BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

|  |  |
| --- | --- |
| In re: Application for staff-assisted rate case in Brevard County by Aquarina Utilities, Inc. | DOCKET NO. 20150010-WSORDER NO. PSC-2019-0139-PAA-WSISSUED: April 22, 2019 |

The following Commissioners participated in the disposition of this matter:

ART GRAHAM, Chairman

DONALD J. POLMANN

ANDREW GILES FAY

NOTICE OF PROPOSED AGENCY ACTION

ORDER APPROVING PHASE II RATES

BY THE COMMISSION:

 NOTICE is hereby given by the Florida Public Service Commission (Commission) that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

Background

 Aquarina Utilities, Inc., (Aquarina or Utility) is a Class B utility providing service to approximately 296 water and 311 wastewater customers in Brevard County. Aquarina also provides non-potable water for irrigation to approximately 107 customers.

 The Utility filed its application for a staff-assisted rate case (SARC) on January 2, 2015. By Order No. PSC-16-0583-PAA-WS (SARC Order) issued December 29, 2016, this Commission approved Phase I revenue requirements and rates. The SARC Order further stated that implementation of Phase II rates was conditioned upon Aquarina completing certain pro forma items within 12 months of the issuance of a consummating order in this docket. A Consummating Order (Order No. PSC-17-0031-CO-WS) was issued on January 23, 2017.

 The pro forma items consisted of the replacement of the water treatment plant’s reverse osmosis (R/O) skid; the wastewater treatment plant’s (WWTP) catwalks, WWTP blowers, and sand filters; along with the acquisition of a plant map by use of a Geographical Information System (GIS). The SARC Order also provided that if Aquarina encountered any unforeseen events that would impede the completion of the pro forma items, it must immediately notify us in writing. On November 9, 2017, the Utility notified our staff that it would not be able to meet the deadline for completing the pro forma items. The Utility requested an extension until March 1, 2018, to complete the pro forma items, which was granted by Order No. PSC-2017-0485-FOF-WS.

 On February 5, 2018, the Utility informed our staff that it could not meet the March 1, 2018, deadline and requested another extension. By Order No. PSC-2018-0218-FOF-WS, we granted Aquarina an extension until November 30, 2018, to complete the pro forma items. On February 1, 2019, the Utility provided documentation for consideration in determining Phase II rates. On February 20, 2019, Aquarina filed a motion requesting that we restructure its rates in connection with the establishment and implementation of Phase II rates. The Utility withdrew the motion on March 11, 2019.

 This Order addresses the appropriate Phase II rates. We have jurisdiction pursuant to Sections 367.081, 367.0814, and 367.121, Florida Statutes.

**Review and Decision**

**1. Phase II Revenue Requirement**

 By the SARC Order, we approved five pro forma items in this docket. We approved Phase II rates conditioned upon Aquarina’s completion of the items. The Utility has provided documentation (invoices) demonstrating that four of the five items have been completed. In the table below, we provide a summary of the costs we initially approved in the SARC Order and the actual costs approved by the instant order.

**Summary of Phase II Costs**

|  |  |  |  |
| --- | --- | --- | --- |
| Item | Initially Approved | Actual Costs | Difference |
| R/O Skid\*  | $52,232 | $49,602 | ($2,630) |
| WWTP Blower\*\* | 28,716 | 24,569 | (4,147) |
| Catwalks\*\* | 9,703 | 20,954 | 11,251  |
| Sand Filter Blowers\*\* | 5,603 | 7,502 | $1,899  |
| GIS Mapping\*\*\* | 76,768 | 0 | (76,768) |
| Total | $173,022 | $102,627 | ($69,603) |

\*Potable Water Plant in Service

\*\*Wastewater Plant in Service

\*\*\*Operation and Maintenance

 Aquarina provided documentation for Phase II rates on February, 1, 2019. Prior to providing its documentation, the Utility provided multiple updates regarding the status of its pro forma items. We shall consider the documentation provided by the Utility in establishing Phase II rates.

 Based on the documentation, the actual costs associated with the replacement of the R/O skid and the WWTP blower were below the amounts we approved in the SARC Order. Recognizing the increase of more than 100 percent in the cost to replace the catwalks, the Utility indicated that the original contractor could not perform the job and a new quote was obtained. Aquarina explained that when the plant fixtures and catwalks were evaluated it was determined that the steel frames for the catwalks were not going to work because the extent of deterioration was greater than originally understood.

 We note that the cost of the sand filter blowers increased by more than 30 percent. Based on our review of the original quote and the actual invoices provided by the Utility, the difference in cost appears to be related to the installation charges on the sand filter blowers which were not included in the originally-approved amount.

 Because the Utility did not have accurate and up-to-date plant maps for its distribution and collection systems, we authorized $76,768 to obtain the services to create the maps. Aquarina provided an unsigned contract, dated September 1, 2018, with the Florida Rural Water Association (FRWA) to rent the necessary equipment to conduct the plant surveys at a cost of $792. Because the contract was not signed by the FRWA and the mapping has not been completed to date, the costs shall not be included in Phase II revenue requirements. Based upon the foregoing, we find that Aquarina has provided sufficient explanation and documentation to support a total amount of $102,627 in Phase II items.

 In addition to providing documentation and invoices associated with the approved Phase II pro forma items, the Utility also provided invoices totaling $3,640 for maintenance and repair of its old R/O skid as well as a bid of $14,985 for the installation of a new control panel. The Utility indicated that the new control panel is needed to allow switching between the new R/O skid and the old R/O skid. However, in the SARC Order, we found replacement of the old R/O skid to be prudent based on its age and scarcity of replacement parts; we did not anticipate the continued operation and maintenance of the old R/O skid. Upon review, the costs associated with the old R/O skid shall not be included in Phase II revenue requirements as they were not contemplated in the SARC.

 Based upon the foregoing, we have revised the Phase II pro forma amounts as set forth in the table below.

**Revised Phase II Pro Forma Adjustments**

|  |  |  |  |
| --- | --- | --- | --- |
|   |   | Accum | Depr. |
| Description | UPIS | Depr. | Expense |
| Potable Water |   |   |   |
| Reverse Osmosis Skid | $49,602  | ($2,255) | $2,255  |
|  Retirement | (37,202) | 37,202  | (1,691) |
|  Revised Total | $12,401  | $34,947  | $564  |
| Previous Total | 13,434  | 37,859  | 611  |
|  Difference | ($1,033) | ($2,912) | ($47) |
|   |  |  |   |
| Wastewater |  |  |   |
| Catwalks at Plant | $20,954  | ($776) | $776  |
| Blower | 24,569  | (1,638) | 1,638  |
| Sand Filters | 7,502  | (417) | 417  |
|  Retirements | (39,769) | 39,769  |  (1,918) |
|  Revised Total | $13,256  | $36,938  | $912  |
| Previous Total | 11,005  | 30,431  | 646  |
|  Difference | $2,251  | $6,507  | $266  |

 As a result of the revised Phase II pro forma amounts, we have summarized the UPIS, Operating Expenses, and Revenue Increase amounts in the table below.

**Summary of Revenue Increase Amounts**

|  |  |  |  |
| --- | --- | --- | --- |
|    | Approved | Revised |   |
| Description | Phase II | Phase II | Difference |
| Potable |   |   |   |
|  UPIS | $1,463,661  | $1,462,628  | ($1,033) |
|  Operating Expenses | $163,201  | $157,670  | ($5,531) |
|  Revenue Increase | $13,022  | $7,550  | ($5,472) |
| Non-Potable |   |   |   |
|  UPIS | $945,345  | $945,345  | $0  |
|  Operating Expenses | $245,825  | $240,466  | ($5,359) |
|  Revenue Increase | $5,382  | $0  | ($5,382) |
| Wastewater |   |   |   |
|  UPIS | $1,623,048  | $1,625,299  | $2,251  |
|  Operating Expenses | $175,657  | $170,629  | ($5,028) |
|  Revenue Increase | $5,994  | $965  | ($5,029) |

 Based on our review of documentation provided by Aquarina, the appropriate revised Phase II revenue increases are $7,550 for potable water, no increase for non-potable water, and $965 for wastewater, which equate to increases of 4.77 percent for potable water and 0.54 percent for wastewater, over Phase I revenue requirements.Phase II rate base is shown on Schedule Nos. 1-A through 1-D. The operating income for Phase II is shown on Schedule Nos. 2-A through 2-D.

**2. Phase II Rates**

 By the SARC Order, we approved Phase II revenue requirements and rates associated with the pro forma items. As discussed above, the Phase II revenue requirements have been revised to reflect the actual cost incurred for the pro forma items. As a result, Phase II rates shall be recalculated to reflect the revised Phase II revenue requirements.

 In Phase I, the potable water system was overearning by $12,593. When there are overearnings for a water and wastewater system, it has been our practice to avoid decreasing water rates by netting the revenues of the water and wastewater systems if the customer bases are similar. Decreasing the potable water rates undermines conservation efforts. There is a 5 percent difference in the number of water customers and wastewater customers. Due to the minimal difference between potable water and wastewater customers, we approved netting the potable water overearnings with the wastewater system increase in order to avoid decreasing potable water rates. Therefore, for Phase I, the potable water rates remained unchanged.

 For Phase II, the approved revenue requirement of $165,805 for potable water is less than the revenues of $170,848 generated by the Phase I potable water rates. Therefore, we shall approve a continuation of the netting. However, $5,043 ($170,848 - $165,805) is required to maintain the Phase I potable water rates, which is less than the $12,593 required in Phase I. For this reason, in addition to the Phase II revenue increase of $965, the wastewater system revenues of $7,550 ($12,593 - $5,043) previously included in Phase I potable water rates shall be returned to the wastewater system in Phase II. As a result, the revenue increase after netting is $8,515 ($7,550 + $965) for wastewater in Phase II. In the table below, we outline the revenues used for designing rates.

**Phase I and Phase II**

**Revenue Requirements for Rate Setting**

|  |  |  |
| --- | --- | --- |
|  | Phase I | Phase II |
|  | Potable Water | Wastewater | Potable Water | Wastewater |
| Commission-Approved Revenue Requirement  | $158,255 | $179,663 | $165,805 | $180,628 |
| Revenue generated from rates | $170,848 | $161,821 | $170,848 | $167,070 |
| Revenue Increase/Decrease | ($12,593) | $17,842 | ($5,043) | $13,558 |
| Netting  | $12,593 | ($12,593) | $5,043 | ($5,043) |
| Revenue Increase | $0 | $5,249 | $0 | $8,515 |
| Percent Increase to Rates | 0% | 3.24% | 0% | 5.10% |
| Revenue Requirement for Rate Setting | $170,848 | $167,070 | $170,848 | $175,585 |

 For Phase II, netting the potable water and wastewater systems’ revenues results in an increase of 5.10 percent for the wastewater system. The revenue increase of $8,515, excluding miscellaneous revenues of $655, results in a 5.12 percent increase. The 5.12 percent increase shall be applied as an across-the-board increase to the Phase I wastewater rates. Since the implementation of the Phase I rates, the Utility was approved for a price index increase effective December 7, 2018. In order to maintain the price index increase, the incremental difference between the Phase I and Phase II rates shall be added to the Utility’s current wastewater rates. There shall be no change to the potable water rates and there is no revenue or rate change for non potable water rates.

 The appropriate Phase II rates are shown on Schedule Nos. 3-A and 3-B. The Utility shall file revised tariff sheets and a proposed customer notice to reflect the approved rates. The approved rates shall be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rates shall not be implemented until our staff has approved the proposed customer notice and the notice has been received by the customers. The Utility shall provide proof of the date notice was given within 10 days of the date of the notice.

 Based on the foregoing, it is

 ORDERED by the Florida Public Service Commission that the appropriate revised Phase II revenue increases are $7,550 for potable water, no increase for non-potable water, and $965 for wastewater, which equate to increases of 4.77 percent for potable water and 0.54 percent for wastewater, over Phase I revenue requirements. Phase II rate base is shown on Schedule Nos. 1-A through 1-D. The operating income for Phase II is shown on Schedule Nos. 2-A through 2-D. It is further

 ORDERED that the appropriate Phase II rates are shown on Schedule Nos. 3-A and 3-B. Aquarina Utilities, Inc. shall file revised tariff sheets and a proposed customer notice to reflect the approved rates. The approved rates shall be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rates shall not be implemented until Commission staff has approved the proposed customer notice and the notice has been received by the customers. The Utility shall provide proof of the date notice was given within 10 days of the date of the notice. It is further

 ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the “Notice of Further Proceedings” attached hereto. It is further

 ORDERED that if no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, a consummating order will be issued. The docket shall remain open for staff’s verification that the revised tariff sheets and the customer notice have been filed by the Utility and approved by staff. When the tariff and notice actions are complete, this docket may be closed administratively.

 By ORDER of the Florida Public Service Commission this 22nd day of April, 2019.

|  |  |
| --- | --- |
|  | /s/ Adam J. Teitzman |
|  | ADAM J. TEITZMANCommission Clerk |

Florida Public Service Commission

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Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

CWM

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

 The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing that is available under Section 120.57, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing will be granted or result in the relief sought.

 Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

 The action proposed herein is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on May 13, 2019.

 In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

 Any objection or protest filed in this/these docket(s) before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

 

 

 











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| **AQUARINA UTILITIES, INC.** |  |  |  | **SCHEDULE NO. 3-A** |
| **TEST YEAR ENDED 12/31/2014** |  |  |  | **DOCKET NO. 150010-WS** |
| **MONTHLY WATER RATES (PHASE II)** |  |  |  |  |
|  |  | **UTILITY** |  | **COMM. APPROVED** |
|  | **PHASE I**  | **CURRENT**  | **INCREMENTAL** | **PHASE II RATES** |
|  | **RATES** | **RATES (1)** | **INCREASE (2)** | **INCL PRICE INDEX**  |
| **Residential and General Service** |  |  |  |  |
| Base Facility Charge by Meter Size |  |  |  |   |
| 5/8" x 3/4" | $19.16 | $19.43  | $0.00 | $19.43  |
| 3/4" | $28.74 | $29.15  | $0.00 | $29.15  |
| 1" | $47.90 | $48.58  | $0.00 | $48.58  |
| 1-1/2" | $95.79 | $97.15  | $0.00 | $97.15  |
| 2" | $153.27 | $155.44  | $0.00 | $155.44  |
| 3" | $306.55 | $310.88  | $0.00 | $310.88  |
| 4" | $478.96 | $485.75  | $0.00 | $485.75  |
| 6" | $957.93 | $971.50  | $0.00 | $971.50  |
|   |  |  |  |   |
| Charge per 1,000 gallons - Residential and General Service | $6.95 | $7.05  | $0.00 | $7.05  |
|   |  |  |  |   |
| **Irrigation Service - Non-Potable** |  |  |  |   |
| Base Facility Charge by Meter Size |  |  |  |   |
| 5/8" x 3/4" | $13.86 | $13.98 | $0.00 | $13.98 |
| 3/4" | $20.79 | $20.97 | $0.00 | $20.97 |
| 1" | $34.65 | $34.95 | $0.00 | $34.95 |
| 1-1/2" | $69.30 | $69.90 | $0.00 | $69.90 |
| 2" | $110.88 | $111.84 | $0.00 | $111.84 |
| 3" | $221.76 | $223.68 | $0.00 | $223.68 |
| 4" | $346.50 | $349.50 | $0.00 | $349.50 |
| 6" | $693.00 | $699.00 | $0.00 | $699.00 |
| 8" | $1,108.80 | $1,118.40 | $0.00 | $1,118.40 |
|   |  |  |  |   |
| Charge per 1,000 gallons - Irrigation Service | $1.38 | $1.39 | $0.00 | $1.39 |
| **Typical Residential 5/8" x 3/4" Meter Bill Comparison** |  |  |  |  |
| 2,000 Gallons | $33.06  | $33.53  |  | $33.53  |
| 6,000 Gallons | $60.86  | $61.73  |  | $61.73  |
| 8,000 Gallons | $74.76  | $75.83  |  | $75.83  |
|   |  |  |  |   |
| (1) The utility's current rates are the result of a price index effective December 7, 2018. |   |
| (2) As discussed in Issue 2, the potable and non potable water rates remain unchanged. |   |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **AQUARINA UTILITIES, INC.** |  |  |  | **SCHEDULE NO. 3-B** |
| **TEST YEAR ENDED 12/31/2014** |  |  |  | **DOCKET NO. 150010-WS** |
| **MONTHLY WASTEWATER RATES (PHASE II)** |  |  |  |  |
|  |  |  |  | **COMMISSION** |
|  |  | **UTILITY**  |  | **APPROVED** |
|  | **PHASE I**  | **CURRENT**  | **INCREMENTAL** | **PHASE II RATES** |
|  | **RATES** | **RATES (1)** | **INCREASE (2)** | **INCL PRICE INDEX (3)** |
|  | **[A]** | **[B]** | **[C]** | **[D]** |
| **Residential** |  |  |  |  |
| Base Facility Charge - All Meter Sizes |  |  |  |  |
| Charge Per 1,000 gallons  | $22.83  | $23.17  | $1.17  | $24.34  |
| 8,000 gallon cap | $4.94  | $5.01  | $0.25  | $5.26  |
|   |  |  |  |   |
| Flat Rate Service | $35.78  | $36.32  | $1.83  | $38.15  |
|  |  |  |  |   |
| **General Service** |  |  |  |   |
| Base Facility Charge by Meter Sizes |  |  |  |   |
| 5/8" x 3/4" | $22.83 | $23.17  | $1.17  | $24.34  |
| 3/4" | $34.25 | $34.76  | $1.76  | $36.51  |
| 1" | $57.08 | $57.93  | $2.93  | $60.85  |
| 1-1/2" | $114.15 | $115.85  | $5.85  | $121.70  |
| 2" | $182.64 | $185.36  | $9.36  | $194.72  |
| 3" | $365.28 | $370.72  | $18.72  | $389.44  |
| 4" | $570.75 | $579.25  | $29.25  | $608.50  |
| 6" | $1,141.50 | $1,158.50  | $58.50  | $1,217.00  |
|   |  |  |  |   |
| Charge per 1,000 gallons - General Service  | $5.94 | $6.03  | $0.30  | $6.33  |
|   |  |  |  |   |
| **Typical Residential 5/8" x 3/4" Meter Bill Comparison** |  |  |  |   |
| 2,000 Gallons | $32.71  | $33.19  |  | $34.86  |
| 6,000 Gallons | $52.47  | $53.23  |  | $55.90  |
| 8,000 Gallons | $62.35  | $63.25  |  | $66.42  |
|   |  |  |  |   |
| (1) The utility's current rates are the result of a price index effective December 7, 2018. |  |   |
| (2) C = A X 5.12 percent |  |  |  |   |
| (3) The incremental increase between Phase I and Phase II rates has been added to the utility's current rates (D = B+C). |
|   |   |   |   |   |