

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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

DOCKET NO. 20160101-WS  
ORDER NO. PSC-2019-0363-PAA-WS  
ISSUED: August 27, 2019

The following Commissioners participated in the disposition of this matter:

ART GRAHAM, Chairman  
JULIE I. BROWN  
DONALD J. POLMANN  
GARY F. CLARK  
ANDREW GILES FAY

NOTICE OF PROPOSED AGENCY ACTION  
ORDER ESTABLISHING REGULATORY ASSET FOR  
APPELLATE AND REMAND RATE CASE EXPENSE  
AND  
FINAL ORDER COMPLYING WITH MANDATE AND REQUIRING REFUND

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein concerning the establishment of a regulatory asset for the utility's appellate expenses 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 (F.A.C.).

Background

Utilities, Inc. of Florida (UIF or Utility) is a Class A utility providing water and wastewater service to 27 systems in the following counties: Charlotte, Highlands, Lake, Lee, Marion, Orange, Pasco, Pinellas, Polk, and Seminole. As the result of a corporate reorganization and name change, UIF is the sole surviving corporation that owns and operates the water and wastewater systems that are the subject of this rate case application.<sup>1</sup> UIF is a wholly-owned

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<sup>1</sup> For the purposes of this order, the discussion of individual systems will reference the former utility it belonged to prior to the corporate reorganization, as follows: Cypress Lake Utilities, Inc. (Cypress Lakes), Utilities, Inc. of Eagle Ridge (Eagle Ridge), Labrador Utilities, Inc. (Labrador), Lake Placid Utilities, Inc. (Lake Placid), Lake Utility Services, Inc. (LUSI), Utilities, Inc. of Longwood (Longwood), Mid-County Services, Inc. (Mid-County), Utilities, Inc. of Pennbrooke (Pennbrooke), Utilities Inc. of Sandalhaven (Sandalhaven), Sanlando Utilities Corporation

subsidiary of Utilities, Inc.<sup>2</sup> On November 22, 2016, UIF completed the minimum filing requirements for its application requesting approval of interim and final water and wastewater rate increases. The test year established for interim and final rates was the historical 13-month average period ended December 31, 2015, with requested adjustments for pro forma projects. UIF requested a final revenue increase of \$2,721,001 for water and \$4,194,453 for wastewater. Additionally, the Utility requested a single, consolidated rate structure.

By Order No. PSC-2016-0526-PCO-WS, issued November 22, 2016, we authorized the collection of interim water and wastewater rates, subject to refund pursuant to Section 367.082, Florida Statutes (F.S.). The approved interim revenue requirements represented an increase of \$348,309 for water and \$209,440 for wastewater operations.<sup>3</sup> Additionally, we ordered the collection of revenues totaling \$530,900 held subject to refund for systems that appeared to be earning above their maximum return on equity (ROE).<sup>4</sup>

A formal evidentiary hearing was held May 8-10, 2017. By Order No. PSC-2017-0361-FOF-WS (Final Order), issued September 25, 2017, we approved in part the requested increase in water and wastewater rates. The approved revenue requirements represented an increase of \$1,924,677 for water and \$3,287,999 for wastewater operations.<sup>5</sup> We also ordered the partial refund of interim revenues collected.<sup>6</sup> Additionally, we approved a single, consolidated rate structure.

On October 20, 2017, the Office of Public Counsel (OPC) and Seminole County each filed a notice of administrative appeal with the First District Court of Appeal (the First DCA or the Court).<sup>7</sup> Our decision was affirmed by the First DCA in the appeal by Seminole County.<sup>8</sup> In OPC's appeal, the Court affirmed our order except as to that portion of the used and useful

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(Sanlando), Tierra Verde Utilities, Inc. (Tierra Verde), and Utilities, Inc. of Florida (UIF-Marion, UIF-Pinellas, UIF-Orange, UIF-Pasco, and UIF-Seminole).

<sup>2</sup> Order No. PSC-2016-0143-FOF-WS, issued April 12, 2016, in Docket No. 20150235-WS, *In re: Joint application for acknowledgement of corporate reorganization and request for approval of name changes on water and/or wastewater certificates of Cypress Lakes Utilities, Inc. in Polk County; Utilities, Inc. of Eagle Ridge in Lee County; Utilities, Inc. of Florida in Marion, Orange, Pasco, Pinellas, and Seminole Counties; Labrador Utilities, Inc. in Pasco County; Lake Placid Utilities, Inc. in Highlands County; Lake Utility Services, Inc. in Lake County; Utilities, Inc. of Longwood in Seminole County; Mid-County Services, Inc. in Pinellas County; Utilities Inc. of Pennbrooke in Lake County; Utilities, Inc. of Sandalhaven in Charlotte County; Sanlando Utilities Corporation in Seminole County; and Tierra Verde Utilities, Inc. in Pinellas County, to Utilities, Inc. of Florida.*

<sup>3</sup> Order No. PSC-2016-0526-PCO-WS, issued November 22, 2016, in Docket No. 20160101-WS, *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.* (Systems authorized to collect interim rates were Lake Placid, UIF-Marion, UIF-Pinellas, UIF-Pasco, Tierra Verde, and the UIF-Seminole water system.)

<sup>4</sup> *Id.* (Systems with revenues held subject to refund were LUSI, Labrador, Pennbrooke, Longwood, Eagle Ridge, Cypress Lakes, and the UIF-Seminole wastewater system.)

<sup>5</sup> Order No. PSC-2017-0361-FOF-WS, issued September 25, 2017, in Docket No. 20160101-WS, *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.*

<sup>6</sup> *Id.* (Systems requiring refunds were Lake Placid, UIF-Marion, UIF-Pasco, Eagle Ridge, Labrador, Pennbrooke, and the UIF-Seminole wastewater system.)

<sup>7</sup> Document Nos. 09000-2017 and 09009-2017

<sup>8</sup> No. 1D17-4438

(U&U) determination involving prepaid connections. The Court remanded this issue to us to determine the extent to which prepaid connections meet the requirements of Section 367.081(2)(a)2.b., F.S. For property to be considered used and useful in the public service under Section 367.081(2)(a)2.b., F.S., it must be shown to be “needed to serve customers 5 years after the end of the test year.”

The Utility filed a motion for rate case expense associated with the appeal and remand on May 21, 2019, and OPC filed a response to the motion on May 31, 2019.

This order addresses the reversed and remanded portion of OPC’s appeal, its effect on our previous decisions, and the Utility’s motion for appellate and remand rate case expense. We have jurisdiction pursuant to Section 367.081, F.S.

### Decision

#### **Non-U&U Adjustments to Wastewater Rate Base and Net Operating Income**

In OPC’s appeal, the Court affirmed our order except as to that portion of the U&U determination involving prepaid connections. The Court remanded this issue to us to determine the extent to which prepaid connections meet the requirements of Section 367.081(2)(a)2.b., F.S. For property to be considered used and useful in the public service under Section 367.081(2)(a)2.b., F.S., it must be shown to be “needed to serve customers 5 years after the end of the test year.” Because this issue was fully addressed on the record and by the parties’ post-hearing briefs, the record contains all facts needed by us to make this determination.

Of the systems with U&U adjustments in our previous Final Order, LUSI and Sandalhaven were the only two with prepaid connections. We reviewed the record for evidence showing the extent to which the prepaid connections at issue for LUSI and Sandalhaven are property needed to serve customers five years after the end of the test year.

In cross examination by OPC, UIF witness Seidman stated that prepaid customers are considered future customers by the Utility until such time as they connect to the system. In response to OPC’s Ninth Set of Interrogatories, No. 220, UIF stated that the Utility’s developer agreements do not set deadlines for construction to be completed and that the Utility does not know the construction schedules for developments involving prepaid connections. As the Utility is unaware of the time period of the potential developments, it cannot be ascertained whether prepaid connections would connect within five years or more than five years based on the record. Therefore, capacity devoted to prepaid connections does not qualify under Section 367.081(2)(a)2.b., F.S., as property used and useful in the public service.

We revised the U&U calculations for LUSI and Sandalhaven to eliminate the prepaid connections. The revised U&U values are 53.54 percent for LUSI’s Wastewater Treatment Plant (WWTP) and 42.24 percent for Sandalhaven’s Edgewood Water District (EWD) capacity. No modification is necessary to the Sandalhaven transmission system U&U value, as the U&U determination in our previous Final Order was based on the transmission system being the sole means of delivering flows to EWD for treatment, in addition to the flow calculation.

To reflect the revised U&U percentages, we find that, on a consolidated basis, wastewater plant shall be reduced by \$1,589,473, accumulated depreciation shall be reduced by \$389,703, contributions in aid of construction (CIAC) shall be reduced by \$790,077, and accumulated amortization of CIAC shall be reduced by \$66,367. Corresponding adjustments shall be made to decrease net depreciation expense and Taxes Other Than Income (TOTI) by \$24,888 and \$13,426, respectively, for wastewater on a consolidated basis. As such, on a consolidated basis, wastewater rate base shall be decreased by \$476,060, net depreciation expense shall be decreased by \$24,888, and TOTI shall be decreased by \$13,426. Additionally, Accumulated Deferred Taxes (ADITs) shall be reduced by \$6,853. The adjustments are shown in Tables 1 and 2 below. The adjusted rate base for wastewater is shown on Schedule No. 1. The adjusted consolidated capital structure is shown on Schedule No. 2.

**Table 1**  
**Non-U&U Adjustments to Wastewater Rate Base**

Description	Per Order No. PSC-2017-0361- FOF-WS	Adjusted	Difference
Plant	(\$927,563)	(\$2,517,036)	(\$1,589,473)
Accumulated Depreciation	371,447	761,150	389,703
CIAC	(908,978)	(118,901)	790,077
Accumulated Amortization of CIAC	<u>256,738</u>	<u>190,371</u>	<u>(66,367)</u>
Total	<u>(\$1,208,356)</u>	<u>(\$1,684,416)</u>	<u>(\$476,060)</u>

**Table 2**  
**Non-U&U Adjustments to Wastewater Net Operating Income**

Description	Per Order No. PSC-2017-0361- FOF-WS	Adjusted	Difference
Depreciation Expense (Net)	(\$70,098)	(\$94,986)	(\$24,888)
TOTI	<u>(6,388)</u>	<u>(19,814)</u>	<u>(13,426)</u>
Total	<u>(\$76,486)</u>	<u>(\$114,800)</u>	<u>(\$38,314)</u>

### **Total Revenue Requirement**

The revenue requirements as calculated in Order No. PSC-2017-0361-FOF-WS and with the adjustments are shown in Table 3 below.

**Table 3**  
**Revenue Requirement**

<b>Description</b>	<b>Per Order No. PSC-2017-0361- FOF-WS</b>	<b>Adjusted</b>	<b>Difference</b>
Water	\$15,662,276	\$15,658,716	(\$3,560)
Wastewater	\$18,840,298	\$18,747,174	(\$93,124)

The adjustments to the non-U&U percentage affects the rate of return and components of net operating income for both water and wastewater, resulting in the difference shown in Table 2-1 above. Based upon these adjustments, the new total revenue requirement is \$15,658,716 for water and \$18,747,174 for wastewater.

**Appropriate Rates After Adjustments**

As discussed above, the adjustments to UIF’s revenue requirements result in decreases to UIF’s revenue requirements of \$3,560 (or 0.02 percent) for water and \$93,124 (or 0.49 percent) for wastewater. No adjustments will be made to UIF’s existing water rates because the 0.02 percent reduction is de minimis.

However, a reduction of \$93,124 to the Utility’s wastewater revenue requirement does warrant a change in wastewater rates. To determine the appropriate decrease to apply to wastewater rates, we removed miscellaneous and reuse revenues from the revenue requirement as detailed in Table 4 below. As a result, we calculated a reduction of 0.51 percent for wastewater rates and applied the reduction to all wastewater customers.

**Table 4**  
**Wastewater Rate Decrease**

1	Revenue Requirement	\$18,840,298
2	Less: Miscellaneous and Reuse Revenues	\$414,796
3	Service Rate Revenues	\$18,425,502
4	Revenue Decrease	\$93,124
5	Percentage Service Rate Decrease (Line 4 / Line 3)	0.51%

In addition, due to the revenue requirement changes, we evaluated whether UIF’s four-year rate reduction (4YRR) calculations needed to be revised. The 4YRR calculations determine the percentage by which rates need to be reduced to reflect the removal of the amortized rate case expense. We find that no revisions are necessary to the 4YRR calculations, because as a

result of rounding, the resulting percentage with respect to UIF's amortized rate case expense and revenue requirements did not change from what we previously approved.

In the Final Order, we determined the quality of service for Cypress Lakes, Mid-County, and Pennbrooke was marginal. Additionally, the quality of service for Summertree was deemed unsatisfactory. As a result, a penalty to the return on equity (ROE) for these systems was imposed as a credit that would flow back to the benefit of the customers. We evaluated whether the Utility's ROE credits needed to be recalculated and determined no adjustments are necessary, because the change is de minimis and has no impact on the amount of the existing credits.

Based on the above, we find that no adjustments to UIF's existing water rates are required. The appropriate wastewater rates are reflected on Schedule No. 4 as attached and 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. The Utility shall file revised tariff sheets and a proposed customer notice to reflect the new Commission-approved wastewater rates. In addition, the approved wastewater 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.

### **Required Refunds**

As a result of the adjustments discussed above, the final revenue requirements are less than those that we previously approved in our Final Order.<sup>9</sup> As such, refunds are necessary as discussed below.

By Order No. PSC-2017-0361-FOF-WS, we approved a total revenue requirement of \$15,662,276 for water and \$18,840,298 for wastewater. As discussed above, an adjusted total revenue requirement of \$15,658,716 and \$18,747,174 for water and wastewater, respectively, represents a reduction of \$3,560 for water and \$93,124 for wastewater. As a result, refunds are due to all water and wastewater customers for the time period between the issuance of the Final Order in September 2017, and the issuance of this order complying with the Court's mandate.

In the Final Order, we approved ROE penalties for Cypress Lakes, Mid-County, Pennbrooke, and Summertree, which were imposed as credits for the customers of those systems. These credits were calculated using the incremental change in revenue requirement associated with the respective ROE penalties for each system. Based on the reduction in revenue requirement as set forth in this order, UIF is also due a refund, as the Utility issued more credits than due to its customers since the Final Order. On an annual basis, these excess credits total \$29 and \$20 for all water and wastewater customers, respectively. Given the de minimis amount of excess credits, we find that the ROE penalty credits due to the Utility be offset against the total reductions to final revenue requirements in calculating the total refund percentages for the water and wastewater systems, collectively.

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<sup>9</sup> Order No. PSC-2017-0361-FOF-WS, issued September 25, 2017, in Docket No. 20160101-WS, *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.*

Based on a net reduction of \$3,531 (\$3,560 - \$29) for water and \$93,105 (\$93,125 - \$20) for wastewater, we find that the total refund percentage for water is 0.02 percent and the total for wastewater is 0.49 percent.

In our previous Final Order, we approved total interim refunds in the amount of \$298,354. Based on the impact of the adjusted revenue requirements on interim refunds, we find that additional interim refunds are required as set forth in Table 5.

**Table 5**  
**Interim Refunds**

<b>System</b>	<b>Refunds Per Order No. PSC-2017- 0361-FOF-WS</b>	<b>Mandated Refunds</b>	<b>Additional Interim Refund Percentage Due</b>
Lake Placid – Water	\$2,429	\$2,440	0.01%
Eagle Ridge – Wastewater	19,250	19,453	0.02%
Labrador – Wastewater	83,236	83,410	0.02%
Pennbrooke – Wastewater	768	850	0.02%
UIF Marion – Wastewater	17,863	17,872	0.01%
UIF Pasco – Wastewater	97,162	97,210	0.01%
UIF Seminole – Wastewater	77,646	77,793	0.02%
<b>Total</b>	<u>\$298,354</u>	<u>\$299,028</u>	

Source: Order No. PSC-2017-0361-FOF-WS

Using monthly revenues provided by the Utility<sup>10</sup> and the 30-day Financial Commercial Paper rate, we have estimated the cumulative refund amount for the water and wastewater systems using the refund percentages discussed above. The total estimated refund due is \$6,831 for water customers and \$186,987 for wastewater customers. This includes the reduction to the revenue requirement, the excessive ROE penalties, and the additional interim refunds.

Given the relatively small estimated amount of refunds due to all water customers, we have determined that it is appropriate to book the refunds to CIAC once the Utility calculates the final amount. We have previously ordered this same treatment of refunds based on specific circumstances.<sup>11</sup> We find that booking the water refunds to CIAC will benefit the general body of rate payers by decreasing rate base.

The estimated amount of additional interim refunds due to wastewater customers is only \$527. We find that the administrative costs of issuing these refunds on a system specific basis, given the relatively small estimated amount, would be unreasonable. As such, once the Utility calculates the final amount of wastewater refunds, they must aggregate the additional interim

<sup>10</sup> Document No. 04116-2019

<sup>11</sup> Order No. PSC-2003-0351-PAA-SU, issued March 11, 2003, in Docket No. 20020344-SU, *In re: Application for rate increase in Monroe County by Key Haven Utility Corporation.*

refunds to the total refund made to all wastewater customers in lieu of the individual interim systems.

Based on the above, we find that the calculated 0.02 percent refund for water, as well as the Lake Placid additional water interim refund of 0.01 percent, shall be booked to CIAC in lieu of a refund to water customers. We approve a 0.49 percent refund to all wastewater customers. In addition, due to the de minimis amount of the interim refunds detailed in Table 5 above, these amounts shall be added to the consolidated wastewater refunds made to all customers. The refunds shall be made with interest in accordance with Rule 25-30.360(4), F.A.C. The Utility shall submit proper refund reports pursuant to Rule 25-30.360(7), F.A.C., and the Utility shall treat any unclaimed refunds as CIAC pursuant to Rule 25-30.360(8), F.A.C.

### **Recovery of Appellate and Remand Rate Case Expense**

On May 21, 2019, UIF filed a Motion for Appellate and Remand Rate Case Expense.<sup>12</sup> In its motion, the Utility requested recovery of its appellate and remand rate case expense in the amount of \$39,727. The Utility's requested rate case expense consists of \$300 in accounting fees and \$28,687 in legal fees incurred to date. It also includes estimated legal fees of \$9,690 and \$1,050 in travel costs for legal and Utility representatives to attend the Agenda Conference. To support its motion, UIF cited our decision on remand in Sunshine Utilities of Central Florida (Sunshine).<sup>13</sup> In the Sunshine case, the Utility initiated the appeal process and was the cost causer. We determined that Sunshine was entitled to partially recover rate case expense based on the number of appealed issues on which the Utility had prevailed.

In its motion, UIF stated it would be erroneous to reduce the rate case expense based upon the allocation methodology used for Sunshine. The Utility contended that because it did not file the appeal, the full amount of rate case expense requested should be granted, as it was necessary for the Utility to defend itself as the appellee on all issues.

On May 31, 2019, OPC filed a response to UIF's comments on remand.<sup>14</sup> In its response, OPC disagreed with the Utility's position. OPC asserted that, according to our precedent established in the Sunshine case, only rate case expense associated with issues the Utility prevailed on should be awarded.

In the instant docket, OPC and Seminole County filed an appeal while UIF did not. As the Utility is not the cost driver of the appeal, we have determined that, regardless of the outcome of each issue, the Utility was prudent in its decision to incur rate case expense to defend itself. As such, we find that the appellate rate case expense awarded shall not be based on an allocation methodology.

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<sup>12</sup> Document No. 04461-2019

<sup>13</sup> Order No. PSC-1994-0738-FOF-WU, issued June 15, 1994, in Docket No. 19900386-WU, *In re: Application for a Rate Increase in Marion County by Sunshine Utilities of Central Florida, Inc.*

<sup>14</sup> Document No. 04674-2019



In its response, OPC also contended that recovery of estimated fees and costs to completion is inappropriate. In support of its argument, OPC cited an Order detailing a decision made for estimated appellate rate case expense for Southern States Utilities (SSU).<sup>15</sup>

In the SSU case, the Utility requested rate case expense for a possible appeal it would file following the issuance of the final order. SSU's request was based on the assumption that it would eventually file an appeal. Upon review, we find that the SSU case is not representative of the facts in the instant docket. In the current case, the appeal process has already been completed, and the estimated costs are for events that are scheduled and required to complete the current docket. As such, we find that the recovery of estimated fees and costs to completion are appropriate, and UIF shall be allowed to recover these costs.

Pursuant to Section 367.081(7), F.S., we must determine the reasonableness of the requested rate case expense. We have examined the requested actual expenses, supporting documentation, and estimated expenses and find the requested rate case expense of \$39,727 is reasonable.

Pursuant to Section 367.081(8), F.S., rate case expense should be amortized over four years unless a longer period can be justified and is in the public interest. The amortization period of the appellate rate case expense was not addressed by the Utility or OPC. By Final Order, we established a recovery period of four years for the rate case expense approved in our order. As current rates have been in effect for approximately two years, we find that the inclusion of the appellate rate case expense in the existing balance would violate Section 367.081, F.S., as the new rate case expense would be recovered in a period shorter than four years.

Alternatively, the appellate rate case expense could be amortized separately, which would require an additional rate reduction four years later. However, the rate reduction would only be approximately \$5,000 each for water and wastewater. After reviewing the matter, we have determined that the administrative costs of an additional rate reduction, given the relative size of the amount, would be unreasonable, and that the additional rate reduction could potentially cause undue confusion to customers.

We have determined that a more reasonable approach is the creation of a regulatory asset to allow the Utility to seek recovery of the expense through rates in its next rate proceeding. We have previously ordered similar treatment of rate case expense associated with UIF's Phoenix Project.<sup>16</sup> Accounting Standards Codification 980 allows regulated companies to defer costs and create regulatory assets, provided that it is probable that future revenue in an amount at least equal to the capitalized cost will result from inclusion of that cost in allowable costs for rate-

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<sup>15</sup> Order No.1996-1320-FOF-WS, issued October 30, 1996, in Docket No. 19950495-WS, *In re: Application for rate increase and increase in service availability charges by Southern States Utilities, Inc. for Orange-Osceola Utilities, Inc. in Osceola County; and in Bradford, Brevard, Charlotte, Citrus, Clay, Collier, Duval, Highlands, Lake, Lee, Marion, Martin, Nassau, Orange, Osceola, Pasco, Putnam, Seminole, St. Johns, St. Lucie, Volusia, and Washington Counties.*

<sup>16</sup> Order No. PSC-2014-0521-FOF-WS, issued September 30, 2014, in Docket No. 20120161-WS, *In re: Analysis of Utilities, Inc.'s financial accounting and customer service computer system.*

making purposes. This concept of deferral accounting allows utilities to defer costs due to events beyond their control and seek recovery through rates at a later time.

Based on the above, we grant UIF recovery of appellate and remand rate case expense in the amount of \$39,727. Further, rate case expense shall be allocated between the consolidated water and wastewater systems based on equivalent residential connections (ERCs). We authorize the establishment of a regulatory asset to recover the expense in the Utility's next rate proceeding.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the revised used and useful values for LUSI's wastewater treatment plant and Sandalhaven's Englewood Water District capacity shall be 53.54 percent and 42.24 percent, respectively. To reflect the revised U&U percentages, wastewater rate base shall be decreased by \$476,060, net depreciation expense shall be decreased by \$24,888, and Taxes Other Than Income shall be decreased by \$13,426. Additionally, ADITs shall be reduced by \$6,853. It is further

ORDERED that the total revenue requirement is \$15,658,716 for water and \$18,747,174 for wastewater. It is further

ORDERED that there are no adjustments to Utilities, Inc. of Florida's existing water rates. The appropriate wastewater rates are reflected on Schedule No. 4 as attached and shall be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), Florida Administrative Code (F.A.C.). The Utility shall file revised tariff sheets and a proposed customer notice to reflect the Commission-approved wastewater rates. In addition, the approved wastewater 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 calculated 0.02 percent refund for water, as well as the Lake Placid additional water interim refund of 0.01 percent, shall be booked to CIAC in lieu of a refund to water customers. A 0.49 percent refund shall be made to all wastewater customers. In addition, interim refunds are due as detailed in Table 5, and because of the de minimis amount, these shall be added to the consolidated wastewater refunds made to all customers. It is further

ORDERED that the refunds shall be made with interest in accordance with Rule 25-30.360(4), F.A.C., The Utility shall be required to submit proper refund reports pursuant to Rule 25-30.360(7), F.A.C. The Utility shall treat any unclaimed refunds as CIAC pursuant to Rule 25-30.360(8), F.A.C. It is further

ORDERED that appellate and remand rate case expense of \$39,727 is approved. Rate case expense shall be allocated between the consolidated water and wastewater systems based on equivalent residential connections. Additionally, we establish a regulatory asset to recover the expense in the Utility's next rate proceeding. It is further

ORDERED that the provisions of this Order related to the appellate and remand rate case expense 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 this docket shall be closed administratively upon Commission staff's verification that the Utility has completed the mandated refunds, filed revised tariff sheets, and filed customer notices.

By ORDER of the Florida Public Service Commission this 27th day of August, 2019.

  
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ADAM J. TEITZMAN  
Commission Clerk  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399  
(850) 413-6770  
www.floridapsc.com

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

WLT/KGWC

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 or judicial review of Commission orders that is available under Sections 120.57 or 120.68, 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 or judicial review will be granted or result in the relief sought.

As identified in the body of this order, our action concerning the establishment of a regulatory asset for appellate and remand rate case expense 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, at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on September 17, 2019. If such a petition is filed, 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. In the absence of such a petition, this order shall become effective and final upon the issuance of a Consummating Order.

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

Any party adversely affected by the Commission's final action in this matter may request: (1) reconsideration of the decision by filing a motion for reconsideration with the Office of Commission Clerk, within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or (2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water or wastewater utility by filing a notice of appeal with the Office of Commission Clerk and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

<b>Utilities, Inc. of Florida</b>			<b>Schedule No. 1</b>
<b>Schedule of Wastewater Rate Base</b>			<b>Docket No. 20160101-WS</b>
<b>Test Year Ended 12/31/2015</b>			
<b>Description</b>	<b>Per Commission Order</b>	<b>Mandated Adjustments</b>	<b>Adjusted Balance</b>
1 Plant in Service	\$119,883,416	\$0	\$119,883,416
2 Land and Land Rights	775,725	0	775,725
3 Non-used and Useful Components	(2,430,359)	(476,060)	(2,906,419)
4 Accumulated Depreciation	(46,001,808)	0	(46,001,808)
5 CIAC	(42,121,095)	0	(42,121,095)
6 Amortization of CIAC	26,165,784	0	26,165,784
7 Working Capital Allowance	<u>3,030,341</u>	<u>0</u>	<u>3,030,341</u>
8 <b>Rate Base</b>	<u>\$59,302,005</u>	<u>(\$476,060)</u>	<u>\$58,825,945</u>

**Utilities, Inc. of Florida** **Schedule No. 2**  
**Capital Structure- 13 Month Average** **Docket No. 20160101-WS**  
**Test Year Ended 12/31/2015**

Description	Total Capital	Specific Adjustments	Subtotal Adjusted Capital	Pro rata Adjustments	Capital Reconciled to Rate Base	Ratio	Cost Rate	Weighted Cost	
<b>Per Order No. PSC-2017-0361-FOF-WS</b>									
1 Long-term Debt	\$180,000,000	\$0	\$180,000,000	(\$135,974,808)	\$44,025,192	39.41%	6.70%	2.64%	
2 Short-term Debt	17,100,000	0	17,100,000	(12,917,607)	4,182,393	3.74%	2.32%	0.09%	
3 Preferred Stock	0	0	0	0	0	0.00%	0.00%	0.00%	
4 Common Equity	191,433,000	0	191,433,000	(144,611,474)	46,821,526	41.92%	10.40%	4.36%	
5 Customer Deposits	209,588	22,434	232,022	0	232,022	0.21%	2.00%	0.00%	
6 Tax Credits- Zero Cost	46,232	0	46,232	0	46,232	0.04%	0.00%	0.00%	
7 Deferred Income Tax	<u>7,339,011</u>	<u>9,051,646</u>	<u>16,390,657</u>	<u>0</u>	<u>16,390,657</u>	<u>14.67%</u>	0.00%	<u>0.00%</u>	
8 <b>Total Capital</b>	<u>\$396,127,831</u>	<u>\$9,074,080</u>	<u>\$396,269,685</u>	<u>(\$293,503,889)</u>	<u>\$111,698,022</u>	<u>100%</u>		<u>7.09%</u>	
<b>Per Mandated Adjustments</b>									
9 Long-term Debt	\$180,000,000	\$0	\$180,000,000	(\$136,191,619)	\$43,808,381	39.39%	6.70%	2.64%	
10 Short-term Debt	17,100,000	0	17,100,000	(12,938,204)	4,161,796	3.74%	2.32%	0.09%	
11 Preferred Stock	0	0	0	0	0	0.00%	0.00%	0.00%	
12 Common Equity	191,433,000	0	191,433,000	(144,842,057)	46,590,943	41.89%	10.40%	4.36%	
13 Customer Deposits	209,588	22,434	232,022	0	232,022	0.21%	2.00%	0.00%	
14 Tax Credits- Zero Cost	46,232	0	46,232	0	46,232	0.04%	0.00%	0.00%	
15 Deferred Income Tax	<u>7,339,011</u>	<u>9,043,577</u>	<u>16,382,588</u>	<u>0</u>	<u>16,382,588</u>	<u>14.73%</u>	0.00%	<u>0.00%</u>	
16 <b>Total Capital</b>	<u>\$396,127,831</u>	<u>\$9,066,011</u>	<u>\$405,193,842</u>	<u>(\$293,971,879)</u>	<u>\$111,221,963</u>	<u>100%</u>		<u>7.09%</u>	
						<b>Low</b>	<b>High</b>		
RETURN ON EQUITY						<u>9.40%</u>	<u>11.40%</u>		
OVERALL RATE OF RETURN						<u>6.67%</u>	<u>7.51%</u>		

<b>Utilities, Inc. of Florida</b>		<b>Schedule No. 3-A</b>	
<b>Statement of Water Operations</b>		<b>Docket No. 20160101-WS</b>	
<b>Test Year Ended 12/31/2015</b>			
<b>Description</b>	<b>Per Commission Order</b>	<b>Mandated Adjustments</b>	<b>Adjusted Balance</b>
1 <b>Operating Revenues:</b>	<u>\$15,662,276</u>	<u>(\$3,560)</u>	<u>\$15,658,716</u>
<b>Operating Expenses</b>			
2    Operation & Maintenance	\$6,280,880	\$0	\$6,280,880
3    Depreciation	2,483,459	0	2,483,459
4    Amortization	51,142	0	51,142
5    Taxes Other Than Income	1,754,147	(160)	1,753,987
6    Income Taxes	<u>1,377,110</u>	<u>(938)</u>	<u>1,376,172</u>
7 <b>Total Operating Expense</b>	<u>\$11,946,738</u>	<u>(\$1,098)</u>	<u>\$11,945,639</u>
8 <b>Operating Income</b>	<u>\$3,715,538</u>		<u>\$3,713,007</u>
9 <b>Rate Base</b>	<u>\$52,396,017</u>		<u>\$52,396,017</u>
10 <b>Rate of Return</b>	<u>7.09%</u>		<u>7.09%</u>

<b>Utilities, Inc. of Florida</b>		<b>Schedule No. 3-B</b>	
<b>Statement of Wastewater Operations</b>		<b>Docket No. 20160101-WS</b>	
<b>Test Year Ended 12/31/2015</b>			
<b>Description</b>	<b>Per Commission Order</b>	<b>Mandated Adjustments</b>	<b>Adjusted Balance</b>
1 <b>Operating Revenues:</b>	<u>\$18,840,298</u>	<u>(\$93,124)</u>	<u>\$18,747,174</u>
<b>Operating Expenses</b>			
2 Operation & Maintenance	\$8,034,536	\$0	\$8,034,536
3 Depreciation	2,972,392	(24,888)	2,947,504
4 Amortization	226,085	(86)	226,000
5 Taxes Other Than Income	1,840,605	(18,077)	1,822,528
6 Income Taxes	<u>1,559,772</u>	<u>(13,551)</u>	<u>1,546,221</u>
7 <b>Total Operating Expense</b>	<u>\$14,633,391</u>	<u>(\$56,602)</u>	<u>\$14,576,790</u>
8 <b>Operating Income</b>	<u>\$3,715,538</u>		<u>\$4,170,384</u>
9 <b>Rate Base</b>	<u>\$59,302,005</u>		<u>\$58,825,945</u>
10 <b>Rate of Return</b>	<u>7.09%</u>		<u>7.09%</u>



<b>Utilities Inc. of Florida</b>	<b>Schedule No. 4</b>	
<b>Test Year Ended 12/31/15</b>	<b>Docket No. 20160101-WS</b>	
<b>Wastewater Rates</b>	<b>Page 1 of 2</b>	
	<b>Utility's Existing Rates</b>	<b>Mandated Adjusted Rates</b>
<b><u>Residential Service (RS1)</u></b>		
All Meter Sizes	\$26.33	\$26.20
Charge per 1,000 gallons 8,000 gallon cap	\$4.21	\$4.19
<b><u>Residential Service (RS2)</u></b>		
All Meter Sizes	\$52.66	\$52.40
Charge per 1,000 gallons 16,000 gallon cap	\$4.21	\$4.19
<b><u>Residential Service (RS3)</u></b>		
Flat Rate	\$47.37	\$47.13
<b><u>Residential Service (RS4)</u></b>		
Flat Rate	\$94.74	\$94.26
<b><u>General Service (GS1)</u></b>		
Base Facility Charge by Meter Size		
5/8" x 3/4"	\$26.33	\$26.20
3/4"	\$39.50	\$39.30
1"	\$65.83	\$65.50
1-1/2"	\$131.65	\$131.00
2"	\$210.64	\$209.60
3"	\$421.28	\$419.20
4"	\$658.25	\$655.00
6"	\$1,316.50	\$1,310.00
8"	\$2,106.40	\$2,096.00
10"	\$3,817.85	\$3,799.00
Charge per 1,000 gallons	\$5.05	\$5.02

<b>Utilities Inc. of Florida</b>	<b>Schedule No. 4</b>	
<b>Test Year Ended 12/31/15</b>	<b>Docket No. 20160101-WS</b>	
<b>Wastewater Rates</b>	<b>Page 2 of 2</b>	
	<b>Utility's Existing Rates</b>	<b>Mandated Adjusted Rates</b>
<b><u>General Service (GS2)</u></b>		
5/8" x 3/4"	\$52.66	\$52.40
3/4"	\$79.00	\$78.60
1"	\$131.66	\$131.00
1 1/2"	\$263.30	\$262.00
2"	\$421.28	\$419.20
3"	\$842.56	\$838.40
4"	\$1,316.50	\$1,310.00
6"	\$2,633.00	\$2,620.00
8"	\$4,212.80	\$4,192.00
10"	\$7,635.70	\$7,598.00
Charge per 1,000 gallons	\$5.05	\$5.02
<b><u>General Service (GS3)</u></b>		
Flat Rate	\$47.37	\$47.13
<b><u>General Service (GS4)</u></b>		
Flat rate (905 ERCs)	\$42,869.85	\$42,652.65
<b><u>Bulk Service (BS1)</u></b>		
All Meter Sizes (58 ERCs)	\$1,527.14	\$1,519.60
Charge per 1,000 gallons	\$4.21	\$4.19
<b><u>Typical Residential 5/8" x 3/4" Meter Bill Comparison (RS1)</u></b>		
3,000 Gallons	\$38.96	\$38.77
6,000 Gallons	\$51.59	\$51.34
8,000 Gallons	\$60.01	\$59.72