Operating Company, LLC (CSWR or Utility) filed an application for certificates under grandfather rights to provide water and wastewater service in Citrus County pursuant to Section 367.171(2), F.S., and Rule 25-30.035, Florida Administrative Code (F.A.C.). CSWR's application was deficient, and staff sent a deficiency letter to the Utility on September 19, 2024. The Utility cured the deficiencies on March 19, 2025.

CSWR provides water service to approximately 6,229 customers and wastewater service to approximately 5,474 customers in the Beverly Hills/Rolling Oaks subdivision. The Utility's service area is located in the Southwest Florida Water Management District. This recommendation addresses the application for grandfather water and wastewater certificates and rates and charges. The Commission has jurisdiction pursuant to Section 367.171, F.S.

¹ Order No. PSC-2024-0267-FOF-WS, issued July 25, 2024, in Docket No: 20240095-WS, *In re: Resolution of the Board of County Commissioners of Citrus County declaring Citrus County subject of the provisions of Sections 367, F.S.*

Date: May 21, 2025

Discussion of Issues

Issue 1: Should CSWR-Florida Utility Operating Company, LLC's application for grandfather water and wastewater certificates in Citrus County be acknowledged?

Recommendation: Yes. CSWR's statutory right should be acknowledged and the Utility should be granted Certificate Nos. 694-W, and 587-S, effective May 28, 2024, to serve the territory described in Attachment A. The resultant order should serve as CSWR's certificate and should be retained by the Utility. (Lewis, Bardin)

Staff Analysis: The Utility's application for certificates under grandfather rights to provide water and wastewater services in Citrus County is in compliance with Section 367.171(2)(b), F.S., and Rule 25-30.035, F.A.C. An adequate service territory description and system maps were provided. As the Utility has its own treatment facilities, the application contains a warranty deed as proof of ownership of the land on which the Utility's facilities are located as required by Rule 25-30.035(11), F.A.C. A description of the Utility's territory is described in Attachment A.

As stated in the case background, CSWR serves approximately 6,629 water and 5,474 wastewater customers. The Utility does not currently have any outstanding citations, violations, or consent orders on file with the Florida Department of Environmental Protection.

The Utility is aware of its obligation to submit its 2024 Annual Report pursuant to Rule 25-30.110, F.A.C., and is also aware of its obligation to pay regulatory assessment fees pursuant to Rule 25-30.120, F.A.C. In addition, the Utility is aware that it must maintain its books and records according to the National Association of Regulatory Utility Commissioners' Uniform System of Accounts.

Conclusion

Based on the above, staff recommends that CSWR be granted Certificate No. 694-W and 587-S to serve the territory described in Attachment A. The resultant order should serve as CSWR's certificates and should be retained by the Utility.

Date: May 21, 2025

Issue 2: What rates and charges should be approved for CSWR-Florida Utility Operating Company, LLC?

Recommendation: Of the Utility's rates, charges, and deposits for water and wastewater services that were approved by Citrus County and in effect when Citrus County transferred jurisdiction to the Commission, the rates and charges shown on Schedule Nos. 1A and 1B, should be approved. In addition, the Utility's existing violation reconnection charge for water should be approved. This charge, as well as the rates and charges shown in Schedule Nos. 1A and 1B, should be effective for services rendered or connections made on or after the stamped approval date on the tariff sheets. The Utility should be required to charge the approved violation reconnection charge for water as well as the rates and charges shown in Schedule Nos. 1A and 1B, until authorized to change them by the Commission in a subsequent proceeding. (Bruce)

Staff Analysis: Citrus County Water and Wastewater Authority approved the Utility's current monthly water and wastewater rates by Final Order No. 22-06 on October 10, 2022. The monthly water rates consist of a base facility charge (BFC) and a five-tier inclining block rate structure per meter size. The wastewater rates consist of a BFC and a gallonage charge, including a 6,000 gallonage cap.

The Utility's water and wastewater charges consist of miscellaneous service charges and service availability charges. The miscellaneous service charges and the service availability charges were established under the prior owner; however, some of the miscellaneous service charges are not consistent with the Florida Statutes or Commission Rules. Staff recommends they be modified in Issue 6. The Utility's existing violation reconnection charge for water should remain unchanged and should be approved.

Staff recommends that the Utility's rates, charges, and deposits for water and wastewater services that were approved by Citrus County and in effect when Citrus County transferred jurisdiction to the Commission, shown on Schedule Nos. 1A and 1B, should be approved. In addition, the Utility's existing violation reconnection charges for water should be approved. This charge, as well as the rates and charges shown in Schedule Nos. 1A and 1B, should be effective for services rendered or connections made on or after the stamped approval date on the tariff sheets. The Utility should charge the approved violation reconnection charge for water, as well as the rates and charges shown in Schedule Nos. 1A and 1B, until authorized to change them by the Commission in a subsequent proceeding.

Issue 3: Should the Utility's current terms of payment be revised to conform to Rule 25-30.335(6), F.A.C.?

Recommendation: Yes. The Utility's current terms of payment should be revised to conform to Rule 25-30.335(6), F.A.C. (Bruce)

Staff Analysis: The Utility's current water and wastewater tariff indicates that a customer residing in Florida will become delinquent if their bill is not paid within 16 days while a non-Florida resident has 21 days to pay their bill before becoming delinquent. However, Rule 25-30.335(6), F.A.C. states that a Utility may not consider a customer delinquent in paying his or her bill until the 21st day after the Utility has mailed or presented the bill for payment. Therefore, staff recommends that the Utility's methodology of billing a customer should be revised to conform to Rule 25-30.335(6), F.A.C.

Issue 4: What are the appropriate initial customer deposits for CSWR?

Recommendation: The appropriate initial customer deposit should be \$40 for the residential 5/8 inch x 3/4 inch meter sizes for water and \$60 for wastewater. The initial customer deposits for all other residential meter sizes and all general service meter sizes should be two times the average estimated bill for water and wastewater. Staff recommends that the residential rental deposit of \$60 for water and \$75 for wastewater be removed. The approved initial customer deposits should be effective for services rendered or connections made on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475, F.A.C. The Utility should be required to collect the approved deposits until authorized to change them by the Commission in a subsequent proceeding. (Bruce)

Staff Analysis: Rule 25-30.311, F.A.C., provides the criteria for collecting, administering, and refunding customer deposits. Customer deposits are designed to minimize the exposure of bad debt expense for the Utility and, ultimately, the general body of ratepayers. An initial customer deposit ensures that the cost of providing service is recovered from the cost causer. Historically, the Commission has set initial customer deposits equal to two times the average estimated bill.

As shown in the Utility's tariff, the initial customer deposits for the water residential 5/8 inch x 3/4 inch meter size is \$40 and \$50 for general service. The general service consists of deposit amounts for each meter size up to 12 inches. For wastewater, the initial customer deposits for the wastewater residential 5/8 inch x 3/4 inch meter size is \$60. The wastewater general service also consists of deposit amounts for each meter size up to 12 inches. Furthermore, the Utility's tariff indicates a residential rental deposit of \$60 for water and \$75 for wastewater. However, Rule 25-30.311, F.A.C., does not state that a residential homeowner in the service area can be charged a different deposit amount nor is it Commission practice. Therefore, staff recommends that the residential rental deposit of \$60 for water and \$75 for wastewater be removed.

The Commission's practice has been to set initial customer deposits equal to two billing periods based on the average consumption for a 12-month period for each class of customers.² However, the Utility did not provide billing data or the average consumption for its customer base to determine the appropriate customer deposit for its water and wastewater customers. Therefore, staff recommends that the initial customer deposit for the water residential remain at \$40 for the residential 5/8 inch x 3/4 inch meter size. All other residential meter sizes as well as all general service meter sizes should be charged two times the average estimated bill for water pursuant to the Rule 25-30.311, F.A.C. For wastewater, staff also recommends that the initial customer deposit remain at \$60 for the residential 5/8 inch x 3/4 inch meter size. All other residential meter sizes and all general service meter sizes should be charged two times the average estimated bill for wastewater pursuant to the rule.

² Order Nos. PSC-2017-0428-PAA-WS, issued November 7, 2017, in Docket No. 20160195-WS, *In re: Application for staff-assisted rate case in Lake County by Lakeside Waterworks, Inc.* and PSC-17-0113-PAA-WS, issued March 28, 2017, in Docket No. 20130105-WS, *In re: Application for certificates to provide water and wastewater service in Hendry and Collier Counties, by Consolidated Services of Hendry & Collier, LLC.*

Date: May 21, 2025

Conclusion

Staff recommends that the appropriate initial customer deposit should be \$40 for the residential 5/8 inch x 3/4 inch meter sizes for water and \$60 for wastewater. The initial customer deposits for all other residential meter sizes and all general service meter sizes should be two times the average estimated bill for water and wastewater. Staff recommends that the residential rental deposit of \$60 for water and \$75 for wastewater be removed. The approved initial customer deposits should be effective for services rendered or connections made on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475, F.A.C. The Utility should be required to collect the approved deposits until authorized to change them by the Commission in a subsequent proceeding.

Issue 5: What are the appropriate meter test deposit charges for CSWR?

Recommendation: Staff recommends that the appropriate meter test deposits be revised to conform to Rule 25-30.266(2)(a), F.A.C. (Bruce)

Staff Analysis: The Utility's current water tariff, Second Revised Sheet No. 15.1, indicates meter test deposits for various meter sizes as shown in Table 5-1 below. However, pursuant to Rule 25-30.266(2)(a), F.A.C., the Utility may not exceed meter test deposits, shown below in Table 5-2.

Table 5-1
Utility's Current Meter Test Deposits

Meter Size	Fee
5/8" x 3/4"	\$81.20
3/4"	\$86.30
1"	\$96.45
1 1/2"	\$101.50
2" and over	Actual Cost

Table 5-2
Staff Recommended Meter Test Deposits

Meter Size	Fee
5/8" and 3/4"	\$20.00
1" and 1 1/2"	\$25.00
2" and over	Actual Cost of Test

Therefore, staff recommends that the appropriate meter test deposits be revised pursuant to Rule 25-30.266(2)(a), F.A.C, to the amounts shown on Table 5-2.

Issue 6: What are the appropriate water and wastewater miscellaneous service charges for CSWR?

Recommendation: With the exception of the Utility's existing violation reconnection charge for water (which is discussed in Issue 2), the appropriate miscellaneous service charges shown on Table 6-2 should be approved. The Utility should be required to file a proposed customer notice to reflect the Commission-approved charges. The approved charges should be effective for service rendered or connections made on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475, F.A.C. In addition, the tariff sheets will be approved upon staff's verification that the tariffs are consistent with the Commission's decision and that the proposed customer notice is adequate. (Bruce)

Staff Analysis: The Utility did not request to revise its existing miscellaneous service charges. Section 367.091, F.S., authorizes the Commission to establish, increase, or change a rate or charge, other than monthly rates or service availability charges. Staff believes that some of the Utility's existing charges should be revised to conform to the Florida Statutes or the Commission's rules. However, as discussed in Issue 2, staff recommends that the Utility's violation reconnection charge for water remain unchanged. The Utility's current miscellaneous service charges for water and wastewater are shown below on Table 6-1. Staff's recommended miscellaneous service charges are shown on Table 6-2.

Table 6-1
CSWR-Florida Utility Operating Company, LLC
Existing Miscellaneous Service Charges

	<u>Existing Water</u>	<u>Existing Wastewater</u>
Initial Connection Fee	\$50.75	\$50.75
Normal Reconnection Fee	\$50.75	\$50.75
Violation Reconnection Fee	\$50.75	\$50.75
Premise Visit Fee – (In Lieu of Disconnection)	\$50.75	\$50.75
Late Payment Charge	\$5.10	\$5.10
	or 1.5 percent	or 3 percent
Tampering/Unauthorized Use Charges		
5/8 x 3/4"	\$152.25	\$152.25
1"	\$172.55	\$172.55
1 1/2"	\$192.85	\$192.85
2"	\$253.75	\$253.75
All Others	\$253.75 plus cost	\$253.75 plus cost
Developer Changing Meter Location	\$147.20	N/A
Tampering with Backflow Device	\$147.20	N/A
Meter Re-read Fee	\$40.60	N/A
Adjustment of Meter Box		
5/8 x 3/4"	\$50.75	N/A
All Others	Actual Cost	N/A
Testing of Backflow Prevention Device	\$101.50	N/A

Source: Utility's current tariff

Date: May 21, 2025

Initial, Reconnection Charge, Premises Visit, Violation Reconnection (Wastewater), and Meter Re-Read

As shown on Table 6-1, the Utility currently has an initial connection charge, reconnection charge, a violation reconnection charge, and a premises visit charge (in lieu of disconnection) of \$50.75 for water and wastewater. However, pursuant to Rule 25-30.460(2)(a), F.A.C., initial and reconnection charges are subsumed within the definition of the premises visit charge. Therefore, staff recommends that the initial and normal reconnection charges be removed. For wastewater, the violation reconnection should be at actual cost pursuant to Rule 25-30.460, F.A.C. The Utility has a meter re-read charge of \$40.60 in place. This charge was put in place under the prior owner and according to the Utility this charge has not been assessed. Although the Utility has not assessed a meter re-read charge, if a customer requests a meter re-read it is covered as a premises visit charge under the Commission's rules. Therefore, staff recommends that the Utility's meter re-read charge should be removed.

Late Payment Charge

As shown on Table 6-1, the Utility's tariff states that a customer will be charged a late payment charge of \$5.10 or 1.5 percent of the payment due for water and 3 percent for wastewater, whichever is greater. This charge is levied when a customer's billing account is not paid within 16 days for a Florida resident. As discussed in Issue 3, staff is recommending that the Utility's terms of payment be conformed to Rule 25-30.335(6), F.A.C. Furthermore, staff does not believe that a percentage of the bill due is appropriate for a late payment charge because it is a cost-based charge that the Commission has approved for other water utilities, historically.³ Therefore, staff recommends that the 1.5 percent and 3 percent be removed and the late payment charge be a single charge of \$5.10.

Adjustment of Meter Box

As shown on Table 6-1, the Utility currently has an adjustment of meter box charge of \$50.75 for the 5/8 x 3/4" meter size and actual cost for all other meter sizes for water service. The Utility indicated that this charge was put in place under the prior owner and has never been assessed. The Utility does not plan to assess an adjustment of meter box charge. Therefore, staff recommends this charge be removed.

Testing of Backflow Prevention Device Charge and Tampering with Backflow Device

As shown on Table 6-1, the Utility has a testing of backflow prevention device charge of \$101.50 for water, as well as a tampering with backflow device charge of \$147.20. The Utility representative indicated that these charges were put in place under the prior owner and have never been assessed. However, it is the responsibility of the customer to annually test their backflow prevention assembly. The proper functioning of backflow devices are essential to the integrity of the entire water system. Staff believes that if a customer does not perform its testing, the Utility should assess the charge if it has to undertake the testing of the backflow prevention device. Staff believes the testing charge is appropriate. For the tampering with backflow device,

³ Order No. PSC-93-0816-FOF-WS, dated May 27, 1993, in Docket No. 19921098-WS, *In re: Application for certificates to provide water and wastewater service in Alachua County under grandfather rights by Turkey Creek, Inc. and Family Diner, Inc. d/b/a Turkey Creek Utilities.*

Date: May 21, 2025

if the Utility has any occurrences, it can assess actual cost as recommended below for the tampering charge. Therefore, the tampering with backflow device charge should be removed.

Developer Changing Meter Location

As shown on Table 6-1, the Utility has a developer changing meter location charge, which is assessed if a developer changes a meter location and the move requires the company to adjust the meter, change the meter in any way in order to either provide continuing service, or to read the meter. However, the Utility also indicated that this charge was put in place under the prior owner and has not been assessed because all of the Utility's meters are stable and the Utility does not plan to assess the developer changing meter location in the future. Therefore, staff recommends that the developer changing meter location charge be removed.

Tampering/Unauthorized Use Charge

As shown on Table 6-2, the Utility has tampering/unauthorized use charges of various amounts per meter size plus actual cost for all meter sizes over 2 inches for water and wastewater. However, Rule 25-30.320(2)(j), F.A.C., provides that a utility may refuse or discontinue service without notice in the event of unauthorized or fraudulent use of service. Whenever service is discontinued for fraudulent use of such service, the utility, before restoring service, may require the customer to make, at his own expense, all changes in piping or equipment necessary to eliminate illegal use and to pay an amount reasonably estimated as the deficiency in revenue resulting from the customer's fraudulent use before restoring service. Based on the above, staff recommends that the Utility's tampering or prohibited connection or use charges be approved based on actual cost.

Landlord Service

The Utility's tariff shows a landlord service notification, which states that the homeowner is responsible for the water and wastewater service at the time a renter terminates their service. If a renter notifies the Utility that they are terminating service, the responsibility for the water bill will be automatically transferred to the homeowner on the date that the renter's service has terminated. There are no subsections in Rule 25-30, F.A.C., which indicates that a landlord is responsible if service is terminated by a renter. Only the customer of record who applied for service is responsible. A homeowner is not required to have water and wastewater service when a renter terminates service or during periods of vacancy of the property. Therefore, this provision in the Utility's existing tariff should be removed.

Damage to the Utility Property

The Utility's tariff states that a person who causes damage to the Utility's property will be responsible for payment of the total cost, plus any taxes, of the repair of the property whether the repair is completed by an independent contractor or the Utility's employees. If the Utility experiences any damage to its property, staff believes that it is not within the Commission's authority to implement a charge or any costs associated with property damage. Therefore, staff recommends that the damage to utility property be removed.

Conclusion

Based on the above, with the exception of the Utility's existing violation reconnection charge for water (which is discussed in Issue 2), the appropriate miscellaneous service charges shown on Table 6-2 should be approved. The Utility should be required to file a proposed customer notice to reflect the Commission-approved charges. The approved charges should be effective for service rendered or connections made on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475, F.A.C. In addition, the tariff sheets should be approved upon staff's verification that the tariffs are consistent with the Commission's decision and that the proposed customer notice is adequate.

Table 6-2
Staff Recommended Miscellaneous Service Charges

	<u>All Hours</u>
Premises Visit	\$50.75
Violation Reconnection Charge (Water)	\$50.75
Violation Reconnection Charge (Wastewater)	Actual Cost
Tampering or Prohibited Connection or Use Charge	Actual Cost
Late Payment Charge	\$5.10

Date: May 21, 2025

Issue 7: Should the Commission approve the removal of the CIAC Tax Impact charge from the Utility's current tariff?

Recommendation: Yes. Staff recommends that the Commission approve the removal of the Utility's CIAC Tax Impact charge from its current tariff. (Bruce)

Staff Analysis: The Utility's tariff indicates a tax gross-up of CIAC. Due to changes in Federal Tax Law, the Commission no longer requires CIAC tax gross ups. Therefore, staff recommends that the Commission approve the removal of the Utility's CIAC Tax Impact charge from its current tariff.

Issue 8: Should this docket be closed?

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

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

SERVICE AREA LEGAL DESCRIPTION

ROLLING OAKS

A parcel of land being located in Sections 1, 2, 11, 12, 13, 14 ,15 and 22 of Township 18 South, Range 18 East, and Sections 6, 7 and 8 of Township 18 South, Range 19 East, and in Section 36 of Township 17 South, Range 18 East, all in Citrus County, Florida, and being more particularly described as follows:

Beginning at the SE corner of said Section 13, Township 18 South, Range 18 East, thence run along the south lines of said Sections 13 and 14 (also being the south lines of Beverly Hills subdivision) the following calls: run South 89° 50' 33" West for 2,592.330 feet; run South 89° 45' 05" West for 4,063.93 feet; thence run South 89° 32' 46" West for 647.17 feet; thence run South 89° 35' 21" West for 1,037.92 feet; thence run South 89° 36' 28" West for 1,395.00 feet; thence run South 89° 36' 28" West for 721.80 feet to the NE corner of Section 22; thence run South 00° 09' 21" East for 1,269.01 feet; thence run North 89° 42' 21" West for 962.01 feet; thence run South 00° 18' 00" West for 690.65 feet; thence run South 89° 48' 45" West for 395.97 feet; thence run North 00° 34' 14" West for 694.06 feet; thence run North 89° 54' 42" West for 2,194.73 feet to the eastern right-of-way of N. Lecanto Highway 491; thence run in a northerly direction along said right-of-way the following calls: run North 23° 28' 45" East for 1,567.82 feet; thence run North 23° 35' 44" East for 1,518.340 feet; thence run along a curve to the right for 686.89 feet, said curve having a radius of 2,988.609 feet and a chord of North 30° 24' 41" East for 685.37 feet; thence run North 39° 09' 53" East for 767.89 feet; thence run South 53° 55' 21" East for 24.76 feet; thence run North 40° 01' 51" East for 239.12 feet; thence run North 50° 44' 06" West for 29.99 feet; thence run North 39° 01' 54" East for 207.11 feet; thence run South 50° 55' 25" East for 30.09 feet; thence run North 38° 40' 08" East for 592.82 feet; thence run North 51° 38' 37" West for 29.99 feet; thence run North 38° 40' 44" East for 729.39 feet; thence run North 40° 02' 02" East for 1,507.23 feet; thence run North 02° 06' 46" West for 32.94 feet; thence run North 39° 03' 13" East for 879.32 feet; thence run North 38° 55' 57" East for 700.68 feet; thence run North 39° 00' 00" East for 2,500.00 feet; thence run North 39° 00' 00" East for 300.00 feet; thence run North 39° 00' 00" East for 350.00 feet; thence run North 44° 53' 47" East for 96.96 feet; thence run North 38° 54' 49" East for 4,000.55 feet; thence run along a curve to the left for 1,680.13 feet, said curve having a radius of 7,383.57 feet and a chord of North 32° 14' 47" East for 1,676.51 feet; thence run North 25° 04' 23" East for 1,601.41 feet; thence run North 88° 25' 28" East for 404.43 feet; thence run South 00° 32' 20" West for 931.21 feet; thence run North 88° 25' 04" East for 1,376.98 feet; thence run North 00° 31' 56" West for 1,696.23 feet; thence run South 88° 17' 21" West for 942.97 feet; thence run North 25° 00' 37" East for 1,512.58 feet; thence run along a curve to the right for 1,134.33 feet said curve having a radius of 2,415.11 feet and a chord of North 38° 28' 04" East for 1,123.93 feet; thence run North 52° 27'

46" East for 75.00 feet; thence run North 52° 35' 09" East for 697.31 feet to the east line of said Section 36, Township 17 South, Range 18 East; thence leaving said highway right-of-way run South 00° 18' 15" West for 2,662.29 feet to the NW corner of Section 6, Township 18 South, Range 19 East; thence run North 89° 25' 26" East for 2,670.32 feet; thence run North 89° 44' 51" East for 2,615.94 feet to the NE corner of said Section 6; thence run South 00° 09' 35" East for 2,656.03 feet; thence run South 89° 31' 11" West for 2,637.06 feet; thence run South 00° 26' 40" East for 2,648.82 feet to the north line of Section 7; thence run North 89° 57' 14" East for 5,278.23 feet; thence run South 00° 09' 43" East for 2,670.04 feet; thence run North 89° 37' 03" West for 5,306.56 feet; thence run South 00° 08' 13" East for 2,657.88 feet to the north line of Section 18; thence run North 89° 32' 18" West for 2,650.16 feet to the NW corner of said section 18, said point also being the NE corner of Beverly Hills Unit 8 subdivision; thence run South 00° 05' 30" West for 3,456.35 feet; thence run South 00° 22' 11" West for 1,830.61 feet back to the Point of Beginning. Said parcel contains 4,089 acres, more or less.

FLORIDA PUBLIC SERVICE COMMISSION

authorizes
CSWR-Florida Utility Operating Company, LLC
pursuant to
Certificate Number 587-S

to provide wastewater service in Citrus 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>
*	*	20240130-WS	Grandfather Certificate

*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 694-W

to provide water service in Citrus 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>
*	*	20240130-WS	Grandfather Certificate

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

**CSWR-Florida Utility Operating Company, LLC
Existing Monthly Water Rates**

Meter Size	Base Facility Charge	Gallons Tier, Charge per 1,000 gallons									
5/8 x 3/4"	\$12.11	0 -10,000	\$0.73	10,001 - 20,000	\$1.39	20,001 - 30,000	\$2.09	30,001 - 40,000	\$2.79	Over 40,000	\$3.46
1"	\$30.19	0 -25,000	\$0.73	25,001 - 50,000	\$1.39	50,001 - 75,000	\$2.09	75,001 - 100,000	\$2.79	Over 100,000	\$3.46
1-1/2"	\$60.34	0 -50,000	\$0.73	50,001 - 100,000	\$1.39	100,001 - 150,000	\$2.09	150,001 - 200,000	\$2.79	Over 200,000	\$3.46
2"	\$96.51	0 -80,000	\$0.73	80,001 - 160,000	\$1.39	160,001 - 240,000	\$2.09	240,001 - 320,000	\$2.79	Over 320,000	\$3.46
3"	\$192.96	0 -160,000	\$0.73	160,001 - 320,000	\$1.39	320,001 - 480,000	\$2.09	480,001 - 640,000	\$2.79	Over 640,000	\$3.46
4"	\$301.48	0 -250,000	\$0.73	250,001 - 500,000	\$1.39	500,001 - 750,000	\$2.09	750,001 - 1,000,000	\$2.79	Over 1,000,000	\$3.46
6"	\$602.51	0 -250,000	\$0.73	250,001 - 500,000	\$1.39	500,001 - 750,000	\$2.09	750,001 - 1,000,000	\$2.79	Over 1,000,000	\$3.46

Miscellaneous Service Charges - Water

Violation Reconnection Charge (Water)	\$50.75
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CSWR-Florida Utility Operating Company, LLC
Existing Monthly Wastewater Rates

Residential and General Service

Base Facility Charge by Meter Size

5/8" X 3/4"	\$18.55
3/4"	\$46.27
1"	\$92.48
1 1/2"	\$147.94
2"	\$295.81
3"	\$461.91
4"	\$665.50
6"	\$924.29

Residential Service – Charge Per 1,000 gallons (6,000 Gallonage cap)	\$3.49
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General Service – Charge Per 1,000 gallons	\$4.24
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Service Availability Charges

Wastewater Lateral	\$629.30
Plant Capacity Charge	\$137.00
Main Extension Charge	\$491.00

Item 7

State of Florida



Public Service Commission

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

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

DATE: June 19, 2025

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Economics (McClelland) *EJD*
Office of the General Counsel (Sandy) *JSC*

RE: Docket No. 20250026-GU – Petition for approval to modify swing service charge, individual transportation service rider, and off-system service rate schedule, by Peoples Gas System, Inc.

AGENDA: 07/01/25 – Regular Agenda – Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 09/13/25 (8-Month Effective Date)

SPECIAL INSTRUCTIONS: None

Case Background

On January 13, 2025, Peoples Gas System, Inc. (PGS or utility) filed a petition for approval of modifications to the Swing Service Charges applicable to transportation customers, Individual Transportation Service (ITS), and Off-System Service (OSS).

In 2000, the Commission approved PGS' Natural Choice Program, which enabled customers to more easily receive transportation service from the utility by consolidating and simplifying the existing transportation programs.¹ The Natural Choice Program offered two types of transportation service: a "pooled" service through the Natural Choice Transportation Service

¹Order No. PSC-00-1814-TRF-GU, issued October 4, 2000, in Docket No. 000810-GU, *In re: Petition for approval of modifications to tariff provisions governing transportation of customer-owned gas and tariff provisions to implement Rule 25-7.0335, F.A.C., by Tampa Electric Company d/b/a Peoples Gas System.*

(NCTS) and “individual” service through the ITS Rider. NCTS customers are pooled together in groups and are supplied gas by a Pool Manager, which is a third-party natural gas marketer.

The Pool Manager is responsible for supplying and managing natural gas for its customer pool as well as acquiring firm upstream capacity from PGS. While Pool Managers deliver a fixed daily quantity of gas supply and capacity, the amount of gas actually consumed by NCTS customers varies. As a result, PGS varies (or swings) the level of gas and capacity delivered to the utility’s system through operational purchases and sales in order to balance the system. The cost to swing gas adds costs to the Purchased Gas Adjustment (PGA) clause, paid for by PGS’ sales customers.

The Swing Service Charge is designed to recover the cost to swing gas for transportation customers and is credited to the PGA clause. The Swing Service Charge is a cents per therm charge applicable to NCTS customers, who purchase gas from third party marketers, and therefore do not pay the PGA charge. In 2015, the Commission approved updated calculations for the Swing Service Charges to reflect PGS’ then-current cost of providing swing service.² In the instant petition, PGS is proposing to update the methodology and calculations of the costs included in estimating system balancing costs, resulting in revised Swing Service Charges.

With respect to the ITS Rider, PGS is proposing to increase the eligibility threshold from 182,500 to 500,000 annual therms and to add a requirement to receive a certain minimum daily pipeline capacity from PGS (vs. receiving capacity from a third party). Finally, PGS proposed a change to the sharing mechanism contained in its OSS tariff, which was first approved in 1994.

PGS currently has a rate case proceeding in Docket No. 20250029-GU before the Commission (rate case docket), with the hearing currently scheduled for September 8 – 11, 2025. By Order No. PSC-2025-0090-PCO-GU, the Commission suspended the proposed modifications for further review by staff.³ During evaluation of the petition, staff issued two data requests to the utility for which responses were received April 1 and May 5, 2025. On June 9, 2025, staff held an informal meeting on this docket with PGS and the Office of the Public Counsel. Furthermore, the utility provided written responses that have included in the docket file.

The proposed tariff revisions are shown in Attachment A to the recommendation. The Commission has jurisdiction over this matter pursuant to Sections 366.04, 366.041, 366.05, and 366.06, Florida Statutes.

²Order No. PSC-15-0570-TRF-GU, issued December 17, 2015, in Docket No. 150220-GU, *In re: Petition for approval of tariff modifications related to the swing service charge, by Peoples Gas System.*

³Order No. PSC-2025-0090-PCO-GU, issued March 24, 2025, in Docket No. 20250026-GU, *In re: Petition for approval to modify swing service charge, individual transportation service rider, and ccf-system service rate schedule, by Peoples Gas System, Inc.*

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Discussion of Issues

Issue 1: Should the Commission approve the proposed modifications to the swing service charge, ITS rider, and OSS sharing mechanism?

Recommendation: Yes, the Commission should approve the proposed modifications to the swing service charge, ITS rider, and OSS sharing mechanism. If the Commission approves the revised OSS sharing mechanism, PGS should be required to reflect the revised OSS net revenues in its rate case docket (Docket No. 20250029-GU). The proposed changes, as a whole, are designed to improve the allocation of costs between transportation and PGA customers. The revised swing service charges (Tariff Sheet No. 7.101-3) and OSS tariff (Tariff Sheet No. 7.702-1) should become effective on the date of the Commission's vote. The revisions to the ITS rider (Tariff Sheet Nos. 7.805 and 7.805-9) should take effect 12 months after the Commission vote to allow for customer notification. (McClelland)

Staff Analysis: The utility contends that its proposed changes to the swing service charge, ITS rider, and OSS sharing mechanism are designed to improve the allocation of costs between transportation and PGA customers. Therefore, staff believes it is best to analyze the utility's proposed tariff changes as whole.

Modifications to the Swing Service Charge

The swing service charge is assessed to all transportation customers who take service under PGS's NCTS Rider. Costs to balance the system are calculated based on six primary tools Peoples uses to balance its system. The six tools are (1) reserve capacity, (2) swing gas supply, (3) No Notice transportation service, (4) storage contracts, (5) swing sale agreements, and (6) upstream pipeline park and loan services. PGS is proposing to update four of the six tools to estimate system balancing costs. The four modifications are discussed in more detail below.

Modifications to the Reserve Capacity Calculation

Reserve capacity is interstate and intrastate pipeline capacity contracted to be available when customer usage increases. Capacity cost represent the reservation charges Peoples pays pipeline companies based on how much capacity Peoples reserves. Peoples provides a monthly release of upstream pipeline capacity to the NCTS pool managers and charges the pool managers for released capacity at the weighted average cost of capacity (WACC). WACC are expressed in dollars per MMBtu and are the weighted average costs per day of firm transportation rights held by PGS pursuant to contracts with delivering pipelines.

PGS proposed to modify the calculation of the WACC. The existing formula divides the total interstate and intrastate capacity cost, less ITS capacity release credits, by the total interstate and intrastate capacity quantity, less ITS capacity release quantity. PGS explained that historically, the utility only used interstate pipelines, such as the Florida Gas Transmission Company (FGT), to transport natural gas into Florida. About 10 years ago, utilities also began using intrastate pipelines to transport natural gas.

The proposed change would eliminate intrastate capacity quantity from the denominator of the formula. PGS explained that the inclusion of both interstate and intrastate capacity was duplicative and distorted the WACC formula. Transporting gas on an interstate pipeline and then

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transporting that same gas again on an intrastate pipeline would double-count that quantity in the existing WACC formula. Double-counting the quantity would create a larger denominator in the WACC formula, which would in turn result mathematically in a lower WACC. PGS' justification for the updated formula is to prevent understating the cost of capacity and undercollecting full capacity costs from the NCTS pool managers.

Modifications to the Swing Gas Supply

PGS explained in its petition that the utility currently calculates swing gas supply based off a 30-day rolling average of Platts Gas Daily FGT Zone 3 prices. PGS has proposed to modify the calculation to account for recurring purchases of gas from Transco Zone 5. PGS explained the utility also purchases swing gas supply at the Southern Natural Gas Pipeline and Elba Express Pipeline, which is priced at the Transco Zone 5 index. The proposed modifications will more closely reflect actual costs incurred by PGS to purchase swing gas supply.

Update to No Notice Transportation Service

No Notice Transportation Service (NNTS) is a firm rate schedule offered by FGT and represents the quantity by which a shipper's (e.g., PGS) actual delivery quantities vary from scheduled deliveries. PGS states in its petition that the Federal Energy Regulatory Commission (FERC) recently issued an order regarding the most recent FGT rate case, modifying FGT's rates. PGS' proposed changes to the swing service calculation reflect the updated FERC-approved NNTS rates. Approval of the proposed rates would enable PGS to pass through all FGT pipeline charges to the customers incurring them.

Storage Contracts – Modification to Add Gas Commodity Costs

Storage contracts are held with storage facilities, typically subterranean salt domes, and are used to manage supply and demand constraints as well as price volatility. In the process of storing gas supply, PGS typically incurs injection costs, withdrawal costs, and capacity reservation costs, on top of the cost of gas purchased.

Currently, PGS only recovers capacity reservation fees in the swing service rider, which are the charges for contracted storage quantity (i.e., storage space). PGS is seeking to modify the calculation to also recover injection and withdrawal costs as they contribute to the actual storage contract expenses the utility incurs. In paragraph 37 of the petition, PGS states that they would modify the calculation for storage contracts by adding three components included with "one turn of storage." "One turn of storage" refers to one complete cycle of injecting and withdrawing natural gas from a storage facility.

PGS explained during its meeting with staff that the utility typically signs a storage contract for anywhere between four and twelve turns of storage in one year. PGS proposed to allocate one turn of storage to the swing service rider. PGS explained that the number of turns used varies based on market conditions and system peaks, and the storage contract only charges the utility for as many turns as are actually used. PGS believes that one turn of storage accurately covers the quantities of stored gas demanded by swing service customers.

Removal of Natural Gas Vehicle Service (NGVS) from Tariff Sheet

The Swing Service Charge (Tariff Sheet No. 7.101-3) and NCTS Rider (Tariff Sheet No. 7.803) currently include reference to the NGVS class, which was terminated in Docket No. 20200051-

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GU.⁴ PGS has requested to remove mention of the closed NGVS class from the two existing tariff sheets.

Modifications to ITS Rider

Under PGS' ITS Rider, commercial and industrial customers take transportation service on an individual basis and choose their own gas supplier. Currently, ITS customers are not required to acquire upstream capacity release from PGS. ITS Rider customers purchase their capacity either directly from the interstate pipeline, through a third-party marketer, or by receiving a capacity release from PGS. ITS customers do not pay a PGA or swing service rider charge as they receive capacity releases and the natural gas commodity from a third party. When PGS releases capacity to the ITS, the interstate pipeline handles the transaction. The capacity is released by PGS through the interstate pipeline's electronic bulletin board. ITS customers purchase capacity off the electronic bulletin board and are billed by the interstate pipeline according to their FERC approved tariff. PGS is then credited for any revenues by the interstate pipeline. The revenues are in turn credited to the PGA.

PGS has proposed two modifications to the ITS Rider. First, PGS has proposed to raise the threshold to qualify for the ITS Rider from 182,500 therms per year to 500,000 therms per year. All current ITS customers below the threshold will be transferred to the Rider NCTS program. Currently, PGS anticipates transferring 61 out of 174 existing ITS customers to NCTS, leaving 113 customers as ITS Rider customers, as explained during the utility's meeting with staff. ITS customers are not subject to the swing service charge, while NCTS customers are; this transfer will subject additional customers to the swing service charge, thus increasing the overall amount recovered through the swing service rider. Revenues collected through the swing service rider are credited to the PGA. Therefore, an increase in the revenues collected through the swing service rider would provide benefits to customers subject to the PGA, primarily residential and small commercial customers. PGS explained in its responses to staff that examples of customers that consume more than 500,000 therms annually include paper mills, citrus processors, or large hospitals.

Second, PGS has proposed to modify ITS Rider to require customers to take a minimum percentage of 25 percent of their daily capacity release requirement from PGS. PGS stated that currently only 13 percent of ITS Rider customers take capacity release from PGS. In response to staff's second data request No. 9, PGS provided three benefits to an ITS customer to elect to receive the utility's capacity vs. the capacity of a third-party marketer: reliability, price, and flexibility. PGS stated that increasing the amount of capacity released to ITS customers allows for recovery of more of the overall capacity costs from those customers utilizing such capacity and any capacity costs recovered through capacity release will be directly credited to the PGA. PGS estimated a credit of \$3 million to the PGA in 2026 as a result of the proposed change.

The proposed ITS tariff revisions also would allow PGS to require a minimum of as much as 40 percent capacity release requirement. PGS explained in its response to staff that it would increase the minimum release requirement when the utility forecasts having sufficient excess capacity; excess capacity could not be released through OSS sales; and the release of incremental capacity

⁴ Order No. PSC-2020-0485-FOF-GU, issued on December 10, 2020, in Docket No. 20200051-GU, *In re: Petition for rate increase by Peoples Gas System*.

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would be beneficial to the ITS customers (improved reliability or reduced costs). PGS further stated that it has the highest scheduling priority on the interstate pipelines; therefore, the utility's capacity is the most reliable. In its petition, PGS committed to providing impacted ITS customers a minimum of 12 months written notice prior to the effective date of the tariff change. PGS also committed to continuing to communicate with impacted ITS customers throughout the period leading up to the change.

Proposed Revision to OSS Sharing

The Commission first approved the OSS rate schedule in Order No. PSC-94-1187-FOF-GU.⁵ The original order outlined that the OSS was to allow the utility to make capacity sales to customers not connected to the PGS distribution system, and revenues received from off-system sales would be shared 50/50 between PGS as above the line revenues and as a credit to the PGA. These off-system sales provide additional revenues to the utility and its general body of ratepayers. The OSS rate schedule was devised to allow the utility to make interruptible sales of unused capacity reserved on the interstate pipelines. As the utility paid for capacity whether or not it was ultimately used, the OSS schedule permitted the utility to recover costs during times when customers' gas requirements are below the capacity reserved by PGS.

In PGS' 2002 rate case, PGS originally proposed to maintain the 50/50 OSS sharing mechanism, while including no OSS sales in test year revenues. In Order PSC-03-0038-FOF-GU, the Commission approved the proposal to include \$500,000 in off-system sales in test year revenues and amend the sharing to a 25/75 split, with 25 percent of the revenues retained by the utility as above the line regulated revenues and 75 percent credited to the PGA.⁶ In PGS' 2008 rate case, the Commission maintained the 25/75 sharing mechanism and increased OSS revenues to \$1.5 million for the test year to reflect higher OSS revenues.⁷

In its current 2025 rate case docket, PGS filed MFRs under the current 25/75 sharing and included \$2.6 million (25 percent) in OSS net revenues in operation revenues. PGS stated that if the Commission approved the revision to the sharing mechanism in this docket, PGS would increase the OSS margin from 25 to 50 percent and increase OSS net revenues in the rate case to \$5.3 million. Staff notes that the amount of projected OSS revenues for the test year is an issue to be determined by the Commission in PGS' rate case docket. Any increase in other operating revenues decreases the revenue requirement to be recovered through base rates.

In the instant petition, PGS has now proposed to modify the OSS sharing mechanism from a 25/75 to a 50/50 basis, as originally approved in 1994. Under a 50/50 sharing, 50 percent of net off-system revenues would be credited to the PGA, and 50 percent included as projected OSS revenues for the 2026 test year in the rate case docket. To support this change, PGS stated that the 50/50 sharing would align the utility with the off-system sales sharing mechanism currently

⁵Order No. PSC-94-1187-FOF-GU, issued September 28, 1994, in Docket No. 940856-GU, *In re: Petition for approval of Off-System Sales (OSS) Rate Schedule by Peoples Gas System, Inc.*

⁶Order No. PSC-03-0038-FOF-GU, issued January 6, 2003, in Docket No. 020384-GU, *In re: Petition for rate increase by Peoples Gas System.*

⁷Order No. PSC-09-0411-FOF-GU, issued June 9, 2009, in Docket No. 080318-GU, *In re: Petition for rate increase by Peoples Gas System.*

Date: June 19, 2025

used by Florida Public Utilities Company and Florida City Gas and their respective Commission-approved OSS rate schedules.

Furthermore, the utility stated in their responses to staff's first data request that under the proposed 50/50 sharing mechanism, the utility would be able to "enhance the projected OSS revenue for 2026, thereby reducing the base revenue requirement in Docket No. 20250029-GU for 2026 and providing long-term savings embedded within base rates for customers." Staff notes that the proposed revision to the sharing mechanism reduces the percentage of OSS revenues allocated to the PGA (from 50 to 25 percent); however, the changes to the ITS Rider discussed above would increase the credit to the PGA. Therefore, as a whole, PGS' proposal provides a reasonable approach as to how the utility allocates costs and benefits between transportation and sales customers.

Conclusion

Based on the above, the Commission should approve the proposed modifications to the swing service charge, ITS rider tariffs, and OSS tariff. If the Commission approves the revised OSS sharing mechanism, PGS should be required to reflect the revised OSS net revenues in its rate case docket (Docket No. 20250029-GU). The proposed changes, as a whole, are designed to improve the allocation of costs between transportation and PGA customers. The revised swing service charges (Tariff Sheet No. 7.101-3) and OSS tariff (Tariff Sheet No. 7.702-1) should be effective on the date of the Commission's vote. The revisions to the ITS rider (Tariff Sheet Nos. 7.805 and 7.805-9) should take effect 12 months after the Commission vote to allow for customer notification.

Date: June 19, 2025

Issue 2: Should this docket be closed?

Recommendation: Yes. 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. (Sandy)

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.

Peoples Gas System, Inc.
Original Volume No. 3

~~Seventh Sixth~~ Revised Sheet No. 7.101-3
Cancels ~~Sixth Fifth~~ Revised Sheet No. 7.101-3

GENERAL APPLICABILITY PROVISIONS (Continued)

D. SWING SERVICE CHARGE

The Pool Manager of a Customer receiving aggregated transportation service from Company under the Natural Choice Transportation Service Rider (Rider NCTS) provides a fixed daily quantity of Gas supply and interstate pipeline transportation capacity throughout each month. The Company must increase or reduce the system's Gas supply and use of interstate pipeline capacity in an effort to balance the actual daily consumption of a Rider NCTS Customer as it differs from the fixed daily quantity of Gas being delivered by the Customer's Pool Manager during the month. The Swing Service Charge is assessed to firm Rider NCTS Customers to cover the costs incurred by the Company to maintain the above-described balance and distribution system integrity.

The bill for aggregated transportation service provided by Company to a firm Customer pursuant to Rider NCTS in any Billing Period shall be adjusted as follows:

The monthly consumption of each Rider NCTS Customer shall be multiplied by the Swing

Service Charge factors listed below, each factor being increased or decreased to the nearest \$0.0001 per therm and include the regulatory assessment tax factor of 1.00503:

<u>Rate Class</u>	<u>Recovery Factor</u>
Residential Gas Heat Pump Service	\$0. 04040388 per Therm
Small General Service	\$0. 03270388 per Therm
Commercial Street Lighting	\$0. 01250074 per Therm
Natural Gas Vehicle Service	\$0.0435 per Therm
Commercial Standby Generator	\$0. 02800208 per Therm
Commercial Gas Heat Pump Service	\$0. 06620208 per Therm
General Service 1	\$0. 01730208 per Therm
General Service 2	\$0. 02210217 per Therm
General Service 3	\$0. 02210234 per Therm
General Service 4	\$0. 01520079 per Therm
General Service 5	\$0. 00670058 per Therm

Revenues derived from the Swing Service Charge are credited to the Purchased Gas Adjustment Clause to the extent applicable.

Issued By: Helen J. Wesley, President & CEO
~~2023~~

Effective Date: ~~January 9,~~

Peoples Gas System, Inc.
Original Volume No. 3

~~Seventh Sixth~~ Revised Sheet No. 7.702-1
Cancels ~~Sixth Fifth~~ Revised Sheet No. 7.702-1

OFF-SYSTEM SERVICE (Continued)

Company's Purchased Gas Adjustment Clause, Energy Conservation Cost Recovery Clause and Competitive Rate Adjustment Clause shall not apply to purchases of Gas made by Customer pursuant to this rate schedule.

Special Conditions:

1. Neither Customer nor Company shall have any obligation to the other for any specific minimum quantity of Gas or pipeline capacity on any day or during any month, and deliveries pursuant to this rate schedule shall be subject to curtailment or interruption at any time in the sole discretion of Company.
2. Amounts payable to Company pursuant to this rate schedule shall be subject to the operation of the Company's Tax and Fee Adjustment Clause set forth on Sheet No. 7.101-4.
3. Disposition of Net Revenues and Transaction Charges. For purposes of this paragraph 3, "net revenues" shall mean the total Distribution Charges received by Company for service pursuant to this rate schedule. ~~FiftyTwenty-five~~ percent (~~5025~~%) of all net revenues shall be retained by Company above the line as regulated revenues, and the remaining ~~fiftyseventy-five~~ percent (~~5075~~%) of such net revenues (and all Transaction Charges) shall be used to reduce Company's cost of Gas recovered through the Purchased Gas Adjustment Clause.
4. Interruption and Curtailment. Company may notify Customer at any time to reduce or cease using Gas. Company will endeavor to give as much notice as possible to Customer.

Any gas taken in excess of the volume allocated to the Customer in an interruption or curtailment order shall be considered unauthorized overrun gas. Company may bill and Customer shall pay for such unauthorized overrun gas at the greater of (i) five (5) times the highest Gas Daily mid-point price for gas delivered to a Gulf Coast pipeline plus FGT's FTS-3 reservation, usage, fuel and applicable surcharges or (ii) five (5) times the Gas Daily FGT Florida City gate price for gas for the calendar day on which such unauthorized overrun gas was taken.

5. For each day on which Customer desires to receive service pursuant to this rate schedule, Customer shall provide a nomination to Company specifying the quantity of Gas it desires to receive at the specified point of delivery pursuant to this Agreement. Following receipt of a timely and complete nomination from Customer, Company will confirm the quantities of Gas to be made available for delivery to Customer at such point of delivery. Quantities confirmed by PGS for delivery shall be "Scheduled Quantities".
6. The point of delivery for all Gas sold pursuant to this rate schedule shall be the delivery point of the delivering Pipeline specified by Customer.
7. Except as modified by the provisions set forth above, service under this rate schedule shall be subject to the Rules and Regulations set forth in this Tariff.

Issued By: Helen J. Wesley, President & CEO
~~2024~~

Effective Date: ~~January 1,~~

Peoples Gas System, Inc.
Original Volume No. 3

~~Fifth~~ ~~Fourth~~ Revised Sheet No. 7.805
Cancels ~~Fourth~~ ~~Third~~ Revised Sheet No. 7.805

INDIVIDUAL TRANSPORTATION SERVICE RIDER
RIDER ITS

Availability:

Throughout the service areas of the Company, subject to the Special Conditions set forth herein.

Applicability:

To firm or interruptible individual transportation service for any non-residential Customer who uses ~~500,000+82,500~~ therms per year or more and owns Gas that is made available for individual transportation service on the Company's system under Rate Schedules ~~GS-3, GS-4~~, GS-5, ~~NGVS~~, WHS, SIS, IS, ISLV, and CIS.

Monthly Rate:

The Monthly Rate set forth in the applicable rate schedule, based on the annual Therm usage of, and character of service elected by, the Customer, plus an Individual Transportation Administration Fee of \$216.00 per month per meter.

Special Conditions:

1. **Definitions:** As used in this Rider or in a Gas Transportation Agreement, the following terms have the meanings set forth below:

"Actual Takes" means, for a specified period of time, the quantity of Gas passing through the meter(s) at the PGS Delivery Point(s) of Customer (as defined in the Customer's Gas Transportation Agreement).

"Customer" means the person or entity which executes a Gas Transportation Agreement providing for individual transportation service hereunder.

"Daily Imbalance Amount" means, for a Day, the positive or negative whole number determined by subtracting the Actual Takes for the Day from the Scheduled Quantities for the Day.

"Day" means a period of 24 consecutive hours beginning and ending at 9:00 a.m. Central Clock Time.

"FGT" means Florida Gas Transmission Company, a Delaware corporation, and its successors and assigns.

"Gas Transportation Agreement" means an agreement between Company and an individual transportation Customer, the basic form of which is set forth on Sheets Nos. 8.114 through 8.114-8, which specifies the term for which it is effective and contains such reasonable provisions for termination as to which Company and Customer may agree.

Issued By: Helen J. Wesley, President & CEO
~~2023~~

Effective Date: ~~January 9,~~

Peoples Gas System, Inc.
Original Volume No. 3

~~Fifth~~ ~~Fourth~~ Revised Sheet No. 7.805-9
Cancels ~~Fourth~~ ~~Third~~ Revised Sheet No. 7.805-9

INDIVIDUAL TRANSPORTATION SERVICE Rider ITS (Continued)

- (e) No penalty debits will be assessed if they are less than \$5.00 in value.
- (f) If, on a Day on which a Customer or an ITS Agent for an ITS Customer Pool is subject to an Alert Day Notice issued pursuant to this Special Condition 12, Company orders such Customer or the Customers comprising such ITS Customer Pool to curtail or interrupt pursuant to Special Condition 3, such Customer or the ITS Agent for such ITS Customer Pool shall be subject to the greater of (i) any Alert Day Charges incurred by such Customer or by the ITS Agent for such ITS Customer Pool pursuant to this Special Condition 12 or (ii) any penalty payable by such Customer or by the Customers comprising such ITS Customer Pool for unauthorized overrun Gas pursuant to Special Condition 3.
- 12A. Correction of Imbalances at PGS Receipt Points that Are Gulfstream Delivery Points. If Company is the delivery point operator at a PGS Receipt Point that is a Gulfstream delivery point, Customer shall be subject to the provisions of Special Condition 12 above. In addition, Customer shall bear sole responsibility for, and all costs associated with, any penalties imposed by Gulfstream (except penalties imposed as the result of the acts or omissions of Company) resulting from Customer's nominations for deliveries of Gas at any such PGS Receipt Point. If Company is not the delivery point operator at a PGS Receipt Point that is a Gulfstream delivery point, the provisions of Special Condition 12 above shall not apply, and Customer shall bear sole responsibility for, and all costs associated with, any penalties imposed by Gulfstream (except penalties imposed as the result of the acts or omissions of Company) resulting from Customer's nominations for deliveries of Gas at any such PGS Receipt Point.
13. A Customer which provides a written request to discontinue service hereunder to return to sales service (if such service is then available from Company) will be required to remain on sales service for a period of not less than twelve (12) Months.
14. It is the Customer's obligation to make payments to the Company (or to an Authorized Payment Agent of the Company) of all bills rendered. Payment by a Customer to a third party (including a Third Party Gas Supplier) which has not been designated by Company as an Authorized Payment Agent will not satisfy the Customer's obligation to make payment of Company's bill for Gas Service.
15. Customers under this Rider ITS are required to take a minimum of twenty-five percent (25%) of their daily requirements from the Company. The Company will provide customers twelve (12) months' notice before implementing the 25% minimum daily requirement. The Company may increase the 25% minimum daily requirement to a maximum of forty (40%) percent upon twelve (12) months' written notice.

Issued By: Helen J. Wesley, President & CEO
~~2023~~

Effective Date: ~~January 9,~~

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: June 19, 2025

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Economics (Ward) *JP*
Office of the General Counsel (Sandy) *JSC*

RE: Docket No. 20250080-GU – Petition for approval of tariff changes to implement a temporary surcharge to recovery regulatory asset, by St. Joe Natural Gas Company, Inc.

AGENDA: 07/01/25 – Regular Agenda – Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 07/19/25 (60-Day Suspension Date)

SPECIAL INSTRUCTIONS: None

Case Background

On May 20, 2025, St. Joe Natural Gas Company, Inc. (St. Joe or the utility) filed a petition for approval of tariff changes to implement a temporary surcharge that will enable it to collect \$77,761 associated with a regulatory asset established in accordance with the settlement (2021 settlement) approved by Order No. PSC-2021-0196-AS-GU.¹ Paragraph one of the 2021 settlement provided that St. Joe should be allowed to recover \$330,115 in storm costs through a storm surcharge through December 2024.²

Paragraph two of the 2021 settlement provided that, “The Parties agree that it is appropriate for [St. Joe] to record \$77,761 associated with the remaining life value of lost capital assets in a

¹ Order No. PSC-2021-0196-AS-GU, issued June 3, 2021, in Docket No. 20200039-GU, *In re: Petition for approval to implement a temporary storm cost recovery surcharge, by St. Joe Natural Gas Company.*

² Order No. PSC-2021-0196-AS-GU, page 12.

regulatory asset and recover said amount over a period of 10 years through an increase to the Company's base rates ("Base Rates")."³ Furthermore, paragraph three of the 2021 settlement stated:

The increase to Base Rates contemplated by Paragraph 2 will be implemented after the Storm Surcharge terminates. As such it is anticipated that the increase to Base Rates will be implemented January 1, 2025. [St. Joe] will file revised tariffs in 2024 to reflect this increase.

In its 2024 rate case proceeding, St. Joe did not include the \$77,761 in base rates that went into effect January 7, 2025.⁴ In its petition, the utility states that given the minimal increase and the ease of terminating a surcharge, it is asking that it be allowed to implement recovery of the \$77,761 through the surcharges reflected in proposed Tariff Sheet No. 83, rather than implement recovery through base rates. Proposed Tariff Sheet No. 83 is attached to this recommendation as Attachment A.

During the evaluation of the petition, staff issued a data request for which responses were received on June 9, 2025. The Commission has jurisdiction over this matter pursuant to Sections 366.03, 366.04, 366.05, and 366.06, Florida Statutes (F.S.).

³ Order No. PSC-2021-0196-AS-GU, page 12.

⁴ Order No. PSC-2025-0035-PAA-GU, issued January 30, 2025, in Docket No. 20250046-GU, *In re: Petition for rate increase by St. Joe Natural Gas Company, Inc.*

Date: June 19, 2025

Discussion of Issues

Issue 1: Should the Commission approve St. Joe's request to implement a temporary 10-year surcharge to recover \$77,761 associated with a regulatory asset established by the 2021 settlement?

Recommendation: Yes. The Commission should approve St. Joe's request to implement a temporary surcharge to recover \$77,761 associated with a regulatory asset established by the 2021 settlement. The surcharge as shown on proposed Tariff Sheet No. 83 should become effective on the day of the Commission's vote. (Ward)

Staff Analysis: The 2021 settlement provided that St. Joe recover \$77,761 associated with a regulatory asset through base rates over a period of ten years. As stated in the case background, the utility did not include the regulatory asset in its 2024 base rate proceeding. In its petition, the utility stated that given the minimal increase and ease of terminating a surcharge at the end of ten years, it is asking to implement recovery of the \$77,761 through a surcharge. If the proposed surcharge is approved, an RS-2 customer using 20 therms a month will see a bill increase of \$0.30.

In response to staff's first data request, the utility stated that there was no interest included in the calculation of the surcharge.⁵ St. Joe also provided work papers to demonstrate the methodology used to calculate the surcharge rates.⁶ Staff has reviewed the provided work papers and found that the utility appropriately divided the increase amongst the customer classes as a percent of the classes' total base rate revenue. Using projected billing determinants for January to December 2025, St. Joe then calculated the surcharge for each customer class by dividing the increase by the class's therm sales and adjusting for taxes.

Staff believes that St. Joe's request to implement a surcharge to recover the \$77,761 associated with a regulatory asset established by the 2021 settlement instead of recovering the \$77,761 through base rates is reasonable. The surcharge as shown on proposed Tariff Sheet No. 83 should become effective on the date of the Commission's vote.

⁵ Response to Staff's First Data Request, Response No. 2.

⁶ Response to Staff's First Data Request, Response No. 1.

Issue 2: Should this docket be closed?

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

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

ST. JOE NATURAL GAS COMPANY, INC.
Original Volume No. 4

Fifth ~~Fourth~~ Revised Sheet No. 83
Cancels Fourth ~~Third~~ Revised Sheet No. 83

RESERVED FOR FUTURE USE

RATE SCHEDULE TEMPORARY STORM COST RECOVERY SURCHARGE

APPLICABILITY

Applicable to Customers receiving Gas Service under the following rate schedule.

DETERMINATION OF TEMPORARY STORM COST RECOVERY SURCHARGE

The Temporary Storm Cost Recovery Surcharge will be a per therm rate per month for the bills rendered for meter readings taken on or after June 1, 2025, beginning with the first or applicable billing cycle through the last billing cycle for May 31, 2035. The Customer's monthly bill for Gas Service shall be increased by the Temporary Storm Cost Recovery Surcharge determined in accordance with this tariff.

Temporary Storm Cost Recovery Surcharge factors are shown below:

<u>RATE CLASS</u>	<u>ADJUSTMENT FACTOR</u> <u>\$ Per Therm</u>
<u>RS-2</u>	<u>\$0.01523</u>
<u>RS-3</u>	<u>\$0.01022</u>
<u>GS-1</u>	<u>\$0.00577</u>
<u>GS-2</u>	<u>\$0.00338</u>
<u>GS-4/FTS-4</u>	<u>\$0.00206</u>

This rate schedule is subject to Rules and Regulations of the Company and the Florida Public Service Commission.

Issued By: Stuart L. Shoaf, President
Issued On:

Effective: **July 9, 2024**

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: June 19, 2025

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Economics (Sibley, Bruce, Chambliss) *JP*
Division of Accounting and Finance (Bardin, Byrne, Norris, Przygocki, Sowards, *ALM*
York)
Division of Engineering (Ellis, King, Ramos, Wooten) *TB*
Office of the General Counsel (Brownless) *JSC*

RE: Docket No. 20240108-SU – Application for increase in wastewater rates in
Monroe County by K W Resort Utilities Corp.

AGENDA: 07/01/25 – Regular Agenda – Proposed Agency Action All Issues Except for
Issues 32 and 33 – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Fay

CRITICAL DATES: 06/24/25 (5-Month Effective Date (PAA Rate Case))

SPECIAL INSTRUCTIONS: None

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Case Background

K W Resort Utilities Corp. (KWRU or utility) is a Class A wastewater utility providing service to approximately 1,844 customers in Monroe County. Water service is provided by the Florida Keys Aqueduct Authority. The utility's rates were last established in 2017 in Docket No. 20170141-SU.¹ According to the utility's 2023 annual report, the utility recorded total company operating revenues of \$3,880,373 and operating expenses of \$2,725,885.

On December 13, 2024, KWRU filed its application for approval of wastewater rate increases.² In its application, the utility requested that the Commission process the utility's rate case using the proposed agency action procedure as provided in Section 367.081(10), Florida Statutes (F.S.). On January 10, 2025, staff sent the utility a letter indicating deficiencies in the filing of its minimum filing requirements (MFRs). The utility's response to the deficiencies was filed on January 15, 2025. Staff established the official filing date by letter on January 24, 2025.

KWRU's application for increased wastewater rates is based on the historical test year ended June 30, 2024. The utility is requesting a wastewater increase to recover all expenses it will incur including a fair rate of return on its investment and pro forma plant projects. The pro forma plant projects consist of replacing the South Wastewater Treatment Plant blowers and an associated electrical upgrade to the treatment plant. KWRU requested rates are designed to generate revenues of \$4,834,390 for wastewater operations. This represents a revenue increase of \$913,843, or 23.31 percent.

On September 4, 2024, the Office of Public Counsel (OPC) filed a notice of intervention. OPC's intervention was acknowledged by Order No. PSC-2024-0407-PCO-SU, issued September 5, 2024.³

On February 10, 2025, the Commission suspended final rates proposed by the utility to allow staff sufficient time to process this case.⁴ On April 3, 2025, KWRU filed a Petition for Variance or Waiver of a Specific Provision of Rule 25-30.140, F.A.C., in which it requested that no net salvage value be included in its depreciation calculations. On April 18, 2025, OPC filed its response to KWRU's waiver petition stating that KWRU did not meet the requirements to waive the application of net salvage value to its capital assets.

A virtual customer meeting was held on April 16, 2025. Two customers spoke at the meeting.

The Commission has jurisdiction pursuant to Sections 367.011, 367.081, 367.0812, 367.091, and 367.121, F.S.

¹Order No. PSC-2018-0446-FOF-SU, issued September 4, 2018, in Docket No. 20170141-SU, *In re: Application for increase in wastewater rates in Monroe County by K W Resort Utilities Corp.*

²Document No. 08049-2024, filed on July 29, 2024.

³Order No. PSC-2024-0407-PCO-SU, issued September 5, 2024, in Docket No. 20240108-SU, *In re: Application for increase in wastewater rates in Monroe County by K W Resort Utilities Corp.*

⁴Order No. PSC-2025-0046-PCO-SU, issued February 10, 2025, in Docket No. 20240108-SU, *In re: Application for increase in wastewater rates in Monroe County by K W Resort Utilities Corp.*

Date: June 19, 2025

Discussion of Issues

Issue 1: Should KWRU’s Petition for Variance or Waiver of a Specific Provision of Rule 25-30.140, F.A.C., be granted?

Recommendation: No. KWRU has not met the requirements of Section 120.542(5), F.S., or Rule 25-30.140, F.A.C., for a rule waiver. (Brownless)

Staff Analysis: Finding No. 6 of the Staff’s Rate Case Audit filed on March 17, 2025,⁵ states that KWRU did not apply the correct depreciation rates per Rule 25-30.140, F.A.C. for Accounts 391.7 Transportation Equipment and 395.7 Power Operated Equipment because it did not include the salvage value in calculating depreciation. Rule 25-30.140(1)(k), F.A.C., states as follows:

(1) For the purpose of the rule, the following definitions apply:

(k) Depreciation Accounting – The process of charging the book cost of depreciable property, *adjusted for net salvage*, to operations over the associated useful life.”

[Emphasis added.]

On April 3, 2025, KWRU filed a Petition for Variance or Waiver of a Specific Provision of Rule 25-30.140, F.A.C., to which OPC filed its Response on April 18, 2025, opposing the waiver request. Variances from the application of a rule can be justified if: (a) the application of the rule creates a substantial hardship or violations of principles of fairness; and (b) the waiver would serve the purpose of the underlying statute, i.e., the establishment of fair, just and reasonable rates pursuant to Section 367.081(2)(a)1, F.S.⁶

In support of not applying the net salvage value, KWRU argued that the Commission has consistently excluded net salvage value in its water and wastewater depreciation calculations. Further, KWRU states that Rule 25-30.140(6) and (7), F.A.C., characterize the definitions of Rule 25-30.140(1), F.A.C., as “guidelines” that “may not be applicable to every utility system.”⁷ KWRU stated that the salvage adjustment for Transportation Equipment of 10 percent effectively increases the expected life from six to 6.6 years, a time period not consistent with this equipment’s expected useful life. Likewise, with regard to the Power Operated Equipment, the salvage adjustment of 5 percent effectively increases the expected life from twelve to 12.6 years, again a time period not consistent with this equipment’s expected useful life. Thus, KWRU argued that no salvage adjustment more accurately reflects the expected lives of this equipment.

OPC countered that KWRU has not provided any evidence in support of its assertion that six year and twelve year useful lives are more accurate. Further, OPC argued that use of a net salvage percentage is to ensure that depreciation rates do not overcollect for the property by

⁵DN 01830-2025.

⁶See Rule 28-104.002, F.A.C.

⁷KWRU Petition at 2.

Date: June 19, 2025

“effectively” deducting any value of salvage when the property is retired.⁸ Section (2)(b) of Rule 25-30.140, F.A.C., sets the net salvage value of Transportation and Equipment at 10 percent and 5 percent for Power Operated Equipment. These values can be changed if the utility can justify its proposed service lives. Justification consists of “historical data, technical information or utility planning for the affected accounts or sub-accounts.” Rule 25-30.140(6)(a), F.A.C. OPC argues that KWRU did not provide a depreciation study supporting a recalibration of service lives for these accounts or any other evidence to show that it did not receive any net salvage for these accounts.⁹

Finally, OPC stated that KWRU’s reliance on the fact that the Commission has not previously required net salvage be applied to these accounts is misplaced. OPC argued that no agency can willfully ignore its own rules whether there is an objection or not. Having filed its objection to KWRU’s rule waiver request, OPC contended that the Commission certainly cannot do so here.

Upon a review of KWRU’s petition and the materials provided by KWRU, staff agrees with OPC that KWRU has not proven that the application of the rule creates a substantial hardship or violates principles of fairness, or that its requested rule waiver would serve the purpose of the underlying statute. We acknowledge that the Commission has in the past not consistently applied the net salvage value for water and wastewater assets. However, that should not, and cannot, constitute an exception to the application of Rules 25-30.140(1)(k), F.A.C., or 25-30.140(3)(a), F.A.C.¹⁰ Staff also notes that net salvage value was used in the Pluris Wedgefield, LLC and Sunshine Water Service Company orders in which this issue was fully litigated.¹¹

CONCLUSION

For the reasons stated above, KWRU’s Petition for Variance or Waiver of a Specific Provision of Rule 25-30.140, F.A.C., should not be granted.

⁸OPC Response at p. 2.

⁹OPC Response at p. 3.

¹⁰ “Average service life depreciation rates based on guideline lives and salvages shall be used in any Commission proceeding in which depreciation rates are addressed, except for those utilities using depreciation rates in accordance with the requirements listed in subsections (6) and (7) of this rule.” Subsection (6) requires the utility to prove by historic data, technical information or utility planning a different rate is justified. As stated above, KWRU has failed to do so. Subsection (6) states that common causes of the need for different depreciation rates are composition of the account, adverse environmental conditions, high growth or regulatory changes. KWRU has not alleged that any of these conditions exist in this case

¹¹Order No. PSC-2024-0118-PAA-WS, issued April 23, 2024, in Docket No. 20230083-WS, *In re: Application for increase in water and wastewater rates in Orange County by Pluris Wedgefield, LLC.*; Order No. PSC-2025-0196-FOF-WS, issued June 6, 2025, in Docket No. 20240068-WS, *In re: Application for increase in water and wastewater rates in Charlotte, Highlands, Lake, Lee, Marion, Orange, Pasco, Pinellas, Polk and Seminole Counties, by Sunshine Water Services Company.*

Date: June 19, 2025

Issue 2: Is the overall quality of service provided by the utility satisfactory, and, if not, what action should be taken by the Commission?

Recommendation: Yes. KWRU has been responsive to customer complaints; therefore, staff recommends that the quality of service is satisfactory. (Wooten)

Staff Analysis: Pursuant to Section 367.081(2)(a)1, F.S., and Rule 25-30.433(1), Florida Administrative Code (F.A.C.), in wastewater rate cases, the Commission shall determine the overall quality of service provided by the utility. This determination is made from an evaluation of the utility's attempt to address customer satisfaction. The rule further states that the most recent outstanding citations, violations, and consent orders on file with the Department of Environmental Protection (DEP), the county health department, and any DEP and county health department officials' testimony concerning quality of service shall be considered. In addition, any customer testimony, comments, or complaints received by the Commission are also reviewed. The operating condition of the wastewater system is addressed in Issue 3.

The Utility's Attempt to Address Customer Satisfaction

Staff reviewed complaints filed in the Commission's Consumer Activity Tracking System (CATS), received by the utility, and filed with the DEP, from July 1, 2019, through June 30, 2024. During this period, there were four complaints filed in CATS during the test year and four years prior for KWRU. Three of these complaints were related to billing issues and one complaint was regarding rates and access to tariff information. The utility addressed and resolved each complaint. Over this same period, the utility reported that it received a total of 54 complaints. 50 of the complaints were associated with sewage backups or similar issues of which 34 were resolved by the utility repairing its equipment and returning the system to normal operations, while 16 were found to be associated with problems with the customer's equipment. Out of the remaining 4 complaints, three were investigated by the utility with ultimately no issue being found by KWRU.¹² Last, one complaint was a billing issue regarding non-returned water. The utility addressed and resolved all complaints received during this time period.

Staff also requested all complaints received by the DEP for this same time period and was informed of two complaints. One complaint alleged that KWRU's effluent may be attributed to the elevated sucralose levels in the surrounding area, which suggested that some amount of wastewater may be present in the water. This complaint was investigated by the DEP which determined that there was no substantiated evidence that KWRU's effluent was the source of the elevated sucralose levels. The other complaint was regarding odor. The DEP investigated and determined that the odor detected did not appear to be sewer related and could not be traced back to the utility's wastewater facility. During the test year, KWRU had an average 1,841 customers, including 1,434 residential customers which accounted for 30.5 percent of system flows. Total complaints reported to the Commission, DEP, and the utility include approximately 1.1 percent of customers.

¹²Two of these complaints were "sewer problem" complaints in which the Utility examined all utility equipment and inspected the area but could find no issues. The other complaint reported loud noise from the treatment plant. However, the Operator found no abnormalities with the treatment plant.

Date: June 19, 2025

A customer meeting was held on April 16, 2025. Two customers spoke, both provided comments opposing the proposed rate increase and one inquired into the possibility of selling the utility. Staff performed a supplemental review, through June 1, 2025, of complaints filed in CATS following the customer meeting and found no additional complaints. One customer comment was filed in the correspondence side of the docket opposing the rate increase.

CONCLUSION

KWRU has been responsive to customer complaints; therefore, staff recommends that the quality of service is satisfactory.

Date: June 19, 2025

Issue 3: Are the infrastructure and operating conditions of the utility's water and wastewater systems in compliance with the Florida Department of Environmental Protection regulations?

Recommendation: Yes. KWRU's wastewater system is currently in compliance with the DEP. (Wooten)

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

Wastewater System Operating Conditions

KWRU's wastewater system consists of a permitted 0.849 million gallons per day (MGD) per Annual Average Daily Flow (AADF) design capacity wastewater treatment plant (WWTP). The facility consists of three treatment trains with screening, aeration, anoxic stage, clarifiers, sand filtration, chlorine disinfection, and aerobic digesters. Effluent disposal is via four Class V underground injection wells or by public access reuse.

Staff reviewed the utility's compliance evaluation inspections conducted by the DEP to determine the utility's overall wastewater facility compliance. In its compliance inspection report, conducted on March 20, 2024, the DEP initially determined KWRU's wastewater treatment facility was out of compliance due to four unauthorized sanitary sewer overflow (SSO) discharges that occurred at the facility between December 2022 and October 2023. However, on September 5, 2024, the DEP determined that the facility was in compliance and that the SSOs had already been evaluated and addressed at the time they occurred. Two of the SSO discharges were related to unforeseen pipe damage, one was due to an unknown person breaking a relief valve, and one was related to an electrical failure at a lift station. The utility addressed these SSO discharges by making repairs and appropriately reported the SSO discharges to the DEP. The DEP reported that adequate notification from the utility was received for all issues and no subsequent compliance issues were reported by the DEP. Additionally, the utility has no outstanding citations, violations, or consent orders on file with the DEP or the Monroe County Health Department.

CONCLUSION

KWRU's wastewater system is currently in compliance with the DEP.

Issue 4: Should any adjustments be made to the test year plant-in service balances?

Recommendation: Yes. An adjustment should be made to increase the test year plant-in-service balance by \$301,205. (York, Wooten)

Staff Analysis: In its MFRs, the utility reflected a 13-month average test year utility plant in service (UPIS) balance of \$21,985,301. As addressed in Issue 9, staff is recommending approval of the Utility's adjustments to annualize depreciation expense based on the corresponding plant assets being recognized in rate base. Based on the annualization calculated in the MFRs, staff calculated the corresponding increase to test year plant-in-service balances. As such, staff recommends increasing the test year plant-in-service balance by \$224,208 to reflect corresponding adjustments to annualization addressed in Issue 9.

Additionally, staff recommends further adjustments to UPIS as follows. Staff's audit report identified a reclassification from Account 354.4 to Account 380.4 made in June 2024 that was not reflected in the MFRs. KWRU did not dispute this adjustment. As such, staff recommends a 13-month average decrease of \$207 for Account 354.4 and an equal increase for Account 380.4. This results in a net-zero adjustment to UPIS. As discussed further in Issue 18, a corresponding adjustment should be made to increase UPIS by \$38,244 to reclassify certain costs reflected as miscellaneous revenues in the test year. As discussed further in Issue 21, a corresponding adjustment should be made to increase UPIS by \$38,157 to capitalize certain costs reflected as O&M expenses in the test year. As such, staff recommends UPIS be increased by \$301,205 (\$224,804 + \$38,244 + \$38,157).

CONCLUSION

Based on the above, staff recommends test year UPIS be increased by \$301,205.

Issue 5: Should any adjustments be made to the utility's pro forma plant additions?

Recommendation: No. Staff agrees that the \$2,132,047 for the net increase to UPIS is reasonable; therefore, no adjustment is needed. However, staff recommends a net salvage adjustment be made to reduce the associated pro forma accumulated depreciation and depreciation expense by \$1,385 and \$2,770, respectively. (York, Wooten)

Staff Analysis: Section 367.081(2)(a)2., F.S., provides that the Commission, in fixing rates, shall consider facilities to be constructed within a reasonable time in the future, not to exceed 24 months after the end of the historic base year used to set final rates, unless a longer period is approved by the Commission, to be used and useful (U&U) if such property is needed to serve current customers.

In its filing, the utility included pro forma plant additions of \$2,179,139 for the KWRU Blower and Electrical Upgrades Project which is a combined project intended to replace the blowers and associated electrical panels as well as upgrade the Supervisory Control and Data Acquisition (SCADA) system. The breakdown of the total project costs is reflected in Table 5-1.

Table 5-1
Pro Forma Plant Additions

Project	Amount
Kaesar Blowers (Purchase, Shipping, and Taxes)	\$276,733
SCADA System Upgrades	\$277,000
Design, Permitting, and Structural Improvement	\$447,906
Installation of Blower and Electrical Panel Upgrades	\$1,177,500
Total Project Cost	\$2,179,139

Source: Document No. 04037-2025 filed May 29, 2025

The current blowers were installed in 1983 at an elevation below the current flood level and have reached the end of their useful life. Currently, the treatment system used by KWRU requires control of oxygen levels, which is accomplished through the current blowers by controlling the air intake, but would normally be controlled by adjusting the motor speeds. In order to be compatible with the treatment system, the replacement blowers are required to utilize variable frequency drive controllers that allow more precise control of oxygen levels. The utility sought proposals from multiple manufacturers that could provide blowers that met the necessary design requirements, ultimately choosing blowers from Kaeser as they were the least expensive and KWRU believed them to provide the best value. To control and integrate the new blowers, KWRU installed new electrical panels and SCADA system upgrades. Additionally, the newly installed blowers and electrical panels would be raised to 9.2 feet to be above the current flood level.

The utility solicited four bids from general contractors to complete the KWRU Blower and Electrical Upgrades project and received two bid proposals. KWRU ultimately selected the lowest bid proposal. Staff reviewed invoices provided by the utility detailing project costs and believes the costs are appropriate. The project is currently scheduled to be completed by

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December 2025.¹³ Based on the aforementioned, staff believes the utility met its burden of proof for this project by demonstrating its need and providing the necessary cost justification. Therefore, staff does not recommend any adjustments to the utility's requested pro forma plant additions.

The pro forma adjustments reflect additions to the UPIS. These adjustments include \$145,000 to Account 354.4 (Structures & Improvements), \$1,757,139 to Account 380.4 (Treatment & Disposal Equipment) for a blower replacement and electrical upgrade, and \$277,000 to Account 396 (Communication Equipment) for a SCADA system. Additionally, a retirement of \$47,092 is applied to Account 380.4 to account for assets replaced by the new equipment. These changes result in a net increase of \$2,132,047 to UPIS.

Accumulated Depreciation and Depreciation Expense

The utility also requested corresponding adjustments to increase accumulated depreciation and depreciation expense by \$65,113 and \$130,225, respectively. As discussed further in Issue 9, staff believes an adjustment is necessary to recognize salvage value associated with the pro forma additions to Account 396. Pursuant to Rule 25-30.140, F.A.C., staff has reduced the pro forma accumulated depreciation and depreciation expense by \$1,385 and \$2,770, respectively, associated with the additions to Account 396.

CONCLUSION

Staff agrees that the \$2,132,047 for the net increase to UPIS is reasonable; therefore, no adjustment is needed. However, staff recommends a net salvage adjustment be made to reduce the associated pro forma accumulated depreciation and depreciation expense by \$1,385 and \$2,770, respectively.

¹³Document No. 04037-2025, filed on May 29, 2025, in Docket No. 20240108-SU, *In re: Application for increase in wastewater rates in Monroe County by K W Resort Utilities Corp.*

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Issue 6: What are the appropriate plant retirements to be made in this docket?

Recommendation: The appropriate total plant retirements is \$47,092. (York, Wooten)

Staff Analysis: In its MFRs, KWRU reflected plant retirements in the amount of \$47,092 associated with pro forma plant additions. The utility also included corresponding adjustments to reduce accumulated depreciation and depreciation expense by \$47,092 and \$2,618, respectively. This retirement represents the only necessary adjustment to reflect the removal of obsolete equipment directly tied to the utility's planned capital improvements. Staff does not have any adjustments. As such, staff recommends plant retirements of \$47,092.

CONCLUSION

The appropriate total plant retirements is \$47,092.

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Issue 7: Do any wastewater systems have excessive infiltration and/or inflow (I&I) and, if so, what adjustments are necessary, if any?

Recommendation: No. There is no excessive I&I; therefore, staff recommends no adjustment. (Wooten, Byrne)

Staff Analysis: Rule 25-30.432, F.A.C., provides that in determining the amount of U&U plant, the Commission will consider I&I. Infiltration typically results from groundwater entering a wastewater collection system through broken or defective pipes and joints, whereas inflow results from water entering a wastewater collection system through manholes or lift stations. The allowance for infiltration is typically 500 gpd per inch diameter pipe per mile, and an additional 10 percent of water sold is allowed for inflow. This is added to the expected water returned from the system, which is typically determined by summing 80 percent of water sold to residential users with 90 percent of water sold to non-residential users, excluding irrigation and reuse flows. Excessive I&I is a calculation that is based on a comparison of the allowable wastewater treated to the actual amount of wastewater treated. In addition, adjustments to operating expenses, such as chemical and electrical costs, are considered necessary if excessive.

In its MFRs, the utility states that there is no excess I&I, and no adjustments should be made as a result. The utility identified an infiltration allowance of 8,993,341 gallons, with an additional 22,490,400 gallons allowed for inflow, for a total allowable I&I of 31,483,741 gallons per year. Based on staff's review of the record, these values appear reasonable.

For the returned water calculation, KWRU's calculated value of expected returns is 208,660,160 gallons per year. This is based on an assumption that the estimated returns sold to residential users and non-residential users should be 90 percent and 94 percent, respectively, instead of the typical 80 percent and 90 percent values. KWRU stated that there is very little lawn space in the residential and general service areas and that the newest residential properties built are high density. Furthermore, the utility stated that there is a low usage per equivalent residential connection (ERC) of 4,002 gals/month. Staff reviewed maps of the service territory and agrees with the description of KWRU. Therefore, staff recommends the proposed 90 and 94 percent return assumptions for residential and non-residential, respectively, are reasonable for KWRU.

Combining the allowable I&I and expected returns yields 240,143,901 gallons per year. Any amount treated in excess of this amount should be considered excessive I&I. Based on the utility's MFR Schedule F-2, 238,659,000 gallons of wastewater were treated during the test year. Staff verified these values by comparison to records submitted to DEP. As the total amount of water treated is less than the allowable I&I and expected returns, there is no excessive I&I and staff recommends no adjustments are necessary for power or chemicals.

CONCLUSION

There is no excessive I&I; therefore, staff recommends no adjustment.

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Issue 8: What are the appropriate used and useful percentages for the wastewater treatment facilities and collection system?

Recommendation: KWRU's WWTP should be considered 77.6 percent used and useful and KWRU's wastewater collection system should be considered 100 percent used and useful. To reflect the appropriate U&U percentage, rate base should be reduced by \$2,231,591. Corresponding adjustments should also be made to decrease net depreciation expense and property tax by \$140,864 and \$3,618, respectively. (Wooten, York)

Staff Analysis: As stated in Issue 3, the WWTP has a DEP permitted capacity of 0.849 MGD per AADF. This plant is operated to provide secondary treatment with basic disinfection. The collection system is made up of approximately: 20,525 linear feet of 8-inch polyvinyl chloride (PVC) pipe, 11,342 linear feet of 4-inch PVC pipe, 6,168 linear feet of 6-inch PVC pipe, 3,100 linear feet of 3-inch PVC pipe and 300 linear feet of 12-inch PVC pipe.

Used and Useful

Rule 25-30.432, F.A.C., addresses the method by which the U&U of a wastewater system is determined. In the previous rate case the WWTP was determined to be 71.5 percent U&U and the wastewater collection system was determined to be 100 percent U&U.¹⁴

Wastewater Treatment Plant

Pursuant to Rule 25-30.432, F.A.C., the U&U percentage of a WWTP is based on customer demand compared with the permitted plant capacity, with customer demand measured on the same basis as permitted capacity, with considerations for growth, I&I, and other factors. In the utility's MFR Schedule F-6, the utility calculated a value of 90.5 percent U&U, but proposed that the WWTP be considered 100 percent U&U because the system is built out and no further flow increases are anticipated.

The permitted capacity of the plant is 849,000 gallons per day (gpd) AADF. MFR Schedule F-4 includes actual flows during the test year of 652,074 gpd. For growth, the utility uses values from two sources. The first source, totaling 6,933 gpd, is the five year customer growth based on a linear regression analysis that estimated additional 9.96 ERCs annually, with 139.23 gpd/ERC. The second source, totaling 109,560 gpd, is based on two potential customer projects anticipated in 2026 and 2027, identified as the Bartlum Yard Resort and Bartlum Boat Yard. The utility proposes no adjustment for excessive I&I. Based on the above, the utility calculated a value of 90.5 percent. $[(652,074 \text{ gpd} + (6,933 \text{ gpd} + 109,560 \text{ gpd}) - 0 \text{ gpd}) / 849,000 \text{ gpd}]$

In staff's review of the various components included in the U&U calculation, staff confirmed the utility's values for permitted capacity and actual flows based upon documentation provided to the DEP, and as recommended in Issue 6, that there is no excessive I&I. Regarding growth, staff agrees with including the first source of 6,933 gpd based on the five year customer growth using a linear regression, which is consistent with Rule 25-30.431, F.A.C. However, staff disagrees with the inclusion of the additional 109,560 gpd from the two customer projects as the utility did not provide adequate documentation that these flows would occur during the next five year

¹⁴Order No. PSC-2018-0446-FOF-SU, issued September 4, 2018, in Docket No. 20170141-SU, *In re: Application for increase in wastewater rates in Monroe County by K W Resort Utilities Corp.*

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period. Therefore staff recommends a U&U value of 77.6 percent of the WWTP. $[(652,074 \text{ gpd} + 6,933 \text{ gpd} - 0 \text{ gpd}) / 849,000 \text{ gpd}]$

Wastewater Collection

The service area has had very little growth in the past five years and the collection system has no change in capacity. Consistent with the Commission's prior order, the wastewater collection system should be considered 100 percent U&U.¹⁵

CONCLUSION

KWRU's WWTP should be considered 77.6 percent used and useful and KWRU's wastewater collection system should be considered 100 percent used and useful. To reflect the appropriate U&U percentage, staff recommends rate base be reduced by \$2,231,591. Corresponding adjustments should also be made to decrease net depreciation expense and property tax by \$140,864 and \$3,618, respectively.¹⁶

¹⁵Order No. PSC-2016-0123-PAA-SU, issued on March 23, 2016, in Docket No. 20150071-SU, *In re: Application for increase in wastewater rates in Monroe County by K W Resort Utilities Corp.*

¹⁶Staff's recommended adjustments include U&U adjustments made to CIAC, accumulated amortization of CIAC, and CIAC amortization expense, consistent with the utility's prior cases.

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Issue 9: Should any adjustments be made to test year accumulated depreciation?

Recommendation: Yes. Test year accumulated depreciation should be increased by \$423,905. All necessary adjustments to accumulated depreciation associated with pro forma additions should be made as set forth and discussed in Issue 5. (York)

Staff Analysis: In its MFRs, the utility reflected test year accumulated depreciation of \$10,211,165 along with adjustments to increase accumulated depreciation to annualizing depreciation expense of plant added during the test year, as well as a corresponding adjustment to a plant reclassification.

Annualization

KWRU reflected an adjustment to increase accumulated depreciation by \$10,059 to recognize the annualization of depreciation expense of plant added during the test year. Staff believes this is a reasonable adjustment. When considering pro forma additions of plant that occur after the end of the test year, accumulated depreciation is annualized. This is a convention of ratemaking, thus recognizing the full year of the asset in plant, accumulated depreciation, and depreciation expense. Staff believes adjustments to accumulated depreciation recognizing the annualization of plant added during the test year provide a more accurate representation of rate base as a component of ratemaking. Additionally, in order to ensure the annualization of accumulated depreciation does not result in a mismatch, staff has recommended including a UPIS annualization adjustment to reflect the corresponding assets in rate base, as discussed in Issue 4.

Staff recalculated the annualization adjustment for Account Nos. 391.7 and 395.7 to recognize salvage value as prescribed by Rule 25-30.140, F.A.C. Staff recommends the annualization adjustment be reduced by \$765.

Audit Adjustments

Audit Finding No. 4 addresses a reclassification of plant. Audit staff determined corresponding accumulated depreciation adjustments to reduce Account 354.4 by \$2,693 and increase Account 380.4 by \$75 were necessary. KWRU did not dispute these adjustments. As such, staff recommends accumulated depreciation be reduced by \$2,618 ($-\$2,693 + \75) to recognize the adjustments made in Audit Finding No. 4.

Audit Finding No. 6 addresses the recalculation of depreciation since the utility's last rate case. Audit staff determined that KWRU was not applying the correct depreciation rates as established by Rule 25-30.140 F.A.C. Further, audit staff found that the utility was not including the salvage value in calculating depreciation associated with Accounts 391.7 and 395.7, as prescribed by the Rule. As discussed in Issue 1, staff recommends that KWRU be required to include the net value in calculating depreciation associated with these accounts. As such, staff recommends accumulated depreciation be increased by \$424,447 to recognize the adjustments made in Audit Finding No. 6.

Corresponding Adjustments

As discussed in Issue 18, a corresponding adjustment should be made to increase accumulated depreciation by \$1,275 to reclassify certain costs reflected as miscellaneous revenues in the test year. A corresponding adjustment should be made to increase accumulated depreciation by

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\$2,186 to reflect capitalizing certain costs reflected as O&M expenses in the test year, as discussed further in Issue 21.

CONCLUSION

Based on the adjustments discussed above, test year accumulated depreciation should be increased by \$423,905 (- \$765 - \$2,618 + \$424,447 +\$1,275 + \$2,186). All necessary adjustments to accumulated depreciation associated with pro forma additions should be made as set forth and discussed in Issue 5.

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Issue 10: Should any adjustments be made to the test year contributions-in-aid-of-construction (CIAC) balance?

Recommendation: Yes. An adjustment should be made to increase test year CIAC by \$38,244. All necessary adjustments to CIAC associated with staff's recommended non-U&U adjustment should be made as set forth and discussed in Issue 8. (Bardin)

Staff Analysis: In its filing, KWRU reflected test year CIAC of \$12,091,323. The audit staff found no issue with this amount. As addressed in Issue 8, staff is recommending a non-used and useful adjustment to rate base that reflects CIAC in the total adjustment to rate base. As discussed in Issue 18, a corresponding adjustment should be made to increase CIAC by \$38,244 to reclassify certain costs reflected as miscellaneous revenues in the test year.

CONCLUSION

An adjustment should be made to increase test year CIAC by \$38,244. All necessary adjustments to CIAC associated with staff's recommended non-U&U adjustment should be made as set forth and discussed in Issue 8.

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Issue 11: Should any adjustments be made to test year accumulated amortization of CIAC?

Recommendation: Yes. An adjustment should be made to increase test year accumulated amortization of CIAC by \$1,275. All necessary adjustments to accumulated amortization of CIAC associated with staff's recommended non-U&U adjustment should be made as set forth and discussed in Issue 8. (Bardin)

Staff Analysis: In its filing, KWRU reflected test year accumulated amortization of CIAC of \$6,665,424. The audit staff found no issue with this amount. As addressed in Issue 8, staff is recommending a non-used and useful adjustment to rate base that includes the accumulated amortization of CIAC. A corresponding adjustment should be made to increase accumulated amortization of CIAC by \$1,275 to reflect the adjustment to CIAC in Issue 10.

CONCLUSION

An adjustment should be made to increase test year accumulated amortization of CIAC by \$1,275. All necessary adjustments to accumulated amortization of CIAC associated with staff's recommended non-U&U adjustment should be made as set forth and discussed in Issue 8.

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Issue 12: What is the appropriate working capital allowance?

Recommendation: The appropriate working capital allowance is \$1,442,290. As such, the working capital allowance should be increased by \$2,896. (Sewards)

Staff Analysis: Rule 25-30.433(3), F.A.C., requires that Class A utilities use the balance sheet method to calculate the working capital allowance. In its MFRs, the utility recorded a working capital allowance of \$1,439,394.

Audit Finding No. 1 addressed adjustments to the cash balance, the unamortized debt discount and expense balance, and the accounts payable balance included in working capital.

Cash

Audit staff made an adjustment to remove a total of \$449,549 in cash associated with interest-bearing accounts identified and removed in the last rate case. In its previous rate cases, the Commission has made adjustments to remove excessive amounts of cash included in working capital that was not used for day-to-day operation of KWRU.¹⁷

It has been Commission practice to either exclude interest bearing accounts from working capital, or to include them provided that the interest income is also included in the above-the-line revenues.¹⁸ In response to Audit Finding No. 1, KWRU stated that the accounts identified by audit staff were not the same accounts as the previous rate case and should not be removed. Staff examined the documentation provided with the utility's response to the audit, as well as the excel version of the MFRs and recognizes the cash accounts are not the same as in the last case. Additionally, in response to staff's data request, KWRU explained it maintains a cash balance of two and a half to three times the average amount of monthly expenses, and any additional cash generated is used to pay down debt. Staff believes the utility's justification for maintaining its test year cash balance supports the level reflected in its filing. In response to staff's data request, the utility provided associated interest income of \$17,010. Consistent with Commission practice, staff has made an adjustment to include the interest income in the above-the-line revenues, as reflected in Issue 18, and recommends the cash accounts remain in working capital.

Other Audit Adjustments

Audit staff also made an adjustment to reduce unamortized debt discount and expense by \$233 and an adjustment to increase accounts payable by \$41. Both adjustments were made to recognize amounts that were not included in the MFRs. KWRU did not dispute these adjustments. As such, staff recommends the adjustments to reduce unamortized debt discount and expense and to increase accounts payable be made, resulting in a net decrease of \$274 (-\$233 - \$41).

¹⁷See Order No. PSC-2018-0446-FOF-SU, issued September 4, 2018, in Docket No. 20170141-WS, *In re: Application for increase in wastewater rates in Monroe County by K W Resort Utilities Corp.*; Order No. PSC-2017-0091-FOF-SU, issued March 13, 2017, in Docket No. 20150071-WS, *In re: Application for increase in wastewater rates in Monroe County by K W Resort Utilities Corp.*

¹⁸See Order No. PSC-2024-0118-PAA-WS, issued April 23, 2024, in Docket No. 20230083-WS, *In re: Application for increase in water and wastewater rates in Orange County by Pluris Wedgfield, LLC.*; Order No. PSC-2001-0326-FOF-SU, issued February 6, 2001, in Docket No. 19991643-SU, *In re: Application for increase in wastewater rates in Seven Springs System in Pasco County by Aloha Utilities, Inc.*

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Miscellaneous Expense

As discussed further in Issue 21, staff has recommended an adjustment to remove non-recurring expenses from operations and maintenance (O&M). As such, staff recommends a corresponding adjustment to increase working capital by \$3,170 to recognize the unamortized balance of non-recurring expenses.

CONCLUSION

Based on the above, staff recommends the appropriate working capital allowance is \$1,442,290. As such, working capital allowance should be increased by \$2,896 ($-\$274 + \$3,170$).

Issue 13: What is the appropriate rate base for the June 30, 2024 test year?

Recommendation: The appropriate rate base is \$7,874,046. (York)

Staff Analysis: This is a fallout issue. Based upon the utility's adjusted 13-month average test year balances and staff's recommended adjustments, the appropriate 13-month average rate base is \$7,874,046. Schedule No 1-A reflects staff's recommended rate base calculations. Staff's proposed adjustments to rate base are shown on Schedule 1-B.

CONCLUSION

The appropriate rate base is \$7,874,046.

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Issue 14: What is the appropriate amount of customer deposits to include in the capital structure?

Recommendation: The appropriate amount of customer deposits is \$332,635. (Sewards)

Staff Analysis: In its MFRs, the utility reflected \$332,635 in customer deposits at a cost rate of 2.00 percent. Staff does not have any adjustments to customer deposits. As such, staff recommends the appropriate amount of customer deposits to include in the capital structure is \$332,635.

CONCLUSION

The appropriate amount of customer deposits is \$332,635.

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Issue 15: What is the appropriate cost rate for long-term debt for the test year?

Recommendation: The appropriate cost rate for long-term debt is 5.90 percent. (Sewards)

Staff Analysis: In its MFRs, the utility requested a cost rate for long-term debt of 5.90 percent. KWRU included a pro forma adjustment to replace its existing loan instrument with a new loan. The MFRs denote the existing loan carried a cost rate of prime + 0.50 percent, or 8.00 percent, and the new loan carries a fixed cost rate of 5.90 percent.¹⁹ Staff does not have any adjustments. As such, staff recommends the appropriate cost rate for long-term debt is 5.90 percent.

CONCLUSION

The appropriate cost rate for long-term debt is 5.90 percent.

¹⁹The current U.S. prime rate is 7.50 percent.

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Issue 16: What is the appropriate return on equity (ROE) for the test year?

Recommendation: The appropriate ROE is 9.95 percent. (Sewards)

Staff Analysis: In its MFRs, the utility requested an ROE of 10.05 percent based on the current leverage formula in effect.²⁰ Staff reviewed KWRU's request and has found an error in the calculation. The leverage formula utilizes the equity ratio which is comprised of investor sources of capital.²¹ However, the utility included customer deposits in its calculation of the equity ratio. Staff has recalculated the ROE using the correct sources of capital. As such, staff recommends the appropriate ROE is 9.95 percent based on the leverage formula currently in effect.

CONCLUSION

The appropriate ROE is 9.95 percent.

²⁰Order No. PSC-2024-0165-PAA-WS, issued May 22, 2024, in Docket No. 20240006-WS, *In re: Water and wastewater industry annual reestablishment cf authorized range cf return on common equity for water and wastewater utilities pursuant to Section 367.081(4)(j)*, F.S.

²¹Equity Ratio = Common equity / (Common Equity + Preferred Equity + Long-Term and Short Term Debt)

Issue 17: What is the appropriate weighted average cost of capital (WACC) including the proper components, amounts and cost rates associated with the capital structure?

Recommendation: Based on the proper components, amounts, and cost rates associated with the capital structure for the 13-month average test year ended June 30, 2024, as discussed in Issues 14-16, the appropriate weighted average cost of capital for KWRU for purposes of setting rates is 7.97%, as reflected in Schedule No. 2. (Sewards)

Staff Analysis: In its MFRs, the utility requested a capital structure based on a 13-month average as of June 30, 2024, consisting of common equity in the amount of \$5,664,435 (57.05 percent) and long-term debt in the amount of \$4,264,575 (42.95 percent) as a percentage of investor supplied capital. KWRU appropriately used the 13-month average to determine the capital structure for Class A utilities as required by Rule 25.30.433(5), F.A.C., with a pro forma addition to long-term debt to reflect the new long-term debt instrument. The utility's request in its filing is reflected in Table 17-1 below.

Table 17-1
KWRU Requested Weighted Average Cost of Capital

Capital Component	Amount	Percentage	Cost Rate	Weighted Cost
Long-Term Debt	\$4,264,575	41.56%	5.90%	2.45%
Common Equity	5,664,435	55.20%	10.05%	5.55%
Customer Deposits	332,635	3.24%	2.00%	0.06%
Total	\$10,261,645	100.00%		8.06%

Source: MFR Schedule D-1

The weighted average cost of capital is a fallout issue that combines the cost rates and amounts of the capital components into a final rate of return. Staff's recommended cost rate for long-term debt (5.90 percent), ROE (9.95 percent), and customer deposits (2.00 percent) were discussed in Issues 14-16. Consistent with recent Commission decisions, staff has reconciled the capital structure to the rate base using all sources of capital.²² The appropriate weighted average cost of capital is presented in Schedule No. 2 and in Table 17-2 below.

²²Order No. PSC-2025-0196-FOF-WS, issued June 6, 2025, in Docket No. 20240068-WS, *In re: Application for increase in water and wastewater rates in Charlotte, Highlands, Lake, Lee, Marion, Orange, Pasco, Pinellas, Polk, and Seminole Counties, by Sunshine Water Services Company*; Order No. PSC-2025-0035-PAA-GU, issued January 30, 2025, in Docket No. 20240046-GU, *In re: Petition for rate increase by St. Joe Natural Gas Company, Inc.*; Order No. PSC-2024-0046-PAA-WS, issued February 22, 2024, in Docket No. 20230081-WS, *In re: Application for increase in water and wastewater rates in Broward County by Royal Waterworks, Inc.*

Table 17-2
Staff Recommended Weighted Average Cost of Capital

Capital Component	Amount	Percentage	Cost Rate	Weighted Cost
Long-Term Debt	\$3,249,319	41.27%	5.90%	2.43%
Common Equity	4,315,917	54.81%	9.95%	5.46%
Customer Deposits	<u>308,811</u>	<u>3.92%</u>	2.00%	<u>0.08%</u>
Total	<u>\$7,874,047</u>	<u>100.00%</u>		<u>7.97%</u>

CONCLUSION

Based on the proper components, amounts, and cost rates associated with the capital structure for the 13-month average test year ended June 30, 2024, as discussed in Issues 14-16, the appropriate weighted average cost of capital for KWRU for purposes of setting rates is 7.97%, as reflected in Schedule No. 2.

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Issue 18: Should any adjustments be made to the test year operating revenues for KWRU's wastewater system?

Recommendation: Yes. Test year operating revenues for KWRU's wastewater system should be decreased by \$14,844. (Sibley)

Staff Analysis: In its revised MFRs, the utility reflected total test year operating revenues of \$3,920,642. The wastewater revenues included \$3,827,254 of service revenues and \$93,388 of miscellaneous revenues.

In response to Audit Request No. 18, the utility made a couple of adjustments to the billing determinants to reflect the appropriate number of bills for the 1-1/2 inch general service meter size and a 3 inch private lift station owner. The general service 1-1/2 inch meter size reflected 84 bills; however, 24 bills were unaccounted for and not included in the MFRs. Furthermore, the utility erroneously misclassified the private lift station owner as general service customer, which represented 12 bills. Therefore, staff made corresponding adjustments to reflect the appropriate number of bills for the private lift station owner and the general service customers. Staff determined test year service revenues by applying the current rates to the adjusted billing determinants. These adjustments resulted in service revenues of \$3,833,643, which is an increase of \$6,389 (\$3,833,643 - \$3,827,254).

Furthermore, in response to Audit Request No. 19, a couple of adjustments were made by staff to miscellaneous revenues. As shown in the MFRs, the miscellaneous revenues included initial revenues of \$38,244. However, the utility indicated that those revenues should have been classified as other miscellaneous revenues. Staff determined that the \$38,244 were engineering and administrative costs related to developer agreements, which should have been classified as CIAC. Therefore, staff removed \$38,244 from miscellaneous revenues. In addition, staff increased other revenues by \$17,010 to reflect other income earned on interest bearing accounts. These adjustments result in total miscellaneous revenues of \$72,155 (\$93,388 - \$38,244 + \$17,010), which is a decrease of \$21,233 (\$72,155 - \$93,388).

CONCLUSION

Based on the above, test year operating revenues should be decreased by \$14,844 (\$6,389 - \$21,233).

Issue 19: What is the appropriate amount of rate case expense?

Recommendation: The appropriate amount of rate case expense is \$142,924. This expense should be amortized over four years for an annual expense of \$35,731. Based on the utility's original filing, the annual amortization of rate case expense should be decreased by \$27,135. (Byrne, Przygocki)

Staff Analysis: In its MFRs, KWRU's requested \$251,465 for current rate case expense. Staff requested an update of the actual rate case expense incurred, with supporting documentation, as well as the estimated amount to complete the case. On May 9, 2025, the utility submitted its last revised estimate of the rate case expense, through completion of the PAA process, which totaled \$155,253.

Table 19-1
KWRU Requested Rate Case Expense

Description	Actual	Additional Estimated	Revised Total
Dean, Mead, Egerton, Bloodworth, Capouano & Bozartg, P.A. - Martin Friedman	\$11,166	\$12,651	\$23,816
Smith, Hawks, P.L.	22,755	6,033	28,788
Milian, Swain & Associates	76,248	13,840	90,088
M&R Consultants	2,992	1,520	4,512
The Weiler Engineering Corporation	1,005	0	1,005
Filing Fee	4,500	0	4,500
Customer Notices, Printing, and Shipping	1,216	1,328	2,544
Total	<u>\$119,881</u>	<u>\$35,371</u>	<u>\$155,253</u>

Dean, Mead, Egerton, Bloodworth, Capouano & Bozartg, P.A.

The utility requested rate case expense totaling \$49,200 along with \$3,800 in additional expenses for Dean, Mead, Egerton, Bloodworth, Capouano & Bozartg, P.A. in its MFRs. The utility provided documentation detailing rate case expense through April 30, 2025. The actual fees totaled \$11,166, with \$716 of this amount as expenses associated with the legal fees. An estimated cost of \$11,962 in remaining attorney fees was included, as well as the costs to complete the case, \$688 in travel expenses to attend the Commission Conference, totaling to \$23,816 in rate case expense for Mr. Friedman. Upon review of the invoices, staff found an adjustment increasing rate case expense by \$360 was necessary due to a discrepancy in the amount provided by Mr. Friedman and the amount calculated by staff. Another adjustment reducing rate case expense by \$205 was found to be necessary in order to remove hours billed associated with deficiency review, as it is Commission standard to remove these costs. Staff has calculated the amount allowed for Mr. Friedman to be \$23,971.

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Smith Hawks, PL

In addition to Dean, Mead, Egerton, Bloodworth, Capouano & Bozartg, P.A., the utility retained the law firm Smith Hawks, PL to assist in legal services. The utility requested \$67,500 in total rate case expense for Smith Hawks, PL in its MFRs. The utility provided documentation detailing rate case expense through March 15, 2025. In this update, the utility stated the actual billed attorney fees totaled \$22,755. Based on the support documentation provided, staff recalculated this amount to be \$21,689 and therefore recommends an adjustment decreasing rate case expense by \$1,066. The utility estimates remaining legal fees for Mr. Smith to be \$6,000, with \$33 in estimated costs remaining, bringing the total to \$27,722.

In KWRU's last rate case, staff reviewed the hourly rates of the attorneys representing KWRU and found Mr. Smith's hourly rate to be too high. In that case, staff limited Mr. Smith's rate to match Mr. Friedman's rate.²³ In response to staff's third data request, the utility provided an explanation as to why Mr. Smith's rate was reasonable. The utility stated Mr. Smith's current hourly rate is \$750, but most of the work was being performed by a paralegal, Brandi Green, at a rate of \$225 an hour. The utility stated the rate used in the MFRs estimate represents a blending of the rates based on allocation of work. Staff reviewed the documentation regarding rate case expense and found Mr. Smith's hourly rate from the invoices, of \$675 to be high when compared to the other attorneys. KWRU's other primary counsel Mr. Friedman, who was further discussed above, charges an hourly rate of \$435. Mr. Friedman's law firm, unlike Smith Hawks PL, specializes in representing water and wastewater utilities in the State of Florida. The Smith Hawks PL law firm has much less experience before the Commission and it is not reasonable that its hourly charges should be higher. Given Mr. Friedman's years of experience as a utility regulatory attorney, we find that Mr. Friedman's hourly rate of \$435 serves as a reliable benchmark for a reasonable hourly rate. Therefore, we adjusted Mr. Smith's hourly rate of \$675 to \$435 an hour. This results in a reduction of \$7,102. Based on the adjustments discussed above, staff recommends the rate case expense for Smith Hawks, PL to be \$20,620.

Milian, Swain & Associates, Inc.

The utility requested \$92,860 in rate case expense for Milian, Swain, & Associates, Inc. in its MFRs, as well as \$390 for various expenses. \$24,360 of this requested amount was for Deborah Swain, \$66,500 was for Cynthia Yapp, and \$2,000 was for Carolina Bastidas. The utility provided documentation detailing rate case expense through April 30, 2025. In this update, the utility stated their actual rate case expense amount charged to be \$76,248. Of this amount, \$15,298 was for Deborah Swain, \$56,383 was for Cynthia Yapp, and \$250 was for Carolina Bastidas. The revised estimate included \$9,280 remaining for Deborah Swain and \$4,560 remaining for Cynthia Yapp to complete the case, totaling to a revised estimate of \$90,088 for total rate case expense. Staff recalculated the actual fees using the bills provided and found the actual amount to be \$71,930, and therefore recommends an adjustment decreasing rate case expense by \$4,318. Also, the utility did not provide documentation for the \$390 requested in the MFRs for expenses. Based on these adjustments, staff recommends \$85,770 in rate case expense for Milian, Swain & Associates, Inc., a decrease of \$7,090 from the amount requested in the MFRs.

²³Order No. PSC-2018-0446-FOF-SU, issued September 4, 2018, in Docket 20170141-SU, *In re: Application for increase in wastewater rates in Monroe County by K W Resort Utilities Corp.*

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M&R Consultants

The utility requested \$5,700 in rate case expense for M&R Consultants in its MFRs. In response to staff's third data request, the utility provided documentation detailing rate case expense through March 17, 2025. The amount for M&R Consultants remained unchanged from that point in the rate case. The actual fees totaled \$2,992 with \$1,520 remaining to complete the case, a total of \$4,512. Staff believes this updated amount is reasonable and recommends no adjustments to this total. Therefore rate case expense for M&R Consultants should be reduced by \$1,188 from the amount requested in the utility's MFRs.

The Weiler Engineering Corporation

In its MFRs, the utility requested \$25,085 in rate case expense for the Weiler Engineering Corporation. In response to staff's second data request, the utility provided documentation detailing rate case expense through for the Weiler Engineering Corporation. The actual fees totaled \$1,005. Staff believes this updated amount is reasonable and recommends no additional adjustments. Therefore, the rate case expense requested in the MFRs for the Weiler Engineering Corporation should be reduced by \$24,080.

Miscellaneous Expenses

In its MFRs, the Utility included \$2,430 for printing and shipping expenses associated with the rate case expense. On March 27, in response to staff's second data request the utility provided invoices for printing and shipping expenses totaling \$1,216. Staff believes that this amount is reasonable and no additional adjustments should be made to the printing and shipping expenses. The Utility also included \$1,328 in travel fees to attend the Commission Conference. Therefore, miscellaneous expenses should be increased by \$114 from the amount requested in the utility's MFRs to include the travel expenses.

Filing Fee

The utility included \$4,500 for the filing fee in its MFRs. This fee was paid by Dean, Mead, Egerton, Bloodworth, Capouano & Bozartg, P.A. on behalf of the company. No adjustment is needed.

CONCLUSION

Based upon the adjustments discussed above, KWRU's requested rate case expense of \$251,465 should be decreased by \$108,541 for a total of \$142,924. A breakdown of staff's recommended rate case expense is as follows:

Table 19-2
Staff Recommended Rate Case Expense

Description	Utility Revised Total (Actual & Estimated)	Staff Adjustment	Recommended Total
Legal Fees	\$52,605	(\$8,013)	\$44,593
Accounting Consultant Fees	90,088	(4,318)	85,770
Engineering Consultant Fees	5,518	0	5,518
Filing Fee	4500	0	4,500
Printing, Shipping, and Travel	<u>2,544</u>	<u>0</u>	<u>2,544</u>
Total	<u>\$155,255</u>	<u>(\$12,331)</u>	<u>\$142,924</u>

Source: Staff's calculations

The total rate case expense of \$142,924 should be amortized over four years, pursuant to Section 367.081(8), F.S., as the utility did not request a longer period of amortization. This represents an annual expense of \$35,731. Based on the utility's MFR filing, the annual amortization of rate case expense of \$62,866 for the instant docket should be decreased by \$27,135.

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Issue 20: Should any adjustments be made to the utility's proposed pro forma expenses?

Recommendation: Yes. Staff recommends pro forma expenses be decreased by \$16,965. (Bardin, Wooten)

Staff Analysis: Staff has reviewed the utility's filings and recommends several adjustments to pro forma expenses. In its filing, KWRU requested a total of \$177,128 of pro forma expenses for projected increases in the following expense categories: salaries and wages, employee pension and benefits, general liability insurance, workers' compensation insurance, sludge hauling, chemicals, and contractual services for engineering. Staff's recommended adjustments are discussed below.

Employee Pension and Benefits

The utility included a corresponding pro forma increase of \$26,320 to employee pension and benefits expense for the requested increase in salaries and wages expense of \$51,352. This increase was comprised of two parts: a benefit calculation amount of 23.36 percent, calculated as the total test year pensions and benefits expense divided by salaries and wage expense as presented in the MFRs (\$322,598 / \$1,381,238), and an additional one percent of traditional pension times the total salaries equaling \$14,326.

While reviewing the calculation of the pension and benefits expense, staff noted that the Board of Directors receive stipends and health insurance reimbursements totaling \$148,100 (\$84,000 + \$64,100). KWRU's general ledger specifically identifies the Board members' payments as stipends. Stipends are not considered to be traditional wages by definition, are not based on the services or hours worked, and are not subject to Social Security or Medicare taxes as salaries are. Likewise, the health insurance reimbursements paid to the Board members are not for the same health insurance that the employees and officers receive through the company, and it is unknown if the insurance is comparable in benefits or costs. As such, staff believes these expenses should be excluded from the pension and benefits expense calculation for employees and officers receiving salaries and wages.

Staff has recalculated the percentage used to determine the requested pensions and benefits expense. When staff's recommended adjustments are removed from the computation, the resulting percentage is 19.93 (\$258,498 / \$1,297,238). Using 19.93 percent for the pension and benefits calculation and the pro forma amount of salaries and wages expense of \$51,352 results in \$10,234 rather than \$11,994, which is a difference of \$1,760.

For the second part of the pro forma employee pension and benefits expense of \$14,326, staff requested that KWRU clarify the need for the additional one percent of traditional pension times the total salaries and the utility responded in a data request that this one percent should be removed.

Thus, staff recommends a total appropriate amount of \$10,234 for pro forma employee pension and benefits expense, with a reduction of \$16,086 (\$1,760 + \$14,326).

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Workers' Compensation

The utility's MFR Schedule B-3 reflected a corresponding workers' compensation expense increase of 4.4 percent of the requested pro forma salaries and wage expense. Staff was unable to determine how the utility arrived at this percentage for the worker's compensation calculation. Workers' compensation expense should be based on the actual salaries and wages expense for both the employees and officers. As stated above, staff recommends the cost of stipends paid to the board members be excluded. Staff calculated the percentage of test year workers' compensation expense based on the total salaries and wage expense, less the Board of Directors stipend amounts, (\$33,730 divided by \$959,159 + \$422,079 - \$84,000). This resulted in a ratio of 2.60 percent which staff believes best represents the pro forma workers' compensation expense. As such, staff recommends a pro forma workers' compensation expense of \$1,335 (\$51,352 x 2.6%), which results in a reduction of \$879.

Pro Forma O&M Projects

In its filing, the utility requested two O&M pro forma projects, which are both required by the DEP: The Engineering Permit Renewal and Collection System Action Plan (CSAP) Preparation projects. Section 367.081, F.S., provides that the Commission shall approve rates for service which allow a utility to recover the full amount of environmental compliance costs.

Engineering Permit Renewal

For the WWTP to remain in operation, the DEP requires a permit renewal application every five years. Based on the WWTP's current permit expiration date of February 22, 2027, and Rule 62-620.335(1), F.A.C., the engineering permit renewal application must be submitted 180 days before the expiration date; therefore, the application must be completed no later than August 26, 2026. The utility requested a pro forma O&M expense of \$40,000 to complete this project, to be amortized over a five year period. This estimated expense is based on recent permit renewals from similarly sized facilities in Monroe County.²⁴ As the project is required by a governmental entity, staff recommends approval of the project and associated costs. The proposed amortization period is consistent with the frequency of the permit requirements, and therefore is appropriate. Therefore, no adjustments are needed for this pro forma expense.

CSAP Preparation

Pursuant to Rule 62-600.705(2), F.A.C., which became effective on June 28, 2023, the DEP now requires wastewater facilities to develop a pipe assessment, repair, and replacement action plan for the facility's collection system. A summary of this plan must be submitted to the DEP with the next facility permit application for any new permit, permit renewal, or substantial permit revision. The intended goal of the CSAP is to prevent SSO events and leakages that may endanger public health and the environment. The project must be completed in advance of the utility's August 26, 2026 permit renewal date and is currently scheduled to be completed by December 29, 2025. The utility requested a pro forma O&M expense of \$335,000 for the CSAP Preparation project, to be amortized over a five year period. The cost is based on an agreement with Weiler Engineering Corporation, the utility's primary engineering advisor, and is estimated to be completed by October 2025. As the project is required by a governmental entity, staff recommends approval of the project and associated costs. The proposed amortization period is

²⁴Document No. 04037-2025, filed on May 29, 2025, in Docket No. 20240108-SU, *In re: Application for increase in wastewater rates in Monroe County by K W Resort Utilities Corp.*

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consistent with the frequency of the permit requirements, and therefore is appropriate. Therefore, no adjustments are needed for this pro forma expense.

CONCLUSION

Based on the adjustments above, staff recommends that pro forma expenses be decreased by \$16,965 (\$16,086 + \$879).

Issue 21: Should any further adjustments be made to the utility's test year O&M expenses?

Recommendation: Yes. Based on the audit adjustments recommended by staff, the following adjustments should be made as set forth in staff's analysis below. In addition to the audit findings, staff recommends several adjustments to the O&M expenses. Staff recommends that O&M expenses be reduced by \$216,969. (Bardin, Wooten)

Staff Analysis: In its response to the staff audit report, KWRU did not contest the audit adjustments as set forth in the table below.

Table 21-1
Description of Audit Adjustments

Account 701 –Salaries and Wages - Employees	Discrepancy between the General Ledger and the payroll support documentation.	\$ 2,700
Account 703 –Salaries and Wages – Officers	Discrepancy between the General Ledger and the payroll support documentation.	(2,700)
Account 704 –Employee Pensions and Benefits	Employee examination fee charged incorrectly to another account.	100
Account 711 – Sludge Removal Expense	Improperly billed charge that was disputed and credited outside of the test year.	(4,549)
Account 720 – Materials and Supplies	To remove out-of-period expenses and reclassify one expense to another account.	(800)
Account 731 – Contractual Services-Engineering	To remove an out-of-period expense.	(5,203)
Account 735 – Contractual Services – Testing	To remove out-of-period expenses.	(840)
Account 750 – Transportation Expense	Reduction for vehicle repair work that was reimbursed by insurance and due to expenses reclassified.	(1,674)
Account 757 – General Liability Insurance	To correct amount for the actual expense incurred rather than the total monthly accrual amount used by the utility.	1,219
Account 760 – Advertising Expense	To remove out-of-period expenses.	(70)
Account 775 – Miscellaneous Expenses	To remove social membership dues and to include a cell phone expense that was omitted by the utility.	(1,350)
Total Audit O&M Adjustments		<u>(\$13,167)</u>

Additionally, staff recommends several adjustments to the O&M expenses after reviewing the utility's MFRs and responses to data requests.

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Salaries and Wages

In its filing, the utility included \$959,159 for salaries and wages expense of employees and \$422,079 for salaries and wages expense for officers and directors. Staff reviewed comparable salary compensation data filed in support of employee salaries and has no adjustments. The salaries and wages expense for officers and directors account included a stipend for each of the three board members. The Board of Directors receive compensation which consists of two Directors receiving monthly stipend payments at an annual rate of \$24,000 and a Chairman receiving monthly stipend payments at an annual rate of \$36,000.

Staff reviewed the information submitted by KWRU for comparable compensation paid to board members for both the Keys Energy Services (KES) and the Florida Keys Aqueduct Authority (FKAA).

KES has five elected board members who provide direction for a company with approximately 28,000 customers and an operating revenue of approximately \$119 million. KES' board is comprised of a chairman and four directors, and the board meets twice a month. The chairman receives compensation in the amount of \$28,000 annually, and the other four board members each receive \$24,520 annually. All members of KES' board also receive health insurance coverage.

FKAA has five board members who are appointed by Florida's Governor, and who provide direction for a company with more than 55,000 customers and an operating revenue of over \$90 million. Each board member receives \$584 per meeting, with twelve scheduled meetings per year, and the possibility of four to six additional meetings. These board members also receive health insurance coverage.

Staff believes the level of current director fees for KWRU is excessive, as it is a much smaller utility by comparison, with less than two thousand customers and less than four million dollars in revenue. Based on the data comparisons provided by the utility, staff recommends limiting the annual stipends of the two Directors to \$7,008, which is equivalent to what the FKAA board members receive for twelve meetings per year. The Chairman's annual stipend currently reflects one and one-half the amount of the Directors' annual stipend. Thus, staff recommends an annual stipend of \$10,512 ($\$7,008 \times 1.5$) for the Chairman.

In total, staff recommends that the appropriate amount of director fees should be \$24,528 ($\$7,008 + \$7,008 + \$10,512$). As such, the salaries and wages for officers and directors should be decreased by \$59,472.

Employee Pension and Benefits

Each of the three board members also receive monthly full health insurance premium reimbursements at a cost of \$21,367 each per year for a total \$64,100 during this test year. As they are not employees nor are the directors' health insurance premiums included in the utility's biweekly payment of health insurance payments, these health insurance reimbursements are additional monetary compensation for the board members. Staff notes that health insurance reimbursements are not a standard investor-owned utility practice for board members' compensation and are inappropriate as the directors are already being compensated through stipends.

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As such, staff recommends that the \$64,100 currently recorded as monthly board of directors health reimbursements in the employee pension and benefits account should be excluded from test year O&M expenses.

Therefore, staff recommends that an adjustment be made to reduce the employee pension and benefits expense by of \$64,100.

Miscellaneous Expenses

During a review of the utility's miscellaneous expenses, staff noted months with higher computer related expenses. In response to staff's data requests, KWRU confirmed that \$3,298 in expenses related to setting up an employee's telework station were non-recurring, as were \$665 in expenses related to a security camera set up. In total, staff recommends amortizing \$3,963 (\$3,298 + \$665) over a 5-year period, pursuant to Rule 25-30.433(8), F.A.C. This results in a decrease of \$3,170. Additionally the utility stated that one of the phones that was included in the test year expenses is no longer being utilized by the utility and the phone amount of \$659 should be removed from the miscellaneous expenses.

Therefore, staff recommends that an adjustment be made to reduce the miscellaneous expenses in the amount of \$3,829 (\$3,170 + \$659).

Capitalized O&M Expenses

As addressed in Issue 18, staff is recommending the reclassification of these revenues as CIAC, along with the capitalization of the associated costs. A corresponding adjustment should be made to reduce O&M expenses by \$38,244 to reflect the removal of the costs being capitalized.

Staff reviewed the O&M expenses which were determined to be non-recurring. In total O&M expense should be reduced by \$38,244 to reflect the capitalization of these costs.

CONCLUSION

Based on the adjustments above, staff recommends that O&M expenses be reduced by a total of \$216,969 (\$13,166 + \$59,472 + \$64,100 + \$3,829 + \$38,157 + \$38,244).

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Issue 22: Should any adjustments be made to test year taxes other than income?

Recommendation: Yes. Test year taxes other than income (TOTI) should be decreased by \$47,337. (Byrne, Przygocki)

Staff Analysis: Based on staff's Audit Finding No. 3, the following adjustments should be made. Test year regulatory assessment fees should be increased by \$329. To reflect the decrease in the 2024 property tax assessments from \$10,914 to \$8,751, property taxes should be reduced by \$2,162 (\$8,751 - \$10,914). There should also be a decrease of \$100 made to Other Licenses and Permits to reflect the DEP licensing examination fee of \$100, which was included in the original amount in the MFRs and should have been charged to Account 704. In total, test year TOTI should be decreased by \$1,933 (\$329 - \$2,162 - 100) to reflect staff's audit. The utility did not dispute these adjustments. Therefore staff recommends a decrease of \$1,933 to TOTI.

All additional adjustments are fallouts. Based on staff's adjustments to test year revenues and to remove the utility's requested increase, regulatory assessment fees should be reduced by \$41,787. To reflect staff's recommended non-used and useful adjustment, property taxes should be decreased by \$3,618. In total, TOTI should be reduced by \$47,337 (\$1,933 + \$41,787 + 3,618) before calculating staff's recommended increase.

CONCLUSION

Test year TOTI should be decreased by \$47,337.

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Issue 23: Should any adjustments be made to test year depreciation expense?

Recommendation: Yes. In addition to the adjustments recommended in Issues 5 and 8, depreciation expense should be increased by \$66,755. (York)

Staff Analysis: This is a fallout issue. In addition to the depreciation expense adjustments recommended in Issues 5 and 8, corresponding adjustments should be made to reflect staff's recommendation in Issues 9 and 18. To reflect staff's recommended adjustment for salvage value in Issue 9, depreciation expense should be reduced by \$765. To reflect Audit Finding No. 6, depreciation expense should be increased by \$64,058. Staff notes a calculation error was found in the Audit Report after its issuance and it does not reflect the correct adjustment. To reflect staff's recommended adjustment to reclassify certain costs reflected as miscellaneous revenues in the test year in Issue 18, a corresponding adjustment should be made to increase depreciation expense by \$1,275. To reflect the capitalization of O&M expenses recommended in Issue 21, depreciation expense should be increased by \$2,186.

CONCLUSION

Based on the above, in addition to the adjustments recommended in Issues 5, 6, and 8, staff recommends depreciation expense be increased by \$66,755 ($-\$765 + \$64,058 + \$1,275 + \$2,186$).

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Issue 24: Should any adjustments be made to test year amortization of CIAC expense?

Recommendation: Yes. Amortization of CIAC should be increased by \$1,275. All necessary adjustments to CIAC amortization expense associated with staff's recommended non-U&U adjustment should be made as set forth and discussed in Issue 9. (Bardin)

Staff Analysis: In its filing, KWRU reflected test year CIAC amortization expense of \$398,765. The audit staff found no issue with this amount. As addressed in Issue 9, staff is recommending a non-used and useful adjustment to rate base that includes a corresponding adjustment to CIAC amortization expense. A corresponding adjustment should be made to increase amortization of CIAC amortization expense by \$1,275 to reflect the CIAC adjustment recommended in Issue 10.

CONCLUSION

Staff recommends a corresponding adjustment to increase amortization of CIAC by \$1,275.

Issue 25: What is the appropriate revenue requirement for the June 30, 2024 test year?

Recommendation: Staff recommends the following revenue requirement be approved.
(Bardin)

Test Year Revenue	\$ Increase	Revenue Requirement	% Increase
\$3,905,798	\$358,534	\$4,264,332	9.18%

Staff Analysis: In its filing, KWRU requested a revenue requirement to generate annual revenue of \$4,834,390. This requested revenue requirement represents a revenue increase of \$913,843, or approximately 23.31 percent.

Consistent with staff's recommendations concerning rate base, cost of capital, and operating expenses, the appropriate revenue requirement is \$4,264,332. Staff's recommended revenue requirement of \$4,264,332 is \$358,534 greater than staff's adjusted test year revenue of \$3,905,798 or an increase of 9.18 percent. Staff's recommended revenue requirement will allow the Utility the opportunity to recover its expenses and earn a 7.97 percent return on its investment in rate base.

CONCLUSION

The appropriate revenue requirement should be \$4,264,332 for the June 30, 2024 test year.

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Issue 26: What are the appropriate rate structures and rates for the wastewater systems?

Recommendation: The appropriate rate structure and rates for wastewater service are shown on Schedule No. 4. The utility should file revised tariff sheets and a proposed customer notice to reflect Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rates should not be implemented until staff has approved the proposed customer notice and the notice has been received by customers. The utility should provide proof of the date notice was given within 10 days of the date of the notice. (Sibley)

Staff Analysis: KWRU provides wastewater service to approximately 1,439 residential customers, 183 general service customers, and 220 private lift station owners. Currently, the wastewater rate structure for residential customers consists of a monthly uniform base facility charge (BFC) for all meter sizes and gallonage charge with a 10,000 gallonage cap. The general service rate structure consists of BFCs by meter size and a gallonage charge that is 1.2 times higher than the residential gallonage charge.

Staff performed an analysis of the utility's billing data in order to evaluate various BFC cost recovery percentages and gallonage caps for the residential wastewater 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; and 3) implement a gallonage cap, where appropriate, that considers approximately the amount of water that may return to the wastewater system.

Currently, the utility's BFC allocation is 38 percent of the wastewater revenue. Consistent with Commission practice, staff allocated 50 percent of the wastewater revenue to the BFC due to the capital intensive nature of wastewater plants. The utility's current wastewater gallonage cap is set at 10,000 gallons per month. The wastewater gallonage cap recognizes that not all water used by the residential customers is returned to the wastewater system. Based on staff's review of the billing data, staff recommends that the gallonage cap for residential customers remain at 10,000 gallons. Staff also recommends that the general service gallonage charge continue to be 1.2 times greater than the residential gallonage charge, which is consistent with Commission practice.

In addition, wastewater rates are calculated on customers' water demand; if those customers' water demand is expected to decline due to repression, then the billing determinants used to calculate wastewater rates should be adjusted accordingly. In determining the number of wastewater gallons subject to repression, staff uses the gallons between the non-discretionary threshold and the wastewater gallonage cap and applies the percentage reduction in water gallons. In this case, there is no water system to calculate repression. Therefore, a repression adjustment for wastewater is not applicable.

CONCLUSION

The appropriate rate structure and rates for wastewater service are shown on Schedule No. 4. The utility should file revised tariff sheets and a proposed customer notice to reflect 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

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approved rates 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.

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Issue 27: What are the appropriate reuse rates?

Recommendation: The appropriate rate for KWRU's reuse service is \$2.05 per 1,000 gallons. The utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475, F.A.C. In addition, the approved rates should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The utility should provide proof of the date notice was given within 10 days of the date of the notice. (Sibley)

Staff Analysis: In its MFRs, KWRU proposed a reuse rate of \$2.33. The utility provides reuse service to three general service customers in Monroe County. The current reuse rate for these customers is \$1.88 per 1,000 gallons. The utility's primary method of disposal of the treated wastewater is through reuse. Reuse rates are market based rather than cost based. This provides an incentive to encourage customers to use the reuse. In addition, there are cost savings associated with providing reuse to customers rather than purchasing land for disposal of the treated wastewater.

A review of reuse rates charged throughout Monroe County listed in the Florida Department of Environmental Protection's 2025 Reuse Inventory Report indicates that KWRU's proposed reuse rate is lower than other providers in the county. During its review of the utility's reuse rates, staff determined that the utility applied an across-the-board increase, consistent with the overall revenue increase, to the existing reuse rate for its proposed reuse rate.²⁵ Over the past few years, the Commission has approved across-the-board increases to reuse rates. Staff believes that the utility's methodology of applying an across-the-board increase is appropriate and reasonable in this case because the resulting reuse rate is below the market in KWRU's respective county. Therefore, staff recommends an across-the-board increase of 9.81 percent to the existing reuse rate commensurate with the overall recommended increase in wastewater.

CONCLUSION

The appropriate rate for KWRU's reuse service is \$2.05 per 1,000 gallons. The utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475, F.A.C. In addition, the approved rates should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The utility should provide proof of the date notice was given within 10 days of the date of the notice.

²⁵See Order No. PSC-15-0233-PAA-WS, issued June 3, 2015, in Docket No. 140060-WS, *In re: Application for increase in water and wastewater in Seminole County by Sanlando Utilities Corporation*.

Date: June 19, 2025

Issue 28: Should miscellaneous service charges be revised to conform to Rule 25-30.460, F.A.C.?

Recommendation: Yes. The initial connection and normal reconnections charges should be removed. The premises visit charge should be revised to \$89.50 for normal hours and \$91.36 for after hours. The definition for the premises visit charge should be updated to comply with Rule 25-30.460, F.A.C. The utility should be required to file a proposed customer notice to reflect the Commission-approved charges. The approved charges should be effective for services rendered or connections made 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 notice. (Chambliss)

Staff Analysis: The utility did not request to revise its existing miscellaneous service charges. Section 367.091, F.S., authorizes the Commission to establish, increase, or change a rate or charge other than monthly rates or service availability charges. The utility's miscellaneous service charges include an initial connection charge of \$77.40 for normal hours and \$79.01 for after hours. In addition, the miscellaneous service charges include a normal reconnection charge of \$89.50 for normal hours and \$91.36 for after hours. Rule 25-30.460, F.A.C., does not allow for initial connection and normal reconnection charges and these should be removed from the tariff. The definitions for initial connection charges and normal reconnection charges were subsumed in the definition of the premises visit charge. Since the premises visit entails a broader range of tasks, staff recommends the premises visit charge should reflect the amount of the normal reconnection charge, which is \$89.50 for normal business hours and \$91.36 for after hours calls.

CONCLUSION

Based on the above, the initial connection and normal reconnections charges should be removed. The premises visit charge should be revised to \$89.50 for normal hours and \$91.36 for after hours. The definition for the premises visit charge should be updated to comply with Rule 25-30.460, F.A.C. The utility should be required to file a proposed customer notice to reflect the Commission-approved charges. The approved charges should be effective for services rendered or connections made 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 notice.

Issue 29: What is the appropriate Lift Station cleaning charge?

Recommendation: The appropriate lift station cleaning charge for KWRU is \$2,354.25. The approved charge should be effective for services rendered or connections made on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475. 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 the customers. KWRU should provide proof of the date notice was given within 10 days of the date of the notice. (Chambliss)

Staff Analysis: KWRU's lift station cleaning charge was established in 2017.²⁶ Subsequently, the charge has been indexed yearly to the existing charge of \$1,807.92. The charge was designed to allow the utility to recover the costs associated with cleaning the Monroe County Detention Center lift station. KWRU did not request changes to its lift station cleaning charge; however, staff believes it is appropriate to update the charge with current actual costs to ensure the burden of this cost is on the cost causer. At staff's request, the utility provided cost justification for an updated charge of \$2,354.25 as shown in Table 29-1. Based on the utility's cost justification, staff believes it is an appropriate reflection of current costs.

Table 29-1
Lift Station Cleaning Charge

Activity	Cost	Activity
Labor (\$30/hr x 1.5 hrs)	\$45.00	Labor (\$30/hr x 1.5 hrs)
Disposal Cost (\$28.88 per 100lbs)	\$28.36	Disposal Cost (\$28.88 per 100lbs)
Supplies	\$4.04	Supplies
Total Per Day	<u>\$77.40</u>	Total Per Day
Annual Charge (\$77.40 x 365)	\$28,251.00	Annual Charge (\$77.40 x 365)
Monthly Charge (\$28,251/12)	\$2,354.25	Monthly Charge (\$28,251/12)

Source: Utility's cost justification

CONCLUSION

The appropriate lift station cleaning charge for KWRU is \$2,354.25. The approved charge should be effective services rendered or connections made on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475. 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 the customers. KWRU should provide proof of the date notice was given within 10 days of the date of the notice.

²⁶Order No. PSC-2017-0091-FOF-SU, issued March 13, 2017, in 20150071-SU, *In re: Application for increase in wastewater rates in Monroe County by K W Resort Utilities Corp.*

Date: June 19, 2025

Issue 30: What are the appropriate initial customer deposits?

Recommendation: The appropriate initial customer deposit should be \$201 for the 5/8 inch x 3/4 inch meter size for residential service customers. The initial customer deposit for all other residential meter sizes and all general service meter sizes should be two times the average estimated bill for wastewater. The approved initial customer deposits should be effective for connections made on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475, F.A.C. The utility should be required to collect the approved deposits until authorized to change them by the Commission in a subsequent proceeding. (Chambliss)

Staff Analysis: Rule 25-30.311, F.A.C., provides the criteria for collecting, administering, and refunding customer deposits. Customer deposits are designed to minimize the exposure of bad debt expense for the utility and, ultimately, the general body of ratepayers. An initial customer deposit ensures that the cost of providing service is recovered from the cost causer. Historically, the Commission has set initial customer deposits equal to two times the average estimated bill.²⁷ Currently, the utility has an initial customer deposit of \$161 for the 5/8 inch x 3/4 inch meter size. However, this amount does not cover two months' average bills based on staff's recommended rates. Based on the utility's average monthly residential consumption, the appropriate initial customer deposit should be \$201 to reflect an average residential customer bill for two months. The monthly average residential bill is \$100.55.

CONCLUSION

Staff recommends that the appropriate initial customer deposit should be \$201 for the 5/8 inch x 3/4 inch meter size. The initial customer deposit for all other residential meter sizes and all general service meter sizes should be two times the average estimated bill for wastewater. The approved initial customer deposits should be effective for connections made on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475, F.A.C. The utility should be required to collect the approved deposits until authorized to change them by the Commission in a subsequent proceeding.

²⁷Order No. PSC-2015-0142-PAA-SU, issued March 26, 2015, in Docket No. 130178-SU, *In re: Application for staff-assisted rate case in Polk County by Crooked Lake Park Sewerage Company*.

Date: June 19, 2025

Issue 31: Should an Allowance for Funds Used During Construction (AFUDC) rate be established? If yes, what is the appropriate AFUDC rate and when will it be effective?

Recommendation: Yes. An annual AFUDC rate of 7.97 percent, effective July 1, 2024, should be approved with a discounted monthly rate of 0.006410. The approved rate should be applicable for eligible construction projects beginning July 1, 2024. (Sewards)

Staff Analysis: On February 4, 2025, KWRU filed a request to establish an AFUDC rate of 8.06 percent based on its requested WACC in the instant docket. AFUDC is an accounting entry designed to permit a utility to recover the cost associated with financing eligible construction activities. AFUDC is not a tariffed rate or charge.

In accordance with Rule 25-30.116(5), F.A.C., the utility filed Schedules: A, a schedule showing the capital structure, cost rates and WACC that are the basis for the AFUDC rate requested; B, a schedule showing capital structure; and C, a schedule showing the calculation of the monthly AFUDC rate using the methodology set out in Rule 25-30.116(4), F.A.C. In its calculation, KWRU used its requested capital structure comprised of common equity, long-term debt, and customer deposits.

Staff has reviewed the calculations submitted by KWRU. The utility calculated a WACC and resulting AFUDC rate of 8.06 percent. As discussed in Issue 17, staff has recommended a WACC of 7.97 percent. Additionally, the utility calculated its proposed AFUDC rate using the 13-month average balance of each component. Pursuant to Rule 25-30.116(3), F.A.C., staff recalculated the AFUDC rate using the 12-month average balances and an end of period cost rate for the long-term debt. As such, staff recommends that an AFUDC rate of 7.97 percent be approved and a monthly discounted rate of 0.006410 be applied to the qualified construction projects of KWRU.

Rule 25-30.116(6), F.A.C., states that "...The new AFUDC rate shall 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." KWRU used a test year ended June 30, 2024. Accordingly, staff recommends that the AFUDC rate be effective for qualified construction projects beginning July 1, 2024.

CONCLUSION

Based on the above, staff recommends an annual AFUDC rate of 7.97 percent, effective July 1, 2024, be approved with a discounted monthly rate of 0.006410. The approved rate should be applicable for eligible construction projects beginning July 1, 2024.

Date: June 19, 2025

Issue 32: What is the appropriate amount by which rates should be reduced after the established effective date to reflect the removal of the amortized rate case expense?

Recommendation: KWRU's wastewater rates should be reduced as shown on Schedule No. 4. This is to remove rate case expense, grossed up for regulatory assessment fees, which is being amortized over a four-year period and will result in a reduction of \$37,415. The decrease in rates should become effective immediately following the expiration of the four-year rate case expense recovery period. Pursuant to Section 367.0816, F.S. KWRU should be required to file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for 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 and/or pass-through rate adjustment, separate data should be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense. (Byrne, Przygocki)

Staff Analysis: Section 367.081(8), F.S., requires that rates be reduced immediately following the expiration of the determined amortization period by the amount of the rate case expense previously included in rates. The reduction will reflect the removal of \$37,415 of revenue associated with the amortization of rate case expense, the associated return on deferred rate case expense included in working capital, and the gross up for regulatory assessment fees. Using KWRU's current revenues, expenses, capital structure and customer base, the reduction in revenues will result in the rate decreases as shown on Schedule No. 4.

The utility should be required to file revised tariff sheets no later than one month prior to the actual date of the required rate reduction. KWRU should also be required to file a proposed customer notice setting forth the lower rates and the reason for the reduction. If the utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data should be filed for the price index and/or pass-through increase or decrease, and the reduction in the rates due to the amortized rate case expense.

Date: June 19, 2025

Issue 33: Should the utility be required to notify, within 90 days of an effective order finalizing this docket, that it has adjusted its books for all the applicable National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts (USOA) associated with the Commission approved adjustments?

Recommendation: Yes, the utility should be required to notify the Commission, in writing, that it has adjusted its books in accordance with any Commission ordered adjustments. KWRU should submit a letter within 90 days of the final order in this docket, confirming that the adjustments to all applicable NARUC USOA accounts have been made to the utility's books and records. In the event the utility needs additional time to complete the adjustments, notice should be provided within seven days prior to the deadline. Upon providing good cause, staff should be given administrative authority to grant an extension of up to 60 days. (Byrne)

Staff Analysis: The utility should be required to notify the Commission, in writing, that it has adjusted its books in accordance with any Commission ordered adjustments. KWRU should submit a letter within 90 days of the final order in this docket, confirming that the adjustments to all applicable NARUC USOA accounts have been made to the utility's books and records. In the event the utility needs additional time to complete the adjustments, notice should be provided within seven days prior to the deadline. Upon providing good cause, staff should be given administrative authority to grant an extension of up to 60 days.

Date: June 19, 2025

Issue 34: Should this docket be closed?

Recommendation: No. If no person who substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, a consummating order should be issued. The docket should remain open for staff's verification that the revised tariff sheets and customer notice have been filed by the utility and approved by staff, and the utility has notified staff that the adjustments for all the applicable NARUC USOA primary accounts have been made. Once these actions are complete, this docket should be closed administratively. (Brownless)

Staff Analysis: If no person who substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, a consummating order should be issued. The docket should remain open for staff's verification that the revised tariff sheets and customer notice have been filed by the utility and approved by staff, and the utility has notified staff that the adjustments for all the applicable NARUC USOA primary accounts have been made. Once these actions are complete, this docket should be closed administratively.

K W Resort Utilities Corp Schedule of Wastewater Rate Base Test Year Ended June 30, 2024			Schedule No. 1-A Docket No. 20240108-SU		
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year
1 Plant in Service	\$21,985,301	\$2,132,047	\$24,117,348	\$301,205	\$24,418,553
2 Land and Land Rights	\$375,000	\$0	\$375,000	\$0	\$375,000
3 Non-used and Useful Components	0	0	0	(2,231,591)	(2,231,591)
4 Accumulated Depreciation	(10,211,165)	(33,033)	(10,244,198)	(423,140)	(10,667,338)
5 CIAC	(12,091,323)	0	(12,091,323)	(38,244)	(12,129,567)
6 Amortization of CIAC	6,665,424	0	6,665,424	1,275	6,666,699
7 CWIP	94,385	(94,385)	0	0	0
8 Working Capital Allowance	<u>0</u>	<u>1,439,394</u>	<u>1,439,394</u>	<u>2,896</u>	<u>1,442,290</u>
9 Rate Base	<u>\$6,817,622</u>	<u>\$3,444,023</u>	<u>\$10,261,645</u>	<u>(\$2,387,599)</u>	<u>\$7,874,046</u>

K W Resort Utilities Corp Adjustments to Rate Base Test Year Ended June 30, 2024		Schedule No. 1-B Docket No. 20240108-SU
Explanation		Wastewater
<u>Plant In Service</u>		
1 To reflect corresponding adjustment to annualize plant.		\$224,804
2 To reflect reclassification of miscellaneous revenues.		38,244
3 To recognize capitalization of O&M expenses.		<u>38,157</u>
Total		<u>\$301,205</u>
<u>Non-used and Useful</u>		
To reflect net non-used and useful adjustment.		<u>(\$2,231,591)</u>
<u>Accumulated Depreciation</u>		
1 To reflect Audit Finding No. 4.		\$2,618
2 To reflect Audit Finding No. 6.		(424,447)
3 To recognize salvage value in annualization adjustment.		765
4 To recognize salvage value in pro forma additions.		1,385
5 To recognize capitalization of O&M expenses.		(2,186)
6 To reflect reclassification of miscellaneous revenues.		<u>(1,275)</u>
Total		<u>(\$423,140)</u>
<u>CIAC</u>		
To reflect reclassification of miscellaneous revenues.		<u>(\$38,244)</u>
<u>Accumulated Amortization of CIAC</u>		
To reflect reclassification of miscellaneous revenues.		<u>\$1,275</u>
<u>Working Capital</u>		
1 To reflect Audit Finding No. 1.		(\$274)
2 To reflect corresponding adjustment for amortized O&M expenses.		<u>3,170</u>
Total		<u>\$2,896</u>

K W Resort Utilities Corp Capital Structure-Simple Average Test Year Ended June 30, 2024						Schedule No. 2 Docket No. 20240108-SU		
Description	Total Capital	Specific Adjust- ments	Subtotal Adjusted Capital	Prorata Adjust- ments	Capital Reconciled to Rate Base	Ratio	Cost Rate	Weighted Cost
Per Utility								
1 Long-term Debt	\$2,994,387	\$505,613	\$3,500,000	\$764,575	\$4,264,575	41.56%	5.90%	2.45%
2 Short-term Debt	0	0	\$0	0	\$0	0.00%	0.00%	0.00%
3 Preferred Stock	0	0	\$0	0	\$0	0.00%	0.00%	0.00%
4 Common Equity	4,648,885	0	4,648,885	1,015,550	5,664,435	55.20%	10.05%	5.55%
5 Customer Deposits	332,635	0	332,635	0	332,635	3.24%	2.00%	0.06%
6 Deferred Income Taxes	0	0	\$0	0	\$0	0.00%	0.00%	0.00%
7 Total Capital	<u>\$7,975,907</u>	<u>\$505,613</u>	<u>\$8,481,520</u>	<u>\$1,780,125</u>	<u>\$10,261,645</u>	<u>100.00%</u>		<u>8.06%</u>
Per Staff								
8 Long-term Debt	\$2,994,387	\$505,613	\$3,500,000	(\$250,681)	\$3,249,319	41.27%	5.90%	2.43%
9 Short-term Debt	0	0	\$0	\$0	0	0.00%	0.00%	0.00%
10 Preferred Stock	\$0	0	\$0	\$0	0	0.00%	0.00%	0.00%
11 Common Equity	4,648,885	0	4,648,885	(332,968)	4,315,917	54.81%	9.95%	5.46%
12 Customer Deposits	332,635	0	332,635	(23,824)	308,811	3.92%	2.00%	0.08%
13 Deferred Income Taxes	\$0	0	\$0	\$0	0	0.00%	0.00%	0.00%
14 Total Capital	<u>\$7,975,907</u>	<u>\$505,613</u>	<u>\$8,481,520</u>	<u>(\$607,473)</u>	<u>\$7,874,047</u>	<u>100.00%</u>		<u>7.97%</u>
						LOW	HIGH	
RETURN ON EQUITY						<u>8.95%</u>	<u>10.95%</u>	
OVERALL RATE OF RETURN						<u>7.42%</u>	<u>8.52%</u>	

K W Resort Utilities Corp Statement of Wastewater Operations Test Year Ended June 30, 2024				Schedule No. 3-A Docket No. 20240108-SU			
Description	Test Year Per Utility	Utility Adjust- ments	Adjusted Test Year Per Utility	Staff Adjust- ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	<u>\$3,851,481</u>	<u>\$982,908</u>	<u>\$4,834,389</u>	<u>(\$928,591)</u>	<u>\$3,905,798</u>	<u>\$358,534</u> 9.18%	<u>\$4,264,332</u>
Operating Expenses							
2 Operation & Maintenance	\$2,832,631	\$253,623	\$3,086,254	(\$261,069)	\$2,825,185		\$2,825,185
3 Depreciation	424,360	142,619	566,979	(78,155)	488,824		488,824
4 Amortization	0	0	0	0	0		0
5 Taxes Other Than Income	288,955	65,114	354,069	(47,337)	306,732	16,134	322,866
6 Income Taxes	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
7 Total Operating Expense	<u>3,545,946</u>	<u>461,356</u>	<u>4,007,302</u>	<u>(386,561)</u>	<u>3,620,741</u>	<u>16,134</u>	<u>3,636,875</u>
8 Operating Income	<u>\$305,535</u>	<u>\$521,552</u>	<u>\$827,087</u>	<u>(\$542,030)</u>	<u>\$285,057</u>	<u>\$342,400</u>	<u>\$627,457</u>
9 Rate Base	<u>\$6,817,622</u>		<u>\$10,261,645</u>		<u>\$7,874,046</u>		<u>\$7,874,046</u>
10 Rate of Return	<u>4.48%</u>		<u>8.06%</u>		<u>3.62%</u>		<u>7.97%</u>

Date: June 19, 2025

K W Resort Utilities Corp Adjustment to Operating Income Test Year Ended June 30, 2024		Schedule No. 3-B Docket No. 20240108-SU
Explanation		Wastewater
<u>Operating Revenues</u>		
1 To remove requested final revenue increase.		(\$913,747)
2 To reflect the appropriate amount of operating revenues.		(14,844)
Total		<u>(\$928,591)</u>
<u>Operation and Maintenance Expense</u>		
1 To reflect Audit Finding No. 2.		(\$13,167)
2 To reflect the appropriate amount of salaries & wages - officers.		(59,472)
3 To reflect the appropriate amount of pensions & benefits.		(80,186)
4 To reflect the appropriate amount of insurance - workman's comp.		(879)
5 To reflect the appropriate amount of miscellaneous expense.		(3,829)
6 To reflect the appropriate amount of rate case expense.		(27,267)
7 To recognize capitalization of O&M expenses.		(38,157)
8 To reflect reclassification of miscellaneous revenues.		(38,244)
Total		<u>(\$261,201)</u>
<u>Depreciation Expense - Net</u>		
1 To reflect Audit Finding No. 6.		\$64,058
2 To recognize salvage value in annualization adjustment.		(765)
3 To recognize salvage value in pro forma additions.		(2,770)
4 To reflect reclassification of miscellaneous revenues to amort exp.		(1,275)
5 To reflect reclassification of miscellaneous revenues to dep Exp.		1,275
6 To recognize capitalization of O&M expenses.		2,186
7 To reflect net non-used and useful adjustment.		(140,864)
Total		<u>(\$78,155)</u>
<u>Taxes Other Than Income</u>		
1 To remove RAFs on revenue adjustments above.		(\$41,787)
2 To reflect Audit Finding No. 3.		(1,933)
3 To reflect non-used and useful adjustment to property tax		(3,618)
Total		<u>(\$47,337)</u>

Date: June 19, 2025

K W Resort Utilities Corp				Schedule No. 4
Monthly Wastewater Rates				Docket No. 20240108-SU
Test Year Ended June 30, 2024				
	UTILITY CURRENT RATE	UTILITY PROPOSED RATES	STAFF RECOMMENDED RATES	4 YEAR RATE REDUCTION
Residential Service				
Base Facility Charge - All Meter Sizes	\$53.24	\$65.95	\$70.93	\$0.65
Charge Per 1,000 gallons				
10,000 gallon cap	\$8.82	\$10.93	\$8.16	\$0.07
General Service				
Base Facility Charge by Meter Size				
5/8" x 3/4"	\$53.24	\$65.95	\$70.93	\$0.65
3/4"	\$79.86	\$98.93	\$106.40	\$0.98
1"	\$133.10	\$164.88	\$177.33	\$1.63
1-1/2"	\$266.20	\$329.75	\$354.65	\$3.25
2"	\$425.92	\$527.60	\$567.44	\$5.20
3"	\$851.84	\$1,055.20	\$1,134.88	\$10.40
4"	\$1,331.30	\$1,648.75	\$1,773.25	\$16.25
6"	\$2,662.00	\$3,297.50	\$3,546.50	\$32.50
8" Turbo	\$4,791.60	\$5,935.50	\$6,383.70	\$58.50
Charge per 1,000 gallons	\$10.58	\$13.11	\$9.80	\$0.09
Harbor Shores				
Base Facility Charge	\$3,673.56	\$4,550.81	\$4,894.17	\$44.82
Gallonge Charge per 1,000 gallons				
690,000 gallon cap	\$8.82	\$10.93	\$8.16	\$0.07
Private Lift Station Owners				
Base Facility Charge by Meter Size				
5/8" x 3/4"	\$42.60	\$52.77	\$56.74	\$0.52
3/4"	\$63.90	\$79.16	\$85.12	\$0.78
1"	\$106.50	\$131.93	\$141.86	\$1.30
1-1/2"	\$213.00	\$263.86	\$283.72	\$2.60
2"	\$340.80	\$422.18	\$453.95	\$4.16
3"	\$681.60	\$844.37	\$907.90	\$8.32
4"	\$1,065.00	\$1,319.32	\$1,418.60	\$13.00
6"	\$2,130.00	\$2,638.64	\$2,837.20	\$26.00
8"	\$3,408.00	\$4,221.83	\$4,539.52	\$41.60
Gallonge Charge per 1,000 gallons	\$10.58	\$13.11	\$9.80	\$0.09
Reuse Service				
Gallonge Charge per 1,000 gallons	\$1.88	\$2.33	\$2.05	\$0.02
Typical Residential 5/8" x 3/4" Meter Bill Comparison				
2,000 Gallons	\$70.88	\$87.81	\$87.25	
6,000 Gallons	\$106.16	\$131.53	\$119.89	
10,000 Gallons	\$141.44	\$175.25	\$152.53	