

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: November 22, 2016

TO: Chairman Julie I. Brown
Commissioner Lisa Polak Edgar
Commissioner Art Graham
Commissioner Ronald A. Brisé
Commissioner Jimmy Patronis

FROM: Division of Engineering (Ballinger)
Division of Economics (Shafer)

RE: Docket No. 150010-WS – Application for staff-assisted rate case in Brevard County by Aquarina Utilities, Inc.
Supplemental analysis to Staff's October 20, 2016 recommendation, Issues 10 through 19.

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COMMISSION CLERK

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Introduction

At the November 1, 2016 Commission Conference, the Commission voted on Issues 1 – 9 of Staff's October 20, 2016 recommendation. The Commission found that the overall quality of service for Aquarina Utilities, Inc. (Aquinara or Utility) is marginal and that Commission staff should commence a management audit of the Utility. The Commission also approved overall Phase I revenue requirements for all water and wastewater services. The Utility customers in attendance, as well as the Utility, expressed concern about the level and structure of the irrigation (non-potable water) rates and the resulting risk of losing the largest irrigation customer, Aquarina Beach and Country Club (Country Club). The Commission directed staff to work with the Utility and the customers, including the Country Club, to reallocate revenue requirements to address the concerns expressed by the Utility and the customers. This memo provides alternative rates and rate structures for the Commission to consider in conjunction with the October 20, 2016 staff recommendations for Issues 10 – 19.

Staff Analysis

At the November 1, 2016 Commission Conference, several customers and the Utility expressed concern over the amount of the increase in staff's recommended non-potable water rates. The comments placed emphasis on the impact the rate increase would have on the largest non-potable water customer, the Country Club. Customers were concerned that if the Country Club was forced out of business it could affect property values in the community. The customers and the Utility also noted that all customers benefit from the non-potable water system because it provides fire flow.

November 22, 2016

Prior to the November 1, 2016 Commission Conference, the Utility proposed the increase to the non-potable gallonage rate be limited to 10 percent or \$0.86 and the remaining non-potable revenue increase collected from potable water service. Based on the Utility's proposal, staff had prepared and distributed several different rate structure scenarios to address the Utility's concern about the risk of losing the Country Club. None of the scenarios presented at that time were deemed suitable to the customers who were present. The Commission deferred consideration of Issues 10 - 19 and directed staff to develop additional rate structure alternatives based on the comments of the customers and the Utility. Staff has developed two additional alternative rate structures shown on Attachment 1.

Alternative 1 is a variation of the Utility's proposal to limit the increase to the existing non-potable gallonage charge to 10 percent resulting in a proposed gallonage charge of \$0.86 per thousand gallons. This alternative has no associated Base Facility Charge for non-potable water service and evenly distributes the residual non-potable revenue requirement between potable water service and wastewater service. Alternative 2 splits the non-potable revenue requirement equally between the three services: potable water, non-potable water, and wastewater. Alternative 2 includes a Base Facility Charge for all meter sizes for non-potable water service. In both Alternatives 1 and 2, the wastewater only flat rate does not include any allocation from the non-potable system.

Staff provided Alternatives 1 and 2 to the Utility, representatives of several customer groups, and the Office of Public Counsel via email on November 14. A meeting of the Aquarina Community Services Association (ACSA) was held on November 15 to consider the alternative rates structures. ACSA is a master association over multiple HOAs within the Utility's service area. Only the Sunnyland development, whose customers are wastewater only and not affected, and the St. Andrews development are not represented by the ACSA. Staff provided the new alternatives to the St. Andrews HOA president via email on November 18, 2016, and received the HOA response on November 21, 2016. The St. Andrews HOA response is that it prefers staff's recommended rates over either alternative and is not in favor of subsidizing the non-potable water rates to the benefit of the Country Club. Staff has received email confirmation from the Country Club that it prefers Alternative 1 and the Utility has also confirmed that it prefers Alternative 1.

Should the Commission determine in Issue 10 that Alternative 1 is the appropriate rate structure, Issue 11 (four year rate case expense reduction) and Issue 16 (Phase II rates) are affected. Attachment 2 includes Schedules Nos. 4-A, 4-B, 8-A, and 8-B reflecting Alternative 1 and 2 rates and the four year rate reductions as well as Phase II rates. Staff's initial recommendation did not include a change to the customer deposits, however, Alternative 1 and 2 rates would result in a change in the initial customer deposits. A recalculated initial customer deposit amount which corresponds to Alternative 1 and 2 is also included in Attachment 2.

cc: Braulio Baez
Keith Hetrick
Mark Futrell
Carlotta Stauffer
Charles Murphy

Aquarina Utilities, Inc.
Docket No. 150010-WS

	Staff Recommended	Alternative 1	Alternative 2
	Phase I Rates	Company's proposed 10% Increase Non-potable revenue increase shift to potable and wastewater	Three-way split of non-potable revenue increase shift to water, wastewater, and non-potable
Water			
Base Facility Charge	\$19.16	\$26.26	\$23.95
Charge Per 1,000 gallons - Residential and General Service	\$6.95		\$8.30
Charge per 1,000 gallons - Residential Service			
0-3,000 gallons		\$9.10	
Over 3,000 gallons		\$9.90	
Charge per 1,000 gallons - General Service		\$9.27	
Non-Potable Irrigation			
Base Facility Charge	\$13.86	\$0.00	\$9.37
Charge per 1,000 gallons - Irrigation Service	\$1.38	\$0.86	\$0.78
Wastewater			
Base Facility Charge	\$22.83	\$28.74	\$26.35
Charge per 1,000 gallons - Residential 8,000 gallon cap	\$4.94	\$9.60	\$8.80
Charge per 1,000 gallons - General Service	\$5.94	\$11.52	\$10.56
Flat Rate Service	\$35.78	\$35.02	\$35.02
Bill @ 2,000 gallons			
Water	\$33.06	\$44.46	\$40.55
Irrigation	\$16.62	\$1.72	\$10.93
Wastewater	\$32.71	\$47.94	\$43.95
Bill @ 6,000 gallons			
Water	\$60.86	\$83.26	\$73.75
Irrigation	\$22.14	\$5.16	\$14.05
Wastewater	\$52.47	\$86.34	\$79.15
Golf Course			
BFC	\$1,108.80	\$0.00	\$749.60
Gallonage (3,841,135 gallons)	\$5,300.77	\$3,303.38	\$2,996.09
Total Bill	\$6,409.57	\$3,303.38	\$3,745.69

AQUARINA UTILITIES, INC.		SCHEDULE NO. 4-A	
TEST YEAR ENDED SEPTEMBER 30, 2014		DOCKET NO. 150010-WS	
MONTHLY WATER RATES (Alternative 1- Phase I)			
	RATES AT TIME OF FILING	ALTERNATIVE I PHASE I RATES	4 YEAR RATE REDUCTION
<u>Residential and General Service</u>			
Base Facility Charge by Meter Size			
5/8" x 3/4"	\$19.16	\$26.26	\$0.10
3/4"	\$28.74	\$39.39	\$0.14
1"	\$47.90	\$65.65	\$0.24
1-1/2"	\$95.79	\$131.30	\$0.48
2"	\$153.27	\$210.08	\$0.76
3"	\$306.55	\$420.16	\$1.52
4"	\$478.96	\$656.50	\$2.38
6"	\$957.93	\$1,313.00	\$4.76
Charge per 1,000 gallons - Residential and General Service	\$6.95		
Charge per 1,000 gallons - Residential Service			
0-3,000 gallons		\$9.10	\$0.03
Over 3,000 gallons		\$9.90	\$0.04
Charge per 1,000 gallons - General Service		\$9.27	\$0.03
<u>Irrigation Service - Non-Potable</u>			
Charge per 1,000 gallons	\$0.78	\$0.86	\$0.01
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
2,000 Gallons	\$33.06	\$44.46	
6,000 Gallons	\$60.86	\$83.26	
8,000 Gallons	\$74.76	\$103.06	

AQUARINA UTILITIES, INC.		SCHEDULE NO. 4-B	
TEST YEAR ENDED SEPTEMBER 30, 2014		DOCKET NO. 150010-WS	
MONTHLY WASTEWATER RATES (Alternative 1 –Phase I)			
	RATES AT TIME OF FILING	ALTERNATIVE 1 PHASE I RATES	4 YEAR RATE REDUCTION
<u>Residential</u>			
Base Facility Charge - All Meter Sizes			
Charge Per 1,000 gallons	\$22.13	\$28.74	\$0.09
8,000 gallon cap	\$4.79	\$9.60	\$0.03
Flat Rate Service	\$34.69	\$35.02	\$0.12
<u>General Service</u>			
Base Facility Charge by Meter Size			
5/8" x 3/4"	\$22.13	\$28.74	\$0.09
3/4"	\$33.16	\$43.11	\$0.14
1"	\$55.28	\$71.85	\$0.24
1-1/2"	\$110.56	\$143.70	\$0.47
2"	\$176.90	\$229.92	\$0.76
3"	\$353.81	\$459.84	\$1.51
4"	\$552.83	\$718.50	\$2.36
6"	\$1,105.67	\$1,437.00	\$4.72
Charge per 1,000 gallons	\$5.76	\$11.52	\$0.04
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
2,000 Gallons	\$31.71	\$47.94	
6,000 Gallons	\$50.87	\$86.34	
8,000 Gallons	\$60.45	\$105.54	

AQUARINA UTILITIES, INC.		SCHEDULE NO. 8-A	
TEST YEAR ENDED SEPTEMBER 30, 2014		DOCKET NO. 150010-WS	
MONTHLY WATER RATES (Alternative 1 – Phase II)			
	ALTERNATIVE 1 PHASE I RATES	ALTERNATIVE 1 PHASE II RATES	
<u>Residential and General Service</u>			
Base Facility Charge by Meter Size			
5/8" x 3/4"	\$26.26	\$27.79	
3/4"	\$39.39	\$41.69	
1"	\$65.65	\$69.48	
1-1/2"	\$131.30	\$138.95	
2"	\$210.08	\$222.32	
3"	\$420.16	\$444.64	
4"	\$656.50	\$694.75	
6"	\$1,313.00	\$1,389.50	
Charge per 1,000 gallons - Residential Service			
0-3,000 gallons	\$9.10	\$9.63	
Over 3,000 gallons	\$9.90	\$10.48	
Charge per 1,000 gallons - General Service			
	\$9.27	\$9.81	
<u>Irrigation Service - Non-Potable</u>			
Charge per 1,000 gallons	\$0.86	\$0.90	
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
2,000 Gallons	\$44.46	\$47.05	
6,000 Gallons	\$83.26	\$88.12	
8,000 Gallons	\$105.54	\$109.08	

AQUARINA UTILITIES, INC.		SCHEDULE NO. 8-B	
TEST YEAR ENDED SEPTEMBER 30, 2014		DOCKET NO. 150010-WS	
MONTHLY WASTEWATER RATES (Alternative 1 – Phase II)			
	ALTERNATIVE 1 PHASE I RATES	ALTERNATIVE 1 PHASE II RATES	
<u>Residential</u>			
Base Facility Charge - All Meter Sizes			
Charge Per 1,000 gallons	\$28.74	\$29.43	
8,000 gallon cap	\$9.60	\$9.83	
Flat Rate Service	\$35.02	\$35.86	
<u>General Service</u>			
Base Facility Charge by Meter Size			
5/8" x 3/4"	\$28.74	\$29.43	
3/4"	\$43.11	\$44.15	
1"	\$71.85	\$73.58	
1-1/2"	\$143.70	\$147.15	
2"	\$229.92	\$235.44	
3"	\$459.84	\$470.88	
4"	\$718.50	\$735.75	
6"	\$1,437.00	\$1,471.50	
Charge per 1,000 gallons	\$11.52	\$11.80	
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
2,000 Gallons	\$47.94	\$49.09	
6,000 Gallons	\$86.34	\$88.41	
8,000 Gallons	\$105.54	\$108.07	

Initial Customer Deposits - Alternative 1

<u>Meter Size</u>	<u>Residential</u>	<u>General Service</u>
5/8" x 3/4"	\$91.65	\$98.95
All Over 5/8" X 3/4"	2 x Average Bill	2 x Average Bill

AQUARINA UTILITIES, INC.		SCHEDULE NO. 4-A	
TEST YEAR ENDED SEPTEMBER 30, 2014		DOCKET NO. 150010-WS	
MONTHLY WATER RATES (Alternative 2 - Phase I)			
	RATES AT TIME OF FILING	ALTERNATIVE 2 PHASE I RATES	4 YEAR RATE REDUCTION
<u>Residential and General Service</u>			
Base Facility Charge by Meter Size			
5/8" x 3/4"	\$19.16	\$23.95	\$0.10
3/4"	\$28.74	\$35.93	\$0.14
1"	\$47.90	\$59.88	\$0.24
1-1/2"	\$95.79	\$119.75	\$0.48
2"	\$153.27	\$191.60	\$0.76
3"	\$306.55	\$383.20	\$1.52
4"	\$478.96	\$598.75	\$2.38
6"	\$957.93	\$1,197.50	\$4.76
Charge per 1,000 gallons	\$6.95	\$8.30	\$0.03
<u>Irrigation Service - Non-Potable</u>			
Base Facility Charge by Meter Size			
5/8" x 3/4"		\$9.37	\$0.05
3/4"		\$14.06	\$0.08
1"		\$23.43	\$0.13
1-1/2"		\$46.85	\$0.26
2"		\$74.96	\$0.42
3"		\$149.92	\$0.83
4"		\$234.25	\$1.30
6"		\$468.50	\$2.59
8"		\$749.60	\$4.15
Charge per 1,000 gallons	\$0.78	\$0.78	\$0.00
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
2,000 Gallons	\$33.06	\$40.55	
6,000 Gallons	\$60.86	\$73.75	
8,000 Gallons	\$74.76	\$90.35	

AQUARINA UTILITIES, INC.		SCHEDULE NO. 4-B	
TEST YEAR ENDED SEPTEMBER 30, 2014		DOCKET NO. 150010-WS	
MONTHLY WASTEWATER RATES (Alternative 2 – Phase I)			
	RATES AT TIME OF FILING	ALTERNATIVE 2 PHASE I RATES	4 YEAR RATE REDUCTION
<u>Residential</u>			
Base Facility Charge - All Meter Sizes			
Charge Per 1,000 gallons	\$22.13	\$26.35	\$0.09
8,000 gallon cap	\$4.79	\$8.80	
Flat Rate Service	\$34.69	\$35.02	\$0.12
<u>General Service</u>			
Base Facility Charge by Meter Size			
5/8" x 3/4"	\$22.13	\$26.35	\$0.09
3/4"	\$33.16	\$39.53	\$0.14
1"	\$55.28	\$65.88	\$0.24
1-1/2"	\$110.56	\$131.75	\$0.47
2"	\$176.90	\$210.80	\$0.75
3"	\$353.81	\$421.60	\$1.50
4"	\$552.83	\$658.75	\$2.35
6"	\$1,105.67	\$1,317.50	\$4.70
Charge per 1,000 gallons	\$5.76	\$10.56	\$0.04
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
2,000 Gallons	\$31.71	\$43.95	
6,000 Gallons	\$50.87	\$79.15	
8,000 Gallons	\$60.45	\$96.75	

AQUARINA UTILITIES, INC.		SCHEDULE NO. 8-A	
TEST YEAR ENDED SEPTEMBER 30, 2014		DOCKET NO. 150010-WS	
MONTHLY WATER RATES (Alternative 2 - Phase II)			
	ALTERNATIVE 2 PHASE I RATES	ALTERNATIVE 2 PHASE II RATES	
<u>Residential and General Service</u>			
Base Facility Charge by Meter Size			
5/8" x 3/4"	\$23.95	\$24.83	
3/4"	\$35.93	\$37.25	
1"	\$59.88	\$62.08	
1-1/2"	\$119.75	\$124.15	
2"	\$191.60	\$198.64	
3"	\$383.20	\$397.28	
4"	\$598.75	\$620.75	
6"	\$1,197.50	\$1,862.50	
Charge per 1,000 gallons	\$8.30	\$8.60	
<u>Irrigation Service - Non-Potable</u>			
Base Facility Charge by Meter Size			
5/8" x 3/4"	\$9.37	\$9.71	
3/4"	\$14.06	\$14.57	
1"	\$23.43	\$24.28	
1-1/2"	\$46.85	\$48.55	
2"	\$74.96	\$77.68	
3"	\$149.92	\$155.36	
4"	\$234.25	\$242.75	
6"	\$468.50	\$485.50	
8"	\$749.60	\$776.80	
Charge per 1,000 gallons	\$0.78	\$0.81	
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
2,000 Gallons	\$40.55	\$42.03	
6,000 Gallons	\$73.75	\$76.43	
8,000 Gallons	\$90.35	\$93.63	

AQUARINA UTILITIES, INC.		SCHEDULE NO. 8-B	
TEST YEAR ENDED SEPTEMBER 30, 2014		DOCKET NO. 150010-WS	
MONTHLY WASTEWATER RATES (Alternative 2 – Phase II)			
	ALTERNATIVE 2 PHASE I RATES	ALTERNATIVE 2 PHASE II RATES	
<u>Residential</u>			
Base Facility Charge - All Meter Sizes			
Charge Per 1,000 gallons	\$26.35	\$27.66	
8,000 gallon cap	\$8.80	\$9.24	
Flat Rate Service	\$35.02	\$36.76	
<u>General Service</u>			
Base Facility Charge by Meter Size			
5/8" x 3/4"	\$26.35	\$27.66	
3/4"	\$39.53	\$41.49	
1"	\$65.88	\$69.15	
1-1/2"	\$131.75	\$138.30	
2"	\$210.80	\$221.28	
3"	\$421.60	\$442.56	
4"	\$658.75	\$691.50	
6"	\$1,317.50	\$1,383.00	
Charge per 1,000 gallons	\$10.56	\$11.09	
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
2,000 Gallons	\$43.95	\$46.14	
6,000 Gallons	\$79.15	\$83.10	
8,000 Gallons	\$96.75	\$101.58	

Initial Customer Deposits - Alternative 2

<u>Meter Size</u>	<u>Residential</u>	<u>General Service</u>
5/8" x 3/4"	\$83.59	\$90.72
All Over 5/8" X 3/4"	2 x Average Bill	2 x Average Bill