

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for increase in water and
wastewater rates in Charlotte, Highlands,
Lake, Lee, Marion, Orange, Pasco, Pinellas,
Polk, and Seminole Counties by Utilities, Inc.
of Florida

Docket No. 160101-WS

April 10, 2017

PREHEARING STATEMENT OF THE OFFICE OF PUBLIC COUNSEL

The Citizens of the State of Florida, through the Office of Public Counsel, pursuant to the Orders Establishing Procedure in this docket, Commission Order No. PSC-16-0558-PCO-EI (OEP), issued December 14, 2016, subsequently modified by Order No. PSC-16-0578-PCO-WS, issued December 20, 2016, Order No. PSC-17-0032-PCO-WS, issued January 24, 2017, and Order No. PSC-17-0118-PCO-WS, issued April 4, 2017, hereby submit this Prehearing Statement.

APPEARANCES:

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On behalf of the Citizens of the State of Florida

1. **WITNESSES:**

<u>Witness</u>	<u>Subject Matter</u>	<u>Issues #</u>
<u>Direct</u>		
Denise N. Vandiver, CPA	Quality of Service	3

<u>Witness</u>	<u>Subject Matter</u>	<u>Issues #</u>
Andrew T. Woodcock	Engineering, Pro Forma Plant, Used and Useful, Unaccounted For Water, Inflow and Infiltration	9, 11-17
Donna Ramas	Revenue Requirement; Regulatory Accounting	1, 5, 7, 8, 9, 10A, 10B, 11, 12, 18-23, 31, 32, 34-51, 54-59, 76

2. EXHIBITS:

Through the above mentioned witnesses, the Citizens intend to introduce the following exhibits:

<u>Witness</u>	<u>Party</u>	<u>Exhibits</u>	<u>Title/Description</u>
Denise N. Vandiver, CPA	OPC	DNV-1	Resume OF Denise N. Vandiver
Denise N. Vandiver, CPA	OPC	DNV-2	DEP Correspondence
Denise N. Vandiver, CPA	OPC	DNV-3	Customer Complaints to the Utility
Denise N. Vandiver, CPA	OPC	DNV-4	Customer Letters and Comments
Denise N. Vandiver, CPA	OPC	DNV-5	Correspondence From Mr. Shallcross
Denise N. Vandiver, CPA	OPC	DNV-6	Summary of Service Hearing Testimony
Denise N. Vandiver, CPA	OPC	DNV-7	Summary of PSC Findings on Quality of Service
Andrew T. Woodcock	OPC	ATW-1	Resume of Andrew T. Woodcock
Andrew T. Woodcock	OPC	ATW-2	Excessive Unaccounted for Water Calculations
Andrew T. Woodcock	OPC	ATW-3	Excessive Inflow and Infiltration Calculations
Andrew T. Woodcock	OPC	ATW-4	Summary of Used and Useful Percentages
Andrew T. Woodcock	OPC	ATW-5	LUSI Used and Useful Calculations
Andrew T. Woodcock	OPC	ATW-6	Mid County Used and Useful Calculations

Andrew T. Woodcock	OPC	ATW-7	Lake Placid Used and Useful Calculations
Andrew T. Woodcock	OPC	ATW-8	Lake Placid FDEP Construction Application
Andrew T. Woodcock	OPC	ATW-9	Labrador Used and Useful Calculations
Andrew T. Woodcock	OPC	ATW-10	Labrador Map of Certified Service Area and Surrounding Property
Andrew T. Woodcock	OPC	ATW-11	Eagle Ridge Used and Useful Calculations
Andrew T. Woodcock	OPC	ATW-12	Crownwood Used and Useful Calculations
Andrew T. Woodcock	OPC	ATW-13	Crownwood Map of Certificated Service Area and Surrounding Property
Andrew T. Woodcock	OPC	ATW-14	Sandalhaven Composite Exhibit
Andrew T. Woodcock	OPC	ATW-15	Sandalhaven Used and Useful Calculations
Andrew T. Woodcock	OPC	ATW-16	Summary of Pro forma projects with cost justification supporting less than requested.
Andrew T. Woodcock	OPC	ATW-17	Sanlando Wekiva WWTP Rehabilitation Invoice
Andrew T. Woodcock	OPC	ATW-18	Mid-County Electrical Improvements – Bid
Donna Ramas	OPC	DMR-1	Qualifications of Donna Ramas
Donna Ramas	OPC	DMR-2	OPC Revenue Requirement Exhibits
Donna Ramas	OPC	DMR-3	Cypress Lakes Revenue Requirement
Donna Ramas	OPC	DMR-4	Eagle Ridge Revenue Requirement
Donna Ramas	OPC	DMR-5	Labrador Revenue Requirement
Donna Ramas	OPC	DMR-6	Lake Placid Revenue Requirement
Donna Ramas	OPC	DMR-7	Longwood Revenue Requirement
Donna Ramas	OPC	DMR-8	Lake Utility Services Revenue Requirement
Donna Ramas	OPC	DMR-9	Mid-County Revenue Requirement

Donna Ramas	OPC	DMR-10	Pennbrooke Revenue Requirement
Donna Ramas	OPC	DMR-11	Sandalhaven Revenue Requirement
Donna Ramas	OPC	DMR-12	Sanlando Revenue Requirement
Donna Ramas	OPC	DMR-13	Tierra Verde Revenue Requirement
Donna Ramas	OPC	DMR-14	Seminole County Revenue Requirement
Donna Ramas	OPC	DMR-15	Orange County Revenue Requirement
Donna Ramas	OPC	DMR-16	Pasco County Revenue Requirement
Donna Ramas	OPC	DMR-17	Pinellas County Revenue Requirement
Donna Ramas	OPC	DMR-18	Marion County Revenue Requirement
Donna Ramas	OPC	DMR-19	WSC Charges – Health Insurance Reserve Adjustment
Donna Ramas	OPC	DMR-20	WSC State – Depreciation Expense Adjustment
Donna Ramas	OPC	DMR-21	Reduction to GIS Pro Forma Plant Addition

3. STATEMENT OF BASIC POSITION

This is the first consolidated rate filing from Utilities, Inc. of Florida (UIF, Utility, or Company), Florida’s largest privately owned water and wastewater provider, for all of its systems under the jurisdiction of the Commission.

Burden of Proof

As required by Florida Statutes and reiterated by the Commission, the burden of proof is upon UIF to show that its present rates are unreasonable, fail to compensate it for its prudently incurred expenses, and fail to produce a reasonable return on its investment. Pursuant to Section 367.081, Florida Statutes (“F.S.”), “Except as provided in subsection (4) or subsection (6), a utility may only charge rates and charges that have been approved by the commission” and “the commission shall, either upon request or upon its own motion, fix rates which are just, reasonable, compensatory, and not unfairly discriminatory. In every such proceeding, the commission shall consider the value and quality of the service and the cost of providing the service. . . .” When

there are material issues in dispute, such as the case here, a person whose material interests will be effected may request a Section 120.57, F.S., hearing.

These hearings are governed by Section 120.57, F.S., which sets forth the procedures for the Commission's proceedings. Pursuant to Section 120.57, the findings of fact shall be based upon a preponderance of evidence and shall be based exclusively on the evidence of record and on matters officially recognized. See, Section 120.57(j), F.S. The Commission observed in a water case that:

we are charged with the statutory responsibility of setting rates which are fair and reasonable. It is neither our nor our staff's responsibility to make the utility's case. The burden of proof is upon the utility to show that its present rates are unreasonable, fail to compensate the utility for its prudently incurred expenses, and fail to produce a reasonable return on its investment.

Order No. PSC-07-0129-SC-WS, issued February 14, 2007, in Docket No. 060262-WS. The Florida Supreme Court stated in Florida Power Corp. v. Cresce, 413 So. 2d 1187, 1191 (1982) that the "burden of proof in a commission proceeding is always on a utility seeking a rate change, and upon other parties seeking to change established rates." Thus, it is UIF's burden to demonstrate by a preponderance of evidence in the record in this proceeding that current rates are unjust, unreasonable or insufficient and that the changes UIF has requested are necessary and will result in rates that are just, reasonable, compensatory, and not unfairly discriminatory. It is neither the Commission's nor its staff's responsibility to make UIF's case, or fill any holes or gaps in UIF's requested rate increase. The Commission should carefully scrutinize UIF's requested rate increase and allow only the costs and pro forma projects deemed prudent and reasonable that UIF requested in its direct case as filed on August 30, 2016, and deficiencies cured as of November 22, 2016.

Quality of Service

OPC witness Denise Vandiver provides a summary of the various letters, testimony, exhibits and discovery that addresses issues regarding the quality of service that occurred during and after the test year. Sections 367.081(2)(a)1 and 367.0812, Florida Statutes (F.S.), require the Commission to consider the quality of the service when setting rates. Customers in various UIF systems raised numerous quality of service issues which are summarized in Ms. Vandiver's testimony and exhibits, and the Commission should give great weight to Ms. Vandiver's testimony.

In addition, Ms. Vandiver's Exhibit DNV-2 identified a number of Florida Department of Environmental Protection (DEP) quality of service compliance issues, including consent orders, compliance inspection issues, sewage spills, main breaks/loss of pressure, sanitary survey, exceedances, and customer complaints, that occurred during and after UIF's test year. Taken together as a whole, these DEP issues do not support a finding of satisfactory quality of service for the affected systems.

Last, Ms. Vandiver's Exhibit DNV-7, provides a summary of the PSC's findings on quality of service for various UIF systems. In this case, the Commission's quality of service determination should be based on UIF's actions or lack thereof during and after the Test Year. Simple promises to improve past poor quality of service should not be excused. UIF should be held accountable for these adverse quality of service issues, and should not be given a "pass" simply because they cured or plan to cure some past deficiencies. Based upon the evidence that will be produced at the hearing, OPC recommends a finding of either marginal or unsatisfactory for the specifically identified systems.

Engineering

OPC witness Andrew Woodcock provides testimony supporting several adjustments to excessive unaccounted for water in various water systems, excessive inflow and infiltration in various wastewater systems, and used and useful adjustments to various water and wastewater systems. He found excessive unaccounted for water in ten systems, excessive inflow and infiltration in three systems, and made used and useful adjustments to seven wastewater plants and two wastewater collection systems.

In addition, Mr. Woodcock reviewed UIF's requested pro forma plant additions for both prudence of the project and reasonableness of the costs provided to him by UIF in either its MFR's or in response to discovery requests received a reasonable time prior to the filing of his testimony. Of the total \$30,835,444 requested for approval in the original UIF filing, Mr. Woodcock determined that \$21,256,538 was reasonable and supported by UIF's direct testimony and exhibits and should be allowed in the rate case. Interestingly, since it filed its original petition, UIF has increased its requested pro forma amount in this case to over \$35 million, or by more than \$4 million dollars. OPC asserts the Commission should not allow UIF to amend its initial original petition to increase its initial proposed rate increase with rebuttal testimony or discovery responses. No additional amounts should be considered after UIF filed its direct case, and any requested amounts not supported by reliable documentation and evidence should be disallowed in this rate case and considered in subsequent proceedings that UIF may elect to file.

Revenue Requirement

OPC witness Donna Ramas provides the recommended revenue requirement for each of UIF's system, incorporating her recommended adjustments and Mr. Woodcock's recommended adjustments. Her Exhibit DMR-2 presents the revenue requirement per Company and per OPC for each of the UIF systems at issue in this proceeding. According to UIF's MFRs, direct testimony, and exhibits, UIF requested a \$6,915,454 rate increase. Based upon OPC's adjustments incorporated by Ms. Ramas, UIF's initial requested increase of \$6.9 million should be reduced by at least \$4.4 million. This leaves UIF a fair and reasonable rate increase of \$2,520,759.

In recent responses to discovery, UIF indicates that bonus depreciation will be applied to the pro forma wastewater plant additions, the impact of which is not yet factored into Ms. Ramas' recommended \$4,394,695 reduction from UIF's requested increase and will further reduce the increase in rates. Based on recent discovery responses, additional adjustments beyond the application of bonus depreciation on the pro forma wastewater plant additions are appropriate and will further reduce the revenue requirements presented by UIF in its initial filing.

UIF's increasing rate request

As a result of filing its rebuttal testimony and exhibits, UIF's requested rate increase has ballooned upwards with numerous amendments, updates, changes, and revisions to the documents supporting its originally requested rate increase. UIF should not be allowed to include incremental accretion of new cost information to layer on more to its original rate request.

To allow additional information after UIF filed its completed set of MFR's and after OPC and Commission staff filed testimony violates the Citizen's due process. In almost every response to discovery propounded by Staff and OPC, as well as in its rebuttal testimony and exhibits, UIF continued to supplement, update, or amend its original filing. The net effect of which would increase its originally requested revenue requirement. UIF may argue that it is administratively efficient to allow them to capture the latest and greatest costs and avoid a subsequent rate case; however, it adversely affects both Staff's and OPC's ability to review the rate case information and to conduct a fair and impartial hearing for the UIF ratepayers.

UIF often touts it is the largest privately owned water and wastewater provider in the State of Florida; thus, it is not like a Class C utility that needs assistance in meeting its burden of proof. The various revisions and changes may be due to UIF filing a premature rate case or due to its sloppy initial petition and deficient MFRs or to the discovery served in this case requesting information that was missing from its initial filing. Regardless of the cause, UIF's customers should not be subject to any potential rate increases for issues or costs that were not part of UIF's original petition filed on August 30, 2016 or its MFRs deemed complete as of November 22, 2016.

4. STATEMENT OF FACTUAL ISSUES AND POSITIONS

As required by the Order Establishing Procedure, OPC includes "[a] statement of each question of fact, question of law, and policy question that the party considers at issue, along with the party's position on each issue, and, where applicable, the names of the party's witness(es) who will address each issue." Section VI, A. (4) of the OEP at 6.

Policy Issues

Contested Issue 1: What effect, if any, should any changes to Federal Corporate Income Tax Rates in Federal Tax Code made before December 31, 2017, have on customer rates approved by the Commission on July 12, 2017?

OPC: Federal corporate income tax changes (Tax Reform) can take many forms, including changes to tax rates, changes to deductibility of certain costs, and immediate expensing for certain other costs. Additionally, current tax law requires that excess deferred income taxes that are created as a result of a tax rate change be returned to the customers utilizing a specific method over a specific period of time. If Tax Reform is enacted before December 31, 2017, then within 60 days of the later of either the enactment of such modifications or the effective date of such modifications, the Commission should open up a proceeding limited to the purpose of changing customer rates in accordance with the amount the tax change increases or reduces customer rates. (Ramas)

Issue 2: DROPPED.

Quality of Service

Issue 3: Is the overall quality of service provided by the Utility satisfactory, and, if not, what systems have quality of service issues and what action should be taken by the Commission?

OPC: Of UIF's 12 systems, the Commission should find marginal or unsatisfactory quality of service for the following 8 systems: Cypress Lakes (DEP Deficiencies, >1% average customer complaints, past history of customer complaints), Labrador (prior Commission orders, >1% average customer complaints), LUSI (Consent Order), Mid-County (prior Commission Orders, customer complaints at DEP), Pennbrooke (Current and past history of customer complaints), Sandalhaven (Consent Order), Sanlando (Consent Order, customer complaints at service hearing), UIF-Pasco/Summertree (prior Commission Orders, >1% average customer complaints), and UIF-Seminole (>1% average customer complaints). The Commission should reduce the ROE for unsatisfactory systems by 25 basis points up to 50 basis points (systems with history of issues). (Vandiver)

Allocation Threshold Issue

Issue 4: What is the total ERCs applicable to Florida, by county, and by system as of December 31, 2015, for allocation purposes?

OPC: Pending further discovery and evidence adduced at the hearing, the following chart indicates the ERCs for each system at the end of the year.

System	CIS_Division	Water ERCs	WW ERCs	Total ERCs
Cypress	248	1,266.30	1,204.50	2,470.80
Eagle Ridge	249	-	2,527.60	2,527.60
Labrador	259	762.70	756.70	1,519.40
Lake Placid	242	141.10	143.10	284.20
Longwood	246	-	1,695.50	1,695.50
LUSI	251	11,739.90	3,630.80	15,370.70
Mid County	250	-	5,622.20	5,622.20
Pennbrooke	260	1,488.00	1,240.00	2,728.00
Sandalhaven	256	-	1,226.00	1,229.00
Sanlando	255	13,853.90	11,145.70	24,999.60
Tierra Verde	241	-	2,095.20	2,095.20
UIF - Marion	252	548.80	76.40	625.20
UIF - Orange	252	310.50	-	310.50
UIF - Pasco	252	2,869.50	1,245.20	4,114.70
UIF - Pinellas	252	430.10	-	430.10
UIF - Seminole	252	2,711.50	1,474.50	4,186.00
ACME	254	841.00	-	841.00
		36,963.30	34,083.40	71,046.70

Rate Base

Issue 5: What adjustments, if any, should be made to account for the audit adjustments related to rate base? (Potential Stipulated Issue)

OPC: Pending further discovery and evidence adduced at the hearing, the following charts indicate the audit adjustments that should be made to rate base.

AF #1

Cypress Lakes		
	Water	Sewer
UPIS	26,206	197,346
Acc Dep	(16,663)	(356,041)
CIAC	(3,625)	-
Acc Amort	9,735	23,683

AF #2

Lake Utility Services, Inc.		
	Water	Sewer
UPIS	24,235	2,579
Acc Dep	146,639	8,499
CIAC	(20,200)	32,579
Acc Amort	(108,597)	(8,642)

AF #3								
Utilities, Inc. of Florida								
	Marion County		Orange County	Pasco County		Pinellas County	Seminole County	
	Water	Sewer	Water	Water	Sewer	Water	Water	Sewer
UPIS	Pending further review		Pending further review	Pending further review	666,675	Pending further review	559,517	1,194,092
Acc Dep					(1,393,033)		(1,563,524)	(1,050,850)
CIAC					46,517		158,502	226,651
Acc Amort					19,216		(177,314)	21,410

(Ramas)

Issue 6: What are the appropriate amounts of regulatory assets for each system that is associated with the Utility’s Project Phoenix Financial/Customer Care Billing System?

OPC: The utility has the burden to demonstrate that it has appropriately included costs associated with the Utility’s Project Phoenix Financial/Customer Care Billing System. At this point, it is OPC’s position that UIF has not met its burden on this issue.

Issue 7: Should any adjustments be made to test year plant-in-service balances?

OPC: Yes, the following adjustments should be made for assets that are fully depreciated. In addition, adjustments should be made to adjust the utility’s adjusted test year for Pasco County and Longwood.

	Fully Depreciated		Summertree	Longwood
	Water	Sewer	Water	Sewer
Lake Placid	(13,191)	(3,190)		
Longwood				1,874,306
Marion	(90,388)			
Pasco County			1,071,092	
	(103,579)	(3,190)	1,071,092	1,874,306

(Ramas)

Issue 8: What adjustments, if any, need to be made to rate base to appropriately reflect the impacts of the abandonment and decommissioning of the Summertree water supply assets?

OPC: The following adjustments should be made for the Pasco County water system to properly adjust the test year and utility adjustments such that the retirement of the Summertree assets is properly reflected.

	Remove Per Company Summertree Decommissioning Adjustment	Remove Abandoned Summertree Water Supply Assets
Utility Plant In Service	1,786,610	(715,518)
Accumulated Depreciation	(1,786,611)	275,034
Contributions in Aid of Construction	(156,827)	160,460
Accumulated Amortization of CIAC	156,827	(83,673)
Working Capital Allowance		
Operation and Maintenance Expenses		
Depreciation Expense	61,015	(21,974)
Amortization Expense		

(Ramas)

Issue 9: Should adjustments be made to the Utility's pro forma plant additions? (Potential Partial Stipulations on certain projects)

OPC: Yes, the following adjustments should be made to each system for the pro forma projects included in UIF's initial filing, as discussed in testimony and exhibits of OPC witnesses Woodcock and Ramas.

	Pro Forma		Acc. Depreciation	
	UPIS			
	Water	Sewer	Water	Sewer
Eagle Ridge		(61,400)		(192,760)
Longwood		(286,370)		(101,302)
LUSI	14,142	(49,097)	73,351	(105,348)
Mid-County		(1,074,137)		(562,143)
Pennbrooke	(130,000)		(377,000)	
Sandalhaven		(9,731)		(196,144)
Sanlando	(659,112)	(3,217,022)	7,764	(1,787,996)
Orange County	1,153,967		(1,156,909)	
Pasco County	(375,000)		(1,107,525)	
Pinellas County	550,000		(747,674)	
Seminole County	5,404,669	16,793	(5,515,813)	(193,329)
GIS	(237,050)	(214,460)	13,199	13,465
	5,721,616	(4,895,424)	(8,810,607)	(3,125,557)

(Woodcock/Ramas)

Issue 10: What are the appropriate plant retirements to be made in this docket?

OPC: See OPC's positions on Issues 10A and 10B. (Ramas)

OPC New Issue 10A: How should retirements associated with plant additions be recorded on the books? (Staff believes OPC's Issue 10A are subsumed in Staff's Issue 10.)

OPC: Consistent with the testimony of OPC witness Ramas (pages 5-12), retirements associated with plant additions should not result in substantial negative accumulated depreciation that remains on the books indefinitely.

The utility's current fixed asset system does not allow for the specific identification of plant balances when the plant is retired from service. In its filing, the Utility uses a simplified retirement method, primarily used by small staff-assisted utilities, to estimate the retired plant as 75% of the new plant addition. The utility should evaluate each retirement to determine if the estimated retirement exceeds the total amount previously recorded in the account. (Ramas)

OPC New Issue 10B: What should be done on a case-by-case basis in situations in which there is a substantial negative accumulated depreciation balance? (Staff believes the concerns in this issue can be addressed in totality in Issues 5 and 18.)

OPC: Consistent with the testimony of Donna Ramas (pages 10-12, 87-89), the Commission should determine what to do with current negative accumulated depreciation.

When the utility uses a method to retire assets that only estimates the original cost, it may result in an excessive amount retired from plant and accumulated depreciation. A negative accumulated depreciation balance, which results in an increase in rate base for accumulated depreciation, is not a just or reasonable result. This is especially true when there is no procedure in place to remove or correct these negative balances. If not prevented from occurring when the retirements are made, UIF will benefit from a phantom increase to rate base that will never amortize, meaning customers will continue to pay a return on these balances in perpetuity.

The NARUC Uniform System of Accounts recognizes that the early retirement of a major unit of property, which would eliminate or seriously deplete the existing depreciation reserve, may require accounting treatment which differs from the standard retirement accounting procedure. See NARUC USOA Accounting Instruction 27(H). Commission Rule 25-30.140(8) also recognizes that retirements of major installations may not be fully recovered at the time of retirement. Both of these recommend solutions to avoid significant

negative balances in the accumulated depreciation account. Therefore, if after the utility plant in service to be retired has been carefully reviewed, any substantial negative accumulated balance should be evaluated on a case-by-case basis to determine if the retirement results in an extraordinary loss or if there is some error that needs to be corrected. The utility should not be allowed to carry significant balances of negative accumulated depreciation without a means to write these off over time through an amortization of the loss on retirement or a pre-approved capital recovery schedule. (Ramas)

Issue 11: Do any water systems have excessive unaccounted for water and, if so, what systems and what adjustments are necessary, if any? (Potential Partial Stipulations on certain systems)

OPC: Yes. OPC witness Woodcock calculated the excessive unaccounted for water (EUW) percentages for each UIF water system. The table below reflects the ten systems with excessive unaccounted for water, percentages, and recommended adjustments as calculated by OPC witness Ramas.

<u>System</u>	Excessive unaccounted for water (expressed as a percent of total <u>water pumped or purchased</u>)	Expenses related to excessive unaccounted for water (in dollars)
Labrador	4.60%	(460)
Lake Placid	3.06%	(108)
Pasco – Orangewood et. al.	7.66%	(1,234)
UIF Marion	1.35%	(203)
UIF Pinellas – Lake Tarpon	10.20%	(415)
UIF Seminole – Ravenna Park et. al.	0.95%	(76)
UIF Seminole – Little Wekiva	4.81%	(66)
UIF Seminole – Oakland Shores	2.23%	(282)
UIF Seminole – Phillips	1.56%	(28)
UIF Seminole – Weathersfield	1.31%	(338)

(Ramas/Woodcock)

Issue 12: Do any wastewater systems have excessive infiltration and/or inflow and, if so, what systems and what adjustments are necessary, if any?

OPC: Yes. OPC witness Woodcock calculated the infiltration and/or inflow (I&I) percentages for each UIF wastewater system. The table below reflects the systems with excessive infiltration and/or inflow, percentages, and recommended adjustments as calculated by OPC witness Ramas.

<u>System</u>	Test Year Excessive I&I (gallons)	Test Year Excessive I&I (as a percent of WWTP flow)	<u>Expenses related to excessive inflow and infiltration (in dollars)</u>
Sandalhaven	4,225,819	8.37%	(28,486)
UIF Pasco – Wis Bar	951,518	17.22%	(33,025)
UIF Seminole – Lincoln Heights	8,717,900	37.41%	(69,439)

(Ramas/Woodcock)

Issue 13: What are the appropriate used and useful percentages for the water treatment and related facilities of each water system? (Potential Partial Stipulations on certain systems)

OPC: Pending further discovery and evidence adduced at the hearing, the appropriate used and useful percentage for the water treatment and related facilities of each water system should be determined by the Commission using Rule 25-30.4325, F.A.C. (Woodcock)

Issue 14: What are the appropriate used and useful percentages for the water storage and related facilities of each water system? (Potential Partial Stipulations on certain systems)

OPC: Pending further discovery and evidence adduced at the hearing, the appropriate used and useful percentage for the water storage and related facilities of each water system should be determined by the Commission using Rule 25-30.4325, F.A.C. (Woodcock)

Issue 15: What are the appropriate used and useful percentages for the water distribution and related facilities of each water system? (Potential Partial Stipulations on certain systems)

OPC: Pending further discovery and evidence adduced at the hearing, the appropriate used and useful percentage for the water distribution and related facilities of each water system should be determined by the Commission. (Woodcock)

Issue 16: What are the appropriate used and useful percentages for the wastewater treatment and related facilities of each wastewater system? (Potential Partial Stipulations on certain systems)

OPC: The appropriate used and useful percentage for the wastewater treatment and related facilities of each system should be determined by the Commission using Rule 25-30.4325, F.A.C. The used and useful methodology and calculated used and useful percentages suggested by UIF should be rejected. Consistent with the testimony, methodology, and calculation of used and useful by OPC witness Woodcock, the appropriate used and useful in the public service percentages should be as follows:

- LUSI should be considered 53.55% used and useful. Exhibit ATW-5
- Mid County should be considered 93.67% used and useful. Exhibit ATW-6
- Lake Placid should be considered 29.79% used and useful. Exhibit ATW-7
- Labrador should be considered 40.59% used and useful. Exhibit ATW-9 & 10
- Eagle Ridge may be considered 100% used and useful despite the calculation showing that Eagle Ridge is 84.49% used and useful. Exhibit ATW-11
- Crownwood should be considered 53.20% used and useful. Exhibit ATW-12 & 13
- Sandalhaven Englewood Water District Capacity Fees should be considered 42.24% used and useful; Master Lift Station should be considered 11.27% used and useful; Pumping Plant should be 27.25% used and useful; and the Force Main 13.55% used and useful. Exhibit ATW-15.

(Woodcock)

Issue 17: What are the appropriate used and useful percentages for the collection lines and related facilities of each wastewater system? (Potential Partial Stipulations on certain systems)

OPC: Pending further discovery and evidence adduced at the hearing, the appropriate used and useful percentage for the wastewater collection lines and related facilities of each system should be determined by the Commission. (Woodcock)

Issue 18: Should any adjustments be made to test year accumulated depreciation?

OPC: Yes, the following adjustments should be made for assets that are fully depreciated and to adjust the utility's adjusted test year for Pasco County and Longwood.

	Fully Depreciated		Summertree	Longwood
	Water	Sewer	Water	Sewer
Lake Placid	15,945	3,394		
Longwood				(1,823,945)
Marion	94,342			
Pasco County			(1,511,577)	
	110,287	3,394	(1,511,577)	(1,823,945)

(Ramas)

Issue 19: Should any adjustments be made to test year CIAC balances?

OPC: Yes. The LUSI wastewater CIAC balance should not be reduced through the application of a non-used and useful percentage as proposed in UIF’s initial filing. Removal of the Company’s application of non-used and useful percentage to the LUSI wastewater CIAC increases CIAC by \$1,656,177.

The utility has the burden to demonstrate that it has appropriately included CIAC. At this point, it is OPC’s position that UIF has not met its burden on this issue. (Ramas)

Issue 20: Should any adjustments be made to test year accumulated amortization of CIAC?

OPC: Yes. The LUSI wastewater accumulated amortization of CIAC balance should not be reduced through the application of a non-used and useful percentage as proposed in UIF’s initial filing. Removal of the Company’s application of non-used and useful percentage to the LUSI wastewater accumulated amortization of CIAC increases the accumulated amortization of CIAC by \$573,138.

The utility has the burden to demonstrate that it has appropriately included Accumulated Amortization of CIAC. At this point, it is OPC’s position that UIF has not met its burden on this issue. (Ramas)

Issue 21: What is the appropriate working capital allowance?

OPC: It is the utility’s burden to support its working capital allowance. Pending further review and evidence adduced at the hearing, the following adjustments should be made to the working capital allowance to reflect adjustments for accrued federal income taxes and deferred debits.

Working Capital Allowance	Accrued FIT	Pro Forma	Deferred Costs
Cypress Lakes - Wastewater			(720)
Eagle Ridge - Wastewater	(82,809)		
Labrador - Water			9,000
LUSI - Water		(450,000)	
Sandalhaven - Wastewater	(432,700)		
Pasco County - Water			(180,000)
Pinellas County - Water			(3,924)
	(515,509)	(450,000)	(175,644)

(Ramas)

Issue 22: What is the appropriate rate base for the adjusted December 31, 2015, test year?

OPC: Pending further review and evidence adduced at the hearing, the amount should be no greater than \$90,946,598 as indicated in the chart below.

	Rate Base
Cypress Lakes - Water	267,638
Cypress Lakes - Wastewater	2,235,777
Eagle Ridge - Wastewater	2,788,832
Labrador - Water	696,760
Labrador - Wastewater	1,073,686
Lake Placid - Water	147,353
Lake Placid - Wastewater	46,967
Longwood - Wastewater	2,354,948
Lake Utility Services - Water	16,522,669
Lake Utility Services - Wastewater	8,239,429
Mid-County - Wastewater	3,963,767
Pennbrooke - Water	621,487
Pennbrooke - Wastewater	1,326,271
Sandalhaven - Wastewater	285,770
Sanlando - Water	9,586,480
Sanlando - Wastewater	17,964,120
Tierra Verde - Wastewater	1,083,268
Marion County - Water	657,095
Marion County - Wastewater	112,720
Orange County - Water	1,936,618
Pasco County - Water	2,481,984
Pasco County - Wastewater	637,777
Pinellas County - Water	1,496,577
Seminole County - Water	12,362,047
Seminole County - Wastewater	2,056,563
	<u>90,946,598</u>

(Ramas)

Cost of Capital

Issue 23: Should any adjustments be made to Deferred Tax Debits – Tap Fees Post 2000 included in the Accumulated Deferred Income Tax balance?

OPC: Yes. Working capital for Sandalhaven should be reduced by \$432,700 to remove the Deferred Tax Debits – Tap Fees Post 2000 included by UIF in the accrued tax component of working capital in the Company’s MFRs. (See Issue 21)

Regarding the Deferred Tax Debits – Tap Fees Post 2000 included in the accumulated deferred income tax component of the capital structure, if any, the utility has the burden to demonstrate that it has appropriately included costs associated with it Accumulated Deferred Income taxes. At this point, it is OPC’s position that UIF has not met its burden on this issue. (Ramas)

Issue 24: What is the appropriate amount of accumulated deferred taxes to include in the capital structure?

OPC: The impacts of the 50% bonus depreciation allowance on the OPC adjusted pro forma plant additions should be included in the ADIT balance included in the capital structure. This includes both the water and wastewater pro forma plant additions. (Ramas)

Issue 25: What is the appropriate amount of customer deposits to include in the capital structure?

OPC: The utility has the burden to demonstrate that it has appropriately included Customer Deposits. At this point, it is OPC’s position that UIF has not met its burden on this issue. (Ramas)

Issue 26: What is the appropriate cost rate for customer deposits for the test year? (Potential Stipulated Issue)

OPC: The customer deposit cost rate should be 2.0%. The customer deposit cost rate contained in the capital structure for the Lake Placid system should be reduced to 2.0%. (Ramas)

Issue 27: What is the appropriate cost rate for short-term debt for the test year? (Potential Stipulated Issue)

OPC: The appropriate cost rate for short-term debt for the test year should be 2.32%. (Ramas)

Issue 28: What is the appropriate cost rate for long-term debt for the test year? (Potential Stipulated Issue)

OPC: The appropriate cost rate for long-term debt for the test year should be 6.70%. (Ramas)

Issue 29: What is the appropriate capital structure to use for rate setting purposes?

OPC: The impacts of the 50% bonus depreciation allowance on the OPC adjusted pro forma water and wastewater plant additions should be included in determining the amount of ADIT to include in the capital structure at zero cost. (Ramas)

Issue 30: What is the appropriate return on equity (ROE) for rate setting purposes? (Potential Partial Stipulation for use of current leverage formula in effect at the time of the Commission's vote.)

OPC: The Commission should use the ROE based on the current leverage formula in effect at the time of the Commission's vote. (Ramas)

Issue 31: What is the appropriate weighted average cost of capital including the proper components, amounts and cost rates associated with the capital structure?

OPC: The appropriated cost rates are as follows: long-term debt – 6.70%; short-term debt – 2.32%; Common Equity – 10.40%; and customer deposits – 2.0%. (Ramas)

Net Operating Income

Issue 32: What are the appropriate test year revenues?

OPC: Pending further review and evidence adduced at the hearing, the test year revenues should be as indicated in the chart below. (Ramas)

	Test Year Revenue
Cypress Lakes Water	358,029
Cypress Lakes Wastewater	660,639
Eagle Ridge Wastewater	1,169,230
Labrador Water	305,242
Labrador Wastewater	639,372
Lake Placid Water	69,370
Lake Placid Wastewater	72,690
Longwood Wastewater	808,813
LUSI Water	5,484,612
LUSI Wastewater	2,305,689
Mid-County Wastewater	1,790,020
Pennbrooke Water	382,225
Pennbrooke Wastewater	518,122
Sandalhaven Wastewater	1,196,788
Sanlando Water	4,632,114
Sanlando Wastewater	4,075,541
Tierra Verde Wastewater	996,212
UIF - Marion Water	208,417
UIF - Marion Wastewater	48,279
UIF - Orange Water	117,092
UIF - Pasco Water	902,832
UIF - Pasco Wastewater	508,738
UIF - Pinellas Water	158,115
UIF - Seminole Water	1,031,571
UIF - Seminole Wastewater	840,136
	29,279,888

Issue 33: What adjustments, if any, should be made to account for the audit adjustments related to net operating income?

OPC: No position at this time, pending further discovery and evidence adduced at the hearing.

Issue 34: Should any adjustment be made to salaries and wages expense?

OPC: Yes, the following adjustments should be made to remove the unsupported pro form expense for additional employees and to reflect the adjustment to salaries for Sandalhaven as made in the prior Commission order. (Ramas)

	Lake Utility Services		Mid-County	Sandalhaven	Sanlando	
	<u>Water</u>	<u>Sewer</u>	<u>Sewer</u>	<u>Sewer</u>	<u>Water</u>	<u>Sewer</u>
Salaries and Wages						
Remove Unsupported Additional Employee - Salary & Wages	(20,623)	(6,377)	(27,000)		(14,963)	(12,037)
WWTP - Reduction to Salary and Wages Expense (\$45,778 1.0375)				(47,495)		
	(20,623)	(6,377)	(27,000)	(47,495)	(14,963)	(12,037)

Issue 35: Should any adjustment be made to employee pensions and benefits expense?

OPC: Yes, the following adjustments should be made to remove the benefits related to the unsupported pro form expense for additional employees and adjustment to salaries for Sandalhaven as made in the prior Commission order, and to reduce benefits for a reserve adjustment made by Water Services Corporation and allocated to UIF that is unsupported and not reflective of normal annual expense levels. (Ramas)

	WSC - Health	Employee - Benefits	WWTP - Reduction
Cypress Lakes - Water	(521)		
Cypress Lakes - Wastewater	(495)		
Eagle Ridge - Wastewater	(1,039)		
Labrador - Water	(315)		
Labrador - Wastewater	(313)		
Lake Placid - Water	(57)		
Lake Placid - Wastewater	(57)		
Longwood - Wastewater	(696)		
LUSI - Water	(4,768)	(6,187)	
LUSI - Wastewater	(1,475)	(1,913)	
Mid-County - Wastewater	(1,381)	(8,100)	
Pennbrooke - Water	(610)		
Pennbrooke - Wastewater	(508)		
Sandalhaven - Wastewater	(502)		(13,782)
Sanlando - Water	(4,921)	(4,487)	
Sanlando - Wastewater	(3,958)	(3,611)	
Tierra Verde - Wastewater	(867)		
Marion - Water	(220)		
Marion - Wastewater	(31)		
Orange County - Water	(126)		
Pasco County - Water	(1,178)		
Pasco County - Wastewater	(511)		
Pinellas County - Water	(183)		
Seminole County - Water	(1,087)		
Seminole County - Wastewater	(591)		

Issue 36: Are the costs allocated from WSC appropriate and reasonable, and are the allocation factors appropriate going forward? (Staff believes this may be subsumed in Issue 4.)

OPC: No. The allocated expenses associated with a health insurance reimbursement reserve adjustment should be removed from the test year (see Issue 35, above). Additionally, the allocated expenses should be reduced by the amounts below to remove a non-recurring entry for a “Fixed Asset Clean up”. (Ramas)

	WSC Allocation
Cypress Lakes - Water	(1,691)
Cypress Lakes - Wastewater	(1,609)
Eagle Ridge - Wastewater	(3,291)
Labrador - Water	(1,034)
Labrador - Wastewater	(1,026)
Lake Placid - Water	(178)
Lake Placid - Wastewater	(180)
Longwood - Wastewater	(2,244)
LUSI - Water	(15,609)
LUSI - Wastewater	(4,827)
Mid-County - Wastewater	(4,391)
Pennbrooke - Water	(2,015)
Pennbrooke - Wastewater	(1,678)
Sandalhaven - Wastewater	(1,589)
Sanlando - Water	(16,081)
Sanlando - Wastewater	(12,936)
Tierra Verde - Wastewater	(2,741)
Marion - Water	(766)
Marion - Wastewater	(107)
Orange County - Water	(436)
Pasco County - Water	(3,933)
Pasco County - Wastewater	(1,706)
Pinellas County - Water	(602)
Seminole County - Water	(3,597)

Issue 37: Should any adjustment be made to purchased water expense?

OPC: Yes. The excessive unaccounted for water adjustments addressed in Issue 11 include the impacts of the EUW on purchased water expense. Additionally, the following adjustments should be made to reflect the post test year interconnection of the Summertree water system with Pasco County and to remove the temporary costs to purchase water while the interconnection between Crystal Lake and Ravenna Park was completed. (Ramas)

	Seminole County	Pasco County
Purchased Water		
Reflect Purchase Water Expense		117,206
Remove Purchase Water Expense for Crystal Lake	(61,485)	
	(61,485)	117,206

Issue 38: Should any adjustment be made to purchased sewage expense?

OPC: Yes. In addition to the impacts of excess I&I previously addressed, the Sandalhaven purchased sewage expense should be reduced by \$27,125 to remove additional expenses and only reflect twelve months of expense. (Ramas)

Issue 39: Should any adjustment be made to sludge removal expense?

OPC: Yes, the following adjustments should be made to reflect the adjustment to sludge removal for Sandalhaven as made in the prior Commission order, to remove an out of period expense for Mid-County, and to reflect the annual cost savings associated with the pro forma project at LUSI. (Ramas)

	Lake Utility Services	Mid-County	Sandalhaven
	<u>Sewer</u>	<u>Sewer</u>	<u>Sewer</u>
Sludge Removal			
Remove 2016 Sludge Removal Expense Accrued in 2015		(3,600)	
WWTP - Remove Sludge Removal Expense			(13,455)
Sludge Dewatering Equipment Cost Savings	(42,000)		
	(42,000)	(3,600)	(13,455)

Issue 40: Should any adjustment be made to purchased power expense?

OPC: Yes. In addition to the impacts of EUW and excess I&I previously addressed, the following adjustments should be made to the utility's projected purchased power expense. It is the utility's burden to support these expenses in its direct case and through discovery. The utility has not met its burden. (Ramas)

	Longwood	Lake Utility Services		Sanlando		Sandalhaven
	<u>Sewer</u>	<u>Water</u>	<u>Sewer</u>	<u>Water</u>	<u>Sewer</u>	<u>Sewer</u>
Purchased Power						
Remove Deposit included in test year						(3,637)
Remove Pro Forma Purchase Power Expense Adjustment	(7,147)	(14,209)	(7,657)	(26,653)	(21,440)	

Issue 41: Should any adjustment be made to chemicals expense?

OPC: Yes. In addition to the impacts of EUW and excess I&I previously addressed, the following adjustments should be made to reflect the adjustment to chemicals for Sandalhaven as made in the prior Commission order, to adjust the expense for Eagle Ridge to reflect the amount supported in the utility’s work papers, and to reflect the annual cost savings associated with the pro forma project at Mid-County. (Ramas)

	Eagle Ridge	Mid-County	Sandalhaven
	<u>Sewer</u>	<u>Sewer</u>	<u>Sewer</u>
Chemicals			
Chemical Expense Adjustment	(7,266)		
WWTP - Remove Chemical Expense			(3,145)
Cost Savings from Methanol Pump Post TY Project		(4,220)	
	(7,266)	(4,220)	(3,145)

Issue 42: Should any adjustment be made to materials and supplies expense?

OPC: Yes, an adjustment should be made to reflect an out of period expense that the utility reclassified into the test year for Sanlando. The Eagle Ridge expense should be adjusted as the utility has not supported the unusual increase in the test year and the expense should be reduced to reflect the historic average expense. (Ramas)

	Eagle Ridge	Sanlando
	<u>Sewer</u>	<u>Sewer</u>
Materials and Supplies		
Materials & Supplies Expense Normalization	(16,517)	
Remove Reclassified Prior Period Costs from M&S Expense		(12,999)
	(16,517)	(12,999)

Issue 43: Should any adjustment be made to contractual services – engineering expense?

OPC: Yes, the utility has the burden to support its expenses in the test year. The following adjustments should be made as the utility has not provided sufficient support that the \$3,321 for Sandalhaven should not be included as part of the capital projects, or that the \$2,979 for the Lake Placid permit renewal should be amortized over the term of the permit, or that the \$6,000 Sanlando expense is not included as part of the Myrtle Lake pro forma project.

	Sandalhaven	Lake Placid		Sanlando	
	<u>Sewer</u>	<u>Water</u>	<u>Sewer</u>	<u>Water</u>	<u>Sewer</u>
Purchased Power					
Remove Lake Placid permit renewal pending further review		(1,484)	(1,496)		
Remove Myrtle Lake engineering fee				(3,324)	(2,676)
Remove engineering for Sandalhaven capital projects	(3,321)				
	(3,321)	(1,484)	(1,496)	(3,324)	(2,676)

Issue 44: Should any adjustment be made to contractual services – legal expense?

OPC: Yes, the additional legal expenses associated with the prior rate case should not be included in the adjusted test year in this case. Therefore Labrador water expenses should be reduced by \$505 and Labrador wastewater expenses should be reduced by \$501. (Ramas)

Issue 45: Should any adjustment be made to contractual services – testing expense?

OPC: Yes, the utility has the burden to support its expenses in the test year. The test year testing expense for LUSI includes \$5,150 in water and \$1,630 in wastewater that are from invoices for work performed in 2014. These should be removed from test year expenses.

Issue 46: Should any adjustment be made to contractual services – other expense?

OPC: Yes, the \$10,000 cost for a water system alternatives analysis at Labrador should be amortized over a five-year period. (Ramas)

	Labrador	
	<u>Water</u>	<u>Sewer</u>
Contractual Services - Other		
Remove Water System Alternatives Analysis Costs from Test Year	(5,020)	(4,980)
Amortize Water System Alternative Analysis Costs over 5 Years	2,000	
	<u>(3,020)</u>	<u>(4,980)</u>

Issue 47: Should any adjustment be made to equipment rental expense?

OPC: Yes, Sanlando reflected invoices totaling \$5,593 for equipment that was rented during 2014. These invoices should be removed from test year expenses, which result in a

decrease to water expenses of \$3,100 and a decrease to wastewater expenses of \$2,493. (Ramas)

Issue 48: Should any adjustment be made to transportation expense?

OPC: Yes, the utility incorrectly included in the Tierra Verde system a posting of fuel and fleet repairs that should have been allocated across all Florida systems. Since the utility does not have consolidated rates at this time, the allocations should be adjusted as follows. (Ramas)

Cypress Lakes - Water	107
Cypress Lakes - Wastewater	101
Eagle Ridge - Wastewater	212
Labrador - Water	64
Labrador - Wastewater	64
Lake Placid - Water	12
Lake Placid - Wastewater	12
Longwood - Wastewater	142
LUSI - Water	986
LUSI - Wastewater	305
Mid-County - Wastewater	472
Pennbrooke - Water	125
Pennbrooke - Wastewater	104
Sandalhaven - Wastewater	103
Sanlando - Water	1,164
Sanlando - Wastewater	936
Tierra Verde - Wastewater	(5,723)

Issue 49: What is the appropriate amount of rate case expense?

OPC: Rate case expense associated with the current docket should be reduced to remove any costs for correction of deficiencies, correction of past annual reports, and the unusual, excessive revisions, and supplements to UIF discovery responses due to incomplete initial responses. Additional rate case expense reductions may be appropriate based on updated rate case expense documentation. The appropriate amount of rate case expense will be determined by the evidence adduced at the hearing. (Ramas)

Issue 50: How should unamortized rate case expense from prior dockets be treated for purposes of determining the revenue requirements in this proceeding?

OPC: Any prior unamortized rate case expense that has been fully amortized before rates become effective, should be removed from the test year by system. For the systems where rate case expense is not fully amortized prior to rates becoming effective, the prior unamortized rate case expense should be removed from the test year and addressed as a separate surcharge for each system until fully recovered. The Commission has already determined that a 4 year recovery period is appropriate for these systems through prior Commission orders. (Ramas)

Issue 51: Should any adjustment be made to miscellaneous expense?

OPC: Yes, the duplicate entry for \$5,000 for a DEP WWTP permit expense should be removed from the test year and the Cypress Lakes expense should be adjusted for fall-out reduction from the Sediment Removal Project. (Ramas)

	Cypress Lakes	Mid-County
	<u>Sewer</u>	<u>Sewer</u>
Miscellaneous Expense		
Reduction to Sediment Removal Project Amortization Expense		(80)
Remove Duplicate DEP WWTP permit expense	(5,000)	
	(5,000)	(80)

Contested Issue 52: How should the cost savings, if any, resulting from the proposed consolidation of tariffs and accounting records be reflected in rates? (OPC to respond – keep or drop – Receipt of UIF responses to OPC Interrogatories Nos. 285, 286, 287 will aide in the determination)

OPC: OPC is awaiting receipt of UIF’s responses to OPC Interrogatories Nos. 285, 286, and 287. If UIF refuses to respond to this discovery, the Commission should infer that refusal as an admission that there has been anticipated cost savings from the proposed consolidation of tariffs and accounting records. OPC maintains an issue is ripe for decision by the Commission if parties are able to introduce evidence into the record which allows the Commission to make a determination on the issue. If the Commission decides it needs additional information, it has the discretion to open a separate docketed proceeding proceeding for that purpose.

Contested Issue 53: Should any further adjustments be made to the Utility’s test year and pro forma O&M expenses?

OPC: Additional adjustments to O&M expenses may be appropriate based on updated documentation and evidence adduced at the hearing.

Issue 54: Should any adjustments be made to test year depreciation expense?

OPC: Yes, the depreciation expense should be reduced as set forth in the schedules of OPC witness Ramas and summarized in the table below. (Ramas)

Depreciation Expense	GIS	Fully Depreciated	Pro Forma	Non-Used and Useful	Audit	Summertree
Cypress Lakes - Water	(1,335)					
Cypress Lakes - Wastewater	(1,270)					
Eagle Ridge - Wastewater	(2,666)		(11,138)			
Labrador - Water	(191)					
Labrador - Wastewater	(190)			(41,998)		
Lake Placid - Water	(149)	(525)				
Lake Placid - Wastewater	(151)	(956)		(7,418)		
Longwood - Wastewater	(1,788)		72,401			
LUSI - Water	(12,381)		(438)			
LUSI - Wastewater	(3,829)		(1,357)	(19,037)		
Mid-County - Wastewater	(5,929)		(57,603)	(3,150)		
Pennbrooke - Water	(3,596)		(16,250)			
Pennbrooke - Wastewater	(1,713)					
Sandalhaven - Wastewater	(1,297)		(316)	(157,363)		
Sanlando - Water	(5,844)		(15,329)			
Sanlando - Wastewater	(4,701)		(169,883)			
Tierra Verde - Wastewater	(2,210)					
Marion - Water	(231)	(1,936)	(938)			
Marion - Wastewater	(32)			(12,279)		
Orange County - Water	(131)		26,817			
Pasco County - Water	(1,210)		(8,737)			39,041
Pasco County - Wastewater	(525)				(4,890)	
Pinellas County - Water	(181)		12,791			
Seminole County - Water	(1,144)		125,240		26,599	
Seminole County - Wastewater	(622)		563		72,343	
	(53,316)	(3,417)	(44,177)	(241,245)	94,052	39,041

Issue 55: Should any adjustments be made to test year amortization of CIAC expense?

OPC: Yes, the CIAC amortization expense for the LUSI wastewater system should be increased by \$48,890 to remove the Utility's adjustment for non-used and useful. (Ramas)

Issue 56: What adjustments, if any, need to be made to net operating income to appropriately reflect the impacts of the abandonment and decommissioning of the Summertree water supply assets?

OPC: The following adjustments should be made to properly adjust the test year and utility adjustments such that the retirement of the Summertree assets are properly reflected.

	Remove Per Company Summertree Decommissioning Adjustment	Remove Abandoned Summertree Water Supply Assets	Remove Non-Recurring Expenses - Well and Plant Decommissioning	Remove Company Adjustment to Amortize Decommissioning Costs	Abandoned Summertree Wells Amortization Expense
Operation and Maintenance Expenses			(48,609)	(20,000)	
Depreciation Expense	61,015	(21,974)			
Amortization Expense					43,914

Issue 57: Did the Company receive any salvage value as a result of decommissioning the Sandalhaven Wastewater Treatment Plant and related assets? If yes, what adjustment should be made to flow the salvage value received to ratepayers? If no, has the Company prudently attempted to recover any value from the decommissioned assets on behalf of ratepayers? (Staff believes this issue is appropriate in the “Net Operating Income” section.)

OPC: The utility has the burden to demonstrate that it has attempted to recover salvage value from the remaining assets and that it has appropriately reflected any salvage value received as a result of the decommissioning of the Sandalhaven Wastewater Treatment Plant and related assets. At this point, it is OPC’s position that UIF has not met its burden on this issue. (Ramas)

Issue 58: Should any adjustments be made to test year taxes other than income expense?

OPC: Yes, the following adjustments to taxes other than income should be made to reflect the impact on property taxes from the recommended adjustments to plant balances and the impact of recommended adjustments to wages and salaries expense. (Ramas)

Taxes Other Than Income	Property Tax	Payroll Taxes
Cypress Lakes - Water	(111)	
Cypress Lakes - Wastewater	(106)	
Eagle Ridge - Wastewater	(4,328)	
Labrador - Water	(18)	
Labrador - Wastewater	(14,695)	
Longwood - Wastewater	(6,431)	
LUSI - Water	299	(1,578)
LUSI - Wastewater	(2,705)	(488)
Mid-County - Wastewater	(25,651)	(2,066)
Pennbrooke - Water	(8,428)	
Pennbrooke - Wastewater	(151)	
Sandalhaven - Wastewater	(51,945)	(3,633)
Sanlando - Water	(11,385)	(1,145)
Sanlando - Wastewater	(78,467)	(921)
Pasco County - Water	(25,654)	
Pasco County - Wastewater		
	(229,776)	(9,831)

Revenue Requirement

Issue 59: What is the appropriate revenue requirement for the adjusted December 31, 2015 test year?

OPC: After appropriate adjustments, subject to the corporate income tax rate remaining at 35% (see OPC position on Issue 1), the revenue increase should be less than \$2,487,637 for a maximum revenue requirement of \$31,767,525. The table below is based on adjustments quantified as of the date OPC's testimony was filed in this case and does not include additional appropriate adjustments or the impacts of bonus depreciation on the pro forma adjusted wastewater plant additions on the ADIT balance in the capital structure, which will further reduce the revenue requirements. (Ramas)

Revenue Requirement	
Cypress Lakes Water	323,425
Cypress Lakes Wastewater	722,601
Eagle Ridge Wastewater	1,131,342
Labrador Water	338,287
Labrador Wastewater	420,991
Lake Placid Water	78,530
Lake Placid Wastewater	67,849
Longwood Wastewater	844,128
LUSI Water	5,335,706
LUSI Wastewater	2,503,613
Mid-County Wastewater	1,907,298
Pennbrooke Water	444,749
Pennbrooke Wastewater	464,929
Sandalhaven Wastewater	671,233
Sanlando Water	4,327,047
Sanlando Wastewater	5,460,690
Tierra Verde Wastewater	1,090,652
UIF - Marion Water	269,539
UIF - Marion Wastewater	71,967
UIF - Orange Water	355,287
UIF - Pasco Water	1,060,474
UIF - Pasco Wastewater	531,983
UIF - Pinellas Water	289,463
UIF - Seminole Water	2,300,657
UIF - Seminole Wastewater	755,084
	31,767,525

Rate Structure and Rates

Contested Issue 60: What, if any, limits should be imposed on subsidy values that could result if stand-alone rates are converted to a consolidated rate structure for the water and wastewater systems?

OPC: When considering the decision whether to consolidate rates into statewide uniform rates, it is important to the customers to know the subsidy values if stand-alone rates are consolidated. Determining the appropriate subsidy value, if any, is an important policy issue for the Commission to decide because it will directly impact every UIF customer by either increasing or decreasing their rates. The OPC takes no position on the specific design of UIF's rates and charges; however, in total, the rates and charges should be designed to

allow UIF an opportunity to recover no more than the revenue requirement established by this Commission at the time rates go into effect.

Issue 61: Which water systems, if any, should be consolidated into a single rate structure?

OPC: No Position.

Issue 62: What are the appropriate rate structures and rates for the water systems?

OPC: No Position.

Issue 63: What are the appropriate private fire protection charges? (Potential Stipulated Issue)

OPC: No Position.

Issue 64: Which wastewater systems, if any, should be consolidated into a single rate structure?

OPC: No Position.

Issue 65: What are the appropriate rate structures and rates for the wastewater systems?

OPC: No Position.

Other Issues

Issue 66: What are the appropriate miscellaneous service charges?

OPC: No Position.

Issue 67: What is the appropriate late payment charge?

OPC: The appropriate charge should be based on supporting cost justification. Operating Revenues should be adjusted to reflect the impact of these new charges that will be collected when rates are implemented.

Issue 68: What are the appropriate reuse rates?

OPC: The appropriate charge should be based on the system and rate design established by the Commission in this proceeding.

Issue 69: What are the appropriate customer deposits? (Potential Stipulated Issue)

OPC: The appropriate charge should be based on the system and rate design established by the Commission in this proceeding.

Issue 70: What are the appropriate meter installation charges? (Potential Stipulated Issue)

OPC: No position.

Issue 71: What are the appropriate customer connection, main extension, plant capacity, and system capacity charges?

OPC: No position.

Issue 72: What are the appropriate guaranteed revenue charges? (Potential Stipulated Issue)

OPC: The appropriate charge should be based on the system and rate design established by the Commission in this proceeding.

Issue 73: What are the appropriate Allowance for Funds Prudently Invested (AFPI) charges?

OPC: The AFPI appropriate charges should only be applied to the remaining ERCs allowed in previous orders.

Issue 74: In determining whether any portion of the interim increase granted should be refunded, how should the refund be calculated, and what is the amount of the refund, if any?

OPC: This calculation should be a fallout. However, there were many deficiencies in UIF's initial filing that took the Company until November 22, 2016 to cure, a period taking almost three months. Customers that received an interim rate increase prior to the curing of the MFRs should receive a refund for the short period of time when the MFRs were deficient as calculated by the Commission.

The interim rate refund, if any, should be calculated according to Commission policy and rule on a system by system standalone basis. If statewide uniform rates or banded rates are implemented, those systems receiving a rate decrease should receive a refund of the difference between prior authorized rates and interim rates.

Issue 75: What is the appropriate amount by which rates should be reduced after the established effective date of the approved tariff to reflect the removal of the amortized rate case expense?

OPC: Rates should be reduced pursuant to Commission Rule 25-30.4705, F.A.C.

Issue 76: What is the appropriate amount and mechanism by which rates should be reduced to reflect the removal of any unamortized rate case expense?

OPC: A number of UIF systems currently have an unamortized balance of rate case expense previously approved by this Commission. “If the Commission approves some form of consolidated rates in this case, the expense associated with the amortization of prior rate cases could be separated out for each of the systems with surcharges specific to each system. This would allow the separate surcharge on the bill to drop off the month following the full four-year amortization of the prior case costs and would meet the requirements of Section 367.081(8), Florida Statutes.” (Ramas Testimony at 20, lines 19-23) Following a method similar to that outlined above would also prevent costs from prior rate cases from being unfairly passed on to customers in other systems if consolidated rates are approved in this case.” (Ramas Testimony at 21, lines 6-9) See Ramas Testimony at 19-24 for a complete explanation of both the amount and mechanism by which rates should be reduced.

Any prior unamortized rate case expense that has been fully amortized before rates become effective in this case, should be removed from the test year. For the systems that are not fully amortized prior to rates becoming effective, the prior unamortized rate case expense should be removed from the test year and addressed as a separate surcharge for each system until fully recovered. The Commission has already determined that a 4 year recovery period is appropriate for these systems through prior Commission orders. (Ramas)

Issue 77: How should the Utility address future index and pass through filings? (OPC and UIF agreed that this issue should be moved to the front of the list as a policy issue. Staff believes this issue should remain in the “Other Issues” section.)

OPC: Customers should benefit from any lower index or pass through type costs as well as increases that are created by consolidation. Thus, if the Commission approves consolidation, UIF should be required to file its future index and pass through filings in the same manner as the consolidation was approved.

Issue 78: How should the Utility treat its in-state FPSC-regulated accounting, filing, and reporting requirements? (Potential Stipulated Issue)

OPC: UIF should continue to maintain an accounting system that records rate base items on a system basis. These records will be necessary for future retirements and adjustments such as used and useful. All direct revenue and expense items should also be maintained on a system basis. Costs to be allocated must be maintained in a manner that will facilitate allocation when necessary. These requirements should be maintained for every purpose for accounting, filing, and reporting requirements.

Issue 79: Did the Utility appropriately record the Commission Ordered Adjustments to the books and records? If not, what action, if any, should be taken?

OPC: No. Since UIF considers itself to be a premier water and wastewater utility in the state, it should be held to that standard. Since UIF has failed to appropriately and timely record Commission Ordered Adjustments for many systems, UIF should be ordered to show cause for its failure to comply with the Commission's previous orders. Alternatively, the Commission should open up an investigatory docket to determine whether UIF should be ordered to show cause.

Issue 80: Did the Utility properly provide support to the auditors for pool vehicles and special equipment as well as the calculation for determining transportation expense per vehicle, and payroll schedules by employee to audit staff as in prior rate cases? If not, what action, if any, should be taken?

OPC: No. For its failure to provide this information to Commission audit staff contrary to Section 367.156(1), F.S., UIF should be denied any rate increase related to transportation expense or employee salaries, including new employees. Pursuant to Section 367.156(1), F.S., "[t]he commission shall continue to have reasonable access to all utility records and records of affiliated companies, including [the utility's] parent company, regarding transactions or cost allocations among the utility and such affiliated companies, and such records necessary to ensure that a utility's ratepayers do not subsidize nonutility activities...." When the Commission through its audit, technical, legal, or other staff requests information from a utility, the utility must comply with and provide that information. If the utility fails to provide that information, it may be sanctioned by the Commission up to and including being subject to an order to show cause. In the context of a request for a rate increase, if the utility fails to provide any requested information, then at a minimum the requested rate relief should be denied. No utility should not be allowed to disregard or ignore Commission orders or requests by its designated staff.

Issue 81: 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? (Potential Stipulated Issue)

OPC: Yes, the Utility should be required to notify the Commission, in writing, that it has adjusted its books, and if the Company fails to do so, the Commission should order UIF to show cause for its failure to comply with Commission ordered adjustments.

Issue 82: Should this docket be closed?

OPC: No, the docket should remain open unless the Commission approves the opening of a separate docket for a show cause or some other investigatory proceeding.

5. STIPULATED ISSUES:

None at this time.

6. PENDING MOTIONS:

None

7. STATEMENT OF PARTY'S PENDING REQUESTS OR CLAIMS FOR CONFIDENTIALITY:

None.

8. OBJECTIONS TO QUALIFICATION OF WITNESSES AS AN EXPERT:

None at this time.

9. STATEMENT OF COMPLIANCE WITH ORDER ESTABLISHING PROCEDURE:

There are no requirements of the Order Establishing Procedure with which the Office of Public Counsel cannot comply.

Dated this 10th day of April, 2017

Respectfully submitted,

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of the State of Florida

DOCKET NO. 160101-WS
CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and foregoing **PREHEARING STATEMENT OF THE OFFICE OF PUBLIC COUNSEL** has been furnished by electronic mail on this 10th day of April, 2017.

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