

Brandy Butler

From: Asha Maharaj-Lucas
Sent: Tuesday, August 07, 2018 7:55 AM
To: Tom Ballinger; Commission Clerk; CLK - Agenda Staff; Commission Suite
Cc: Mark Futrell; Kate Hamrick; Mary Anne Helton; Andrew Maurey; Greg Shafer; Judy Harlow; Braulio Baez
Subject: RE: Request to make oral modification to staff's recommendation for Item # 7 of the August 7, 2018 Commission Conference
Attachments: Orangeland Requested Oral Modification.docx

From: Braulio Baez
Sent: Tuesday, August 07, 2018 7:45 AM
To: Tom Ballinger
Cc: Mark Futrell; Asha Maharaj-Lucas; Kate Hamrick; Mary Anne Helton; Andrew Maurey; Greg Shafer; Judy Harlow
Subject: Re: Request to make oral modification to staff's recommendation for Item # 7 of the August 7, 2018 Commission Conference

Approved

Sent from my T-Mobile 4G LTE Device

----- Original message -----

From: Tom Ballinger <TBalling@PSC.STATE.FL.US>
Date: 8/7/18 7:40 AM (GMT-05:00)
To: Braulio Baez <BBaez@PSC.STATE.FL.US>
Cc: Mark Futrell <MFutrell@PSC.STATE.FL.US>, Asha Maharaj-Lucas <AMaharaj@psc.state.fl.us>, Kate Hamrick <KHamrick@psc.state.fl.us>, Mary Anne Helton <MHelton@PSC.STATE.FL.US>, Andrew Maurey <AMaurey@PSC.STATE.FL.US>, Greg Shafer <GShafer@PSC.STATE.FL.US>, Judy Harlow <JHarlow@PSC.STATE.FL.US>
Subject: Request to make oral modification to staff's recommendation for Item # 7 of the August 7, 2018 Commission Conference

Staff is requesting approval to make an oral modification to its recommendation filed in Docket No. 20170230-WU, Application for staff-assisted rate case in Pasco County by Orange Land Utilities, LLC., currently scheduled for the August 7, 2018 agenda conference (Item 7).

Yesterday afternoon, staff realized that we had inadvertently used a retirement value from the previous staff report which impacts Issues 3, 6, and 7. The net impact is an increase of \$254.00 to the recommended annual revenue requirement. Attached is a word document in type/strike format highlighting the requested changes.

Staff is also requesting administrative authority to recalculate rates following the Commission's vote on this item.

Please let me know if you need any further information.

Tom Ballinger
Director, Division of Engineering
Florida Public Service Commission
(850) 413-6680

Issue 3, pages 7 and 8

Orange Land has requested several pro forma plant projects. The pro forma projects include replacement of a hydropneumatic tank, flow meter, well-house roof, and electrical panel, as well as a meter replacement program. The Utility obtained two bids for the hydropneumatic tank, well-house roof, and electrical panel projects and the lowest bids were selected for each respective project. The replacement of the flow meter was completed by Orange Land, and the Utility will also be completing the work for the meter replacement program. As such, staff increased UPIS by ~~\$9,531~~ ~~\$8,032~~.

**Table 3-1
Pro Forma Projects**

Description	Pro Forma Cost	Retirement	Net Amount	Net Depreciation Expense	Net Acc. Depreciation
HydroHydro Tank	\$10,274	(\$7,706) (\$9,205)	\$2,568 \$1,069	\$86 \$36	\$7,364 \$8,863
Meter Replacement	3,450	(2,587)	863	\$51	\$2,384
Well-House Roof	700	0	700	\$26	(\$26)
Electrical Panel	5,122	0	5,122	\$301	(\$301)
Flow Meter	<u>278</u>	<u>0</u>	<u>278</u>	<u>\$9</u>	<u>(\$9)</u>
Total	<u>\$19,824</u>	(\$10,293) (\$11,792)	\$9,531 \$8,032	\$472 \$422	\$9,412 \$10,911

Source: Document Nos. 02337-2018, 02338-2018, and 04327-2018.

Staff's net adjustment to UPIS is an increase of ~~\$10,397~~ ~~\$8,898~~ (\$866 + ~~\$9,531~~ ~~\$8,032~~). Therefore, staff recommends that the appropriate UPIS balance is ~~\$62,638~~ ~~\$61,139~~.

Accumulated Depreciation

Orange Land recorded a test year accumulated depreciation balance of \$44,378. Staff increased accumulated depreciation by \$825 to include an averaging adjustment. Staff also decreased accumulated depreciation by ~~\$9,412~~ ~~\$10,911~~ to reflect pro forma additions and corresponding retirements. Staff's adjustments result in a net decrease to accumulated depreciation of ~~\$8,587~~ ~~\$10,086~~ (~~\$9,412~~ ~~\$10,911~~ - \$825). Staff recommends an accumulated depreciation balance of ~~\$35,791~~ ~~\$34,292~~.

Issue 6, page 11

Recommendation: The appropriate amount of operating expense for Orange Land is ~~\$25,494~~ ~~\$25,240~~.

Issue 6, Page 14

Depreciation Expense (Net of Amortization of CIAC)

- Orange Land recorded depreciation expense of \$751 during the test year. Staff calculated depreciation expense associated with the pro forma plant additions and retirements the Utility requested. These additions result in an increase of ~~\$472~~ ~~\$422~~. As such, staff recommends depreciation expense of ~~\$1,223~~ ~~\$1,173~~.

Taxes Other Than Income (TOTI)

Orange Land recorded a TOTI balance of \$1,943 during the test year. Staff increased property tax expense by ~~\$313~~ ~~\$121~~ as a corresponding adjustment to the pro forma plant additions. Staff also decreased TOTI by \$53 to reflect the appropriate amount of a property tax bill received by the Utility in November of 2017. Additionally, staff decreased payroll taxes by \$198 as a corresponding adjustment to staff's recommended adjustment to salaries and wages expense. Staff increased the Regulatory Assessment Fees (RAFs) by \$12 to reflect the adjusted test year revenues. This results in a net ~~increase-decrease~~ of ~~\$74~~ ~~\$118~~ ($-\$53 - \$198 + \$12 + \del{\$313} \del{\$121}$).

In addition, as discussed in Issue 7, revenues have been increased by ~~\$5,364~~ ~~\$5,110~~ to reflect the change in revenue required to cover expenses and allow the recommended return on investment. As a result, TOTI should be increased by ~~\$241~~ ~~\$230~~ to reflect RAFs of 4.5 percent on the change in revenues. Staff's adjustments result in a net increase of ~~\$315~~ ~~\$112~~ ($\del{\$74} \del{\$118} + \del{\$241} \del{\$230}$). Therefore, staff recommends TOTI of ~~\$2,258~~ ~~\$2,055~~.

Operating Expenses Summary

The application of staff's recommended adjustments to Orange Land's test year operating expenses results in operating expenses of ~~\$25,494~~ ~~\$25,240~~. Operating expenses are shown on Schedule No. 3-A. The related adjustments are shown on Schedule Nos. 3-B and 3-C.

Issue 7, page 15

Recommendation: The appropriate revenue requirement is ~~\$27,981~~ \$27,727 resulting in an annual increase of ~~\$5,364~~ \$5,110 (~~23.72~~ 22.60 percent). (Frank)

Staff Analysis: Orange Land should be allowed an annual increase of ~~\$5,364~~ \$5,110 (~~23.72~~ 22.60 percent). The calculations are shown below in Table 7-1.

**Table 7-1
Revenue Requirement**

Adjusted Rate Base	\$29,381
Rate of Return	x <u>8.46%</u>
Return on Rate Base	2,487 2,528
Adjusted O&M Expense	22,013
Depreciation Expense (Net)	1,223 1,173
Taxes Other Than Income	2,017 1,825
Test Year RAFs	<u>241</u> 230
Revenue Requirement	27, <u>981</u> 27,727
Less Adjusted Test Year Revenues	<u>22,617</u>
Annual Increase	<u>5,364</u> 5,110
Percent Increase	<u>23.72%</u> 22.60%