

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

DATED: April 10, 2017

COMMISSION STAFF'S PREHEARING STATEMENT

Pursuant to Order No. PSC-16-0558-PCO-WS, the Order Establishing Procedure (OEP), issued on December 14, 2016, as modified by Order Nos. PSC-16-0578-PCO-WS, issued December 20, 2016, PSC-17-0032-PCO-WS, issued January 24, 2017, and PSC-17-0118-PCO-WS, issued April 4, 2017, the Staff of the Florida Public Service Commission files its Prehearing Statement.

1. All Known Witnesses

Witness	Subject Matter	Issues #
Direct		
Rhonda L. Hicks	Customer complaints	3
Jessica Kleinfelter	DEP Compliance and complaints	3
Debra M. Dobiac	Staff Audit Report	4, 5, 10, 23, 33, 36, 42, 79, 80
Patti B. Daniel	Rate design and service availability	60-62, 64, 65, 68, 71-73

2. All Known Exhibits

Witness	Exhibit #	Description
Direct		
Rhonda L. Hicks	RLH-1	Summary of Customer Complaints
Jessica Kleinfelter	JMK-1	Curriculum Vitae for Jessica M. Kleinfelter
Jessica Kleinfelter	JMK-2	Summary of Compliance and Complaint History
Debra M. Dobiac	DMD-1	Auditor's Report-Rate Case
Patti B. Daniel	PBD-1	UIF Customer Demographics
Patti B. Daniel	PBD-1	Water Bill Comparison
Patti B. Daniel	PBD-3	Wastewater Bill Comparison

3. Staff's Statement of Basic Position

Staff's positions are preliminary and based on materials filed by the parties and on discovery. The preliminary positions are offered to assist the parties in preparing for the hearing. Staff's final positions will be based upon all the evidence in the record and may differ from the preliminary positions stated herein.

4. Staff's Position on the Issues

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?

Position: Staff takes no position pending evidence adduced at hearing.

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?

Position: Staff takes no position pending evidence adduced at hearing.

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?

Position: Staff takes no position pending evidence adduced at hearing.

Rate Base

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

Position: Staff suggests this issue can be potentially stipulated.

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?

Position: Staff takes no position pending evidence adduced at hearing.

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

Position: Staff takes no position pending evidence adduced at hearing.

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?

Position: Staff takes no position pending evidence adduced at hearing.

Issue 9: Should adjustments be made to the Utility's pro forma plant additions?

Position: Staff suggests some pro forma additions could be potentially stipulated.

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

Position: Staff takes no position pending evidence adduced at hearing.

OPC New

Issue 10A: How should retirements associated with plant additions be recorded on the books?

Position: It is Staff's position that OPC's Issue 10A is subsumed in Issue 10.

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?

Position: It is Staff's position that the concerns in this issue can be completely addressed by Issues 5 and 18.

Issue 11: Do any water systems have excessive unaccounted for water and, if so, what systems and what adjustments are necessary, if any?

Position: Staff suggests some systems could be potentially stipulated.

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

Position: Staff suggests some systems could be potentially stipulated.

Issue 13: What are the appropriate used and useful percentages for the water treatment and related facilities of each water system?

Position: Staff suggests some systems could be potentially stipulated.

Issue 14: What are the appropriate used and useful percentages for the water storage and related facilities of each water system?

Position: Staff suggests some systems could be potentially stipulated.

Issue 15: What are the appropriate used and useful percentages for the water distribution and related facilities of each water system?

Position: Staff suggests some systems could be potentially stipulated.

Issue 16: What are the appropriate used and useful percentages for the wastewater treatment and related facilities of each wastewater system?

Position: Staff suggests some systems could be potentially stipulated.

Issue 17: What are the appropriate used and useful percentages for the collection lines and related facilities of each wastewater system?

Position: Staff suggests some systems could be potentially stipulated.

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

Position: Staff takes no position pending evidence adduced at hearing.

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

Position: Staff takes no position pending evidence adduced at hearing.

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

Position: Staff has no position pending evidence adduced at hearing.

Issue 21: What is the appropriate working capital allowance?

Position: The appropriate amount is subject to the resolution of other issues.

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

Position: The appropriate amount is subject to the resolution of other issues.

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?

Position: Staff suggests this issue can be potentially stipulated.

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

Position: Staff has no position pending evidence adduced at hearing.

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

Position: Staff takes no position pending evidence adduced at hearing.

Issue 26: What is the appropriate cost rate for customer deposits for the test year?

Position: Staff suggests this issue can be potentially stipulated.

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

Position: Staff suggests this issue can be potentially stipulated.

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

Position: Staff suggests this issue can be potentially stipulated.

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

Position: Staff takes no position pending evidence adduced at hearing.

Issue 30: What is the appropriate return on equity (ROE) for rate setting purposes?

Position: Staff takes no position pending evidence adduced at hearing.

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

Position: Staff takes no position pending evidence adduced at hearing.

Net Operating Income

Issue 32: What are the appropriate test year revenues?

Position: Staff takes no position pending evidence adduced at hearing.

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

Position: Staff takes no position pending evidence adduced at hearing.

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

Position: Staff takes no position pending evidence adduced at hearing.

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

Position: Staff takes no position pending evidence adduced at hearing.

Issue 36: Are the costs allocated from WSC appropriate and reasonable, and are the allocation factors appropriate going forward?

Position: It is Staff's position that this issue may be subsumed in Issue 4.

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

Position: Staff takes no position pending evidence adduced at hearing.

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

Position: Staff takes no position pending evidence adduced at hearing.

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

Position: Staff takes no position pending evidence adduced at hearing.

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

Position: Staff takes no position pending evidence adduced at hearing.

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

Position: Staff takes no position pending evidence adduced at hearing.

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

Position: Staff takes no position pending evidence adduced at hearing.

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

Position: Staff takes no position pending evidence adduced at hearing.

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

Position: Staff takes no position pending evidence adduced at hearing.

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

Position: Staff takes no position pending evidence adduced at hearing.

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

Position: Staff takes no position pending evidence adduced at hearing.

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

Position: Staff takes no position pending evidence adduced at hearing.

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

Position: Staff takes no position pending evidence adduced at hearing.

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

Position: Staff takes no position pending evidence adduced at hearing.

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

Position: Staff takes no position pending evidence adduced at hearing.

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

Position: Staff takes no position pending evidence adduced at hearing.

Contested

Issue 52: How should the cost savings, if any, resulting from the proposed consolidation of tariffs and accounting records be reflected in rates?

Position: Staff takes no position pending evidence adduced at hearing.

Contested

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

Position: Staff takes no position pending evidence adduced at hearing.

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

Position: Staff takes no position pending evidence adduced at hearing.

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

Position: Staff takes no position pending evidence adduced at hearing.

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?

Position: Staff takes no position pending evidence adduced at hearing.

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?

Position: Staff takes no position pending evidence adduced at hearing.

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

Position: Staff takes no position pending evidence adduced at hearing.

Revenue Requirement

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

Position: The appropriate amount is subject to the resolution of other issues.

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?

Position: Staff takes no position pending evidence adduced at hearing.

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

Position: Staff takes no position pending evidence adduced at hearing.

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

Position: Staff takes no position pending evidence adduced at hearing.

Issue 63: What are the appropriate private fire protection charges?

Position: Staff suggests this issue can be potentially stipulated.

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

Position: Staff takes no position pending evidence adduced at hearing.

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

Position: Staff takes no position pending evidence adduced at hearing.

Other Issues

Issue 66: What are the appropriate miscellaneous service charges?

Position: Staff takes no position pending evidence adduced at hearing.

Issue 67: What is the appropriate late payment charge?

Position: Staff takes no position pending evidence adduced at hearing.

Issue 68: What are the appropriate reuse rates?

Position: Staff takes no position pending evidence adduced at hearing.

Issue 69: What are the appropriate customer deposits?

Position: Staff suggests this issue can be potentially stipulated.

Issue 70: What are the appropriate meter installation charges?

Position: Staff suggests this issue can be potentially stipulated.

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

Position: Staff takes no position pending evidence adduced at hearing.

Issue 72: What are the appropriate guaranteed revenue charges?

Position: Staff suggests this issue can be potentially stipulated.

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

Position: Staff takes no position pending evidence adduced at hearing.

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?

Position: Staff takes no position pending evidence adduced at hearing.

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?

Position: The amount of the rate reduction is subject to the resolution of other issues.

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?

Position: Staff takes no position pending evidence adduced at hearing.

Issue 77: How should the Utility address future index and pass through filings?

Position: OPC and UIF agreed that this issue should be moved to the front of the list as a policy issue. Staff's position is that this issue should remain in the "Other Issues" section. Otherwise, Staff takes no position pending evidence adduced at hearing.

Issue 78: **How should the Utilities treat its in-state FPSC-regulated accounting, filing, and reporting requirements?**

Position: Staff suggests this issue can be potentially stipulated.

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?**

Position: Staff takes no position pending evidence adduced at hearing.

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?**

Position: Staff takes no position pending evidence adduced at hearing.

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?**

Position: Staff suggests this issue can be potentially stipulated.

Issue 82: **Should this docket be closed?**

Position: Staff takes no position pending evidence adduced at hearing.

5. Stipulated Issues

No issues are stipulated at this time, but Staff suggests there is potential for full or partial stipulation on issues 5, 9, 11-17, 23, 26, 27, 28, 30, 63, 69, 70, 72, 78, 81.

6. Pending Motions

Staff has no pending motions at this time.

7. Pending Confidentiality Claims or Requests

Staff has no pending confidentiality requests pending at this time.

8. Objections to Witness Qualifications as an Expert

Staff has no objections to witness qualification.

9. Compliance with the Order Establishing Procedure

Staff has complied with all requirements of Order No. PSC-16-0558-PCO-WS, the Order Establishing Procedure (OEP), issued on December 14, 2016, as modified by Order Nos. PSC-16-0578-PCO-WS, issued December 20, 2016, PSC-17-0032-PCO-WS, issued January 24, 2017, and PSC-17-0118-PCO-WS, issued April 4, 2017.

Respectfully submitted this 10th day of April, 2017.

/s/ Walt Trierweiler

WALTER TRIERWEILER
STAFF COUNSEL
FLORIDA PUBLIC SERVICE COMMISSION
Gerald L. Gunter Building
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850
Telephone: (850) 413-6584
Email: wtrierwe@psc.state.fl.us

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DATED: April 10, 2017

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that STAFF'S PREHEARING STATEMENT has been filed with the Office of Commission Clerk and that a true copy has been furnished to the following by electronic mail this 10th day of April, 2017:

J. R. Kelly, Esquire
Erik Saylor
Office of Public Counsel
c/o The Florida Legislature
111 West Madison Street, Room 812
Tallahassee, FL 32399-1400
Kelly.jr@leg.state.fl.us
Saylor.Erik@leg.state.fl.us

Martin S. Friedman, Esquire
Friedman Law Firm
766 N. Sun Drive, Suite 4030
Lake Mary, FL 32746
mfriedman@ffllegal.com

/s/ Walt Trierweiler

WALTER TRIERWEILER
STAFF COUNSEL
FLORIDA PUBLIC SERVICE COMMISSION
Gerald L. Gunter Building
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850
Telephone: (850) 413-6584
Email: wtrierwe@psc.state.fl.us