BEFORE THE 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

UTILITIES, INC. OF FLORIDA'S
POST HEARING STATEMENT OF ISSUES AND POSITIONS

Utilities, Inc. of Florida, pursuant to Order No. PSC-17-0148-PHO-WS, and Rule 28-106.215, F.A.C., files this Post Hearing Statement of Issues and Positions. There has been some sentiment expressed by OPC and echoed by at least one Commissioner that this was a "sloppy" filing. It is unfortunate that it has been characterized that way. Complex, maybe, but not sloppy. As the staff auditors recognized, this was really 12 rate cases rolled into one which required 16 sets of MFRs for the individual systems and one set of MFRs for the consolidation. It took over six months to prepare the MFRs, and the small number of Audit Findings are an indication of the good job UIF did in its filing. UIF is constantly undertaking capital projects but can only include in its filing those projects that meet the standard of being completed, under contract or which will be completed within two years from the end of the test year, which in this docket means placed into service before December 31, 2017. The nature of pro forma projects makes them subject to change with respect to the amount spent to date as well as change orders that may reflect changes, up or down, to project costs. While it may seem as though there were an excessive number of proforma projects included in this docket, in reality, the average number of projects was about four per system, which is consistent with prior UIF rate cases, as well as those filed by other utilities. And finally, the individual and consolidated tariff structures that were included in the filing took a considerable amount of work to develop. UIF completed all of these tasks with the goal of ending up with a much simpler and more uniform organizational structure that would streamline these proceedings in the future.

Policy Issues

ISSUE 1: DROPPED.

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

The quality of service is satisfactory for all systems.

ARGUMENT

Quality of service is evaluated by the Commission from three components – quality of the utility's product, operating conditions, and attempts to address customer satisfaction, each of which will be addressed separately. The evaluation of quality of service should consider not only what occurred in the test year, but also subsequently (Tr. 562-563). OPC did a "data dump" of all of the customer letters and comments filed in the "correspondence side" of this Docket (Ex. 91, 92, 347 & 348) along with every customer communications with the Commission (Ex. 290) and the Florida Department of Agriculture and Consumer Services (Ex. 291) in conformance with its philosophy and that of the Summertree Water Alliance ("SWA") to elevate the number of comments. Some of those communications that OPC sought to highlight were from four and seven years ago, and have no probative value in the instant case (Ex. 292 & 293). Only those complaints related to secondary water quality standards during the past five years are relevant. Section 367.0812(1), F.S. All of this documentation is hearsay and is not sufficient in and of itself to support a factual finding. Section 120.57(1)(c), Florida Statutes. Although its expense is not included in this rate case, UIF will shortly be implementing an asset management system in order to enhance its ability to operate and maintain and manage its assets (Ex. 193 & 324; Tr. 143, 343, 345-346, 463-464, 503 & 1307). This prospective system will include a computerized maintenance and management system, a structured preventive maintenance program, a structured predictive maintenance program as well as a GIS system (Tr. 1246-1247). Notwithstanding the fact that OPC's expert witness could not point to even one privately owned water and wastewater system in Florida that had implemented such an asset management system (638-639), OPC and SWA ask this Commission to find fault with the fact that UIF had not implemented such a system sooner (Tr. 151 & 1322-1323). OPC and SWA do not dispute the benefits of such a system (Tr. 345, 348, 350 & 359). At the outset, all of the UIF water systems meet all primary and secondary water quality standards (Ex. 148, 153 & 154). There must be an objective standard in evaluating water quality since people may differ subjectively as to what acceptable water tastes, smells and looks like. OPC admits that except for the Consent Order regarding TTHMs at LUSI, there are no water quality issues that are of concern to DEP for any of the UIF water systems (Tr. 565). UIF responded to all of the customer hearing issues (Ex. 167). All of UIF's 23 water systems are in compliance with primary and secondary water quality standards (Ex. 148, Bates 00140).

OPC Methodology. OPC's witness on quality of service did not do any separate evaluation of the three components of quality of service but chose to address quality of service singularly, and then apply a made-up standard against which to make a quality of service determination. . Although this witness's work experience includes 26 years with the PSC, none of that experience involved the review or analysis of any of three components of quality of service (Ex. 88). She started with a criterion to analyze quality of service by stating that systems with greater than a 1% complaint rate were subject to "more in-depth" review (Ex. 90; Tr. 536). Not surprisingly OPC ultimately recommends a marginal or unsatisfactory rating for all of those systems (Tr. 554-555). OPC's evaluation does not use any accepted Commission methodology and is flawed in many ways. First, OPC's witness used an arbitrary 1% customer complaint threshold for considering whether quality of service is satisfactory (Tr. 536). OPC's witness admitted that the 1% is not derived from any recognized standard and could just as easily have been 2% or 5% (Tr. 569-570). Even though the OPC witness testified that customer complaints increase when a rate case is filed, and she admitted most systems had rate cases during the time period she examined (Tr. 577), she nonetheless ignored that important fact in her analysis (Tr.

570), which flaws the results. Further, all customers letters were considered whether they were supported by technical data or not (Tr. 564). She also ignored the fact that proforma projects address some of the customers' concerns (Tr. 574-575). For instance, water main breaks on Autumn Drive resulted in the replacement of 900 lineal feet of 6" water main in January 2017 (Ex. 225) and there have been no more main breaks on that street since (Ex, 167, Bates 00268). Since OPC's analysis is based upon admitted flaws, it has no probative value and the recommendation should be disregarded.

Quality of the Utility's Product

Wastewater Systems. The only wastewater system that OPC found any customer complaints about was some odor issues at the Labrador WWTP (Tr. 537) and all of those complaints were prior to 2013 (Ex. 90, p. 14-18). OPC's sole basis for suggesting a marginal or unsatisfactory quality of service for the Sandalhaven wastewater system is a Consent Order (Tr. 553 & 554). That Consent Order was in 2014 and was related to leakage from a perc pond (Ex. 94). The perc pond is no longer being used and the Commission addressed the Consent Order previously in Order No. PSC-16-0013-PAA-SU and found the quality of service satisfactory. The Sanlando wastewater system has also had a Consent Order in connection with a wastewater discharge into a nearby creek (Tr. 94). These single incidents in these systems are insufficient to make a finding that the quality of service at Sandalhaven and Sanlando are marginal or unsatisfactory as suggested by OPC. Although Mid-County does not even meet OPC's arbitrary 1% threshold, OPC's witness included this system in the marginal or unsatisfactory category simple because there had been four complaints filed with DEP (Ex. 89; Tr. 554). The few odor complaint at Mid-County were isolated or unsubstantiated (Ex. 89). Contrary to OPC's inference, the prior PSC Orders, the last of which was in 2009, do not indicate systemic quality issues (Ex. 94).The absence of any significant number of complaints regarding the UIF wastewater systems leads to the inescapable conclusion that UIF's wastewater service in this regard is satisfactory.

Lake Placid, UIF-Pasco (Orangewood), UIF-Orange, UIF-Marion & UIF-Pinellas. These six water systems did not generate much customer comment either at the service hearings or in OPC's "data dump". OPC acknowledges that these six water systems are not ones that it believes fits its characterization of marginal or unsatisfactory (Tr. 554-555). Thus, the quality of the water being provided by these systems must be determined to be satisfactory.

UIF-Pasco (Summertree). The most vocal group of customers addressing water quality were those from Summertree. At the customer service hearing the Summertree Water Alliance and OPC were able to get a large number of customers to testify. Most objected to the requested rate increase even though UIF is proposing a rate decrease for the Summertree system further indicating it was a "numbers" game instead of legitimate comments. Some customers admitted that they did not want to testify but were encouraged to simply say "ditto" to the comments that were made previously. With one lone exception, each and every one of them were satisfied with the water quality since the interconnection with Pasco County. Even Ms. Ryan admitted the water met secondary water quality standards (Ex. 7). Ms. Ryan admitted that the water quality improved immediately upon the interconnection (New Port Richey Service Hearing Tr. 90)

By DEP Rule, the Utility must measure and record the chlorine residual at the most distant point in the distribution system from the point of entry. In addition, per DEP Rule, water systems using chloramination, as is the case at Summertree, must maintain a minimum total chlorine residual of 0.6 mg/L at all times and at all locations throughout the distribution network. Beginning in early November, 2016, while the Utility was still using its wells for water production and thus had the means to manage the water treatment process, the Utility initiated a "burn" of the distribution system. A "burn" entails temporarily reverting to standard chlorine disinfection by discontinuing the addition of ammonia at each well house. This "burn" causes biofilm adhering to the interior pipe walls to slough off during subsequent flushing and thus provide the means of removing any buildup of nitrogen-containing material that otherwise may cause a degradation in chlorine residual. Upon activation of the interconnection on 12/21/16, the "burn" ended. At that time, Utility staff uni-directionally flushed the Summertree system beginning at the interconnection and ending at the distant points of the system. In this way, the transition from groundwater to Pasco County Utility's ("PCU") water was short (less than 8 hours) and comprehensive while also eliminating any opportunity for the Summertree piping network to be a cause of water quality degradation thereafter (Ex. 187, Bates 00603).

Since 12/27/16, Utility staff began recording chlorine residual values that were at or below the minimum requirement of 0.6 mg/L at the distant points of the distribution network. UIF staff immediately initiated flushing activities in order to shorten the water age and thus elevate the chlorine residual. This activity occurred at multiple locations using hydrants, auto-flushing valves operated off of timers, and manual use of blow-offs at various locations. Staff also notified DEP officials as well as PCU staff who responded by initiating a comprehensive flushing program within their system, evaluating their water age profile using a computer model, contacting Tampa Bay Water ("TBW"), their water provider, to identify whether TBW could improve their water quality at the delivery points of their water to PCU's system, and adjusting the chemical feed at PCU's Little Road WTP. Chlorine residual values taken at the Colony Lakes subdivision, located directly east of Summertree and comprised of retail customers of PCU, indicated no chlorine residual was present. It is our understanding that PCU continues to investigate its distribution system to determine the cause of the severe drop off of chlorine residual within their piping network so as to effectuate a solution that is reliable and effective at delivering water with a chlorine residual of 2.5 mg/L or better at the Summertree interconnection. To date, PCU has been successful in doing so for only portions of the last 10 days (Ex. 187, Bates 00603-00604).

The Utility was informed that neither PCU nor TBW has ever conducted a "burn" of their piping networks after many years of utilizing chloramination for disinfection. Consequently, it is very possible that a gradual buildup of nitrogen containing sediment and mineral deposits within PCU's piping network is generating a significant chlorine demand due to the chemical reaction of chlorine and nitrate/nitrite compounds that results in the degradation and instability of the chlorine residual level. To date, neither PCU nor TBW have indicated any interest in conducting a "burn". To date, DEP has not taken any enforcement action regarding PCU's failure to maintain an adequate chlorine residual in their system, but DEP may choose to do so in the future (Ex. 187, Bates 00604).

Until such time that PCU can deliver water at the interconnection that has a consistent residual of 2.5 mg/L or better, Utility staff will continue to measure chlorine residual on a daily basis throughout its system and conduct flushing activities sufficient to produce a chlorine residual greater than 0.6 mg/L throughout the Summertree system. The Utility will continue to communicate with PCU operations staff, share information and water quality data in order to

assure compliance with DEP disinfection rules while also minimizing the volume of water used for flushing. It is unclear at this time how rapidly PCU will be able to accomplish this prerequisite (Ex. 187, Bates 00604). PCU's customers in the Colony Lakes subdivision adjacent to Summertree have had nearly zero chlorine residuals until they recently started an extensive flushing program (Ex. 259).

The water quality tests which UIF conducted pursuant to PSC Order No. PSC-16-0505-PAA-WS UIF after the interconnection was placed in service substantiated that compliance (Ex. 350). Summertree customers complained about water pressure since the interconnection (Ex. 249 & 349). As pointed out in the results of a study done by U. S. Water Services Corporation on behalf of the Summertree Water Alliance, there is a 15 psi reduction in water pressure caused by the County's meter and RPZ backflow devices, and it was recommended they be replaced (Ex. 249 & 349). UIF has no control over these devices and must rely on the good faith of the County to cooperate. Although the U. S. Water report also indicated that the minimum chlorine residuals were not being met at every point within the water system, nonetheless there was no coliform bacteria detected in the system and the water was safe to drink (Ex,. 349). Further, in response to a letter from Commissioner Mariano who spoke at the Tallahassee service hearing regarding the safety of Summertree water (Tr. 56), DEP, while noting that Pasco County Utilities has similar chlorine residuals issues responded:

> Although Utilities Inc. and Pasco County Utilities have had intermittent test results that indicated low levels of chlorine, there is no immediate health risk or need for Summertree residents to change their daily routines or to find an alternative source of water. As you know, throughout Florida, chlorine is used to eliminate bacteria in public water supplies. Recent test results for Summertree indicate that chlorine levels did not meet the minimum levels established in federal drinking water standards. However, tests also revealed that ***there is no bacteria in the Summertree water system, which is why the water is safe for residents to drink.*** [italics and bold in original] (Ex. 257).

Despite Commissioner Mariano's assertions that UIF testing was suspect (Tr. 56), DEP was on hand when the tests were conducted (Ex. 257). Recent water quality complaints are more about the Summertree Water Alliance and County's agenda to pressure UIF to sell the Summertree systems to the County at less than fair market value than it is about water quality concerns.

SWA, relying on PSC Order No. 24259, tried to assert that UIF knew of the water quality complaints when it purchased the system but has done nothing to improve it. That Order reflects only that "one of the four wells has collapsed and another is out of service due to excessive iron". These are not the types of water quality complaints customers raised prior to the interconnection with Pasco County and contradicts SWA's own assertions.

UIF has taken all reasonable steps to ensure good water quality at Summertree. Prior to the interconnection with Pasco County it conducted a chlorine burn (Ex. 187, Bates 00603). It was conducting another chlorine burn at the time of the hearing (Ex. 278; Tr. 496). The bacteriological tests done to date are clear (Ex. 349) and UIF has never found any harmful bacteria as the result of chlorine burns that it has conducted in the past (Tr. 493-494). Since Pasco County is unable (or unwilling) to provide sufficient chlorine at the point of connection UIF has had do a substantial amount of flushing to meet the required standard (Ex. 187, Bates 00603-00604).

LUSI. The LUSI water system is currently under a Consent Order in connection with TTHM and HAA5 issues (Ex. 135 & 136). That issue is also the subject of a proforma project (Ex. 213; Tr. 323). Since UIF has begun to take steps to resolve this issue the quality of the water for the LUSI system should be considered satisfactory (See, Order No PSC-05-0624-PAA-WS). Further, based upon the most recent sampling the locational running annual average for TTHMs and HAA5 are within the maximum contaminant levels and thus is satisfactory (Ex. 153, Bates 00196).

Sanlando. In prior rate cases there have historically been no significant water quality complaints (Ex. 94). While there were customer complaints with color, the water does not exceed the maximum contaminant level for color. The reference to calcium reflects the presence of calcium carbonate in the water, which is drawn from the Floridan Aquifer, a limestone water bearing strata that is predominantly made of calcium carbonate. The abundance of calcium carbonate in the aquifer elevates the hardness of the water that is distributed to the customers. The Sanlando water plants were not designed to soften the water nor has DEP directed Sanlando to do so in the 50 years of plant operation. The water hardness concentration, which is a secondary water quality parameter, is roughly half the MCL of 500 mg/L of calcium carbonate. Therefore, water softening treatment is not warranted nor prudent.

Water pressure may vary due to a variety of factors including: the pressure generated at the water treatment plant; changes in topography; the size of water mains; and variances in water demand, which is typically greatest during designated irrigation nights. When low pressure complaints are generated by customers, the Utility's field staff responds by investigating the issue. This may include the use of a pressure logger to document the actual changes in pressure over time at a particular location. Often the solution is to adjust the irrigation controller at the customer's house so as to redistribute the water demand and possibly reduce the length of the watering cycle in order to compete less with neighbors who irrigate on the same night. The Utility's Water Conservation Manager typically provides customers with tips describing how to use water wisely, especially when irrigating. In so doing, customers can alleviate competition for the hydraulic capacity of the water main on their street on designated irrigation nights (Ex. 167, Bates 00269-00270).

Pennbrooke. UIF has admitted that there are customer concerns about water quality in this system (Tr. 505). The concerns expressed by the customers have to do with high iron content in the water. Although there is high iron content in the source water, through the use of a sequestrant the water is in compliance with secondary water quality standards (Ex. 153, Bates 00193). CPH Engineers prepared a report for UIF to determine what facilities would need to be installed to further reduce iron in the water. The least cost option had a capital cost of approximately $2,000,000 and an annual increase in operating costs of $142,000 which would have resulted in an increase to each customer's bill by approximately $32 per month (Ex. 170). This report was presented to the customers and they requested UIF not to go forward with the project due to its high cost (Ex 167, Bates 00267; Ex. 171, Bates 00324). Basically, the customers chose to live with the problem rather than pay for the solution (Tr. 1495). UIF remains willing to go forward with that project, and with a consolidated rate structure this project may be able to be implemented in the future with a resulting lesser rate impact on the customers at Pennbrooke (Tr. 1495).

Labrador. UIF has admitted that there are customer concerns about water quality in this system (Tr. 505). Since the last rate case where the Commission found the quality of service marginal (PSC Order PSC-15-0208-PAA-WS), UIF engaged a qualified consultant to examine source water quality, water treatment methods, and other factors to identify the causes of water quality complaints. (Ex. 167). UIF representatives then met with the Forest Lake Estates Homeowners Association board in April 2016 to apprise them of the results of the study. The customers were opposed to UIF investing capital due to the impact of that investment on their water rates. Additionally, UIF verified through its chemical supplier that the optimum sequestrant was being added to the water supply in order to minimize the precipitation of iron in the distribution system. UIF also modified its operational strategy to maximize the use of Well #1 and minimize the use of Well #2 reflecting the water quality characteristics that differentiate the two water sources (Ex. 167, Bates 00266). The few Labrador pressure issues were the result of equipment failure and have been resolved (Ex. 89). It should be noted that no customers testified at the service hearings, which was a dramatic change from the prior rate case where over 300 customers attended the meeting and 22 spoke, and it was previously determined that the provision of water service was satisfactory (PSC Order No. PSC-12-0206-PAA-WS).

Cypress Lakes. UIF has admitted that there are customer concerns about water quality in this system (Tr. 505), even though the water quality meets primary and secondary water quality standards. Only eight customers testified at the Cypress Lakes service hearing with only five mentioning water quality (Ex. 93). A representative of the Cypress Lakes community testified at the Tallahassee service hearing and made no complaint about the quality of the water (Tr. 17-19).

UIF-Seminole. Although this water system meets all primary and secondary water quality standards, UIF is addressing the few odor complaints through increased and targeted flushing. (Ex. 153, Bates 00197-00198).

Operating Conditions

The Florida Department of Environmental Protection ("DEP") is the primary State agency with jurisdiction over the operational conditions of water and wastewater systems (Tr. 506). The staff presented the testimony of a representative of DEP to address the compliance status of the UIF facilities (Tr. 870). A summary of the compliance of the UIF systems was presented by the DEP witness (Ex. 135). Although during the years evaluated there were non-compliance issues with some systems, those issues were not unusual or excessive (Tr. 874, 882 & 889). None of these issues were significant enough to rise above the District level (Tr. 882). The only wastewater system that has any outstanding compliance issues at the time of the hearing is the Eagle Ridge wastewater system (Ex. 135; Tr. 884), which has a compliance assistance letter from DEP (Ex. 135), the resolution of which is the subject of one of the pro forma projects (Ex. 209; Tr. 321), and a recently issued compliance assistance offer letter. This letter is used by DEP to address issues that are easily corrected within a short period of time (Tr. 885). The LUSI water system is currently under a Consent Order in connection with TTHM and HAA5 issues (Ex. 135 & 136). And with regard to that Consent Order, DEP has confirmed that UIF has met all of the required milestones (Ex. 135). That issue is also the subject of a proforma project (Ex. 213; Tr. 323). No other systems have any outstanding compliance issues (Tr. 884). OPC's witness agreed that post-test year

compliance should be considered in the quality of service analysis (Tr562). OPC's witness was unaware of any major DEP compliance issues, and admitted that if DEP determines that a system has no violations, then such system is being operated satisfactorily (Tr. 568). The few operating issues do not rise to the level to support a finding other than that the UIF water and wastewater systems are being operated satisfactorily.

Attempt to Address Customer Satisfaction

From January 1, 2010 through December 31, 2016 the Commission logged only 218 complaints regarding UIF from its over 34,000 water customers and 32,000 wastewater customers (Tr. 899, 904 & 911). Sixty-eight percent of the complaints involved billing issues and the remainder involved disconnections, outages and miscellaneous service issues (Tr. 899 & 913). The Commission complaint staff does not take complaints related to secondary water quality complaints such as taste, color and odor (Tr. 905), although some of the 218 complaints could have included such complaints (Tr. 906). Secondary water quality complaints are addressed in the first quality of service component above. The records do not show that at any time the Commission had to follow-up with UIF for not responding to a customer complaint (Ex. 137). OPC points out that there were 12 customer service and 2 billing comments made at the service hearings (Ex.93). UIF had customer service personnel at each of the service hearings who addressed customer service issues that customers brought to their attention at that time (Ex.167). It is clear from the record that UIF addresses customer service issues in a timely manner, and thus its attempts to address customer satisfaction are satisfactory.

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
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ALLOCATION	Water	Sewer	Total
Tierra Verde	-	2,095.2	2,095.2
Lake Placid	141.1	143.1	284.2
Longwood	-	1,695.5	1,695.5
Cypress Lakes	1,266.3	1,204.5	2,470.8
Eagle Ridge	-	2,527.6	2,527.6
* Mid-County	-	5,622.2	5,622.2
LUSI	11,739.9	3,630.8	15,370.7
UIF	6,870.4	2,796.1	9,666.5
Sanlando	13,853.9	11,145.7	24,999.6
Sandalhaven		1,229.0	1,229.0
Labrador	762.7	756.7	1,519.4
Pennbrooke	1,488.0	1,240.0	2,728.0
	36,122.3	**34,086.4**	**70,208.7**

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ARGUMENT

In accordance with Commission policy, costs have historically been allocated based upon the number of ERC's served by the respective system (Tr. 1505). The appropriate allocations for the test year were as set forth above which was provided to the auditors (Ex. 316; Tr. 1081). Neither Utilities, Inc. nor UIF purchased or sold any utility systems that would vary these allocation (Ex. 173, Bates 00370-00371), and there are no pending acquisitions (Ex. 173, Bates 00372, Ex. 183, Bates 00578).

Rate Base

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

POSITION

*Adjustments should be made for Audit Findings 1, 2, 3, 4, 5, and 9, however AF#1 needs to be corrected as follows:

Struct Imp Wtr Treat		$ 37,500	
A/D Strct Imp Wtr	$39,791		
A/D Struct/Imprv C	$ 797		
			*

ARGUMENT

Rate base should be adjusted to reflect the audit findings impacting accumulated depreciation, numbers 1, 2, 3, 4, 5 and 9. Audit finding 1 requires a correction to a calculation error in the audit report (Tr. 1079).

Struct Imp Wtr Treat		$ 37,500
A/D Strct Imp Wtr	$ 39,791	
A/D Struct/Imprv C	$ 797	

The impact of the Audit Findings on each Rate Base Component are as below:

Audit Finding	UPIS	AD	CIAC	AA
1	183,761	(332,115)	(3,625)	33,418
2	26,814	155,138	12,379	(117,239)
3	3,375,339	(4,557,371)	556,140	(99,698)
4				(239,460)
9	602,509			
TOTAL	4,188,423	(4,734,348)	564,894	(422,979)

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

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SYSTEM	WATER	WASTEWATER
Lake Placid	$ 1,251	$ 1,351
Cypress Lakes	$19,632	$ 18.030
Eagle Ridge	N/A	$ 20,038
UIF-Orange	$ 2,218	N/A
UIF-Pasco	$ 22,571	$ 8,966
UIF-Pinellas	$ 3,510	N/A
UIF-Seminole	$ 20,442	$ 10,891
Sanlando	$ 52,250	$ 18,499
Pennbrooke	$ 10,857	$ 8,708

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ARGUMENT

Commission Order No. PSC-14-0521-FOF-WS provided that the regulatory asset associated with the Project Phoenix costs **shall** be determined in the next rate case of the affected systems, which is the instant case for many of the systems. The use of the compulsory word "shall" mandates that determination whether or not it was requested. However, UIF acknowledges that the inclusion of the revenue requirement associated with this determination cannot result in UIF exceeding the revenue requirement requested in its MFRs, but can be used to offset any disallowed revenue. Order No. PSC-13-0187-PAA-WS at p. 28. The amount of those regulatory assets are set forth in the summary table above (Ex. 168).

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

POSITION

*Longwood, Sandalhaven and Pasco Summertree Decommissioning.
Proforma Replacements not to exceed plant balance, and Proforma Additions to reflect updated costs*

ARGUMENT

Decommissioning - Adjustments to Longwood, Sandalhaven and Pasco (Issues 8, 10). Proforma Replacements - Adjustments to MFRs (Issue 10). Proforma Additions - updated amounts (Issue 9).

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

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Plant Accounts correction	1,071,092
AD Correction	1,511,577
CIAC Correction	(3,633)
AA Correction	(73,154)
Working Capital	522,840

*

ARGUMENT

A correction to the proforma adjustment in the UIF-Pasco MFRs is required to properly reflect the decommissioning of the Summertree wells. The adjustment for this retirement as it pertains to utility plant should be consistent with Order No. PSC-16-0505-PAA-WS, issued on October 31, 2016. Additionally, the cost of removal should reflect the actual cost of $176,826, and be amortized as the loss is amortized; the loss should be amortized pursuant to Rule 25-30.433(9), F.A.C. (Ex. 233 & 249; Tr. 1437).

Plant Accounts correction	1,071,092
Accumulated Depreciation Correction	1,511,577
CIAC Correction	(3,633)
Accum Amortization Correction	(73,154)
Loss on Decommissioning (363,397)	
Working Capital (cost minus 1/2 year, 12.24 year amortization)	333,708
Cost of retirement net of salvage updated to $176,826	
Working Capital (cost minus 1/2 year, 12.24 year amortization)	162,379

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

POSITION

Yes, adjustments should be made to each pro forma plant addition where the expenditures differ from the amounts identified in the MFR's. The final amount of the proforma capital projects is $36,850,000.

ARGUMENT

UIF proposed the following pro forma projects (Ex. 37-41, 44, 45, 47-49, 52-54, 56,57, 68-70, 73-85, and 207- 244; Tr. 321- 331):

1. Cypress Lakes WTP Hydro Tank #1: Remove and replace a 10,000-gallon hydro pneumatic pressure tank that is at the end of its service life, is not repairable, and was recommended for replacement per its last internal inspection; repurpose the 10,000-gallon

ASME-code tank located at Summertree Well 13 by installing it at Cypress Lakes WTP; February 28, 2017.

2. Cypress Lakes Sediment Removal: Removal and disposal of accumulated grit and sediment from each of the three treatment trains at Cypress Lakes WWTP in order to reestablish the design volume in each aeration tank; remove and replace broken diffusers as needed in each treatment train using stainless steel materials and fine bubble diffusors; September 30, 2016.
3. Eagle Ridge WWTP EQ Tank & Headworks: Replace two carbon steel flow equalization tanks and a bar screen that are now at the end of their service life with a single, glass-fused steel tank and static screen; reconnect existing odor control equipment to new tank; fabricate and replace the splitter box; remove and replace the modular field office trailer with an office trailer sized and configured to meet current operations staff needs; replace the chemical storage building; modify the plant entrance per HOA request; remove trees along fence line; and provide engineering support for design, permitting and construction inspection services; September 30, 2017.
4. Labrador WWTP Sediment Removal: Removal and disposal of accumulated grit and sediment from each of the three treatment trains at Labrador WWTP; remove and replace broken diffusers as needed using stainless steel materials and fine bubble diffusors; September 30, 2016.
5. LUSI - Lake Groves Sludge Dewatering Equipment: purchase and install a sludge drying and odor control system that uses solar energy to reduce the water content of biosolids and thus reduce sludge hauling expense; purchase one FloTrend sludge dewatering box to support the operation of the SolarOrganite sludge drying unit that reflects an increase in monthly biosolids production beyond the capacity of the one existing box; December 31, 2016.
6. LUSI - Oswalt Road Water Main Relocation: Relocate distribution system facilities on Oswalt Road in advance of a Lake County road and drainage improvement project; December 31, 2016.
7. LUSI - SCADA System: Design, fabricate and install hardware and software required to allow remote monitoring and control of all production, storage and pumping facilities: within the combined LUSI water system; at the Lake Groves Reuse Plant; and at 16 LUSI lift stations; July 1, 2016.
8. LUSI - TTHM & HAA5 Study: Investigate the cause of elevated total trihalomethane and haloacetic acid concentrations at various locations within the combined distribution system; develop TTHM/HAA5 formation potential curves at each water source; develop operational strategies that will provide a short-term solution; develop conclusions and recommendations to resolve the problem; and provide estimates of probable capital and annual operating costs for each option; September 30, 2016.
9. LUSI – Engineering TTHM & HAA5 Remediation: Provide engineering design and permitting services that will comprehensively address elevated TTHM & HAA5 values at multiple locations throughout the combined LUSI water system as recommended by the TTHM/HAA5 Study; November 19, 2016.
10. LUSI – US 27 Utility Relocations: In coordination with a Florida DOT highway and stormwater improvement project, design and relocate those water, sewer and reuse facilities that are in conflict with proposed FDOT facilities; June 30, 2017.

11. Longwood – Church Avenue Utility Relocations: Design, obtain permits and relocate two sewer force mains situated within the Church Avenue right-of-way in coordination with a City of Longwood road and drainage improvement project.
12. Longwood Groves – I&I Study: Clean and video inspect 30,000 LF of gravity sewer main to identify the locations of significant deficiencies in the Longwood collection system; November 30, 2016.
13. Longwood Groves - I&I Remediation: Remedy gravity sewer main, manhole and sewer lateral deficiencies situated within Longwood Groves subdivision by the use of pipe liners, cured-in-place pipe or excavate and replace techniques to remedy the deficiencies found in the I&I Study. This will promote a reduction in the base influent flow to the Wekiva Hunt Club WWTP; September 30, 2017.
14. Mid-County Electrical Improvements and Generator Replacement: Replace the main power feeder, transformers, transfer switches, distribution panels, motor control centers and main disconnects at the Mid-County WWTP that are not in conformance with current NEC requirements and at the end of their service life; convert incoming power and all loads from 230VAC to 480VAC; remove and replace a 500-Kw emergency generator, fuel cell and transfer switchgear that is not reliable, requires frequent repairs, and is at the end of its service life; provide engineering design, surveying, and construction inspection services in support of the project; June 30, 2017.
15. Mid-County Field Office: Remove and replace the existing field office trailer, electrical service, lab counters, and furniture that are at the end of their service life after approximately 30 years of use; July 8, 2016.
16. Mid-County Flow Study: Conduct a comprehensive, four-month investigation of raw wastewater flow patterns by collecting data across the whole collection system using 16 flow meters positioned at key locations. Analyze the data to determine the source/s of excess inflow and infiltration entering the system; June 30, 2016.
17. Mid-County Excess I&I Remediation: Address the collection system deficiencies found in the flow study by application of cured-in-place pipe, pipe liners, lateral replacement, manhole refurbishment or other remedies; July 31, 2017.
18. Mid-County Methanol Pumps and In-Line Nutrient Analyzers: Replace two explosion-proof methanol feed pumps that require frequent repairs, are critical in the performance of the treatment process and are at the end of their service life. Install an in-line nutrient analyzer to monitor TN and TP concentration within the treatment process to optimize the use of ferric sulfide and methanol that are critical in meeting current and future effluent water quality limits, and to reduce the risk of noncompliance; October 30, 2016.
19. Mid-County US Highway 19 Utility Relocation: Design, obtain permits, replace and/or relocate collection system facilities in conflict with an FDOT highway and drainage improvement project within the US Highway 19 corridor; remove and replace a collapsed gravity sewer main segment adjacent to the master lift station; July 31, 2017.
20. Pennbrooke WTP Electrical Improvements: Design, obtain permits and construct electrical improvements to meet current NEC requirements including: upsizing the main feeder to 300 amps; installing VFD units on three high service pumps and two well pumps; constructing a climate controlled room to house the new electrical equipment; removing the existing electric service, control panel and feeder; upgrading the electric service to the emergency generator; and replacing the lighting in the pump room; December 31, 2017.

21. Sandalhaven – Placida Road Utility Relocation: Design, obtain permits, and relocate sewer force main facilities in coordination with Charlotte County's planned road and drainage improvement project on Placida Road (CR 775); December 2017.
22. Sanlando – Autumn Drive WM Replacement: Replace 900 LF of 6-inch thin wall PVC water main, associated isolation valves and water services in The Springs subdivision after experiencing three pipe failures within eight months on that street, each of which caused significant property damage to certain residents as well as temporary loss of service to approximately 45 customers; October 1, 2016.
23. Sanlando – Lift Station RTU Installation: Design, purchase and install Remote Telemetry Units (RTUs) at 55 lift stations in order to add those facilities to the existing Wekiva Plant SCADA system and thereby reduce the risk of sanitary sewer overflows or sewer backups; December 31, 2017.
24. Sanlando – Markham Wood Utility Relocates: Relocate water mains and valves in advance of a Seminole County road improvement project at the intersection of Markham Woods Drive and SR 434; July 31, 2016.
25. Sanlando – Myrtle Lake Hills Water Mains: Design, obtain permits and construct water facilities to serve as many as 116 homes in Myrtle Lake Hills subdivision whose current homeowners are experiencing failing private wells and inferior water quality. The net project cost of approximately $700,000 will be reduced by main extension and plant capacity charges collected from the future customers when they request service and are connected to the new facilities; October 31, 2016.
26. Sanlando –Inflow & Infiltration Study and Remediation, Phase 2: Clean and video inspect 84,000 LF of gravity sewer main to identify the locations of significant deficiencies in the collection system in order to reduce the base influent flow to the Wekiva Hunt Club WWTP, completed on July 1, 2016.
27. Sanlando – Shadow Hills Flow Diversion: Design, obtain permits and construct facilities that will allow flow to be diverted from the Shadow Hills WWTP to the Wekiva WWTP including construction of: an 800,000-gallon equalization tank and re-pumping station at the Des Pinar site; 4-inch, 6-inch, 8-inch, and 12-inch force main improvements that will address hydraulic bottlenecks; demolition of the Shadow Hills WWTP; and upgrades and downgrades to multiple lift stations to optimize pumping capacity so as to prevent sanitary sewer overflows. The project will also include the construction of a field office and an equipment storage shed at the Des Pinar Plant site that will replace buildings that are undersized, inadequate to support the current workforce, and at the end of their service life; December 31, 2017. Mr. Flynn also provided a detailed explanation of this project in subsequent discovery responses (Ex. 154, Bates 00199-00200).
28. Sanlando – Wekiva WWTP Blower Replacement: Design, purchase and install process blower equipment to replace three (3) each 200-Hp blower-motor assemblies to improve plant performance and maximize the production of reclaimed water; October 2017.
29. Sanlando – Well 2A and Lift Station A-1 Electrical Improvements & Generator Install: Design and install an emergency generator sized and configured to provide backup power to Des Pinar Well 2A and Lift Station A-1 during power outages so as to avoid sanitary sewer overflows or low water pressure. The electrical equipment will be improved to meet NEC specifications; December 31, 2016.
30. Sanlando – Wekiva WWTP Rehabilitation: Remove accumulated grit and debris from each of three treatment trains; replace two clarifier gear drives; replace air diffusers, drop pipe,

skimmer arm, and air lift assemblies in each treatment train; replace scum troughs splash plates and guard rails; remove and replace corroded steel structures and beams to restore structural integrity; replace lighting, catwalks and toe plates. Sandblast interior surfaces and coat each train with a durable, corrosion resistant painting system; June 30, 2017.

31. Tierra Verde - 401 8th Avenue Gravity Sewer Main Replacement, Phase 2: Excavate, remove and replace 40 LF of collapsed 8-inch vitreous clay sewer main in the road right-of-way of 8th Avenue to reduce groundwater infiltration and reduce the risk of a sanitary sewer overflows caused by sewer backups; March 8, 2016.
32. UIF – WM Replacements, Orange Co: Design, obtain permits, remove and replace asbestos cement and galvanized iron water mains, service laterals, and isolation valves in the Crescent Heights water system that have reached the end of their service life, cause loss of pressure due to tuberculated pipe, generate excessive water loss, require frequent repairs and generally degrade customer service; March 31, 2017.
33. UIF – WM Replacements, Pasco Co: Design, obtain permits, remove and replace 2-inch, 4-inch and 6-inch asbestos cement and galvanized iron water mains, hydrants, service laterals and isolation valves in the Orangewood and Buena Vista water systems that have reached the end of their service life, cause loss of pressure due to tuberculated pipe, generate excessive water loss, require frequent repairs and generally degrade customer service; December 31, 2016.
34. UIF – Summertree Well Abandonment: After placing an interconnection with Pasco County Utilities into service, abandon the four existing water supply wells in conformance with SWFWMD specifications net of any SWFWMD grant money; remove all tanks, pumps, generators, electrical equipment, buildings, fencing and other improvements from each site.
35. UIF – WM Replacements, Pinellas Co: Design, obtain permits, remove and replace 2-inch, 4-inch and 6-inch asbestos cement water mains, hydrants, service laterals, and isolation valves in the Lake Tarpon water system that have reached the end of their service life, cause loss of pressure due to tuberculated pipe, generate excessive water loss, require frequent repairs, and generally degrade customer service; March 31, 2017.
36. UIF – Electrical improvements at Little Wekiva and Jansen WTPs: Remove and replace 50-year old electrical controls and equipment to meet current NEC specifications. Install RTUs at eight (8) WTP locations in order to add these sites to the existing Wekiva Plant SCADA system; provide engineering services to design and permit improvements; September 15, 2016.
37. UIF – Eng-Seminole & Orange County WM Replacements: Design and obtain FDEP construction permits before replacing asbestos cement and galvanized iron water mains, service laterals, and isolation valves in those water systems located in Seminole and Orange County that have reached the end of their service life, experience loss of pressure due to tuberculated pipe, and degrade customer service; September 15, 2016.
38. UIF – Bear Lake WM Replacement: Design, obtain permits, remove and replace the asbestos cement and galvanized iron water mains, service laterals, and isolation valves in the Bear Lake water system that have reached the end of their service life, cause loss of pressure due to tuberculated pipe, and degrade customer service; March 31, 2017.
39. UIF – Crystal Lake WM Replacement: Design, obtain permits, remove and replace the asbestos cement and galvanized iron water mains, service laterals, and isolation valves in

the Crystal Lake water system that have reached the end of their service life, cause loss of pressure due to tuberculated pipe, and degrade customer service; June 30, 2017.

40. UIF – Little Wekiva WM Replacement: Design, obtain permits, remove and replace the asbestos cement and galvanized iron water mains, service laterals, and isolation valves in the Little Wekiva water system that have reached the end of their service life, cause loss of pressure due to tuberculated pipe, and degrade customer service; June 30, 2017.
41. UIF – Northwestern FM Replacement: Design, permit, replace, remove and relocate 2,500 LF of 10-inch asbestos cement pipe that has reached the end of its service life; December 31, 2016.
42. UIF – Oakland Shores WM Replacement: Design, obtain permits, remove and replace the asbestos cement and galvanized iron water mains, service laterals, and isolation valves in the Oakland Shores water system that have reached the end of their service life, cause loss of pressure due to tuberculated pipe, and degrade customer service; September 30, 2017.
43. UIF – Phillips WM Replacement: Design, obtain permits, remove and replace the asbestos cement and galvanized iron water mains, service laterals, and isolation valves in the Phillips water system that have reached the end of their service life, generate loss of pressure due to tuberculated pipe, and degrade customer service; design and construct a water main extension between Crystal Lake and Phillips water system to improve reliability of service; September 30, 2017.
44. UIF – Ravenna Park WM Replacement: Design, obtain permits, remove and replace the asbestos cement and galvanized iron water mains, service laterals, and isolation valves in the Ravenna Park water system that have reached the end of their service life, cause loss of pressure due to tuberculated pipe, and degrade customer service; March 31, 2017.
45. UIF – Ravenna Park/Crystal Lake Interconnect and WTP Improvements: Interconnect the Ravenna Park and Crystal Lake distribution systems following the failure of the Crystal Lake well; replace the cascade aerator and ground storage tank at Ravenna Park; and construct an emergency interconnection with the City of Sanford to minimize water outages; September 15, 2016.
46. C4500 Kodiak Truck Upgrade: Modify an existing 10-year old service truck by removing the existing service body, its Venturo Model 12 crane, pipe rack and welding unit; install a properly sized and configured utility body, a Venturo Model 25 crane with 20-foot boom extension and 25,000 ft-lb moment rating, twin outriggers, work lights, safety strobe lights, rooftop beacon, power inverter, and 120V outlet; reinstall welding unit; September 30, 2016.
47. UIF Global - GIS Mapping Services: Develop a standard asset database template and a record drawing specification that will be applied to all Florida systems and asset types; convert all linear water and sewer assets and system maps to a uniform GIS mapping system format; provide quality control of data throughout the conversion to GIS; June 30, 2017.

The project identified as No. 28, was deferred to a future date, and thus recovery for that project is not requested in this rate case (Tr. 1237). It has been this Commission's policy, which OPC acknowledges, that the proper documentation of proforma projects is to provide actual invoices for those projects that have been completed, and signed contracts supported by three bids for those that are not completed (Tr. 620-621). Further, pursuant to Section 367.081(2)(a)2, F. S., such projects must be completed within 24 months after the end of the test year. UIF has other

ongoing capital projects not included for recovery in this rate case because they did not meet those requirements (Tr. 1533).

Proforma projects, by their very nature, are not always complete at the time of filing and hard numbers as to their cost are not available at that time either. So, as documentation became available throughout the discovery process, as is has done in every case with proforma plant adjustments, UIF provided update documentation (Ex. 145, 149, 153, 155, 159, 161, 166, 168-173, 175, 176, 282 & 283). UIF provided OPC's witness with an opportunity to visit all of its water and wastewater systems and to evaluate the proforma projects (Tr. 635). He did not question the reasonableness or necessity of any of the proforma projects. Complaining that he did not have enough time to review the cost justification for all of the proforma projects he recommends that the project costs that he did not get to review be excluded (Ex. 200 & 286; Tr. 630, 674, 683-684). Interestingly, OPC's witness amended his testimony at the hearing when it was advantageous for him to do so, but did not seek to change his testimony to comment on the proforma projects he claimed he did not have sufficient time to review (Tr. 676). Further, for those projects, whose cost exceeded the original estimate, he recommends that only the original estimate be allowed, but at the same time, if a project cost was actually less than the estimate, he recommended the actual cost be allowed (Tr. 623-625), clearly trying to establish a double standard. Ultimately, OPC sought to exclude 11 projects from Commission consideration (OPC Motion for Reconsideration), which interestingly included a project the cost of which its own witness at the hearing acknowledged was reasonable (Tr. 676-677)

SWA through its examination of Mr. Flynn implies that there is something sinister with coordinating capital projects with cost recovery in a rate case (Ex. 325; Tr. 1275-1293). However, doing so is good utility practice as it reduces the regulatory lag that is inherent in capital expenditures by utilities.

All of the proforma projects are fully supported with either actual invoices or signed contracts (Ex. 37-41, 44, 45, 47-49, 52-54, 56,57, 68-70, 73-85, and 207- 244). Further, all of the proforma projects will be completed by December 31, 2017, which is within the 24 month statutory deadline (Tr. 1237). A summary of the current project costs and completion dates is set forth in Exhibit 248), and totals $36,850,000.

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

POSITION

If facility decommissioning would result in a substantial debit balance in accumulated depreciation, that debit balance should be deferred and amortized, with the unamortized portion included in working capital. Proforma replacements should be made at 75% of the replacement cost, not to exceed the amount in the fixed asset account. If it has been determined that the cost on the books of the retired assets is negligible, that should be taken into consideration.

ARGUMENT

Decommissioning:

The Longwood MFRs reflect the proforma adjustment to reflect the decommissioning of the Shadow Hills wastewater treatment plant. The adjustment should be corrected to properly reflect the loss associated with the decommissioning; the loss should be amortized pursuant to Rule 25-

30.433(9) F.A.C, and the unamortized portion of the loss should be included in working capital. (Ex. 249; Tr. 1431)

AD - 354.4 Structures & Improvements	1,537,433
AD - 380.4 Treatment & Disposal Equipment	28,904
AD - 381.4 Plant Sewers	26,803
AD - 382.4 Outfall Sewer Lines	895
AD - 389.4 Other Plant & Misc. Equipment	5,563
Loss total	1,599,598
Working Capital (total loss minus 1/2 year amortization	1,519,618
Amortization of Loss Expense - Per Rule 25-30.433(9)	159,960

The Sandalhaven WWTP was decommissioned during the test year, and is reflected in the MFRs. A correction to the Sandalhaven MFRs is necessary to properly reflect a loss on the retirement, which should be amortized pursuant to Rule 25-30.433(9). The actual cost of the removal should be amortized as the loss is amortized. The unamortized portion of the loss should be included in working capital. (Ex. 249; Tr. 1434)

AD - 354.4 Structure & Improvement	(253,409)
AD - 355.4 Power Generation Equipment Treatment Plant	(83)
AD - 375.6 Reuse Transmission & Distribution System	(2,903)
AD - 380.4 Treatment & Disposal Equipment	88,267
AD - 380.5 Treatment & Disposal Equipment Reuse Treatment Plant	(27,901)
AD - 381.4 Plant Sewers	1,804
AA - Structure - Treatment Plant	(260,310)
AA - Lagoons	72
AA - Treatment Equipment	19,201
AA - Sewer Cap Res Fee	(51,338)
Loss total	486,600
Working Capital (total loss minus 1/2 year amortization)	462,270
Amortization of Loss - Per Rule 25-30.433(9)	48,660

UIF-Pasco MFRs Summertree wells - (See Issue 8). The adjustment for this retirement as it pertains to utility plant should be consistent with Order No. PSC-16-0505-PAA-WS, issued on October 31, 2016. Additionally, the cost of removal should reflect the actual cost of $176,826, and be amortized as the loss is amortized; the loss should be amortized over 12.24 years pursuant to Rule 25-30.433(9), F.A.C. (Ex. 233 & 249; Tr. 1437).

Proforma Replacements

The MFRs reflect retirements associated with proforma plant replacements at 75% of the cost of the replacement, which is FPSC practice where the original cost is not available. However, it was discovered that in some cases, this method resulted in reducing the associated plant more than the balance in the account. The Company agrees that a more appropriate estimate of original cost should be used for the rate setting. Although using a different method to estimate original cost has no impact on rate base, there would be an impact on the calculation of depreciation expense, which

is based upon the remaining balance of the plant account. (Tr. 1423, 1424) Specific adjustments to proforma replacement retirements that should be made include:

UIF-Orange Crescent Heights Water Main replacement should be limited to the balance in the plant account, $199,193. (Ex. 249; Tr. 1437)

UIF-Pasco water main replacement should be limited to $0, as the original cost is nominal. (Ex. 249; Tr. 1438

UIF-Pinellas water main replacement should be limited to $0, as the original cost is nominal. (Ex. 249; Tr. 1439)

UIF-Seminole water main replacement should be limited to the balance in the plant account as of 12/31/2000 of $886,000 since the only additions after that date were due to other replacement projects (Ex. 249; Tr. 1440)

UIF-Seminole Northwestern force main replacement should be limited to the balance in the plant account of $28,207(Ex. 249; Tr. 1440)

	Orange	Pasco	Pinellas	Seminole
331.4 (debit)	1,159,327	1,125,000	750,000	5,527,913
AD 331.4 (credit)	1,159,327	1,125,000	750,000	5,527,913
AD 331.4 (credit)	13,481	13,081	8,721	64,278
Depr exp 331 (debit)	26,961	26,163	17,442	128,556
360.2 (debit)				196,793
AD 360.2 (credit)				196,793
AD 360.2 (credit)				3,280
Depr exp 360 (debit)				6,560

ISSUE 10A: DROPPED.

ISSUE 10B: DROPPED.

ISSUE 11: Do any water systems have excessive unaccounted for water (EUW) and, if so, what systems and what adjustments are necessary, if any?

POSITION

*

System	**Excessive unaccounted for water (expressed as a percent of total water pumped or purchased)**	**Expenses related to excessive unaccounted for water (in dollars)**
Labrador	4.60%	(460)
Lake Placid	3.06%	(108)

System	Excessive unaccounted for water (expressed as a percent of total water pumped or purchased)	Expenses related to excessive unaccounted for water (in dollars)
Pasco – Orangewood et. al.	7.66%	(1,234)
UIF Marion	1.35%	(203)
UIF Pinellas – Lake Tarpon	10.20%	(415)
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)

*

ARGUMENT

OPC and UIF agree on the excessive unaccounted for water for the systems set forth in the table above (Tr. 592 & 1180). The only disagreement is with the UIF-Seminole Ravenna Park system where OPC believes there is 0.95% EUW (Ex. 96; Tr. 592). Apparently OPC's witness missed the fact that during most of the test year, water was provided to Ravenna Park only. In December, 2015, the Crystal Lake system was tied in with that of Ravenna Park and both systems are now served by the Ravenna Park plant. In the MFRs, UIF provided a restatement on Schedule F-1 where UAW is determined (Ex. 36). That restatement showed the test year combining the gallons pumped, sold and other uses for Ravenna Park and Crystal Lake together. As a result the EUW dropped from 11.0% to 7.3% and the excess EUW dropped from 1.0% to zero (Tr. 1180-1181).

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

The UIF Pasco – Wis Bar system warrants an adjustment of 17.22%. The adjustment in Sandalhaven should be 1.76%. The adjustment in UIF Seminole Lincoln Heights should be 32.62%.

ARGUMENT

Both OPC and UIF agree that there is excessive inflow & infiltration in three wastewater systems, but disagree as to the amount in two systems (Ex. 97; Tr. 595-596 & 1181-1183). The agreement is that there is excessive I&I of 17.22% in the UIF Pasco – Wis Bar system. Sandalhaven. OPC's witness testified that for all of his I&I analyses he assumed that 80% of billed residential water and 90% of billed general service water would be returned to the wastewater system. That is the standard assumption used by this Commission in evaluating I&I. However, the Commission has also recognized that all systems are not the same and in several cases, has made exceptions when the utility has provided a reasonable explanation for using different percent return

flows. For Sandalhaven, based on their knowledge of the system, UIF personnel have determined that a 90% return for residential use and a 96% return for general service are more appropriate for this utility (Tr. 1181). There is very little irrigation use by single family residences at Sandalhaven. In Docket No. 060285-SU, the Utility utilized 100% return of the billed wastewater, or capped, residential use. It was assumed that all capped gallons flowed back to the wastewater plant. In the instant case, total water gallons were used, rather than capped wastewater gallons, as a better indicator. In recognition of that, and of the minimal amount of irrigation used by Sandalhaven residential customers, a 90% return factor was used. Many of the multi-family units, which are accounted for as general service customers, have common irrigation systems and those flows do not come to Sandalhaven for treatment. Therefore a 96% return for general service is reasonable. In Docket No. 060285-SU, the staff did a calculation of I&I which was virtually identical to that presented by the Utility. That calculation is summarized at Attachment A of PSC Order No. 07-0865-PAA-SU and the total I&I and allowable I&I at lines 4.a) and c) agree with the Utility's exhibit in that Order. In other words, the Commission accepted the Utility's conclusion of higher return percentages for Sandalhaven were reasonable. No information has been presented in this case to vary from that precedence (Tr. 182). Considering these revisions, but still following the OPC witnesses' methodology, results in the amount of excess I&I of 1.76% in the Sandalhaven system (Tr. 181-1182).

UIF Seminole - Lincoln Heights. OPC suggests excessive I&I for this system of 37.41% (Ex. 97; Tr. 596). In the case of Lincoln Heights, OPC's witness also used the standard 80% and 90% return factors for residential and general service, respectively, even though there is support for higher amounts. As with Sandalhaven, the local characteristics of water use suggests that higher return level is warranted. The lots are smaller and some have their own irrigation systems. In Docket No. 060243-WS, the Utility proposed return levels of 84% and 100% for residential and general service use. The Commission agreed with the Utility's observations and allowed 84% return for residential but reduced the general service return to 96%. (Order No. PSC-07-0505-SC-WS). Those are the factors UIF utilized in this case for this system in its I&I analysis (Tr. 1182-1183). Further, OPC's witness used the incorrect footage for gravity mains in his calculation. When you deduct that amount from his summary of I&I calculations in his Exhibit 97, the 1,248,051 gallons he allowed for infiltration equates to only 4,513.5 feet of 8" main. The correct footage is 6,018 feet. If the differences in return flows and the difference in gravity main footage are taken into account, the excess I&I would be 32.62% instead of the 37.41% OPC's witness calculated (Tr. 1183).

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

STIPULATION

All water treatment and related facilities should be 100% used and useful. (Ex. 262).

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

STIPULATION

All water storage and related facilities should be 100% used and useful. (Ex. 262)

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

STIPULATION

All water distribution and related facilities should be 100% used and useful. (Ex. 262)

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

POSITION

The used and useful percentage in LUSI should be 59%. In Sandalhaven, the used and useful percentage of purchased capacity should be 99%, the force main, master lift station structure, and the pumping equipment should be 100%. All other treatment and related facilities, except Lake Placid, should be 100%. Lake Placid's calculated used and useful should be modified to account for subsequent environmental restrictions that limit the Utility's opportunity to grow in its service area.

ARGUMENT

There appears to be no longer disagreement with the used & useful percentage of the Eagle Ridge wastewater plant of 100% (Ex. 36 & 98) leaving the following wastewater treatment plants subject to disagreement: Crownwood, Labrador, Lake Placid, LUSI, Mid-County and Sandalhaven, each of which will be addressed separately.

Crownwood and Labrador

The analysis of these two WWTPs are handled together since OPC's argument as to both is the same. OPC did simple mathematical calculations (Ex. 103 & 107) while ignoring the fact that the service areas are built-out, which is a consideration pursuant to Commission Rule 25-30.432 F.A.C. The only difference between the service areas relevant to this issue is that there is a small amount of land within the Labrador service area that is undeveloped, which had caused the Commission to previously conclude that the WWTP was 79.94% used and useful (Order No. PSC-12-0206-PAA-WS). However, that parcel of land has been undeveloped and in use by the HOA for RV and boat storage at least for the past thirteen years with no indication that such use will change (Tr. 1186). OPC certainly did not present any evidence of a change in use.

OPC's argument as to both service areas is that there is the potential for new customer development outside of respective certificated territories (Tr. 606 & 608). Development outside the service area is not a condition for consideration under Commission Rule 25-30.432 F.A.C. However, OPC's witness admitted that this Commission has never adopted his position (Tr. 640). He had not visited either of the systems and made his conclusion by viewing the areas on Google Earth (Tr. 640 & 642). He had no idea of how many acres of land were involved, who owned it, how it was zoned, whether there were any development plans for the property or whether it would be developed at all (Tr. 641 & 642). He also did not know whether that property was within the "180 zone" of a municipality (§180.02, F.S.) which would give such municipality the right to serve the property. With regard to Crownwood, the surrounding land consists of large lots that can and do use septic tanks (Tr. 1186). Given the purely speculative nature of the opportunity to extend their respective service areas, the Crownwood and Labrador systems are built-out and should be 100% used and useful.

Lake Placid

OPC's mathematical calculation of used & useful for the Lake Placid WWTP was 29.79% (Ex. 101), and OPC did not believe that the service area was built-out (Tr. 190). While there is some growth potential within the service area, by and large the original service area for which the WWTP was designed is environmentally undevelopable due to it being designated a scrub jay habitat (Tr. 1187). The protection of a bird species is a benefit to citizens and UIF should not be required to pay the entire cost of that protection. Due to these after-the-fact environmental restrictions which severely limit growth within the service area, this WWTP should be considered 100% used and useful.

Mid-County

OPC has a mathematical calculated used & useful for Mid-County of 93.67% (Ex. 100), and OPC believes there is additional growth within the service area (Tr. 604). Mid-County is a unique situation since redevelopment has been to a less dense usage. The Mid-County system serves mixed residential single family homes, mobile homes, apartments and commercial areas along the US 19 corridor in the Dunedin area of Pinellas County. It is a closed in service area with little, if any, room for growth within the service area. At one time, it served a substantial number of mobile home communities. About ten years ago, two mobile home parks were redeveloped and replaced with less dense housing and commercial developments. As this redevelopment occurred, the developer removed and replaced the poorly maintained manholes and mains that existed in the two mobile home parks. As a result, UIF saw a reduction in I&I that freed up capacity to serve future growth and saw variance from the historical treated gallons as the usage characteristics of customers changed. In this case, UIF calculated a U&U of 91.75%. The fluctuations are not necessarily indicative of changes in the number of ERCs alone but also changes in usage patterns. There will continue to be some growth in ERCs as more mobile home parks are redeveloped and there are some parcels available for new construction. But despite there being new customers, the lower density and continuing improvement in I&I as mobile homes are redeveloped has meant that these customers can continue to be served from the same wastewater plant. That is, what appears as new growth in customers has not resulted in increases in flow. Mid-County has been able to

serve new customers by utilizing its existing plant capacity, and even though the plant's used & useful remains in the 90% range, there are no plans to increase treatment capacity. It would not have any significant impact to increase U&U to 100% but it would serve to recognize that the Utility has, through prudent management, postponed any additional investment in capacity and allow it to earn on its total investment (Tr. 1185-1186)

Prepaid Connections

A threshold issue relevant to used & useful for the LUSI and Sandalhaven wastewater systems is the treatment of the prepaid connections received from developers during the real estate boom (Ex. 169). OPC does not believe prepaid connections should be used in the used & useful analysis, believing that they may never be used or may be used within five years (Tr. 598). The reasoning of OPC's witness is flawed and would result in UIF collecting CIAC which reduces rate base, without any offsetting addition to rate base. Like most utilities, UIF requires developers to commit, by written agreement, to pay for the capacity in advance which they will require in the future. That protects UIF and the ratepayers by providing funding to prudently build additional capacity without risk. In turn, UIF commits to have that capacity available when it is needed and that commitment is recognized by including the contracted capacity in the calculation of used & useful. Even with prepaid CIAC the utility does not recover its entire investment in the plant, and it does not begin doing so until connections are made. OPC acknowledges that prepaid connections were included in the last Sandalhaven rate case, which, although it has no precedential value because of a settlement with OPC , does not change the fact that the Commission has expressed an opinion. (Tr. 1184) which is substantiated by the evidence in this proceeding. OPC's attempt to distinguish the K W Resort Utilities Corp. Order No. PSC-09-0057-FOF–SU is misplaced. That Order does not reflect that there were actual residences on all portions of the property in question.

LUSI

OPC's calculated used & useful for the LUSI WWTP is 53.55% (Ex. 99). The only difference between that percentage and UIF's 59% used & useful percentage is the inclusion of the prepaid connections discussed above. The prepaid CIAC is calculated at 280 gpd/ERC since that is the per ERC amount when the capacity was reserved, and is thus the amount of capacity which UIF must hold for this developer. Thus, used & useful for the LUSI WWTP should be 59% (Tr. 1187).

Sandalhaven

At the outset, the Commission's WWTP used & useful Rule 25-30.432, F.A.C. applies only to the WWTP, and does not purport to apply to other components of a wastewater collection system. OPC's witness admitted that the decision to purchase capacity from EWD and construct the facilities it did was prudent (Tr. 609), but then goes on to prepare separate used & useful analyses for various components of those facilities (Tr. 613), recommending that the EWD capacity be 42.24% used & useful, the master lift station be 11.27% used & useful, the pumping plant be 27.25% used and useful, and the force main be 13.55% used & useful (Tr. 615; Ex. 109). In doing so, the witness admitted he made those recommendations based upon simple

mathematical calculations of Rule 25-30.432, F.A.C. (Tr. 643, 645) and ignores economies of scale and simple logic (Tr. 612). On the one hand the witness said that in using the WWTP used & useful rule he was following what the Commission had done in prior cases, but then went on to admit that he then did the analyses differently (Tr. 646). OPC's witness admitted that the master plan implemented by UIF, including the sizing of facilities was appropriate (Tr. 647). On two occasions the witness pointed out that rate-making and engineering principles do not match (Tr. 648, 707). This conflict is the basis for the balancing act that needs to take place, as opposed to simple mathematics, in determining the used & usefulness of the Sandalhaven facilities.

EWD Capacity: OPC's and UIF's methodologies are the same in that determination of used & useful for the EWD purchases are based on the formula in Commission Rule 30.432. F.A.C. which measures test year flows plus growth, less excess I&I against the treatment capacity. The differences are not in the methodology, but in the application of that methodology. Just as with LUSI, OPC's witness excludes the obligation to be prepared to serve prepaid connections. In addition he includes zero growth allowance. He did adjust for excess I&I at what is considered an excessive amount because he understated return flows. OPC's recommendation is a used & useful that is entirely unrealistic (Tr. 1188). OPC has utilized the formula in the rule as a simple mathematical exercise rather than as a means to determine used and useful. The formula is not an end in itself, and the results of its use need to be tested for reasonableness. UIF acted reasonably to acquire capacity after an evaluation of existing demand, estimated future growth and firm commitments to UIF for the need for capacity. The only element recognized by OPC's witness is existing demand. He made no attempt to determine reasonable growth expectations and he excluded any obligation to meet the demand of those that had made a prepaid commitment (Tr. 1189). Based upon the totality of the circumstances the purchased capacity from EWD should be 99%

Force Main: Although OPC's witness recommends 13.55% used & useful for the force main, he admits that it would be imprudent to design a force main to handle 13.55% of the ultimate flows to EWD (Tr. 648). The force main in question is not just any force main, it is the manifold main through which all Sandalhaven flows are transmitted to EWD for treatment (Tr. 1191). In Docket No. 951056-WS, Order No. PSC-96-1338-FOF-WS, the Commission specifically recognized manifold mains as "those mains that carry the combined flow from all lift stations". The Commission found these mains to be 100% U&U, while finding the combination of all mains to be a lesser percentage (the order clearly notes that "some of the mains are major manifold" (Ex. 322). This is particularly true of the 45% of the force main that is located outside of the service area which cannot collect flows from connections to it (Tr. 1191). There is no Commission rule for determining used and useful for force mains or mains of any kind. Therefore this order is used as a precedent because it specifically addresses force mains rather than use the rule for wastewater plants and impose it on the distribution and collection systems (Tr. 1215). To explain further, in order to be ready to serve UIF doesn't have any choice. Either you have a force main or you don't have a force main (Tr. 1226). Therefore the force main should be 100% used and useful.

Master Lift Station: Based upon a simple mathematical calculation, OPC recommends that the master lift station be considered 11.27% used & useful (Tr. 615). The Master lift station is a concrete pit, which receives flows from collection mains and houses the lift station pumps. As with the force main, this is a one-time expenditure for a well of sufficient size to house three pumps. Two are currently installed and in use. No reasonable utility is going to build a smaller well initially to house two pumps, and then enlarging it for the third pump (Tr. 1192). Building a structure to house two pumps vs. three pumps is not a realistic comparison because to enlarge the structure

would require either demolishing the existing structure and replacing it with a larger one or knocking out the sides of the structure to enlarge it because all three pumps must be available for redundancy and to avoid frequent pumps starts (Ex. 169 & 323). The master lift station should be considered 100% U&U.

Pumping Plant: Again, applying simple mathematics, and agreeing the construction of these facilities were prudent, OPC recommends the pumps in the master lift station be 27.25% used & useful (Tr. 615). The pumping plant is specifically designed to serve current demand, near term growth and the demand of prepaid connections and should be considered 100% U&U. (Tr. 1191). OPC's witness does not believe using peak flows is appropriate, while at the same time he says he used prior PSC determinations for his used & useful analysis. There is precedent for the Commission to determine U&U for pumping station based on peak flows. The Commission used a 3.0 peaking factor in determining the U&U of pumping plant in Order No. PSC-96-1338-FOF-WS. On that basis alone, with no growth and no prepaid connections, the pumping plant would be 87% U&U rather than the 27% OPC's witness calculated (Tr. 1191).

Conclusion: The determination of U&U is an aid in determining that portion of the utility's investment that is serving the public and on which it should be provided the opportunity to earn a reasonable return. It should not be used to penalize a utility for making sound decisions under difficult circumstances. It should provide an incentive to act prudently. The determinations of U&U by the Office of Public Counsel do not produce realistic results. Never was this more evident than in its handling of the Sandalhaven system. One only has to look at the impact of the results on Sandalhaven's rate base. A comparison of all of the wastewater system filings in this case identifies the $ per ERC in rate base as proposed by Utilities, Inc. of Florida in comparison to the adjusted $ per ERC in rate base proposed by OPC. These are the results:

	Rate Base per UIF	Rate Base per OPC	ERCs	UIF $/ERC	OPC $/ERC	Percent Change
Exclusive of Sandalhaven	$54,354,911	$43,877,182	34,882	$ 1,576	$ 1,272	-19.29%
Sandalhaven	$ 3,944,850	$ 293,548	1,229	$ 3,210	$ 239	-92.55%

Looking at the results, the most noticeable statistic is not that OPC adjusted rate base from nearly $4 million to $293,000, or that OPC finds it reasonable to reduce rate base by more than 92%, but that OPC finds it reasonable that this utility, or any utility, could actually provide wastewater service with an investment of only $239 per ERC. That should send up a red flag that OPC's approach does not produce reasonable results (Tr. 1193). The OPC per ERC amount exclusive of Sandalhaven in the above table is in line with OPC's witnesses' testimony at trial (Tr. 652-653).

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

STIPULATION

All collection lines should be 100% used and useful. (Ex. 262)

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

POSITION

An increase of $4,734,348 for audit adjustments, and an increase of $194,225 for the Sandalhaven decommissioning should be made to adjusted test year.

ARGUMENT

Test Year Adjustments

The test year accumulated depreciation should be adjusted to reflect the audit findings impacting accumulated depreciation, numbers 1, 2, and 3. Audit finding 1 requires a correction (Tr. 1079). Also, see Issue 5.

Audit Findings		
Finding 1 - Cypress Lakes	(332,115)	Includes correction per Tr. 1079
Finding 2 - LUSI	155,138	
Finding 3 - UIF Counties	(4,557,371)	

An additional adjustment in necessary to correct the entry to record the decommissioning of Sandalhaven WWTP (Ex. 249). Also, see Issue 10.

Proforma Retirements (Longwood UIF Pasco)
See Issue 10

Proforma Replacements
See Issue 10

Proforma Additions
See Issue 9

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

POSITION

Test Year CIAC should be increased for audit adjustments impacting CIAC, numbers 1, 2, and 3. Proforma CIAC should be increased $3,633 to correct the decommissioning of the UIF-Pasco (Summertree) plant, and $5,526 for the CIAC collected to date associated with the Sanlando - Myrtle Hills proforma plant addition

ARGUMENT

Test Year Adjustments. Test year adjustments should be made as a result of the audit findings impacting accumulated amortization, finding numbers 1, 2, and 3 (Tr. 1079).

Audit Findings	
Finding 1 - Cypress Lakes	(3,625)
Finding 2 - LUSI	12,379
Finding 3 - UIF Counties	556,140

Proforma Adjustments. Decommission UIF-Pasco: Issue 8 - CIAC should be reduced by $3,633 to properly record the decommissioning of the Summertree plant (Ex. 249). Sanlando - Myrtle Lake Hills Water Main addition: As is Commission practice, CIAC is collected to partially fund the cost of utility plant. Consistent with the practice, the Company will construct the water main extension in Myrtle Lake Hills, and the customers will pay a service availability fee at the time of connection. Since the plant addition has been paid for by UIF, only the CIAC collected to date should be added (Tr. 1436-1437). The amount of CIAC collected in connection with the Myrtle Lake Hills extension is $5,526.00 per connection for forty connections (Ex. 194 & 269; Tr. 1236).

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

POSITION

*A decrease for the test year of $292,375 for the Sandalhaven decommissioning should be made to adjusted test year. A decrease of $422,979 should be made for audit adjustments affecting accumulated amortization, numbers 1, 2, 3, 4.
Proforma reduction of $73,154 is needed to correct the decommissioning of the Summertree plant*

ARGUMENT

Adjustments should be made to the Sandalhaven retirement which took place in the test year to remove the balance of accumulated amortization of CIAC related to the CIAC removed as a result of the decommissioning, as reflected in Exhibit 249 (Tr. 1435). Test year adjustments should also be made as a result of the audit findings impacting accumulated amortization, finding numbers 1, 2, 3, 4 (Tr. 1079). Also, see Issue 10.

Audit Findings	
Finding 1 - Cypress Lakes	33,418
Finding 2 - LUSI	(117,239)
Finding 3 - UIF Counties	(99,698)
Finding 4 - Pennbrooke	(239,460)

Proforma Adjustments

Decommission UIF-Pasco: Issue 8 - accumulated amortization of CIAC should be reduced by $73,154 to properly record the decommissioning of the Summertree plant (Ex. 249).

ISSUE 21: What is the appropriate working capital allowance?

POSITION

$5,500,069.

ARGUMENT

Working capital per the MFRs (Ex. 86) was $2,234,901 (consolidated filing, MFR schedules A-1 and A-2). Per Exhibit 249, adjustments to working capital total $3,265,168:

	Federal Tax Receivable/Payable reversed (DDS-4)	Misc Deferred Debits to be included	Water Analysis	Steel Tank Removal	Allocation Correction	Loss on decommissioning + removal
Cypress Lakes	35,343					
Eagle Ridge	(82,809)	8,233				
Labrador	15,131		9,000			
Lake Placid	(761)	58				
Longwood	43,703					1,519,618
LUSI	602,382					
Mid-County	75,556	9,533				
Pennbrooke	(25,448)	126,949				
Sandalhaven	(389,275)	51,332				462,270
Sanlando	218,520	45,833		11,699		
Tierra Verde	39,342					
UIF	(29,957)				(3,924)	518,443
Total	501,727	241,938	9,000	11,699	(3,924)	2,500,331

Corrections to working capital adjustments per Exhibit 249 should be made to properly reflect the calculation of loss on decommissioning for Longwood and Sandalhaven in compliance with Rule 25-30.433(9) F.A.C., and for UIF-Pasco it should reflect the findings in Order No. PSC-16-0505-PAA-WS (Tr. 1436-1437, 1441, 1443 & 1471).

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

POSITION

$114,815,110.

ARGUMENT

This is a fallout calculation resulting from other rate base 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

Yes, the unamortized balance of Accumulated deferred income taxes (ADIT) for Post 2000 Tap Fees should be amortized, and the unamortized balance be removed from the MFR balance. The adjustment is $2,056,207 minus $618,138 already removed in the MFRs (Sandalhaven), or a total adjustment of $1,438,069.

ARGUMENT

UIF witness Swain explained that in its prior Sandalhaven rate case (FPSC Order 16-0013-PAA-SU; Ex. 339) UIF argued to support the inclusion of ADITs associated with Post 2000 Tap Fees, and did not focus on the proper amortization of the deferred taxes. The taxes paid on Tap Fees after the year 2000 was not money thrown away. It was a prepayment of taxes, and allowed the company to take the full depreciation expense deduction without reducing by amortization of that CIAC. UIF should be amortizing the ADITs for Post 2000 tap fees with the offset against ADITs for depreciation (Ex. 338). The unamortized balance should be disallowed, however the ADIT-Depreciation should be increased by the amount of the amortization of the ADIT-Post 2000 Tap Fees. The amortization period to use is the period allowed for depreciation, 25 years. The calculation of the amortization of ADIT-Post 2000 Tap Fees which should be included as an ADIT, and the unamortized balance which should be disallowed is reflected in Exhibit 343, and is based upon the balances reflected in prior rate cases. (Tr. 1453-1457).

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

POSITION

$15,462,763.

ARGUMENT

Bonus Depreciation on proforma water and wastewater utility plant should be included in the calculation of ADIT (Tr. 1427, 1437, 1443 & 1468). The unamortized balance of ADITs for Post 2000 Tap Fees should also be made in accordance with Issue 23. The total adjustment to the MFRs is $7,981,898, resulting in a balance of $15,462,793.

Recalculated ADIT Depreciation on Proforma Plant including bonus depreciation		6,685,683
Less ADIT adjustment per MFRs on proforma plant		(141,854)
ADIT adjustment to remove Post 2000 Tap Fees Unamortized Balance		
Unamortized Balance All Systems	2,056,207	
Sandalhaven removed in MFRs	(618,138)	
Total ADIT adjustment to remove Post 2000 Tap Fees Unamortized Balance		1,438,069

Total ADIT adjustments	7,981,898

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

STIPULATION

$232,022. (Ex. 262)

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

STIPULATION

As provided by Rule 25-30.311, F.A.C., 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%. (Ex. 262)

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

STIPULATION

The appropriate cost rate for short-term debt for the test year should be 2.32%. (Ex. 262)

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

POSITION

6.7%

ARGUMENT

In its MFRs UIF included a cost for long term debt of 6.7%. Subsequent documentation was provide in Exhibits 147 and 172. Although the Summertree Water Alliance asserted a vague position without asserting any particular cost of long term debt, it did not produce any evidence or cross-examination, and therefore the 6.7% cost of long term debt is unrefuted.

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

POSITION

The consolidated capital structure.

ARGUMENT

Consistent with the Company's request for consolidated rates, the appropriate capital structure is as filed in the MFRs consolidated filing, adjusted as indicated in Issue 31.

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

POSITION

* The Commission should utilize the leverage formula in effect at the time of the filing of the MFRs to calculate the ROE, which would currently result in an ROE of 10.40%*

ARGUMENT

While it has been this Commission's long-standing policy in PAA cases to use the leverage formula established pursuant to Section 367.081(4)(f), F. S., that is in effect when it makes its decision (see, for example, PSC Order No. PSC-15-0208-PAA-WS) in a case that is going directly to hearing, the leverage formula in effect at the time of filing should be used. Since the use of the leverage formula is an option in lieu of a utility presenting evidence on its rate of return on common equity (§367.081(4)(f), F.S.) the leverage formula in effect at the point in time when a utility has to make the choice of using the leverage formula or presenting evidence must control. However, the Commission in Docket No. 170006-WS at the June 5, 2017 Agenda, retained the current leverage formula, thus there is no change for the appropriate ROE of 10.40% set forth in the MFRs (Ex. 86).

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

7.21%

ARGUMENT

Below is per MFRs with adjustments to the capital structure in the MFRs for additional ADIT as addressed in Issue 24 and reconciliation to adjusted rate base, and the rates are per the MFRs.

Long Term Debt	47,398,680	45,901,027	39.98%	6.70%	2.69%
Short Term Debt	4,501,493	4,359,260	3.80%	2.32%	0.10%
Common Equity	50,406,496	48,813,805	42.52%	10.40%	4.42%
Customer Deposits	232,022	232,022	0.20%	2.00%	0.00%
Tax Credits - Zero Cost	46,232	46,232	0.04%	0.00%	0.00%
Accumulated Deferred Income Tax	7,480,865	15,462,763	13.47%	0.00%	0.00%
Total	110,065,789	114,815,110	100.00%		7.21%

Net Operating Income

ISSUE 32: What are the appropriate test year revenues?

POSITION

$28,430,668.

ARGUMENT

Test year revenues are as set forth in the MFRs (Ex. 86).

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

POSITION

Depreciation Exp: $79,409; O&M expense: $65,029.

ARGUMENT

UIF accepts audit adjustment numbers 2, 4, 9, and 10 which impact depreciation expense and O&M expense (Tr. 1080-1081).

Audit Findings	Depr Exp	O&M
Finding 2 - LUSI	11,378	
Finding 3 - UIF Counties		43,752
Finding 4 - Pennbrooke	68,031	
Finding 9 -all utilities		(50,385)
Finding 10 - all utilities		71,662

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

POSITION

No adjustments should be made to the salaries and wages expense in the MFRs.

ARGUMENT

UIF is requesting a pro forma expense to add a GIS technician, a senior financial analyst, conversion of a field tech to an area manager, convert a part-time field tech to a full time position and field technicians at Mid-County, LUSI and Sanlando (Ex. 175, Bates 00478-00479, & 268). OPC only challenges the additional field technicians (Tr. 761-762). The basis of OPC's position is that its witness did not believe the need had been substantiated (Tr. 762, 766-767 & 784). In determining the need for these new employees, UIF conducted an internal analysis of the personnel necessary to insure the utility systems perform reliably, cost-effectively and safely (Ex. 168, Bates 00294, & 327). The addition of three field technicians in Mid-County, LUSI and

Sanlando reflects the critical need to address preventative and predictive maintenance activities in these systems in order to improve the delivery of water and sewer service, extend the life of existing assets, comply with regulatory requirements, and reduce service interruptions caused by equipment failures (Ex. 328). Exhibit 247 describes UI's Operations Management System (OMS) including an overview of asset management strategy, a discussion of the objectives and scope of an OMS, a description of the GIS platform (ESRI ArcGIS) and the benefits of a Computerized Maintenance Management System (CMMS). Specifically, these new field technicians will be tasked with annual hydrant maintenance, flushing dead end lines on a cyclical basis, drawdown tests of lift stations, distribution valve exercising, annual testing of pressure relief valves on hydro-pneumatic tanks, manhole inspections, and geospatial location of all asset types including both linear assets and vertical assets. In the absence of these new field technicians, the Utility will not be able to take a proactive approach to asset maintenance in a comprehensive way, but will have to rely instead on reactive maintenance, which negatively impacts the delivery of water and sewer service in a reliable way (Ex. 194, Bates 00679-00680). The inclusion of the salary and benefits associated with these positions in the revenue requirement is appropriate as UIF is currently in the process of filling these positions. The adjustments proposed by OPC's witness (Tr. would have the effect of eliminating the funding of the field technicians to the detriment of the customers. If the utility had hired them without the GIS mapping project being completed and the GIS platform established, UIF would not get full value from the additions to the work force. If UIF proceeds to hire the technicians without the additional revenue, the customers would reap the benefit without providing proper remuneration for the additional value generated by their work product (Tr. 1232-1233).

One of the three new positions has been filled and the other two are being actively recruited (Tr. 1249). The timing of the new hires aligns with the completion of the GIS Mapping Services pro forma project early in the second quarter once all of UIF's plans, maps, and drawings will be available in digital format for the first time. The plans and drawings will be imported into the Geographic Information System currently under development as described in Exhibit 247, Operations Management System, and scheduled for deployment in Florida in the second quarter as well as in all of UI's subsidiaries (Tr. 1233). Thus, UIF has met its burden of proof that these three field technicians are necessary. Unfortunately, line replacement projects do not result in additional unused manpower to perform the necessary functions (Tr. 508).

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

POSITION

No adjustment should be made to the MFRs.

ARGUMENT

Since OPC's argument to exclude the three new field technician positions and the Sandalhaven operator is unpersuasive (see Issue 34) obviously there should be no adjustments to employee pensions and benefits expense related to those positions. OPC seeks to exclude a portion of UIF's health care costs since there was "a large increase in health care costs since the last test year" (Tr. 743). Although OPC's witness did not attempt to refute that the health insurance reserve expense was recurring, she seeks to exclude that expense asserting that it was "not reflective of a normal annual expense level" (Tr. 744). As OPC's witness pointed out, this expense went from

$926,599 in 2014, to $1,153,840 in 2015 and to $1,034,444 in 2016 (Ex. 181; Tr. 744). This amount is calculated annually to reflect amounts not yet billed (Ex. 160, 168, Bates 00297-00298, 188, Bates 00617). Since the health care cost is directly related to the number of claims filed in a year, it will obviously vary from year to year (Ex. 188, Bates 00618). This is a legitimate expense it makes no sense to exclude it in its entirety merely because the amount may vary from year to year. OPC's witness merely thought the health care cost was too high, and seeks to have it reduced without any factual basis to do so (Tr. 1444).

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

POSITION

Yes.

ARGUMENT

WSC is a part of Utilities, Inc. and is an entity created to allocate the services that are shared among all Utilities, Inc. related parties throughout the country, such as human resources, accounting and all employees (Tr. 1143-144, 1505, 1507 & 1530). These shared expenses are allocated across all Utilities, Inc. subsidiaries based upon ERC counts (Tr. 1139 & 1505). The allocations are audited by the Commission auditors in every rate case (Tr. 1509), as they were in this case (Ex. 138).

OPC suggests that the allocated expenses associated with the health insurance reserve expense be excluded from the test year, and that is addressed in Issue 35. OPC's other argument that the non-recurring entry for a "Fixed Asset Clean up adjustment" should be removed from the test year was concurred in by UIF's accounting witness (Tr. 1428).

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

POSITION

No adjustment should be made to the MFRs.

ARGUMENT

OPC suggests that adjustments should be made to the test year purchased water expense for the Summertree system (Tr. 796) and for the Ravenna Park system (Tr. 808). While UIF concurs with the purchased water expense for Summertree of $117,206 (Tr. 1438), it should be recognized that this assumes an adequate chlorine residual in the water delivered by Pasco County. The level of flushing to date has far exceeded the 10% rate that was included in the filing and although UIF has taken measures to insure an adequate chlorine residual in the Summertree distribution system, the overall expense will be higher. With respect to Ravenna Park, the adjustment to remove the purchased water expense clearly ignores the reality that UIF will incur additional operating and maintenance costs associated with the additional demand on the Ravenna Park system, and the test year purchased water expense is a good surrogate for the additional operating and maintenance expenses (Tr. 1439-1440). Further, water is likely to still be purchased

on an emergency basis if needed (Tr. 1440). The comparison of the test year O&M of the Crystal Lake WTP and Ravenna Park WTP is not predictive of the combined operation at Ravenna Park WTP going forward. This is because the test year expenses to operate the Crystal Lake WTP were minimal due to the fact that the Crystal Lake WTP went off line in mid-2014. UIF relied on purchased water until the interconnection and Ravenna Park plant improvements were completed in September 2016. Now that Ravenna Park WTP is supplying water to the combined customers in the two systems, UIF is incurring expenses that are indicative of a typical year's operation. It is fair to say that the purchased power and chemical expense will increase at Ravenna Park in proportion to the increase in water demand generated by the Crystal Lake customer base on an annual basis. After adjusting out the purchased water expense in both years and both systems since that expense is not expected to recur, the Crystal Lake expenses decreased ($1,657) while the Ravenna Park expenses increased by $4,356, a difference of $2,699. This is primarily related to the triennial testing expense that will not occur at Crystal Lake but will occur in Ravenna Park every three years (Ex. 171).

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

POSITION

No adjustment should be made to the MFRs.

ARGUMENT

OPC suggests a reduction in purchased sewage expense for the Sandalhaven system of $27,125 for two 2014 invoices based upon OPC's witness' understanding that UIF's purchased sewage expense was based upon actual test year expenses (Tr. 775). Although it is true that two invoices were prior to the test year, it is immaterial to the calculation of purchased sewer expense on an annual basis following the decommissioning of the Sandalhaven WWTP. Prior to November 2015, roughly half of the flow generated within the Sandalhaven service area was pumped to Englewood Water District's facilities for treatment and disposal. Beginning in November 2015, all of the flow was pumped to Englewood Water District. The calculation of purchased sewer in the MFRs is not the sum of the 12 monthly bills from Englewood Water District plus a growth factor. Rather, it reflects the sum of the total gallons treated in the test year at the Sandalhaven WWTP plus the total gallons treated by Englewood Water District in the test year multiplied by the unit cost of treatment and disposal at Englewood Water District. This methodology provides an accurate annual purchased sewer expense. Therefore, no adjustment is warranted (Tr. 1235).

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

POSITION

Yes, in LUSI, $21,000 in annual expense for sludge hauling should be removed reflecting the savings associated with the pro forma project. No adjustment is appropriate in Mid-County.

ARGUMENT

In connection with the LUSI-Lake Groves Sludge Dewatering proforma project (Ex. 211), UIF is expected to see a reduction in sludge hauling expenses (Ex. 266). The initial

indications are that the dewatering unit will only be effective at one-half of the design loading rate, resulting in a monthly savings of $1,750 (Ex. 173 & 249; Tr. 1433-1434). It is more appropriate to use the most recent estimate of the cost saving rather than the amount UIF originally projected (Tr. 836-838). During the pilot testing it became apparent that the dewatering facility will only work effectively if the loading rate is reduced to one-half of its original design loading rate (Tr. 1234-1235).

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

POSITION

Yes, in order to reflect the termination of the interruptible power tariff previously offered by SECO and Duke Energy. In LUSI, purchased power expense should be increased by $17,840 in water and decreased by $2,174 in wastewater compared to the test year. In Sanlando, purchased power should be increased by $16,982 in water and $31,110 in wastewater compared to the test year. In Longwood, purchased power should be increased by $7,147 compared to the test year.

ARGUMENT

Duke Energy Non-recurring Interruptible Power Credits 2015, describes the increase in purchased power at the Des Pinar and Wekiva WTP's as well as at the Wekiva WWTP and Wekiva reuse facilities as of January 2017. This is a result of USEPA no longer offering a waiver of the Clean Air Act to Duke Energy Florida that otherwise allowed Duke to offer a reduced power rate to qualified customers who agree to shed load when requested by Duke. After Duke informed UIF of the change in its tariff, it was evident to UIF staff that UIF would be required to replace its existing generators with ones that meet Tier IV air quality limits before the deadline of December 2016 in order to remain qualified for the load shedding tariff, which was not feasible. Consequently, purchased power in Sanlando will increase by $16,982 for water and $31,111 for wastewater for a total of $48,093 beginning in January 2017 (Ex. 245: Tr. 1233). It would be inappropriate to remove this pro-forma expense (Tr. 1431). These adjustments are correctly reflected in Exhibit 249.

SECO Non-recurring Purchased Power Credits 2015, identifies the increase in purchased power at the Lake Groves WTP, Lake Groves WWTP and Lake Louisa WTP beginning in 2016. This reflects the cancellation of a purchased power agreement offered by SECO at those facilities. The agreements were cancelled due to the requirement that LUSI shed load within 30 minutes of a SECO request; the unwillingness on the part of SECO to install electrical control equipment at each site to allow for an automated response similar to Duke's technology; the increasing frequency of load shedding to nearly a daily occurrence during the peak demand periods in summer and winter; the resulting impact on LUSI's workforce and work schedules to provide for that contingency without incurring overtime expense; the increased cost of fuel consumed during load shedding periods; the additional wear and tear on the generators; and the scale of the credit offered by SECO. In 2015, the purchased power savings at the two water plants was $17,840. The purchased power credits at the Lake Groves WWTP was actually a debit of $2,174 due to SECO penalizing UIF for the last three months of the year for failing to shed load within the required response time on the day having the peak hour demand (Ex. 246; Tr. 1234). It would be inappropriate to remove this pro-forma expense (Tr. 1432). These adjustments are correctly

reflected in Exhibit 249. Further explanations of this adjustment in found in discovery responses (Ex. 160, 168 Bates 00278, 170 Bates 00315) & 177).

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

POSITION

Yes, a decrease of $7,266 in Eagle Ridge is appropriate. No adjustment to Mid-County's chemical expense is appropriate.

ARGUMENT

The MFRs contained an error in the chemicals expense for UIF's Eagle Ridge system; there should have been a reduction to the test year amount of $37,241. This correction results in a decrease of $7,266 (Ex. 249; Tr. 1429-1430).

OPC's witness made an adjustment to reduce the expense associated with the purchase of methanol for the Mid-County system based upon UIF's estimate that the proforma addition to replace methanol pumps should result in a reduction of up to 10% of the purchased methanol and she recommends removing $4,220 from test year expenses based upon 10% (Tr. 764). "Up to 10%" means zero to 10% and is too speculative to constitute a known and measurable change sufficient to support a pro forma adjustment.

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

POSITION

Per MFRs, -$10,000 Water Analysis (Labrador), -$21,000 sludge hauling (LUSI), -$12,999 defer steel tank removal (Sanlando), plus amortization expense $267,272.

ARGUMENT

The $10,000 charge for the Labrador water quality analysis should have been charged only to the water system, and since it is a non-recurring cost should be deferred and amortized over five years (Ex. 249; Tr. 1430). The LUSI sludge hauling expense reduction is addressed in detail in Issue 39. Since the expense for the removal of the steel tank in Sanlando was an extraordinary expense, even though it occurred prior to the test year, it is appropriate to defer the expense and amortize it over five years (Ex. 249; Tr. 1080 & 1436). Eagle Ridge – OPC's witness suggested that the materials & supplies expense should be reduced $16,517 to reflect the amount the test year expenses exceeded the three year average. (Tr. 750-751). However, the level of materials & supplies expense reflects the trend of increasing expenses, the aging of the infrastructure, and price increases. A linear regression analysis is a more accurate method to determine the appropriateness of the test year level, and would result in an amount in excess of the actual test year amount of $74,992 (T1231-1232).

Amortization Expense:		
Labrador Water Analysis	2,000	Ex. 249
Sanlando Steel Tank	2,600	Ex. 249

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

POSITION

$3,321.22 in engineering fees for Sandalhaven and $6,000 for Sanlando should be removed from test year expenses and capitalized, and thus the Sandalhaven and Sanlando rate bases should be increased accordingly.

ARGUMENT

UIF acknowledges that two invoices from CPH Engineering for $504.22 and $2,817.00 should have been capitalized instead of expensed in the test year (Ex. 298; Tr. 1090). Thus, rate base for the Sandalhaven system should be increased by $3,321.22. Engineering services in the amount of $6,000 from Kimley-Horn were related to the Myrtle Lake Hills project and should have been capitalized instead of expensed (Ex. 305; Tr. 1100-1101). UIF does not agree with OPC's suggestion to remove $3,854.20 in engineering fees in Lake Placid from test year expenses, although UIF acknowledges that such expense is solely a wastewater expense and none of it should be allocated to the water system (Tr. 1093-1095).

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

STIPULATION

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. (Ex. 262)

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

POSITION

LUSI test year expenses should be reduced by $905, and Cypress Lakes expenses should be reduced by $2,280.25

ARGUMENT

UIF acknowledges that there were $905 in testing expenses incurred in 2014 for the LUSI system that was not billed and paid until 2015, and that amount is properly removed from test year expenses (Ex. 301; Tr. 1096-1097). There are also testing expenses for Cypress Lakes in the amount of $2,280.25 for testing in 2014 which should be removed from test year expenses (Ex. 302; Tr. 1097-1098).

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

POSITION

Yes, in Labrador, the $10,000 cost of the Gaydos water quality analysis should be deferred and amortized over five years, not expensed, resulting in a reduction in test year expenses of $8,000

ARGUMENT

In the test year the Labrador system incurred $10,000 for a water quality analysis done by Gaydos Hydro Services, LLC (Ex. 142 & 182; Tr. 753). Since this is a non-recurring expense it should be amortized over five years in accordance with Rule 25-30.433(8), F.A.C. Thus, the amortized amount of this expense which should be included in revenues is $2,000 which results in a reduction of test year revenues of $8,000.

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

POSITION

No adjustment is appropriate in Sanlando reflecting the ongoing expense for rental of pumping equipment during and after the test year.

ARGUMENT

OPC suggests that $5,593.00 in expenses billed to Sanlando in 2015 from Walker Miller Equipment Company for the rental of pumping equipment in 2014 be removed from test year expenses (Tr. 785). UIF's witness disagrees with the removal of that expense (Tr. 1436).

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

STIPULATION

Yes, the utility 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:

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)

(Ex. 262)

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

POSITION

$1,122,314, plus $420,105 in unamortized prior rate case expense addressed in Issue 50.

ARGUMENT

The most recent documentation of actual and estimated rate case expense was provided in response to Staff's discovery, which generally included actual rate case expense through April, and estimated thereafter (Ex. 155, 160, 166, 168 & 171). At the outset, it should be noted that the estimated legal rate case expense could not have contemplated the significant amount of time devoted to addressing the subsequently filed OPC Motion to Strike, Motion for Rehearing and oral argument, nor the Motion to Dismiss and Motion for Rehearing filed by the Summertree Water Alliance, and is thus conservative in the estimated expenses. The evidence only discloses two points of contention with regard to rate case expense: the time expended to correct deficiencies and the charges by the telecommunications consultant Tucker Hall.

It is apparent that the Ex. 168 Summary excludes the time incurred to correct deficiencies. For instance, the actual legal expenses were $112,716 of which $1,404 was incurred to correct deficiencies, but only the net amount is included in the summary. Mr. Deason also testified that when he prepared that Exhibit he excluded the time the consultants spent in correcting deficiencies (Tr. 1122-1123).

There was much discussion about UIF's need for the Tucker/Hall communications consultant during the rate case. Neither UIF nor WSC has full-time media relations/communications personnel in-house (Tr. 1522, 1523, 1526). This is a complex case and after learning that there would be eight service hearings it was recommended that UIF engage a firm specializing in communications would be important (Ex. 263; Tr. 1521). Tucker/Hall is located in Florida and was recommended as a firm with utility experience who could come up to speed quickly (Tr. 1522). Customers and even OPC have complained about the complex notices that the Commission requires be sent out in a rate case (Tr. 549, 575), so one of the purposes of

engaging Tucker/Hall was to assist UIF in putting together an informative cover letter to accompany the more formal PSC notices (Tr. 1523). At least one Commissioner believes that is a "step in the right direction" in improving customer communications (Tr. 1542). And another Commissioner implies that a communications department would be a reasonable expense (Tr. 1524). In lieu of hiring full-time communications personnel, UIF retains communication specialists on an as needed basis, as it does for legal services (Tr. 1525). If having a communications employee is a reasonable business expense certainly reengaging Tucker/Hall for the instant rate case in lieu of adding a full-time employee is a reasonable rate case expense. It is noteworthy that OPC's accounting witness did not identify anything in the summary of rate case expense that she would take out (Tr. 825). In conclusion, the $35,874 in rate case expense for Tucker/Hall is only about 3% of the total rate case expense.

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

POSITION

Add unamortized balance to current RCE.

ARGUMENT

UIF's proposal is to take the unamortized rate case expense at the time of implementing the rates in the instant case (Ex. 172, POD#2), and rolling it into the rate case expense in the current case. The amount is addressed in Issue 76. OPC's major concern with this methodology appears to be its interpretation that such methodology is prohibited by Section 367.081 (8), F. S. and the specific language in the Orders establishing the 4-year amortization period (Tr. 733-734, 823). Extending the amortization of rate case expense from prior cases over a period longer than 4 years is a benefit to the customers in lower rates, and a detriment to the utility which must then take longer to recover the rate case expense it has already incurred (Tr. 822-823). Thus, it should be axiomatic that UIF could waive the 4 year amortization period.

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

POSITION

No adjustment should be made to the MFRs.

ARGUMENT

OPC recommends removal of a $5,000 expense in Mid-County in connection with it's a sewer permit (Tr. 764-765). UIF does not agree (Tr. 1432). OPC also went through a number of expenses in questioning UIF's witness as to whether they were non-recurring which would then reduce the test year expenses by an equal amount (Ex. 303, 304, 306 & 308). UIF's witness could not say for certain if they were non-recurring (Tr. 1174-1176). However, if the Commission finds them to be non-recurring then they should be amortized over five years (Ex. 277; Tr. 1174-1175).

While OPC did not present any direct testimony on UIF's annual leadership training expense, it did try to elicit testimony from the Staff audit witness on those expenses (Tr. 946-947) so UIF is compelled to address that issue out of an abundance of caution. Because this issue was not raised until the final hearing, was not raised in the Staff audit report, and OPC provided no testimony on the expense, UIF was not afforded an opportunity to present evidence supporting the

expense. Not having timely raised the issue, OPC is deemed to have waived it. It is notable that the audit makes no adjustment to those expenses (Ex. 138; Tr. 947). This Commission has previously stated that the leadership training expenses were permissible, but on several occasions disallowed the expense solely for failure to provide supporting documentation on the expense (PSC-15-0233-PAA-WS; PSC-15-0208-PAA-WS). However, since those 2015 Orders the Commission has not made any adjustment to disallow the expense of the leadership training (PSC Order No. 16-0013-PAA-SU).

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

POSITION

There are no identifiable cost savings.

ARGUMENT

The consolidation of the many UIF operating companies into one company, UIF, was a "paper consolidation". This consolidation of the UIF systems had no impact on the operation of the systems nor did it impact the job duties of any employees. There was no combining of any UIF systems, departments, or job duties of employees (Ex. 267).UIF did experience efficiencies as it relates to reporting requirements to the Florida PSC and the Florida Secretary of State. In future years, UIF will only be required to file one annual report with the Florida PSC and Secretary of State instead of the many annual reports it has customarily filed, thus reducing the expense associated with the preparation of the annual reports on a going forward basis. The future reporting requirements and ultimate rate consolidation will determine the amount of effort required for the preparation going forward. Also, UIF will realize a minor costs savings as it will only incur one filing fee with the Florida Secretary of State instead of the many it has had in the past. However, the amount is so small that it should be considered immaterial in this rate proceeding. UIF believes the vast majority of any cost savings will occur in future rate cases if the Commission approves its consolidated single tariff pricing establishing one statewide water and wastewater rate. If UIF is only required to file one set of MFRs on a consolidated basis, it will reduce the time and expense associated in preparing MFRs for each of UIF's separate systems. By having one rate case encompassing all of UIF's systems, the rate case expense per system and per customer will be reduced significantly when compared with past rate cases (Tr. 126, 138: Ex. 267).

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

POSITION

* Increase amortization expense $252,756 for loss on decommissioning.*

ARGUMENT

As a result of decommissioning plants in Longwood, Sandalhaven and UIF-Pasco, the Company incurred losses which should be amortized of the period of time prescribed in 25-30.433(9) F.A.C. (Ex. 249).

Loss on decommissioning			Longwood & Sandalhaven amount s should be corrected to reflect number of years per Rule 25-30.433 (9) F.A.C. [See Issue 10] Pasco per Order No. PSC-16-0505-PAA-WS
Longwood	159,960	Ex. 249	
Sandalhaven	48,660	Ex. 249	
UIF - Pasco	54,052	Ex. 249	

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

POSITION

Yes, -reduce $87,295 for prior period adjustment (Schedule B-12), increase $79,409 for audit adjustments, and reduce 4,315 for fully depreciated assets. In addition, proforma adjustments should be made to increase depreciation expense $209,636 resulting from limiting retirements associated with proforma plant, and $111,844 for proforma plant

ARGUMENT

See Issue 33 regarding audit adjustments affecting test year depreciation expense. UIF accepts audit adjustment numbers 2 and 4 which impact net depreciation expense (Tr. 1079) UIF also agrees that an adjustment found by OPC witness Ramas to remove a prior period depreciation expense reflected on schedule B-12 of the MFRs (Tr. 745 & 1428).
Adjustments should be made to remove depreciation expense where those plant accounts are fully depreciated – Ex. 249.

Audit Finding	
Finding 2 - LUSI	11,378
Finding 4 - Pennbrooke	68,031
B-12 prior period	(87,295)
Fully Depreciated Assets (DDS-3)	
Lake Placid	(1,441)
UIF - Marion	(2,874)

Additional adjustments to proforma depreciation expense should be made as a result of limiting the amount of plant retired as a result of proforma plant additions.

Proforma plant - Retirements		Ex. 249
Longwood	3,454	Tr. 1421
UIF - Orange	26,961	Tr. 1437
UIF - Pasco	26,163	Tr. 1438
UIF - Pinellas	17,442	Tr. 1438-1439
UIF - Seminole	135,616	Tr. 1440

Additional depreciation expense is necessary to reflect the additional cost of proforma projects.

Exhibit 165 shows the calculation of bonus depreciation and total depreciation expense for the updated proforma projects, which totals $1,317,837. The additional amount to add to test year depreciation expense is set forth in Exhibit 249.

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

POSITION

An audit adjustment of $68,031 should be made to the MFRs.

ARGUMENT

UIF accepts audit adjustment numbers 2 and 4 which impact net depreciation expense (Tr. 1079). Audit finding number 4 specifies that the amount of $68,031 is an adjustment to CIAC amortization expenses which results in an increase in net depreciation expense (Issue 54).

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

Adjustment should be made to increase amortization expense due to the loss on decommissioning by $44,160.

ARGUMENT

Per Order No. PSC-16-0505-PAA-WS, the loss on the decommissioning should be amortized over 12.24 years. The loss before removal cost is $363,697, and the actual cost of removal is $176,826 (Ex. 249 & 233; Tr. 1437). The total of loss plus cost of removal of $540,523, amortized over 12.24 years is $44,160 per year.

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?

STIPULATION

No adjustment is appropriate because no salvage value was received. The cost of removal was net of any potential salvage. (Ex. 262)

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

POSITION

A decrease of $2,006 for Gross Receipts Tax.

ARGUMENT

This is a fall-out issue. The net impact of the adjustments made by UIF to the MFRs result in a decrease in revenue requirement of $44,471, and therefore a decrease in Gross Receipts Tax of $2,006 (4.5%).

Revenue Requirement

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

POSITION

$36,150,770.

ARGUMENT

This is a fall-out calculation based upon a determination of the other issues.

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

None.

ARGUMENT

Clarification of the terms "subsidy" and "stand alone" is necessary to accurately understand the issue. Consolidated rate structures or single tariff pricing ("STP") for multi-system utilities reflects an averaging of costs in order to accomplish a laudable regulatory policy under which customers pay the same rates for the same service. STP will achieve more affordable rates for all customers, mitigate the rate impact of future capital improvements and save costs. Accordingly, STP rates are not unduly discriminatory and not a subsidy because they simply reflect an acceptable difference between consolidated rates and individually calculated rates. UIF does not believe that so called "subsidy" values play any part in the determination of a consolidated rate structure. It should also be recognized that the differences between single tariff rates and rates calculated for individual systems do not reflect an accurate comparison between consolidated single tariff rates and rates for "stand alone" systems. The MFRs and proforma revenue requirements for individual systems reflect built in economies of scale of the multi-system utility in which the individual systems benefit by sharing only a portion of such allocated corporate costs such as professional supervisory and administrative staff, engineers, accountants, common structures and equipment, billing and accounting, and financing. If the individual systems were truly stand-alone, their costs and rates would be higher and/or the adequacy of service would be at a lower standard (Tr. 225). As Commissioner Graham pointed out, and was confirmed by Staff witness Daniel, "subsidies" (Individual/STP differences) are inherent even within a single system (Tr. 1065). In addition, UIF currently has water systems that are not interconnected and have consolidated rates (Tr. 1059). "Subsidies" have been addressed by the Commission as an amount, and not percentages, because as Staff witness Daniel testified, percentages can be very misleading (Tr. 1048).

In prior cases the Commission has consolidated rates such that water bills at 7,000 gallons were capped at $68.30 and wastewater bills at 6,000 gallons were capped at $87.55 (Order Nos. PSC-11-0256-PAA-WS and PSC-12-0102-FOF-WS; Tr. 974). UIF's proposed consolidation results in substantially lower caps at those gallonage amounts: $25.33 for water and $54.93 for wastewater (Tr. 975).

According to Staff witness Daniel's calculations (Ex. 140), UIF's proposed consolidated rate structure would result in a $13.74 "subsidy" in water rates from the Sanlando system (Tr. 974). Sanlando has had traditionally low rates and thus high usage, and in the past the Commission has allocated wastewater revenues to the water revenue requirement to increase the water rate and encourage conservation (Tr. 974). Based upon the still high average usage by Sanlando customers (Ex. 32) those efforts have not been very successful in encouraging conservation because the water rates are still relatively low. As for the wastewater consolidated rate structure, Staff witness Daniel calculated wastewater "subsidies" from Pennbrooke of $14.99, from Sanlando of $12.83 and from Mid-County of $9.14 (Ex. 141). As Staff witness Daniel pointed out, the Commission has previously determined that a $12.50 "subsidy" was acceptable (Tr. 1055).

Thus, even if Individual/STP differences were an appropriate consideration, the differences resulting from UIF's proposed consolidated rate structure are only slightly higher than previously approved, and probably if an inflation factor was added, they would be within the previously approved amount.

Commissioner Polmann raised the possibility of phasing in the consolidated rates in order to mitigate against the "subsidy" being applied all in one rate increase (Tr. 1071). Clark Gillaspie, who represents many customers of the Sandalhaven system, who would most benefit from consolidated rates, also suggested a phase in of the consolidated rates if the Commission had hesitation or concern about approving a consolidated rate structure (Ex. 347, Doc. No. 04595-17). UIF believes that it is important for the Commission to adopt a consolidated rate structure now in order to begin the mutual benefit of STP and not reduce that benefit as a result of a delay. If, however, the Commission has any hesitation to do so, UIF believes a phase-in must be designed to achieve the approved revenue requirement. In other words, a phase-in result should partially reduce the decreases for those systems that would get a decrease, and for those systems such as Sanlando, the increase would also be less. Then after 12 months, the rate structure would be changed to reflect full rate consolidation.

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

POSITION

The rates for all water systems should reflect consolidated single tariff pricing.

ARGUMENT

As Staff witness Daniel opined, the proposed consolidated rate structure provides benefits to both the customers and the utility. It mitigates the impact of cost increases associated with additional utility investment in response to aging infrastructure repair or replacement and other quality of service issues (Tr. 987). Clark Gillaspie, who has been active in Commission proceedings involving the Sandalhaven system, articulated the benefits not only to his customer base but to all UIF customers of consolidated rates (Ex. 347, Doc. No. 04595-17). UIF already has a consolidation of rates on a county-wide basis, including Pasco County where the Orangewood

customers are sharing the cost of the Summertree improvements. PSC Order No. PSC-16-0505-PAA-WS.

Mr. Guastella's direct testimony summarized here provides an extensive analysis in support of consolidated rates and single tariff pricing. The public interest aspect of utility service is the basis for the creation of utility regulatory agencies which are given the responsibility to assure that utilities provide safe and adequate service at just and reasonable rates. Carrying out that responsibility requires recognition that all customers are entitled to receive an adequate level of utility service. The entitlement to a reasonably equal level of service at similar rates among all customers (existing and new, regardless of location) has been well-established by regulatory agencies, including the Florida Public Service Commission, regarding such other utility services as electric, gas and communication. In other words, customers should pay the same rates for the same service. Such entitlement is taken for granted with respect to those utility services (Tr.219-220). In relatively recent years regulators, including the Florida PSC, have recognized that single tariff pricing is appropriate for functionally integrated water systems, regardless of whether they are physically connected. The water and wastewater industry is increasingly providing the opportunity for all customers of a multi-operational utility to have equal level of service at equal rates (Tr. 222).

Single tariff pricing is basically an averaging process (Tr.250). All of the revenue requirement components or all of the costs of providing service are totaled for all operations, and when applied to the total billing units in terms of numbers of bills or units of consumption, the resulting rates represent an average rate per service among all of the operations. Traditional rate setting principles have always recognized a similar averaging process with respect to rate setting. For example, all utilities are required to charge new customers the same rates as existing customers; the rates contained in the utility's filed tariff schedule. The new customers are not charged a higher rate related to the higher current cost of the more recent plant additions compared with the lower historical cost of the older plant. Regulatory agencies have rejected the concept of vintage rates. Accordingly, all customers, new and existing, pay the same rates for service based on an averaging of all costs, both capital and operating costs. It simply has not mattered that there may be a difference in the cost to serve new and existing customers. Another example of the averaging process in the traditional rate setting is reflected in the fact that customers close to the source of supply are charged the same rates as customers far from the source of supply. It hasn't mattered that the cost of providing service on an individual basis to each of those customers may be significantly different -- the rates are averaged (Tr. 250). Yet another example is a utility with a single system, but in which some sections are older than others. Under traditional rate setting, the costs are averaged, and all customers pay the same rates for service regardless of location (Tr. 1065). Traditional rate setting principles, as well as regulatory law, recognize that rates are reasonable if they are not unduly discriminatory. There is no regulatory requirement that rates must reflect the precise cost of providing service to each and every customer or each and every group of customers at different locations. Single tariff pricing is simply another averaging process that does not produce unduly discriminatory rates, particularly in light of the many advantages that are directly attributable to single tariff pricing (Tr.222-223). At the hearing, Mr. Guastella explained, as another example in support of STP, that conservation rates are not unduly discriminatory and not a subsidy because they represent a sound regulatory policy for the benefit of all customers, even though inclining rate blocks charge higher unit prices which is opposite the fact that the higher the consumption, the lower the unit cost (Tr. 232).

Regulators have recognized the economies of scale attributable to large utilities with respect to combined operations, personnel, purchasing and cost of capital. Large utilities generally are more capable of meeting environmental requirements, because of in-house expertise, resources and ability to finance improvements. The increasing environmental requirements and need to make capital improvements and replace aging plant are widening the gap between small and large companies in terms of their ability to provide safe and adequate service. The smaller operations which are part of large utilities automatically receive these benefits. The larger operations within the multi-operational utility also automatically receive these benefits. Another advantage of single tariff pricing is the significant cost savings associated with rate filings. The instant case is a good example. The cost would be much higher if separate rates cases and rate applications were made for each individual system. In the future, rate case savings will be even greater if under a consolidated single tariff there would only be a need for a single set of MFRs. Another important advantage of single tariff pricing is rate stability. Eventually all operations will require significant capital improvements either to install new plant for new environmental requirements or to replace existing lower-cost assets with newer higher-cost assets. On an individual system basis, those swings in capital requirements would require significant rate changes (Tr. 241, 276-277). Sooner or later, the customers who might object to single tariff pricing because their rates might now be lower on an individual system basis, would likely at some point in time welcome single tariff pricing (average rates) when the system serving them is the one requiring major capital improvements and commensurate rate increases, such as could happen in Pennbrooke to resolve the high iron content in the source water (Tr. 223-224). While the Sanlando and Pennbrooke customers may be paying higher rates today, when it is their turn to get the benefit of having other customers pay for millions of dollars in capital improvements then they will be pleased with the rate consolidation (Tr. 265).

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

POSITION

The proposed rate structure containing the Base Facility Charges and Usage rate tiers should reflect consolidated single tariff pricing for all water systems.

ARGUMENT

UIF's base facility charge is designed to recover 35% of the water revenue requirement (Ex. 28; Tr. 227). Although Staff witness Daniel testified that the requested recovery through the base facility charge is consistent with those approved in prior UIF rate cases, as well as other Florida utilities (Tr. 977), she stated that the Commission typically uses 40%, which UIF also finds acceptable because it would be a further improvement to revenue stability. The base facility charge of $11.54 for a 5/8"x3/4" meter using the 35% allocation would, of course, increase at a 40% allocation, with other meter sizes calculated in accordance with Commission Rule 25-30.055, F.A.C. (Ex. 28). Without revision to the base facility charge allocation to 40%, the usage charge for general service customers should be $2.98 per thousand gallons, and the usage charge for residential customers should be per thousand gallons in three tiers as follows (Ex. 28; Tr. 228):

0 – 8,000 gallons	$	1.97
8,000 – 16,000 gallons	$	2.95
Over 16,000 gallons	$	3.93

Repression Adjustment. Recognizing that customers will reduce consumption in response to an increase in price, the Commission for the past ten years typically estimates a reduction in water consumption at four percent of discretionary consumption for every ten percent increase in price (Tr. 981 & 1028). There is evidence in the record of what has happened over the last five years with regard to repression (Tr. 996). Because the repression adjustment results in an increase in final rates, a lower elasticity of demand assumption mitigates against the rate impact; however, the result may be that the utility does not achieve its authorized rate of return (Tr. 982). UIF has proposed a repression adjustment that is significantly less than that used by the Commission which is to the customers' advantage (Tr. 989). Although UIF has used a repression adjustment of two percent of discretionary consumption, it would be acceptable for the Commission establish a level within the range of two to four percent in order to give weight to its historical findings.

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

STIPULATION

The fire protection rate should be established pursuant to Commission Rule 25-30.465. (Ex. 262)

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

POSITION

The rates for all wastewater systems should reflect consolidated single tariff pricing.

ARGUMENT

Same argument as Issue 61.

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

POSITION

The proposed rate structure containing the Base Facility Charges and Usage rate tiers should reflect consolidated single tariff pricing for all wastewater systems.

ARGUMENT

The base facility charge should recover 51.8% of the wastewater revenue requirement (Ex. 29; Tr. 227). As Staff witness Daniel testified, the requested recovery through the base facility charge is consistent with those approved in prior UIF rate cases, as well as other

Florida utilities (Tr. 977). UIF's proposed 8,000 gallon cap (Ex. 29) is also typical of wastewater systems in Florida, and as recognized by Staff witness Daniel, it mitigates the swing that happens when water gallonage is used to calculate wastewater rates (Tr. 992). The appropriate base facility charge should be $25.47 for a 5/8"x3/4" meter, with a usage charge of $4.91 per thousand gallons for residential service and $5.65 per thousand gallons for wastewater service (Ex. 29)

Other Issues

ISSUE 66: What are the appropriate miscellaneous service charges?

POSITION

*

	Normal Hours	After Hours
Initial Connection Charge	$36.71	$45.03
Normal Reconnection Charge	$36.71	$45.03
Violation Reconnection Charge – water	$36.71	$45.03
Violation Reconnection Charge – wastewater	Actual cost	Actual cost
Premises Visit Charge (In lieu of disconnection)	$36.71	$45.03
NSF Check Charge	Pursuant to Florida Statute 68.065	

*

ARGUMENT

UIF provided supporting documentation justifying the miscellaneous service charges (Ex. 86 - Schedule E-4). There was no evidence presented refuting the amounts calculated.

ISSUE 67: What is the appropriate late payment charge?

POSITION

$8.84

ARGUMENT

UIF provided supporting documentation for a late payment charge of $8.84 (Ex. 86 - Schedule E-4 & 275). The late payment charge was calculated pursuant to previous Commission policy (Tr. 299) and is based upon the employees' hourly rates and the function they perform in connection with processing late payment notices (Ex. 157, 168 Bates 00281-00282, 274 & 275; Tr. 301-302).

ISSUE 68: What are the appropriate reuse rates?

STIPULATION

$7.64 BFC plus $1.45 per thousand gallons. (Ex. 262)

ISSUE 69: What are the appropriate customer deposits?

STIPULATION

The amount of customer deposits should be established pursuant to Commission Rule 25-30.311. (Ex. 262)

ISSUE 70: What are the appropriate meter installation charges?

STIPULATION

A uniform meter installation charge of $208 for a 5/8" x 3/4" meter should be approved, with other meter sizes at actual cost. (Ex. 262)

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

POSITION

The existing customer connection, main extension, plant capacity, and system capacity charges would remain in effect.

ARGUMENT

UIF did not request any changes in its service availability charges, and no evidence was presented at the hearing to serve as a basis to make any such changes. Thus, existing customer connection, main extension, plant capacity, and system capacity charges would remain unchanged.

ISSUE 72: What are the appropriate guaranteed revenue charges?

STIPULATION

The guaranteed revenue charge for the Sandalhaven system should be equal to the respective BFC for Sandalhaven. (Ex. 262)

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

POSITION

The existing AFPI charges would remain in effect.

ARGUMENT

UIF did not request any changes in its service availability charges, and no evidence was presented at the hearing to serve as a basis to make any such changes. Thus, the AFPI charges currently in effect should remain unchanged. The current AFPI charges should apply to the following number of new ERC's: LUSI – water – Lake Groves: 491, LUSI - water – Other: 1,241; Lake Groves – wastewater: 3,966; Sandalhaven: 862; and Longwood: 493 (Ex. 151 & 168). However, the number of ERCs would change if there is any change in the U&U as set forth in Issue 16.

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

Any such refund should be calculated in accordance with Commission Policy; however, no refund is appropriate.

ARGUMENT

Pursuant to Section 367.082, F.S., any refund shall be calculated to reduce the rate of return of the Utility during the pendency of the proceeding to the same level within the range of the newly authorized rate of return. Adjustments made in the rate case test period that do not relate to the period that interim rates are in effect are removed. Any refund shall be made with interest in accordance with Rule 25-30.360(4), F.A.C., in which case the Utility shall be required to submit proper refund reports pursuant to Rule 25-30.360(7), F.A.C. Any unclaimed refunds should be treated by the Utility as Contributions in Aid of Construction (CIAC) pursuant to Rule 25-30.360(8), F.A.C. Further, the Corporate Undertaking of UIF and the Corporate Guarantee of Utilities, Inc. shall be released upon Commission staff's verification that the required refunds have been made, or if no refund is required, upon the issuance of the Final Order.

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

After the four year amortization period the rates should be reduced to reflect a $385,605 reduction in annual revenues

ARGUMENT

Pursuant to Section 367.081 (8), F. S., rate case expense is recovered over four years unless a longer period is justified and is in the public interest. There was no evidence presented to warrant a variance of the four-year amortization period; thus, based upon the determination of total rate case expense in Issues 49 and 76, UIF's rates should be reduced after four years to reflect an annual decrease in revenues of $385,605.

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

* The unamortized rate case expense of $420,105 should be included with current rate case expense and amortized over four years along with current rate case expense.*

ARGUMENT

The prior unamortized rate case expense consists of those amounts from prior rate cases as well as the unamortized rate case expense from the Generic Docket and as of July 2017 totals $386,766 (Ex. 172, POD#2). In addition, subsequent to the test year, the Commission awarded rate case expense in Order No. PSC-16-0296-PAA-WS in the amount of $17,968, and in Order No PSC-16-0505-PAA-WS in the amount of $25,090, and the unamortized amounts for those are $13,476 and $19,863 respectively. Section 367.081(8) F.S. requires that rate case expense, "be apportioned for recovery over 4 years unless a longer period can be justified and is in the public interest." By adding current rate case expense to the rate case expense in this rate proceeding, the current rate case expense will be recovered over a period longer than four years. This will have a lesser impact on rates than using a separate surcharge as OPC has recommended and is therefore in the public interest. Thus, the total unamortized rate case expense is $420,105. This amount should be added to current rate case expense and amortized over four years.

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

STIPULATION

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. (Ex. 262)

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

POSITION

Such filings should be made on a consolidated basis.

ARGUMENT

Consistent with the Stipulation on Issue 77, UIF should file its FPSC-regulated accounting, filing and reporting requirements in the same manner as the consolidation is approved.

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

The Utility did substantially comply with booking Commission Ordered Adjustments.

ARGUMENT

Apparently based upon comments in the staff Audit, OPC believes that UIF failed to make Commission Ordered Adjustments for "many systems". The evidence does not support

that belief. The Audit (Ex. 138) identifies the past thirteen rate cases by the companies now consolidated into UIF to which the COA issue would apply to the Audit (p. 5). There is not one single instance identified where the COA's were not made. As to Cypress Lakes, the Audit points out that the adjustments were made approximately three months late and staff believed were not recorded correctly as they were not carried forward from the test year to the time the adjustments were made (Ex. 138, p. 11; Tr. 935-936). The LUSI adjustments were timely made but believed the adjustments should have been made to different accounts (Ex. 138, p. 13; Tr. 935). The staff auditor admitted that there was just a difference of opinion as to how some of the adjustments should have been booked (Tr. 962). In UIF-Orange, Pasco, Pinellas and Seminole the audit staff noted that the adjustments were made approximately seven months late, and again the audit staff did not believe some of them were made correctly (Ex. 138, p.14; Tr. 935-936). With regard to the UIF COAs, the staff auditor acknowledged that UIF provided the journal entries to match the Order (Tr. 945-946). Again, the staff auditor admitted that there was just a difference of opinion as to how some of the adjustments should have been booked (Ex. 314; Tr. 963). Further, whether or not the COAs are made has no effect on how the Audit is conducted (Tr. 964).

Of the thirteen Orders applicable to the COAs, the Audit staff only found three that they have some issue with, and in every instance the COAs were in fact made. In a number of instances UIF disagreed with the auditor's adjustments (Ex. 277). It is clear that UIF substantially complied with the requirement to book COAs within 90 days of the effective date of the respective Orders. Thus, no action is necessary with regard to booking COAs.

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

The Utility provided all documentation requested by the auditors.

ARGUMENT

This issue raised by OPC apparently arose out of Audit Findings 8 (transportation) and 11 (salaries) (Ex. 138). The auditor in previous rate cases had received transportation expense documentation in a particular format; however, the format in which the documentation was provided in this rate case did not allow her to make a recommendation on transportation expenses and thus she deferred that issue to the analyst (Tr. 938-939 & 955). However, UIF did provide to the auditors sufficient information from which to make the required calculations, and at no time was UIF advised that the auditors did not have the information to do so (Tr. 1080-1081 & 1087). The auditor did not believe that the salary documentation provided facilitated making proper adjustments and thus the auditors deferred that issue to the analyst (Tr. 939). Again, UIF provided the documentation that should have been sufficient for the auditors to make any salary adjustments (Tr. 1081-1082 & 1087). The auditor explained that when in the course of the audit, the auditors do not have complete answers they file findings, and often those finding defer action to the technical staff. That was particularly true in this case where they were really doing 12 audits in the time period of one audit (Tr. 957). In such cases where they are not able to get information by the deadline it is routine to defer to the technical staff to follow-up (Tr. 964). UIF diligently provided responses to the auditors (Ex. 160). In virtually every rate case there are audit findings in which

matters are deferred to technical staff for follow-up, and this case is no different. UIF substantially complied with the auditors' requests.

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

Yes.

ARGUMENT

Consistent with Commission policy, UIF should make the Commission approved adjustments and advise the Commission accordingly within 90 days of the Final Order being effective.

ISSUE 82: Should this docket be closed?

POSITION

Yes.

ARGUMENT

Consistent with Commission policy, once the refunds, if any, have been made, the final rate case expense schedule pursuant to Rule 25-30.436(6), F.A.C. has been filed, and the Commission Ordered Adjustments have been confirmed to have been made, this Docket should be closed.

Respectfully submitted this 20th day of June, 2017

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by electronic mail this 20th day of June, 2017, to:

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