

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: January 26, 2017

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Engineering (Lewis) *CKL TB*
Division of Accounting and Finance (Fletcher, Norris, Sowards) *BS*
Division of Economics (Friedrich) *ST PDS*
Office of the General Counsel (Trierweiler) *WAT*

RE: Docket No. 160144-WU – Application for transfer of Certificate No. 288-W in Pasco County from Orangeland Water Supply to Orange Land Utilities, LLC. *ALM*

AGENDA: 02/07/17 – Regular Agenda – Proposed Agency Action for Issues 2, 3, 4, 5, 6, 7, and 8 - Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Graham

CRITICAL DATES: 60-Day Suspension Date - Waived

SPECIAL INSTRUCTIONS: None

Case Background

On June 6, 2016, Orange Land Utilities, LLC (OLU, Applicant, or Buyer) filed an application for the transfer of Certificate No. 288-W from Orangeland Water Supply (Orangeland, Utility, or Seller) in Pasco County. The service area is located in the Southwest Florida Water Management District which has enacted year-round water conservation measures. According to the Utility's 2015 Annual Report, it serves approximately 74 water customers with operating revenue of \$16,716, which designates it as a Class C utility. Wastewater treatment is provided by septic tanks.

Orangeland has been under Florida Public Service Commission (Commission) jurisdiction since July 11, 1972, when Pasco County transferred jurisdiction to the Commission. On April 28, 1977, the Utility was granted Certificate No. 288-W to operate a water utility.¹ There have been no certification actions since that time. The rates and charges for utility service were approved by the Commission in 2008.²

This recommendation addresses the transfer of the water system, the net book value of the water system at the time of transfer, the need for an acquisition adjustment, and additional requested charges. On October 13, 2016, OLU waived the 60-day statutory timeframe for the Commission's decision on the proposed service charges as set forth in Section 367.091(6), Florida Statutes (F.S.).³ The Commission has jurisdiction pursuant to Sections 367.071 and 367.091, F.S.

¹Order No. 7790, issued April 28, 1977, in Docket No. 760763-W, In re: *Application of Orangeland Water Supply for a certificate to operate a water utility in Pasco County, Florida, pursuant to Section 367.171, Florida Statutes.*

²Order PSC-08-0640-AS-WU, issued October 3, 2008, in Docket No. 070601-WU - *In re: Application for staff-assisted rate case in Pasco County by Orangeland Water Supply.*

³See Document No. 08195-16.

Discussion of Issues

Issue 1: Should the transfer of Certificate No. 288-W in Pasco County from Orangeland Water Supply to Orange Land Utilities, LLC be approved?

Recommendation: Yes. The transfer of the water system and Certificate No. 288-W is in the public interest and should be approved effective the date of the Commission vote. The resultant order should serve as the Buyer's certificate and should be retained by the Buyer. The existing rates and charges should remain in effect until a change is authorized by the Commission in a subsequent proceeding. The tariffs reflecting the transfer should be effective for services rendered or connections made on or after the stamped approval date on the tariffs pursuant to Rule 25-30.475, Florida Administrative Code (F.A.C.). The Seller should be responsible for all Regulatory Assessment Fees (RAFs) payable through the date of closing. The Buyer should be responsible for filing the 2016 Annual Report and all future Annual Reports, and RAFs subsequent to the date of closing (May 1, 2016). (Friedrich, Lewis, Sowards)

Staff Analysis: On June 6, 2016, Orange Land Utilities, LLC. filed an application for the transfer of Certificate No. 288-W from OrangeLand Water Supply in Pasco County. The application is in compliance with Section 367.071, F.S., and Commission rules concerning applications for transfer of certificates. The sale occurred on May 1, 2016, contingent upon Commission approval, pursuant to Section 367.071(1), F.S.

Noticing, Territory, and Land Ownership

On July 6, 2016, staff notified OLU that its application was not in compliance with the noticing provisions set forth in Section 367.071, F.S., and Rule 25-30.030, F.A.C. The Utility filed a corrected notice on September 9, 2016. No objections to the transfer were filed, and the time for doing so has expired. The application also contains a description of the water service territory which is appended to this recommendation as Attachment A. The application contains a copy of a quit claim deed that was executed on May 6, 2016, as evidence that the Applicant owns the land upon which the water treatment facilities are located pursuant to Rule 25-30.037(2)(q), F.A.C.

Purchase Agreement and Financing

Pursuant to Rule 25-30.037(2)(i), and (j), F.A.C., the application contains a statement regarding financing and a copy of the purchase agreement, which includes the purchase price, terms of payment, and a list of the assets purchased. There are no customer deposits, guaranteed revenue contracts, developer agreements, customer advances, leases, or debt of Orangeland that must be disposed of with regard to the transfer. According to the purchase agreement, the total purchase price for the assets is \$8,500. According to the Buyer, the sale took place on May 1, 2016, subject to Commission approval, pursuant to Section 367.071(1), F.S.

Facility Description and Compliance

The water treatment system consists of two wells, a steel hydropneumatic ground storage tank with a storage capacity of 1,000 gallons, and a liquid chlorination system used for disinfection. The last Florida Department of Environmental Protection (DEP) sanitary survey was conducted on May 27, 2014, and there were three deficiencies, which have been corrected. On July 15,

2015, DEP deemed the Utility to be in compliance, therefore, the system appears to be in compliance with DEP rules.

Technical and Financial Ability

Pursuant to Rule 25-30.037(2)(1), F.A.C., the application contains statements describing the technical and financial ability of the Applicant to provide service to the proposed service area. As referenced in the transfer application, the Buyer was appointed to the Citrus County Water and Wastewater Authority, the local regulatory body for Citrus County, where he served for seven years. The Buyer also served as the "Class C" representative for the Governors Study Committee for Investor Owned Water and Wastewater Utility Systems in 2013. He attends yearly training classes through the Florida Rural Water Association and completed the National Association of Regulatory Utility Commissioners (NARUC) Utility Rate School in 2001. The Buyer owns, is the receiver of, or is the manager of, a total of seven Class C water and wastewater facilities that are regulated by the Commission.

Staff reviewed the personal financial statements of the Buyer, as well as the financial statements of Florida Utility Services 1, LLC, an unregulated Company owned by the Buyer. Based on the above, the Buyer has demonstrated the technical and financial ability to provide service to the existing service territory.

Rates and Charges

The Utility's rates and charges were last approved by a settlement in a staff-assisted rate case.⁴ In 2014, the rates were subsequently reduced to reflect the expiration of rate case expense amortized in 2008. The Utility's existing and recommended rates and charges are shown on Schedule No. 1. Rule 25-9.044(1), F.A.C., provides that, in the case of a change of ownership or control of a utility, the rates, classifications, and regulations of the former owner must continue unless authorized to change by this Commission. Therefore, staff recommends that the Utility's existing rates and charges remain in effect until a change is authorized by this Commission in a subsequent proceeding.

Regulatory Assessment Fees and Annual Reports

Staff has verified that the Seller is current with respect to Annual Reports and RAFs through December 31, 2015. The Buyer will be responsible for filing Annual Reports and paying RAFs after May 1, 2016, and all future years.

Conclusion

Based on the foregoing, staff recommends that the transfer of the water system and Certificate No. 288-W is in the public interest and should be approved effective the date of the Commission vote. The resultant order should serve as the Buyer's certificate and should be retained by the Buyer.

⁴Order No. PSC-08-0640-AS-WU, in Docket No. 070601-WU, dated October 3, 2008, *In re: Application for staff-assisted rate case in Pasco County by Orangeland Water Supply*

Issue 2: What is the appropriate net book value for the Orangeland water system for transfer purposes and should an acquisition adjustment be approved?

Recommendation: The net book value (NBV) of the water system for transfer purposes is \$4,958 as of May 1, 2016. An acquisition adjustment should not be included in rate base. Within 90 days of the date of the final order, OLU should be required to notify the Commission in writing that it has adjusted its books in accordance with the Commission's decision. The adjustments should be reflected in the 2016 Annual Report when filed. (Sewards)

Staff Analysis: Rate base was last established as of June 30, 2007. The purpose of establishing net book value for transfers is to determine whether an acquisition adjustment should be approved. The NBV does not include normal ratemaking adjustments for used and useful plant or working capital. The NBV has been updated to reflect balances as of May 1, 2016. Staff's recommended NBV, as described below, is shown on Schedule No. 3.

The Seller did not provide its books and records to the Buyer. Staff auditors were not able to determine if the records were maintained in accordance with the National Association of Regulatory Utility Commissioners' Uniform System of Accounts (NARUC USOA). Staff auditors obtained the beginning balances of the components of NBV as of June 30, 2007, established in Docket No. 070601-WU. Auditors traced asset additions to supporting documentation and ensured retirements were made when a capital item was removed or replaced.

Utility Plant in Service (UPIS)

Staff auditors reviewed UPIS additions since the last rate case proceeding and calculated a UPIS balance of \$47,939. However, in the response to the Staff Audit Report, OLU stated the UPIS amount should be \$50,816 to reflect the correct retirement amount for a well pump. After recalculating UPIS, staff agrees with OLU's balance. Therefore, staff recommends a UPIS balance of \$50,816 as of May 1, 2016.

Land

In Order No. PSC-08-0309-PAA-WU, issued May 13, 2008, the Commission established the value of the land to be \$1,000. There have been no additions to land purchased since that order was issued. Therefore, staff recommends a land balance of \$1,000, as of May 1, 2016.

Accumulated Depreciation

Based on the UPIS adjustment discussed earlier, staff auditors calculated an accumulated depreciation balance of \$47,939. However, in the response to the Staff Audit Report, OLU states the accumulated depreciation amount should be \$45,625. After recalculating accumulated depreciation, staff agrees with OLU's balance. As a result, accumulated depreciation should be \$45,625 as of May 1, 2016.

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

The staff auditors reviewed CIAC additions and calculated a CIAC balance of \$7,350. Staff auditors also reviewed accumulated amortization of CIAC since the last rate case proceeding and has calculated a balance of \$5,936. However, in response to the Staffs Audit Report, OLU stated that the CIAC balance should be \$7,350 and stated the accumulated amortization of CIAC should be \$6,117. After recalculating, staff agrees with OLU's accumulated amortization of CIAC balance. Thus, staff recommends CIAC and accumulated amortization of CIAC balances of \$7,350 and \$6,117, respectively, as of May 1, 2016.

Net Book Value

Based on the adjustments described above, staff recommends that the NBV is \$4,958 as of May 1, 2016, which is shown on Schedule No. 2.

Acquisition Adjustment

An acquisition adjustment results when the purchase price differs from the NBV of the assets at the time of the acquisition. The assets were purchased for \$8,500. As stated above, staff has determined the appropriate NBV total to be \$4,958. Pursuant to Rule 25-30.0371, F.A.C., a positive acquisition adjustment may be appropriate when the purchase price is greater than the NBV, and a negative acquisition adjustment may be appropriate when the purchase price is less than NBV. However, pursuant to Rule 25-30.0371(2), F.A.C., a positive acquisition adjustment shall not be included in rate base unless there is proof of extraordinary circumstances. The Buyer did not request a positive acquisition adjustment. As such, staff recommends that no positive acquisition adjustment be approved.

Conclusion

Based on the above, staff recommends that the NBV of the water system for transfer purposes is \$4,958 as of May 1, 2016. No acquisition adjustment should be included in rate base. Within 90 days of the date of the final order, the Buyer should be required to notify the Commission in writing, that it has adjusted its books in accordance with the Commission's decision. The adjustments should be reflected in the 2016 Annual Report when filed.

Issue 3: Should the Commission approve Orange Land Utilities, LLC's request to implement miscellaneous service charges?

Recommendation: Yes. OLU's request to implement miscellaneous service charges should be approved. The charges should be effective on or after the stamped approval date on the tariff 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. The Utility should provide proof of the date notice was given within 10 days of the date of the notice. (Friedrich)

Staff Analysis: The Utility currently does not have miscellaneous service charges. Section 367.091, F.S., authorizes the Commission to approve miscellaneous service charges. During the course of this proceeding, the Utility requested \$30 each for initial connection, normal reconnection, and violation reconnection charges. The Utility also requested a \$23 premises visit charge. The Utility provided cost justification in support of its requested charges as required by Section 367.091(6) F.S. The cost justification included a 4.5 percent markup for RAFs that is based on the revenues generated by the proposed charges. The Commission has previously approved regulatory assessment fees for new miscellaneous service charges.⁵ In addition, staff utilized the hourly salaries provided by the Utility for the administrative employee and the field employee who processes and administers miscellaneous service charges. However, staff adjusted the time allotment for processing these charges and adjusted the amount per mile allowed for transportation consistent with Commission practice.⁶ Staff's recommended miscellaneous service charges are rounded up to the nearest tenth.

Initial Connection

The initial connection charge is levied for service initiation at a location where service did not exist previously. An OLU representative makes one trip when performing the service of an initial connection. Based on labor and transportation to and from the service territory, staff recommends initial connection charges of \$18.60 for normal hours and \$21.60 for after hours. Staff's calculation is shown below in Table 3-1.

⁵Order No. PSC-99-2378-TRF-WU, in Docket No. 990763-WU, dated December 6, 1999, *In re: Tariff filing by Floralino Properties, Inc. requesting approval of premises visit charge for visits requested by customers in Pasco County.*

⁶Order No. PSC-16-0583-PAA-WS, in Docket No. 150010-WS, dated December 29, 2016, *In re: Application for staff-assisted rate case in Brevard County by Aquarina Utilities, Inc.*

**Table 3-1
 Initial Connection Charge Calculation**

Activity	Normal Hours Cost	Activity	After Hours Cost
Labor (Administrative) (\$18.00/hr x 1/4hr)	\$4.50	Labor (Administrative) (\$18.00/hr x 1/4hr)	\$4.50
Labor (Field) (\$17.25/hr x 1/3 hr)	\$5.75	Labor (Field) (\$25.88/hr x 1/3 hr)	\$8.63
Transportation (\$0.535/mile x 14 miles-to/from)	\$7.49	Transportation (\$0.535/mile x 14 miles-to/from)	\$7.49
Mark up for RAF (4.5%)	\$0.80	Mark up for RAF (4.5%)	\$0.93
Total	\$18.54	Total	\$21.55

Source: Utility's cost justification documentation.

Normal Reconnection Charge

A normal reconnection charge is levied for the transfer of service to a new customer account at a previously served location, or reconnection of service subsequent to a customer requested disconnection. A normal reconnection requires two trips, which includes one to turn service on and the other to turn service off.

Based on labor and transportation to and from the service territory, staff recommends that the normal reconnection charge should be \$29.40 for normal hours and \$33.90 for after hours. Staff's calculations are shown below in Table 3-2.

**Table 3-2
 Normal Reconnection Charge Calculation**

Activity	Normal Hours Cost	Activity	After Hours Cost
Labor (Administrative) (\$18.00/hr x 1/4hr)	\$4.50	Labor (Administrative) (\$18.00/hr x 1/4hr)	\$4.50
Labor (Field) (\$17.25/hr x 1/4 hr x 2)	\$8.63	Labor (Field) (\$25.88/hr x 1/4hr x 2)	\$12.94
Transportation (\$0.535/mile x 14 miles-to/from x 2)	\$14.98	Transportation (\$0.535/mile x 14 miles-to/from x 2)	\$14.98
Mark up for RAF (4.5%)	\$1.26	Mark up for RAF (4.5%)	\$1.46
Total	\$29.37	Total	\$33.88

Source: Utility's cost justification documentation

Violation Reconnection Charge

The violation reconnection charge is levied prior to reconnection of an existing customer after discontinuance of service for cause. The service performed for violation reconnection requires two trips, which includes one trip to turn off service and a subsequent trip to turn on service once the violation has been remedied. Based on labor and transportation to and from the service

territory, staff recommends violation reconnection charges of \$29.40 for normal hours and \$33.90 for after hours. Staff's calculations are shown below in Table 3-3.

**Table 3-3
 Violation Reconnection Charge Calculation**

Activity	Normal Hours Cost	Activity	After Hours Cost
Labor (Administrative) (\$18.00/hr x 1/4hr)	\$4.50	Labor (Administrative) (\$18.00/hr x 1/4hr)	\$4.50
Labor (Field) (\$17.25/hr x 1/4 hr x 2)	\$8.63	Labor (Field) (\$25.88/hr x 1/4 hr x 2)	\$12.94
Transportation (\$0.535/mile x 14 miles-to/from) x 2	\$14.98	Transportation (\$0.535/mile x 14 miles-to/from) x 2	\$14.98
Mark up for RAF (4.5%)	\$1.26	Mark up for RAF (4.5%)	\$1.46
Total	\$29.37	Total	\$33.88

Source: Utility's cost justification documentation.

Premises Visit

The premises visit charge is levied when a service representative visits premises at the customer's request for complaint resolution and the problem is found to be the customer's responsibility. In addition, the premises visit can be levied when a service representative visits a premises for the purpose of discontinuing service for nonpayment of a due and collectible bill, and does not discontinue service because the customer pays the service representative or otherwise makes satisfactory arrangements to pay the bill. A premises visit requires one trip.

Based on labor and transportation to and from the service territory, staff recommends a premises visit charges of \$18.60 for normal hours and \$22.50 for after hours. Staff's calculations are shown below in Table 3-4.

**Table 3-4
 Premises Visit Charge Calculation**

Activity	Normal Hours Cost	Activity	After Hours Cost
Labor (Administrative) (\$18.00/hr x 1/4hr)	\$4.50	Labor (Administrative) (\$18.00/hr x 1/4hr)	\$4.50
Labor (Field) (\$17.25/hr x 1/3 hr)	\$5.75	Labor (Field) (\$25.88/hr x 1/3 hr)	\$8.63
Transportation (\$0.535/mile x 14 miles-to/from)	\$7.49	Transportation (\$0.535/mile x 14 miles-to/from)	\$7.49
Mark up for RAF (4.5%)	\$0.80	Mark up for RAF (4.5%)	\$1.82
Total	\$18.54	Total	\$22.44

Source: Utility's cost justification documentation.

Below, in Table 3-5, are the Utility's requested and staff's recommended miscellaneous service charges.

**Table 3-5
Miscellaneous Service Charges**

	Utility Requested	Staff Recommended	
	Normal and After Hours	Normal Hours	After Hours
Initial Connection Charge	\$30.00	\$18.60	\$21.60
Normal Reconnection Charge	\$30.00	\$29.40	\$33.90
Violation Reconnection Charge	\$30.00	\$29.40	\$33.90
Premises Visit Charge (in lieu of Disconnection)	\$23.00	\$18.60	\$22.50

Conclusion

OLU's request to implement miscellaneous service charges should be approved. The charges should be effective on or after the stamped approval date on the tariff 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. The Utility should provide proof of the date notice was given within 10 days of the date of the notice.

Issue 4: What are the appropriate initial customer deposits for Orange Land Utilities, LLC ?

Recommendation: The appropriate initial customer deposit for water service should be \$42 for the residential 5/8" x 3/4" meter size. 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 service. The approved initial customer deposits should be effective for connections made on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475, F.A.C. (Friedrich)

Staff Analysis: Rule 25-30.311, F.A.C., contains the criteria for collecting, administering, and refunding customer deposits. Customer deposits are designed to minimize the exposure of bad debt expense for a utility and, ultimately, the general body of ratepayers. Historically, the Commission has set initial customer deposits equal to two times the average estimated bill.⁷ Currently, the Utility does not have approved initial customer deposits in place. Based on the average water demand, the appropriate initial customer deposit should be \$42 to reflect an average residential customer bill for two months.

Based on the above, staff recommends that the appropriate water initial customer deposit should be \$42 for the residential 5/8" x 3/4" meter size. 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 service. The approved initial customer deposits should be effective for connections made on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475, F.A.C.

⁷Order Nos. PSC-13-0611-PAA-WS, issued November 19, 2013, in Docket No. 130010-WS, *In re: Application for increase in water rates in Lee County and wastewater rates in Pasco County by Ni Florida, LLC.*, and PSC-14-0016-TRF-WU, issued January 6, 2014, in Docket No. 130251-WU, *In re: Application for approval of miscellaneous service charges in Pasco County, by Crestridge Utility Corporation.*

Issue 5: Should Orange Land Utilities, LLC be authorized to collect Non-Sufficient Funds Charges (NSF)?

Recommendation: Yes. OLU should be authorized to collect NSF charges. Staff recommends that OLU revise its tariffs to reflect the NSF charges currently set forth in Section 68.065, F.S. The NSF charges should be effective on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), F.A.C. Furthermore, the charges should not be implemented until staff has approved the proposed customer notice. OLU should provide proof of the date the notice was given within 10 days of the date of the notice. (Friedrich)

Staff Analysis: Section 367.091, F.S., requires rates, charges, and customer service policies to be approved by the Commission. The Commission has authority to establish, increase, or change a rate or charge. Staff believes that OLU should be authorized to collect NSF charges consistent with Section 68.065, F.S., which allows for the assessment of charges for the collection of worthless checks, drafts, or orders of payment. As currently set forth in Section 68.065(2), F.S., the following NSF charges may be assessed:

- (1) \$25, if the face value does not exceed \$50,
- (2) \$30, if the face value exceeds \$50 but does not exceed \$300,
- (3) \$40, if the face value exceeds \$300,
- (4) or five percent of the face amount of the check, whichever is greater.

Approval of NSF charges is consistent with prior Commission decisions.⁸ Furthermore, NSF charges place the cost on the cost-causer, rather than requiring that the costs associated with the return of the NSF checks be spread across the general body of ratepayers. As such, OLU should be authorized to collect NSF charges for its water system. Staff recommends that OLU revise its tariff sheet to reflect the NSF charges currently set forth in Section 68.065, F.S. The NSF 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. Furthermore, the NSF charges should not be implemented until staff has approved the proposed customer notice. OLU should provide proof of the date the notice was given within 10 days of the date of the notice.

⁸Order Nos. PSC-14-0198-TRF-SU, issued May 2, 2014, in Docket No. 140030-SU, *In re: Request for approval to amend Miscellaneous Service charges to include all NSF charges by Environmental Protection Systems of Pine Island, Inc.*; and PSC-13-0646-PAA-WU, issued December 5, 2013, in Docket No. 130025-WU, *In re: Application for increase in water rates in Highlands County by Placid Lakes Utilities, Inc.*

Issue 6: Should Orange Land Utilities, LLC's requested meter tampering charge be approved?

Recommendation: Yes. OLU's request to implement a \$50 meter tampering charge should be approved. The charge should be effective for services rendered on or after the stamped approval date on the tariff pursuant to Rule 25-30.475, 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 the customers. OLU should provide proof of the date notice was given within 10 days of the date of the notice. (Friedrich)

Staff Analysis: The Utility requested a \$50 charge to recover the cost of changes in piping on equipment necessary as a result of meter tampering. Rule 25-30.320(2)(i), F.A.C., provides that a customer's service may be discontinued without notice in the event of tampering with the meter or other facilities furnished or owned by the Utility. In addition, Rule 25-30.320(2)(j), F.A.C., provides that a customer's service may be discontinued in the event of an unauthorized or fraudulent use of service. The rule allows the Utility to require the customer to reimburse the utility an amount reasonably estimated as the deficiency in revenue resulting from the customer's fraudulent use before restoring service.

Pursuant to Rule 25-30.345, F.A.C., a utility may charge a reasonable fee to defray the cost of restoring service that was discontinued for proper cause as specified in Rule 25-30.320, F.A.C. The Commission has previously approved a meter tampering charge of \$50 for sister utilities of OLU.⁹ OLU provided the appropriate cost justification pursuant to Section 367.091, F.S. Staff believes this is reasonable and consistent with prior Commission decisions and should be approved. However, the charge is appropriate only where an investigation reveals evidence of meter tampering.

Based on the above, staff recommends that OLU's request to implement a \$50 meter tampering charge should be approved. The charge should be effective for services rendered on or after the stamped approval date on the tariff pursuant to Rule 25-30.475, 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 the customers. The Utility should provide proof of the date notice was given within 10 days of the date of the notice.

⁹Order Nos. PSC-14-0058-FOF-WU, in Docket No. 130250-WU, dated January 27, 2014, *In re: Application for approval of miscellaneous service charges in Pasco County, by Holiday Gardens Utilities, Inc.* and PSC-14-0016-TRF-WU, in Docket No. 130251-WU, dated January 6, 2014, *In re: Application for approval of miscellaneous service charges in Pasco County, by Crestridge Utility Corporation.*

Issue 7: Should the Commission approve Orange Land Utilities, LLC’s request for approval of a convenience charge for customers who opt to pay their bill by debit or credit card?

Recommendation: Yes. OLU’s request for approval of a convenience charge of \$3.43 for customers who opt to pay their bill by debit or credit card should be approved. The convenience charge should be effective on or after the stamped approval date on the tariff pursuant to Rule 25-30.475, 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 the customers. The Utility should provide proof of the date notice was given within 10 days of the date of the notice. (Friedrich)

Staff Analysis: 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 is requesting a \$3.43 convenience charge and provided cost justification as required by Section 367.091, F.S. The Utility’s cost analysis breakdown for its requested charge is shown below in Table 7-1.

**Table 7-1
Convenience Charge Cost Justification**

<u>Activity</u>	<u>Cost</u>
Labor	\$0.54
Ink and Paper per Transaction	\$0.06
Credit Card Machines	<u>\$2.83</u>
Total	<u>\$3.43</u>

Source: Utility’s cost justification documentation.

The Commission recently approved a convenience charge of \$3.00 for customers who opt to pay their bill with debit or credit cards for Charlie Creek Utilities, LLC, a sister utility.¹⁰ The charge was designed to recover the cost of supplies, administrative labor, and equipment. Staff believes that the Utility’s requested charge of a \$3.43 convenience charge is reasonable for customers who opt to pay their water bill by debit or credit card. The Utility’s requested charge benefits the customers by allowing them to expand their payment options. Furthermore, this fee will insure the Utility’s remaining customers do not subsidize those customers who choose to pay using this option.

Based on the above, staff recommends that OLU’s request for approval of a convenience charge of \$3.43 for customers who opt to pay their bill by debit or credit card should be approved. The convenience charge should be effective on or after the stamped approval date on the tariff pursuant to Rule 25-30.475, 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 the customers. The Utility should provide proof of the date notice was given within 10 days of the date of the notice.

¹⁰Order No. PSC-16-0043-PAA-WU, in Docket No. 150186-WU, dated January 25, 2016, *In re: Application for certificate to operate a water utility in Hardee County by Charlie Creek Utilities, LLC.*

Issue 8: Should Orange Land Utilities, LLC's request to implement a \$5.25 late payment charge be approved?

Recommendation: Yes. OLU's request to implement a \$5.25 late payment charge should be approved. The Utility should be required to file a proposed customer notice and tariff to reflect the Commission-approved charge. The approved charge 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. The Utility should provide proof of the date notice was given no less than 10 days after the date of the notice. (Friedrich)

Staff Analysis: The Utility is requesting a \$5.25 late payment charge to recover the cost of supplies and labor associated with processing late payment notices. The Utility's request for a late payment charge was accompanied by its reason for requesting the charge, as well as the cost justification required by Section 367.091, F.S. In its cost justification, OLU's total cost for a late payment charge is \$5.28, but OLU is requesting this charge to be rounded down to \$5.25. Staff believes OLU's requested late payment charge of \$5.25 is appropriate. OLU's labor cost of \$4.75 accounts for the office personnel time to search, determine, and process delinquent accounts. The provided justification by OLU also includes costs for supplies and postage for printing and sending out late payment notices. OLU's cost basis for the late payment charge is shown below in Table 8-1.

**Table 8-1
Late Payment Charge Cost Justification**

Activity	Cost
Labor	\$4.75
Supplies	0.06
Postage	0.47
Total Cost	<u>\$5.28</u>

Source: Utility's cost justification documentation

Since the 1990s, the Commission has approved late payment charges ranging from \$2.00 to \$7.00.¹¹ The purpose of this charge is to provide an incentive for customers to make timely

¹¹Order Nos. PSC-01-2101-TRF-WS, in Docket No. 011122-WS, issued October 22, 2001, *In re: Tariff filing to establish a late payment charge in Highlands County by Damon Utilities, Inc.*; PSC-08-0255-PAA-WS, in Docket No. 070391-WS, issued April 24, 2008, *In re: Application for certificates to provide water and wastewater service in Sumter County by Orange Blossom Utilities, Inc.*; PSC-09-0752-PAA-WU, in Docket No. 090185-WU, issued November 16, 2009, *In re: Application for grandfather certificate to operate water utility in St. Johns County by Camanche Island Company, Inc. d/b/a Camanche Cove Yacht Harbor Utility.*; PSC-10-0257-TRF-WU, in Docket No. 090429-WU, issued April 26, 2010, *In re: Request for approval of imposition of miscellaneous service charges, delinquent payment charge and meter tampering charge in Lake County, by Pine Harbour Water Utilities, LLC.*; and PSC-11-0204-TRF-SU, in Docket No. 100413-SU, issued April 25, 2011, *In re: Request for approval of tariff amendment to include a late fee of \$14.00 in Polk County by West Lakeland Wastewater.* PSC-14-0105-TRF-WS, in

payments and to place the cost burden of processing delinquent accounts solely upon those who are cost causers.

Based on the above, OLU's request to implement a \$5.25 late payment charge should be approved. The Utility should be required to file a proposed customer notice and tariff to reflect the Commission-approved charge. The approved charge 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. The Utility should provide proof of the date notice was given no less than 10 days after the date of the notice.

Issue 9: Should this docket be closed?

Recommendation: The docket should remain open pending staff's verification that the revised tariff sheets and customer notice have been filed by Orange Land Utilities, LLC. and approved by staff. If a protest is filed within 21 days of the issuance date of the Order, the tariff sheets should remain in effect with the charges held subject to refund pending resolution of the protest. If no timely protest is filed, a consummating order should be issued and, once staff verifies that the notice of the charge has been given to customers, the docket should be administratively closed. (Trierweiler)

Staff Analysis: The docket should remain open pending staff's verification that the revised tariff sheets and customer notice have been filed by Orange Land Utilities, LLC. and approved by staff. If a protest is filed within 21 days of the issuance date of the Order, the tariff sheets should remain in effect with the charges held subject to refund pending resolution of the protest. If no timely protest is filed, a consummating order should be issued and, once staff verifies that the notice of the charges has been given to customers, the docket should be administratively closed.

**Orange Land Utilities, LLC
Pasco County**

DESCRIPTION OF TERRITORY SERVED

SECTION 35, TOWNSHIP 25 SOUTH, RANGE 16 EAST, PASCO COUNTY, FLORIDA

THE NORTHEAST 1/4 OF THE SOUTHWEST 1/4 LESS AND EXCEPT THE NORTH 375 FEET AND THE EAST 50 FEET OF THE SOUTH 945 FEET AND THE SOUTH 30 FEET OF THE WEST 1270 FEET

FLORIDA PUBLIC SERVICE COMMISSION

**Authorizes
Orange Land Utilities, LLC.
Pursuant to
Certificate Number 288-W**

To provide water service in Pasco County in accordance with the provisions of Chapter 367, Florida Statutes, and the Rule, regulations, and Orders of this Commission in the territory described by the Orders of this Commission. This authorization shall remain in force and effect until superseded, suspended, cancelled or revoked by Order of this Commission.

<u>Order Number</u>	<u>Date Issued</u>	<u>Docket Number</u>	<u>Filing Type</u>
Order No. 7790	10/26/1976	760763-W	Original Certificate
*	*	160169-WU	Transfer of Certificate

*** Order Numbers and dates to be provided at time of issuance**

**Orange Land Utilities, LLC
 Monthly Water Rates**

Residential and General Service

Base Facility Charge by Meter Size

5/8" x 3/4"	\$14.70
3/4"	\$22.05
1"	\$36.75
1 1/2"	\$73.51
2"	\$117.62
3"	\$235.23
4"	\$367.55
6"	\$735.09

Charge per 1,000 gallons

0-5,000 gallons	\$2.12
Over 5,000 gallons	\$3.13

Initial Customer Deposits*

	<u>Residential Service</u>	<u>General Service</u>
5/8" x 3/4"	\$42	2x the average estimated bill
All other meter sizes	2x the average estimated bill	2x the average estimated bill

Miscellaneous Service Charges*

	<u>Normal Hours</u>	<u>After Hours</u>
Initial Connection Charge	\$18.60	\$21.60
Normal Reconnection Charge	\$29.40	\$33.90
Violation Reconnection Charge	\$29.40	\$33.90
Premises Visit Charge (in lieu of disconnection)	\$18.60	\$22.50
Late Payment Charge		\$5.25
NSF Check Charge	Pursuant to Statute 68.065, F.S.	
Convenience Charge		\$3.43
Meter Tampering Charge		\$50.00

Service Availability Charges

Customer Connection (Tap-in) Charge

5/8 x 3/4"	\$100.00
1"	\$160.00

*The new owner is requesting initial deposits and miscellaneous service charges, which include late payment, NSF, convenience, and meter tampering charges on a prospective basis

**Orangeland Water Supply
Water System
Schedule of Net Book Value as of May 1, 2016**

Description	Balance Per Utility	Adjustments	Staff Recommendation
Utility Plant in Service	\$0	\$50,816	\$50,816
Land & Land Rights	0	1,000	1,000
Accumulated Depreciation	0	(45,625)	(45,625)
CIAC	0	(7,350)	(7,350)
Amortization of CIAC	<u>0</u>	<u>6,117</u>	<u>6,117</u>
Total	<u>\$0</u>	<u>\$4,958</u>	<u>\$4,958</u>

**Explanation of Staff's Recommended
Adjustments to Net Book Value as of May 1, 2016**

Explanation	Amount
A. Utility Plant in Service To reflect appropriate amount of utility plant in service.	<u>\$50,816</u>
B. Land & Land Rights To reflect appropriate amount of Land & Land Rights.	<u>\$1,000</u>
C. Accumulated Depreciation To reflect appropriate amount of accumulated depreciation.	<u>(\$45,625)</u>
D. Contributions-in-Aid-of-Construction (CIAC) To reflect appropriate CIAC.	<u>(\$7,350)</u>
E. Accumulated Amortization of CIAC To reflect appropriate amount of accumulated amortization of CIAC.	<u>\$6,117</u>
Total Adjustments to Net Book Value as of May 1, 2016.	<u>\$4,958</u>