State of Florida

Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: July 21, 2017

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Accounting and Finance (Norris, Andrews, D. Buys, Frank, Galloway, Mick, Richards, Sewards)
Division of Economics (Bruce, Friedrich, Hudson, Johnson)
Division of Engineering (P. Buys, Ellis, Graves, King, Knoblauch, Lee)
Office of the General Counsel (Trierweiler, Janjic, Mapp, Taylor)

RE: Docket No. 160101-WS – 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.

AGENDA: 08/03/17 – Special Agenda – Post Hearing Decision, Participation Limited to Commissioners and Staff

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Brisé

CRITICAL DATES: Statutory 8-month clock extended to August 3, 2017

SPECIAL INSTRUCTIONS: None

Table of Contents

Case 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 recent 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. UIF is a wholly-owned subsidiary of Utilities, Inc. (UI). [1]

For 2015, the Utility recorded total company operating revenues of $13,336,372 and $15,094,296 for water and wastewater, respectively. UIF reported net operating income for 2015 of $1,682,158 for water and $3,222,388 for wastewater. In 2015, UIF had 34,022 and 32,524 respective water and wastewater customers for its combined systems. The following table reflects the rate proceeding in which rates were last established for UIF's respective systems:

Last Proceedings Establishing Rates for UIF Systems

Former Utility Name	Order	Issuance Date
Tierra Verde Utilities, Inc.	PSC-09-0372-PAA-SU	May 27, 2009
Utilities, Inc. of Longwood	PSC-10-0407-PAA-SU	June 21, 2010
Lake Utility Services, Inc.	PSC-11-0514-PAA-WS	November 3, 2011
Utilities, Inc. of Eagle Ridge	PSC-11-0587-PAA-SU	December 21, 2011
Mid-County Services, Inc.	PSC-12-0389-PAA-SU	July 27, 2012
Utilities, Inc. of Pennbrooke	PSC-12-0667-PAA-WS	December 26, 2012
Utilities Inc. of Florida (Orange and Pinellas Counties)	PSC-14-0025-PAA-WS	January 10, 2014
Cypress Lakes Utilities, Inc.	PSC-14-0283-PAA-WS	May 30, 2014
Lake Placid Utilities, Inc.	PSC-14-0335-PAA-WS	June 30, 2014
Labrador Utilities, Inc.	PSC-15-0208-PAA-WS	May 26, 2015
Sanlando Utilities Corporation	PSC-15-0233-PAA-WS	June 3, 2015
Utilities, Inc. of Sandalhaven	PSC-16-0013-PAA-SU	January 6, 2016
Utilities Inc., of Florida (Marion and Seminole Counties)	PSC-16-0296-PAA-WS	June 27, 2016
Utilities Inc., of Florida (Pasco County)	PSC-16-0505-PAA-WS	October 31, 2016

On November 2, 2015, Cypress Lake Utilities, Inc. (Cypress Lakes), Utilities, Inc. of Eagle Ridge (Eagle Ridge), Labrador Utilities, Inc. (Labrador), Lake Placid Utilities, Inc. (Lake

[1] Order No. PSC-16-0143-FOF-WS, issued April 12, 2016, in Docket No. 150235-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.*

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 (Sanlando), Tierra Verde Utilities, Inc. (Tierra Verde), and Utilities, Inc. of Florida (UIF-Marion, UIF-Pinellas, UIF-Orange, UIF-Pasco, and UIF-Seminole) filed a joint application for acknowledgement of corporate reorganization and approval of name change. By Order No. PSC-16-0143-FOF-WS, issued April 12, 2016, the Commission acknowledged the corporate reorganization and name change of UI's 12 subsidiaries in Florida.[2]

On December 30, 2015, the Utility requested a limited proceeding water rate increase for UIF-Marion, UIF-Pasco, and UIF-Seminole in Docket No. 150269-WS. As the request was filed prior to the Commission's recognition of UIF's corporate reorganization, the limited proceeding applied only to the former Utilities Inc., of Florida systems and did not include Longwood and Sanlando in Seminole County. Driving the limited proceeding were (1) galvanized service line replacement costs in Marion County, (2) loss of irrigation customers, plant additions, and purchased water costs in Pasco County, and (3) interconnection plant addition costs in Seminole County. UIF requested to bifurcate its request for UIF-Pasco, and ultimately deferred its requested increase for lost irrigation revenues for consideration in the instant docket. As a result of the bifurcation, rate increases for UIF-Marion and UIF-Seminole were addressed by Order No. PSC-16-0296-PAA-WS, issued July 27, 2016.[3] The remaining issues for UIF-Pasco were addressed by Order No. PSC-16-0505-PAA-WS, issued October 31, 2016.[4]

On April 28, 2016, UIF filed a request for test year approval and also requested that the Commission process its petition for rate relief using the proposed agency action (PAA) procedure.[5] On May 10, 2016, OPC filed a petition to intervene, and an Order was issued acknowledging OPC's intervention the same day.[6] By letter dated May 13, 2017, OPC objected to using PAA procedure to process the Utility's rate case due to the size and complicated nature of the expected rate case proceeding.[7] In a subsequent letter filed on May 23, 2016, the Utility requested to forego the PAA procedure and proceed directly to hearing.

On August 31, 2016, UIF filed its application for approval of interim and final water and wastewater rate increases. By letter dated September 29, 2016, Commission staff advised the Utility that its Minimum Filing Requirements (MFRs) had deficiencies. The Utility filed its responses on October 31, 2016. A second deficiency letter was issued on November 18, 2016. The Utility filed a response to staff's second deficiency letter on November 22, 2016, correcting its remaining deficiencies, and thus, November 22, 2016, became the official filing date pursuant to Sections 376.081 and 367.083, Florida Statutes (F.S.). The test year established for interim

[2] Id. p.7
[3] Order No. PSC-16-0296-PAA-WS, issued July 27, 2016, in Docket No. 150269-WS, *In re: Application for limited proceeding water rate increase in Marion, Pasco, and Seminole Counties, by Utilities, Inc. of Florida.*
[4] Order No. PSC-16-0505-PAA-WS, issued October 31, 2016, in Docket No. 150269-WS, *In re: Application for limited proceeding water rate increase in Marion, Pasco, and Seminole Counties, by Utilities, Inc. of Florida*
[5] Document No. 02589-2016
[6] Order No. PSC-16-0189-PCO-WS, issued May 10, 2016, in Docket No. 160101-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.*
[7] Document No. 02699-2016

and final rates is the historical 13-month average period ended December 31, 2015, with requested adjustments for pro forma projects. UIF requested final revenue increase of $2,721,001 for water and $4,194,453 for wastewater.

Additionally, the Utility requested a single, consolidated rate structure. However, prior to the Commission's decision regarding consolidation, the Utility's requested rate relief is evaluated using the cost structures in effect at the time of filing. Currently in effect are the existing cost structures of the UIF systems that existed prior to being reorganized. For purposes of this recommendation, each system will be referred to by the name of the former utility it belonged to prior to the corporate reorganization.

By Order PSC-16-0526-PCO-WS, issued November 22, 2016, the Commission authorized the collection of interim water and wastewater rates, subject to refund pursuant to Section 367.082, F.S. The approved interim revenue requirements represented an increase of $348,309 for water and $209,440 for wastewater operations.[8] Additionally, the Commission 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).[9]

Eight customer service hearings were held January 10-11 and February 1-2, 2017 throughout UIF's service territory. A ninth customer service hearing was held before the beginning of the evidentiary hearing on May 8, 2017, in Tallahassee.

On April 19, 2017, Summertree Water Alliance (Summertree) filed a petition to intervene.[10] The petition was amended April 27, 2017 to also seek intervention for Ann Marie Ryan. On May 4, 2017, an order was issued granting intervention to Summertree.[11] A separate order was issued on May 5, 2017, granting intervention with limitations to Ms. Ryan.[12] In staff's analysis, the post-hearing position for Ms. Ryan are subsumed under the heading "Summertree" because Ms. Ryan and Summertree filed a combined brief. On April 26, 2017, Seminole County filed a petition to intervene.[13] On May 2, 2017, an order was issued granting intervention with limitations to Seminole County.[14]

[8] Order No. PSC-16-0526-PCO-WS, issued November 22, 2016, in Docket No. 160101-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.*

[9] Id.

[10] Document No. 04314-2017

[11] Order No. PSC-17-0150-PCO-WS, issued May 4, 2017, in Docket No. 160101-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*

[12] Order No. PSC-17-0155-PCO-WS, issued May 5, 2017, in Docket No. 160101-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*

[13] Document No. 04440-2017

[14] Order No. PSC-17-0146-PCO-WS, issued May 2, 2017, in Docket No. 160101-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*

On April 20, 2017, OPC filed a motion to strike portions of the rebuttal testimony and exhibits of UIF witness Patrick Flynn. An order was issued May 2, 2017 denying the motion to strike.[15] On May 10, 2017, OPC filed a motion for reconsideration of this order before the full Commission and requested oral argument on its motion. On June 23, 2017, oral argument was granted and OPC's motion for reconsideration was denied.[16]

A formal evidentiary hearing was held May 8-10, 2017. The parties filed briefs on June 20, 2017.

This recommendation addresses the Utility's final requested rates. The Commission has jurisdiction pursuant to Section 367.081, F.S.

[15] Order No. PSC-17-0147-PCO-WS, issued May 2, 2017, in Docket No. 160101-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*

[16] Order No. PSC-17-0243-FOF-WS, issued June 23, 2017, in Docket No. 160101-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*

Abbreviations and Technical Terms

The following abbreviations used herein are listed below for reference purposes:

AA	Accumulated Amortization
AC	Asbestos Cement
ADIT	Accumulated Deferred Income Tax
AFPI	Allowance for Funds Prudently Invested
ASME	American Society of Mechanical Engineers
AUF	Aqua Utilities Florida, Inc.
AWT	Advanced Wastewater Treatment
BFC	Base Facility Charge
BR	Brief
BSP	Bates Stamp Page
CAD	Computer-Aided Design
CAO	Compliance Assistance Offer
CIAC	Contributions in Aid of Construction
CIPP	Cured-in-place Pipe
COA	Commission Ordered Adjustments
CWIP	Construction Work in Progress
DEP	Department of Environmental Protection
EDU	Equivalent Development Unit
EPA	Environmental Protection Agency
ERC	Equivalent Residential Connection
EUW	Excessive Unaccounted for Water
EWD	Englewood Water District
EXH	Exhibit
F.A.C.	Florida Administrative Code
FDOT	Florida Department of Transportation
F.S.	Florida Statutes
GAC	Granular Activated Carbon
GIS	Geographic Information System
GL	General Ledger
GPD	Gallons Per Day
GPM	Gallons Per Minute
HAA5	Haloacetic Acids
HDPE	High Density Poyethylene
I&I	Infiltration and/or Inflow
IRS	Internal Revenue Service
LUSI	Lake Utility Services, Inc.
M&R	M&R Consultants
MCL	Maximum Containment Level
MFRs	Minimum Filing Requirements
MSA	Milian, Swain & Associates
NARUC	National Association of Regulatory Utility Commissioners
NEC	National Electric Code

NSF	Non-Sufficient Funds
O&M	Operation and Maintenance
OPC	Office of Public Counsel
PAA	Proposed Agency Action
PATH Act	Protecting Americans from Tax Hikes Act
PR	Public Relations
PVC	Polyvinyl Chloride
RIBs	Rapid Infiltration Basin Systems
RO	Reverse Osmosis
ROE	Return on Equity
RTU	Remote Terminal Unit
SCADA	Supervisory Control & Data Acquisition
SECO	Sumter Electric Cooperative
SWFWMD	Southwest Florida Water Management District
TOTI	Taxes Other than Income
TR	Transcript
TTHM	Total Trihalomethanes
U&U	Used and Useful
UI	Utilities, Inc.
UIF	Utilities, Inc. of Florida
USOA	Uniform System of Accounts
WACC	Weighted Average Cost of Capital
WM	Water Mains
WSC	Water Service Corp.
WTP	Water Treatment Plant
WWTP	Wastewater Treatment Plant

Discussion of Issues

Issue 1: DROPPED.

Issue 2: DROPPED.

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?

Recommendation: Staff recommends the quality of service for all systems except Cross Creek, Eagle Ridge, LUSI, and Summertree, be deemed satisfactory. For the Cross Creek, Eagle Ridge, and LUSI systems, staff recommends the quality of service be deemed marginal. The Utility should file, with the Division of Engineering, a report on the status of compliance with DEP requirements for each marginal system within six months of the issuance of the Commission's Order in this rate proceeding. For the Summertree system, staff recommends the quality of service remain unsatisfactory and a 100-basis point reduction applied to staff's recommended return on equity for the Summertree system. (Knoblauch)

Position of the Parties

UIF: The quality of service is satisfactory for all systems.

OPC: Based on the evidence presented in this docket, UIF's overall quality of service for all systems should be deemed unsatisfactory. UIF has failed to adequately meet secondary water quality standards; has had multiple compliance issues and complaints with DEP; and failure to implement any preventative or predictive maintenance systems. Therefore, UIF's ROE should be cumulatively reduced by a minimum of 150 basis points.

Summertree: UIF's overall quality of service for all systems should be deemed unsatisfactory; and quality of service rendered to Summertree customers specifically is unsatisfactory. UIF has failed to adequately meet secondary water quality; has had multiple compliance issues and complaints in the past with DEP; and due to UIF' s poor management has failed to implement any proactive, preventative, or predictive maintenance systems. Therefore, UIF's ROE should be reduced 150 basis points.

Staff Analysis:

PARTIES' ARGUMENTS

UIF

UIF argued the quality of service for all of its systems is satisfactory based on the quality of its product, operating conditions, and attempts to address customer satisfaction. UIF asserted that the Utility's water and wastewater facilities are in compliance with the applicable Florida Department of Environmental Protection (DEP) standards for all of its systems, except one, as demonstrated by the testimony of the staff-sponsored DEP witness. While there were instances of non-compliance issues during the years evaluated, UIF argued that the issues were considered not unusual or excessive by DEP's witness. The Utility asserted that the only wastewater system with outstanding compliance issues is Eagle Ridge. For the Eagle Ridge system, UIF articulated that it hopes to resolve the issues by means of a pro forma project in this proceeding. (UIF BR 7)

Additionally, the Utility stated that of its 23 water systems, all are meeting primary and secondary water standards. The LUSI water system is currently under a DEP consent order for disinfection byproduct exceedances; however, UIF has continued to meet the milestones required by DEP, and the problem is also the subject of a pro forma project. (UIF BR 7) The Utility further summarized the actions it has taken in regards to six of its other systems, where quality of service concerns had been raised. (UIF BR 3-7) The Utility argued that though it was not included in this rate case, an asset management system would be implemented in the near future to improve the operation, maintenance, and management of its assets.

UIF stated that OPC provided all customer comments and letters filed in the docket, as well as customer communications that were not required by Commission rule in order "to elevate the number of comments." (UIF BR 2) Furthermore, some of the documented customer communications were outside of the required time period and had no demonstrative value. The Utility argued that only secondary water quality complaints over the past five years should be considered. UIF also asserted that OPC did not use an accepted Commission methodology in its evaluation of complaints, but instead, OPC's witness used an "arbitrary 1% customer complaint threshold" to identify systems with areas of concern. (UIF BR 2) In her evaluation, the witness did not take into consideration the rise in customer complaints for systems that had a rate case during the past five years. The Utility argued OPC's evaluation is "based upon admitted flaws, it has no probative value and the recommendation should be disregarded." (UIF BR 3)

OPC

OPC evaluated several documents addressing UIF's quality of service, including testimony, exhibits, MFRs, DEP records, customer correspondence, and testimony from eight service hearings. From this information, OPC argued the Utility has had a number of DEP issues, such as water and wastewater deficiencies, incidents of non-compliance, and consent orders that occurred prior to and during the test year. OPC stated that under cross-examination, DEP's witness acknowledged that while these problems were not unusual or excessive, she did not personally analyze the non-compliance and enforcement issue reports; therefore, some aspects could have been missed. OPC argued that all of these issues, both during and outside the test year, should be considered to determine if there is a history of non-compliance. (OPC BR 5-6)

OPC also argued that UIF does not have a preventative or predictive maintenance program in place to identify future capital improvements. Instead, the Utility's improvements are "sporadic" and reactive to "overdue maintenance," which could affect service reliability and result in higher future costs. (OPC BR 9) While UIF's parent company, Corix, aims to implement a preventative program, any such program was not addressed in this rate case. Due to its failure to implement any maintenance plans in the past, OPC argued the Commission should find UIF's maintenance practices unsatisfactory and reduce its ROE by a minimum of 50 basis points.

OPC argued that a review of the customer complaints demonstrated several common issues with regards to water aesthetics and the frequency of rate increases for some systems. In response to UIF's assertion that its quality of service should be based on current conditions and not on past customer complaints, OPC stated quality of service is evaluated in part on the Utility's "attempts" to address customer satisfaction. (OPC BR 6) OPC further asserted that due to the number of recurring complaints raised by customers, UIF does not appear to be competently addressing customers' concerns. Additionally, complaints made during and before the test year are relevant in establishing if there is a pattern or history of problems. OPC identified several systems with a complaint rate higher than one percent, including Cypress Lakes, Labrador, LUSI, Mid-County, Pennbrooke, Sandalhaven, Sanlando, UIF-Pasco/Summertree, and UIF-Seminole. OPC also reviewed the customer complaints logged in the Commission's complaint system and found a multitude of complaints related to water quality that had been previously considered. (OPC BR 7-8) Based on the number and type of complaints by customers, the Commission should find UIF's quality of service to be unsatisfactory and reduce its ROE by a minimum of 50 points.

Using the information collected, OPC identified nine systems where it argued the Commission should find the quality of service to be unsatisfactory. These systems are Cypress Lakes, Labrador, LUSI, Mid-County, Pennbrooke, Sandalhaven, Sanlando, UIF-Pasco/Summertree, and UIF-Seminole. (OPC BR 6-7) These nine systems were selected based on DEP consent orders, prior Commission orders, DEP records, and customer complaints. Based on the history of issues for these nine systems, OPC contends the Commission should reduce the ROE for unsatisfactory systems by a minimum of 50 basis points. In sum, OPC argued the overall quality for UIF should be considered unsatisfactory and its ROE should be reduced by a minimum of 150 basis points. (OPC BR 11-12)

Summertree

Summertree stated that it adopts the positions and arguments of OPC regarding UIF's quality of service, specifically a finding of unsatisfactory for the UIF-Pasco/Summertree system's quality of service. Summertree asserted that the Utility's lack of a preventative and predictive maintenance program demonstrated a practice of reactive maintenance, and resulted in higher costs. In particular, the UIF-Pasco/Summertree system has experienced a history of water issues, as well as a dismissive nature by UIF towards customers' concerns. Summertree argued that UIF-Pasco/Summertree customers have received water that was not in compliance with all DEP water standards, and the Utility has made poor attempts to communicate with its customers. In review of the evidence, Summertree argued UIF's quality of service should be considered unsatisfactory and reduce its ROE by 150 basis points. (Summertree BR 6-8)

ANALYSIS

Pursuant to Rule 25-30.433(1), Florida Administrative Code (F.A.C.), in water and wastewater rate cases, the Commission shall determine the overall quality of service provided by a utility. This is derived from an evaluation of three separate components of a utility's operations. These components are (1) the quality of the utility's product; (2) the operational conditions of the utility's plant and facilities; and (3) the utility's attempt to address customer satisfaction. The Rule further states that sanitary surveys, outstanding citations, violations, and consent orders on file with the Department of Environmental Protection (DEP) and the county health department over the preceding three-year period shall be considered.

Section 367.0812(1), F.S., additionally requires the Commission in fixing rates, to consider the extent to which the utility provides water service that meets secondary water quality standards. Established by DEP rule, primary water standards relate to the safety of the water, while secondary standards relate to the aesthetics of the water like taste, color, odor, and sediment.

Rule 25-30.433(1), F.A.C., requires that the testimony of a utility's customers be considered in a rate case proceeding. Eight service hearings were held in the Utility's service territory. The

Commission traveled to New Port Richey, Zephyrhills, Port Charlotte, Lake Placid, Leesburg, Clermont, Altamonte Springs, and Lakeland. A total of 163 customers provided sworn testimony at the noticed hearings, and approximately 51 percent of these customers spoke on quality of service. Local legislators and county officials also attended several of the service hearings and provided comments. A ninth service hearing was conducted in Tallahassee prior to the technical hearing on May 8, 2017, where 10 speakers provided testimony, including a Florida Legislator, a Pasco County Commissioner, and the Assistant County Administrator for Utility Services in Pasco County. Seven of the ten speakers discussed the Summertree system. The remaining three speakers were representatives of the Cypress Lakes, Labrador, and Sanlando systems. (EXH 93, EXH 251-261)

Staff-sponsored DEP witness Kleinfelter provided testimony to address the compliance status, from 2014 to 2016, for UIF's water and wastewater systems. Witness Kleinfelter's testimony also included DEP enforcement actions taken against UIF during the same timeframe. Witness Kleinfelter testified that, based on her experience at DEP, the non-compliance issues presented in her testimony were not unusual or excessive. Currently, all of the Utility's systems are in compliance, except for two wastewater systems: Eagle Ridge and Cross Creek. (EXH 135; TR 867; TR 874)

OPC witness Vandiver testified that she reviewed DEP records and documentation relating to quality of service for the Utility's water and wastewater systems. Witness Vandiver expressed concerns regarding UIF's quality of service, specifically three consent orders, deficiencies relating to nine systems, main breaks, boil water notices, sewage spills, phosphorus exceedances, and chlorine residuals. Witness Vandiver asserted that deficiencies that have been corrected should still be taken into consideration since customers were still paying rates, under the assumption UIF was in compliance, during these circumstances. (TR 533-534) UIF witness Hoy stated that the quality of service should be based on the current state of the Utility's environmental compliance with DEP, rather than instances of past non-compliance which does not accurately reflect the work that UIF has done to address those issues. (TR 1493-1496)

In addition to the testimony received at the customer service hearings, witness Kleinfelter testified to the number of customer complaints received by DEP, and staff witness Hicks testified about customer complaints received by the Commission over the past five years. DEP logged 17 water and 20 wastewater related complaints, which mainly consisted of concerns with color, odor, and taste, though a few complaints involved water pressure and sewage overflow. (EXH 135) The Commission received a total of 218 complaints from January 1, 2010 through December 31, 2016, with 68 percent of the complaints concerning billing issues, and the remaining 32 percent concerning quality of service issues. (TR 899) OPC witness Vandiver provided a summary of all customer correspondence received by the Commission from September 2016 through March 2017, which included over 750 letters and comments. (EXH 91) Approximately 99 percent of the letters and comments were on the subject of rates; however, approximately 54 percent of customers also expressed dissatisfaction with the quality of service. (EXH 91)

Witness Vandiver also testified that she reviewed customer complaints provided by UIF. Using tabulated quality of service complaints over the past five years, witness Vandiver identified eight systems that had an average annual complaint rate greater than one percent. These systems are Cypress Lakes, Labrador, Lake Placid, LUSI, UIF-Marion, UIF-Pasco, UIF-Pinellas, and UIF-Seminole. (EXH 90; TR 536) For the systems that met this one percent complaint rate, witness Vandiver stated that there were several issues that were common between the systems that were related to secondary water standards and water pressure. (TR 536-537) Witness Hoy testified that witness Vandiver's utilization of a one percent average annual complaint rate was an "arbitrary measure" for evaluating the Utility's quality of service. (TR 1493) Witness Hoy testified that one indicator for the current service provided by the Utility is the number of customers in attendance at the eight service hearings and the subject of their comments. (TR 1493-1494) Witness Hoy also stated that the number of complaints can be impacted by the filing of a rate case. (TR 1494) When it comes to secondary standards, the Utility stated that the number of complaints that are received may vary for many reasons, including factors outside of UIF's control, like the conditions of a customer's plumbing or vacancy of a residence. (EXH 190, BSP 627-629)

Staff notes that OPC, in its brief, argued that all UIF systems should be considered unsatisfactory. OPC witness Vandiver specifically testified that nine systems should have a quality of service designation of marginal or unsatisfactory. These nine systems are Cypress Lakes, Labrador, LUSI, Mid-County, Pennbrooke, Sandalhaven, Sanlando, UIF-Pasco – Summertree, and UIF-Seminole. For the remaining systems, witness Vandiver did not provide a recommendation on these systems' quality of service. Following the filing of witness Vandiver's testimony, no new information regarding quality of service was entered into the record other than customer testimony made at the service hearing in Tallahassee. The customers that provided testimony at the Tallahassee service hearing represented customers from four systems that witness Vandiver identified in her testimony.

Staff's analysis consists of 1) a discussion of the systems which staff recommends should be deemed satisfactory, 2) a discussion of the systems which staff believes should be considered marginal, and, 3) a discussion of the system which staff believes should be considered unsatisfactory.

Table 3-1
Summary of Recommended Quality of Service

System	UIF	OPC	Staff
Lake Placid	Satisfactory	Unsatisfactory*	Satisfactory
Longwood	Satisfactory	Unsatisfactory*	Satisfactory
Tierra Verde	Satisfactory	Unsatisfactory*	Satisfactory
UIF-Marion	Satisfactory	Unsatisfactory*	Satisfactory
UIF-Orange	Satisfactory	Unsatisfactory*	Satisfactory
UIF-Pasco - Orangewood	Satisfactory	Unsatisfactory*	Satisfactory
UIF-Pinellas	Satisfactory	Unsatisfactory*	Satisfactory
Cypress Lakes	Satisfactory	Unsatisfactory	Satisfactory
Labrador	Satisfactory	Unsatisfactory	Satisfactory
Mid-County	Satisfactory	Unsatisfactory	Satisfactory
Pennbrooke	Satisfactory	Unsatisfactory	Satisfactory
Sandalhaven	Satisfactory	Unsatisfactory	Satisfactory
Sanlando	Satisfactory	Unsatisfactory	Satisfactory
UIF-Seminole	Satisfactory	Unsatisfactory	Satisfactory
Cross Creek/Eagle Ridge	Satisfactory	Unsatisfactory*	Marginal
LUSI	Satisfactory	Unsatisfactory	Marginal
UIF-Pasco - Summertree	Satisfactory	Unsatisfactory	Unsatisfactory

*These systems were not identified in OPC witness Vandiver's testimony as having marginal or unsatisfactory quality of service.

Systems with Recommended Satisfactory Quality of Service

As illustrated by Table 3-1 above, OPC witness Vandiver identified nine systems with quality of service concerns. For the remaining systems, witness Vandiver did not address quality related issues and did not indicate that the Commission should find the quality of service to be less than satisfactory. The systems in Table 3-1 are Cross Creek, Eagle Ridge, Lake Placid, Longwood, Tierra Verde, UIF-Marion, UIF-Orange, UIF-Pasco – Orangewood, and UIF-Pinellas. All systems, except Cross Creek and Eagle Ridge, were in compliance with DEP requirements, had low customer turn-out at service hearings, received few quality related complaints, and found to have satisfactory quality of service in past Commission orders. Cross Creek and Eagle Ridge are discussed later in this issue.

For the Cypress Lakes, Labrador, LUSI, Mid-County, Pennbrooke, Sandalhaven, Sanlando, UIF-Pasco – Summertree, and UIF-Seminole systems, OPC specified in its brief that the Commission should find the quality of service to be unsatisfactory and UIF's ROE should be reduced by a minimum of 150 basis points, while the Utility maintained its position of satisfactory. Staff notes that OPC witness Vandiver testified that UIF's ROE should be reduced by at least 25 basis points or 50 basis points if the system has a history of issues. (TR 578) Staff's evaluation of these systems, as well as Cross Creek and Eagle Ridge, is discussed in greater detail below.

Cypress Lakes

OPC argued that Cypress Lakes' quality of service should be considered unsatisfactory based on DEP deficiencies, an average complaint rate over one percent, and a past history of customer complaints. (OPC BR 6) Witness Vandiver testified that Cypress Lakes has had a history of quality of service issues, which were addressed in a prior Commission proceeding. (EXH 94, P 1) In Cypress Lakes' 2007 rate case proceeding, the quality of service was determined to be "marginally satisfactory" by the Commission due in part to the Utility's inability to manage the water quality issues.[17] In 2010, while acknowledging the concerns of Cypress Lakes' customers, the Commission found the quality of service to be satisfactory as customers' complaints were related to the aesthetics of the water, and were not associated with the safety of the water.[18] Furthermore, staff-sponsored DEP witness Kleinfelter testified that Cypress Lakes was in compliance during all of 2015 and 2016. (EXH 135, P 2)

Over the past five years, Cypress Lakes had over 100 complaints received by the Utility on taste and odor with a few related to discoloration. However, the number of complaints has been generally trending downward since 2011, suggesting the Utility's service has been improving. (EXH 90) At the Lakeland service hearing in Cypress Lakes' service territory, eight customers provided testimony. Five of those customers discussed quality of service issues, remarking on the use of filtration systems to treat the water in their homes, low water pressure, sulfur odor, and a residue on their dishes. At the ninth service hearing conducted in Tallahassee, one Cypress Lakes customer expressed dissatisfaction with consolidated rates and wastewater charges, but did not discuss issues with quality of service.

Witness Kleinfelter testified that four complaints were received by DEP for the Cypress Lakes systems, two in 2013 and two in 2014. The complaints in 2013 involved low pressure and a possible e.coli infection from the water, which resulted in a bacteriological analysis sample being taken. The water sample came back negative for bacteria and operational changes were made by the Utility to remedy the issue with low pressure. Both complaints in 2014 related to odor, which were addressed by flushing the system and a free chlorine burn. (EXH 153, P 4)

Labrador

OPC argued that Labrador's quality of service should be considered unsatisfactory based on prior Commission orders and an average complaint rate over one percent. (OPC BR 6) In Labrador's last rate case, the Commission found the quality of water to be marginal, while the wastewater system was found to be satisfactory.[19] Since that rate case, UIF engaged a consultant to complete a study on the source water quality and other factors related to the water quality complaints. The Utility presented the results of the study to the Forest Lake Estates Homeowners Association; however, customers were opposed to the rate increase that could result from the capital investments needed to improve the water quality. (EXH 167, BSP 266)

Alternatively, UIF verified with its chemical suppliers that the amount of sequestrant being added to reduce the amount of iron precipitation was at optimum levels, and UIF also modified the operational use of its wells. The findings from the source water quality study indicated that one of Labrador's wells had water quality issues, specifically iron. Therefore, the use of

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[17] Order No. PSC-07-0199-PAA-WS, issued March 5, 2007, in Docket No. 060257-WS, *In re: Application for increase in water and wastewater rates in Polk County by Cypress Lakes Utilities, Inc.*
[18] Order No. PSC-10-0682-PAA-WS, issued November 15, 2010, in Docket No. 090349-WS, *In re: Application for limited proceeding rate increase in Polk County by Cypress Lakes Utilities, Inc.*
[19] Order No. PSC-15-0208-PAA-WS, issued May 26, 2015, in Docket No. 140135-WS, *In re: Application for increase in water/wastewater rates in Pasco County by Labrador Utilities, Inc.*

Labrador's other well has been maximized to alleviate the amount of iron customers experience in the water. (EXH 167, BSP 266; EXH 170, BSP 322) Witness Kleinfelter testified that Labrador has been in compliance with all DEP standards for the period of 2014-2016. (EXH 135)

The chemical analysis results for Labrador on February 4, 2015, showed manganese exceeded the Maximum Contaminant Level (MCL). The Utility noted in the report that the manganese result provided was incorrect, and was re-evaluated by the lab. Through the discovery process, UIF provided the subsequent report containing the re-evaluated results, which were completed on March 4, 2015. The report showed that the amount of manganese in the water sample was below the MCL, and consequently, no additional follow-up action was required by the Utility. (EXH 148)

No customers from Labrador's service territory provided testimony at the Zephyrhills service hearing. At the service hearing in Tallahassee, a customer from Labrador testified to the poor water quality in their community. (EXH 252) Of the quality of service complaints received by UIF over the past five years, 41 complaints were related to low pressure and sewer odor, with less than 20 related water aesthetics, such as odor, color, and taste. From witness Kleinfelter's testimony, DEP received two complaints for Labrador, one in 2013, and one in 2016. On January 1, 2013, a complaint was made with DEP on equipment being offline due to electrical issues. The Utility responded that it was installing the necessary equipment and the issue was resolved on April 16, 2013. On September 30, 2016, a complaint was made regarding a boil water notice. The notice was lifted on October 1, 2016, and the customer confirmed a rescinded notice had been received. (EXH 135, P 4)

Mid-County

OPC argued that Mid-County's quality of service should be considered unsatisfactory based on prior Commission orders and DEP customer complaints. (OPC BR 6) In Mid-County's 2006 rate case proceeding,[20] quality of service was determined to be marginal due to their non-compliance status regarding the quality of its product. However, in Mid-County's last rate case proceeding in 2008,[21] the Commission found the system's quality of service to be satisfactory.

Witness Kleinfelter testified that Mid-County was in compliance with DEP requirements during 2014, 2015, and 2016. (EXH 135, P 6) On Mid-County's Wastewater Compliance Inspection Report dated August 17, 2015, two minor out-of-compliance deficiencies were listed. The deficiencies were resolved, and on September 21, 2015, DEP issued a Compliance Letter to the Utility. (EXH 202, BSP 761)

Witness Vandiver testified that several Wastewater Treatment Plants (WWTP) had experienced sewage spills during and following the test year. Mid-County had the highest number of sewage spills with 22 spills from January 2015 to September 2016. Eight of the incidents were the result of high amounts of rainfall from a tropical storm. For these incidents, the Utility added lime to

[20] Order No. PSC-07-0134-PAA-SU, issued February 16, 2007, in Docket No. 060254-SU, *In re: Application for increase in wastewater rates in Pinellas County by Mid-County Services, Inc.*
[21] Order No. PSC-09-0373-PAA-SU, issued May 27, 2009, in Docket No. 080250-SU, *In re: Application for increase in wastewater rates in Pinellas County by Mid-County Services, Inc.*

the affected areas and all debris was cleared. For the 14 sewage spills unrelated to a tropical storm, UIF identified the cause for 12 of the spills and outlined the steps that were taken to correct the problem. For the other two spills, UIF reported to DEP that the causes were unknown, but the Utility was working with the community where the spills occurred in order to address the problem. (EXH 89, P 4-7; EXH 89, P 74-108)

Over the past five years, UIF received 20 quality of service related complaints for the Mid-County system, which were largely regarding odor or sewer backup. Witness Kleinfelter testified that DEP received nine odor complaints for Mid-County from May 2015 to November 2016, along with one sewage overflow from a manhole in September 2016. The witness testified that follow-up action was taken and all complaints have been closed. (EXH 135)

Pennbrooke

OPC argued that Pennbrooke's quality of service should be considered unsatisfactory based upon current and past customer complaints. (OPC BR 6) Witness Vandiver testified that Pennbrooke has had prior quality of service issues. (EXH 94, P 4-5) In Pennbrooke's last rate case, the system was found to be satisfactory; however, the Commission directed UIF to work with its customers to address concerns regarding the high iron levels in the water.[22] The Utility acquired an engineering analysis of alternative treatment options, and presented a recommended treatment method to its customers. Witness Hoy testified that customers decided against implementing the recommended option due to the rate impact on customers. However, witness Hoy noted that an alternative treatment method could be explored if the consolidation was approved by the Commission as the rate impact on Pennbrooke's customers would be much lower. (TR 1495; EXH 170, BSP 322; EXH 170, BSP 323-324)

The chemical analysis results for Pennbrooke on February 10, 2015, showed an iron exceedance over the MCL. However, a sequestrant is added to the water supply at the Pennbrooke plant in conformance with DEP regulations. Pursuant to DEP Rule 62-550.325, F.A.C., if a sequestrant is added, the sum of the iron and manganese must not exceed 1.00 milligrams per liter. Therefore, since the sum of the iron and manganese results from February 10, 2015, did not exceed 1.00 milligrams per liter, the system is fully compliant with DEP Rules and Regulations. (EXH 153, BSP 193) Additionally, witness Kleinfelter testified that the Pennbrooke system was in compliance with DEP requirement for the 2014-2016 period. (EXH 135, P 1)

Complaints received by the Utility demonstrate that customers have issues with discolored water, sediment, and low pressure. Pennbrooke customers at the Leesburg service hearing also raised issue with the high amount of iron in their water. As previously discussed, witness Hoy testified that UIF had explored treatment methods for removing the iron from the source water and the recommended option had been presented to customers. Ultimately, customers decided against the treatment option due to the high costs that would affect the relatively small customer base. In his testimony and at the service hearing, witness Hoy asserted that if the proposed rate consolidation was approved, iron treatment options could be revisited since the cost impact to Pennbrooke customers would be much less. (TR 1495) From 2012-2016, DEP received one complaint on low pressure for Pennbrooke. (EXH 135, P 1)

[22] Order No. PSC-12-0667-PAA-WS, issued December 26, 2012, in Docket No. 120037-WS, *In re: Application for increase in water and wastewater rates in Lake County by Utilities, Inc. of Pennbrooke.*

Sandalhaven

OPC argued that Sandalhaven's quality of service should be considered unsatisfactory based upon a consent order with DEP. (OPC BR 6) Witness Kleinfelter testified that as a result of a complaint, an inspection by DEP of the Sandalhaven WWTP was completed and DEP issued a Compliance Assistance Offer letter to UIF on May 5, 2014. The inspection revealed that the pond berms appeared to be leaching and subsequently, the Utility entered into a consent order with DEP. All set conditions were met and the consent order was closed on December 7, 2015. On November 3, 2015, DEP received confirmation from UIF that all flows to the WWTP were diverted and the facility was permanently offline. As of December 1, 2015, the Utility completed the decommissioning of the Sandalhaven WWTP and the system is in compliance with DEP. (EXH 135, P 7; EXH 136, P 16-32)

Six customers provided testimony at the Punta Gorda service hearing near Sandalhaven's service territory, two of which provided comments on customer service. Of the other four customers, three discussed high rates and one discussed used and useful concerns. Over the past five years, seven complaints were received by the Utility for the Sandalhaven system, involving issues with odor and sewage backup. Witness Kleinfelter testified that over the past five years, DEP received one complaint related to leaching of percolation ponds, which led to the consent order discussed above. (EXH 135, P 9)

Sanlando

OPC argued that Sanlando's quality of service should be considered unsatisfactory based upon a consent order with DEP and customer complaints made at the Altamonte Springs service hearing. (OPC BR 6) Witness Kleinfelter testified that on April 7, 2015, UIF signed a consent order for unauthorized discharges and rapid infiltration basin failures at the Wekiva Hunt Club WWTP. According to a records review conducted by DEP on December 2, 2015, the Utility had completed all requirements outlined in the consent order and consequently, DEP sent a letter notifying UIF that the enforcement case regarding Sanlando was closed. On August 15, 2016, DEP identified two minor deficiencies at the Sanlando WTP, which the Utility addressed and DEP subsequently issued a Compliance Letter on November 17, 2016. Witness Kleinfelter testified that both Sanlando's water and wastewater facilities were in compliance with DEP requirements. (EXH 135, P 7; EXH 136, P 1-15)

At the Altamonte Springs service hearing near Sanlando's service territory, customers expressed concern about the large rate increase that had been proposed. During the technical hearing in Tallahassee, witness Hoy testified that compared to all other UIF systems, Sanlando currently has the lowest rates, as well as the highest average consumption per customer. Witness Hoy affirmed that the consolidated rates would be competitive with other utilities in the area, and would be beneficial to all of UIF's customers. (TR 1495-1496)

Customers at the Altamonte Springs service hearing also commented on the number of water main breaks. Customers testified that water main breaks had occurred frequently and UIF did not appear to be making the proper repairs as breaks continued to persist, particularly in reference to Autumn Drive. The Utility stated that it had responded promptly to any occurrence of a water main break and the necessary repairs had been made, along with restoring pressure, flushing the lines, and issuing precautionary boil water advisories to affected customers. Specific to Autumn

Drive, UIF replaced 900 feet of the water main in January 2017, and no further water main breaks have occurred on that street. (EXH 167, BSP 268-269) Additionally, at the service hearing in Tallahassee, a customer from Sanlando testified to the poor water quality experienced by customers. The customer echoed some of the same concerns raised by customers at the Altamonte Springs service hearing, such as the poor aesthetics of the water. (EXH 260; EXH 261)

Witness Hoy testified that the number of complaints by customers can be greatly impacted by the filing for a rate increase. Citing Sandalhaven and Labrador as examples, witness Hoy stated that for the previous rate cases, these two systems had a high turnout at customer meetings. However, in this rate proceeding where customers would see a reduction in rates, the turnout of customers was very low. Witness Hoy stated that the opposite was true for Sanlando in this rate case. Witness Hoy also suggested that for systems where customer turnout decreased from previous rate cases, the quality of service and/or rate issues have been addressed. (TR 1494)

Over the past five years, the number of customer complaints received by the Utility was low relative to its large customer base. Witness Vandiver testified that Sanlando had a less than one percent average annual complaint rate for 2015, with the highest number of quality of service complaints regarding low pressure. (EXH 90) Witness Kleinfelter testified that DEP did not receive any water complaints for 2012-2016, but two wastewater complaints were reported regarding odor and rapid infiltration basin flooding at the WWTP. The complaint involving the rapid infiltration basin flooding resulted in UIF entering a consent order with DEP, as discussed above. (EXH 135)

UIF-Seminole

OPC argued that UIF-Seminole's quality of service should be considered unsatisfactory based an average complaint rate over one percent. (OPC BR 6-7) Excluding Sanlando and Longwood, which were discussed previously, the majority of UIF-Seminole's WTPs were in compliance with DEP from 2014-2016. Three systems, Ravenna Park, Phillips, and Little Wekiva, had violations for Total Dissolved Solids in April 2015, bacteriological reporting in June 2015, and inadequate chlorine residuals in July 2016, which resulted in the issuance of a public notice to customers. However, witness Kleinfelter testified that all three systems have since returned to compliance with DEP. (EXH 135, P 2)

A total of 40 customers spoke at the Altamonte Springs service hearing, located near UIF-Seminole's service territory. However, the majority of the speakers were Sanlando customers, and none of the customers spoke directly to issues with the UIF-Seminole systems. UIF received a total of 144 complaints in 2015, with a large number of complaints related to odor, color, and low pressure. In regards to odor, a partially closed valve was discovered in 2015, which was preventing water flow, particularly during flushing of the system. After the valve was opened, there were improvements to the aesthetics of the water and the number of odor complaints decreased. (EXH 153, BSP 198-199) In addition, UIF has included a pro forma project for water main replacements in Seminole County to address occurrences of tuberculation, which can result in low pressure problems for customers. (EXH 76; EXH 77; EXH 78; EXH 80; EXH 81; EXH 82) From 2012-2016, DEP received only two complaints in connection to UIF-Seminole's nine systems, excluding Sanlando and Longwood. Both complaints, involving water aesthetics, were for the Ravenna Park system, and were subsequently resolved and closed by DEP. (EXH 135)

Conclusion of Systems with Recommended Satisfactory Quality of Service

All seven of the systems referenced above are in compliance with DEP standards and the DEP has not initiated any enforcement actions. Staff believes that the evidence presented by OPC does not demonstrate that there are systemic problems that the Utility is failing to address. When comparing the average annual complaint rates, most of the systems are below two percent and the overall average complaint rate for all of the systems is one percent. At the hearing, witness Vandiver acknowledged the use of a one percent threshold is not a recognized standard for evaluating quality of service. (TR 569) If used as an analytical tool as witness Vandiver suggests, staff considers an overall average complaint rate of one percent to be relatively low and does not indicate that UIF is failing to address customers' concerns. UIF is also upgrading its existing infrastructure, in addition to new projects that have the potential to improve water quality. Therefore, staff recommends for the systems discussed above, the quality of service should be satisfactory.

Systems with Recommended Marginal Quality of Service

As shown in Table 3-1, OPC recommended that the Commission find the quality of service to be unsatisfactory for LUSI, Cross Creek, and Eagle Ridge, while UIF's position that the quality of service for LUSI, Cross Creek, and Eagle Ridge is satisfactory. Based on Cross Creek's and Eagle Ridge's non-compliance status and an open consent order for LUSI, staff recommends that these systems' quality of service should be marginal.

Cross Creek/Eagle Ridge

For the Eagle Ridge WWTP, witness Kleinfelter testified that following a compliance evaluation inspection on June 2, 2016, the wastewater facility was found to be out-of-compliance, noting several deficiencies. The deficiencies included corrosion on the equalization tanks, leaking valve, non-operational flow chart recorder, unsafe walkways, no traceable thermometer, and no standard information on daily calibration sheets. UIF provided a letter to DEP that all deficiencies would be cured by the end of 2016. On January 17, 2017, UIF stated that an in-house permit for the equalization basins corrections was obtained and the walkway construction was scheduled to be completed by February 2017. On March 14, 2017, DEP conducted a site visit and noted that not all corrective actions had been completed. (EXH 135, P 8)

Witness Kleinfelter testified at the technical hearing that subsequent to her filed testimony, Cross Creek was found to be out-of-compliance by DEP. Following DEP's determination of non-compliance for the Cross Creek system, a Compliance Assistance Offer letter was issued by DEP. (TR 867) However, staff notes that the Utility showed prompt response to deficiencies identified by DEP during Cross Creek's last inspection on May 23, 2016. (EXH 135, P 8)

Six customers spoke at the service hearing in Punta Gorda, near Cross Creek's and Eagle Ridge's service territory. Of the six customers, two customers provided testimony on quality of service, specifically the Utility's customer service. The number of complaints received by UIF was low with only two over the past five years. Witness Kleinfelter testified that DEP did not receive any customer complaints concerning Cross Creek or Eagle Ridge during the period of 2012-2016. (EXH 135)

LUSI

OPC argued that LUSI's quality of service should be considered unsatisfactory based upon a consent order with DEP. (OPC BR 6) Witness Kleinfelter testified that on September 6, 2016, UIF signed a consent order for disinfection byproducts exceedances at the LUSI WTP. According to the milestones laid out in the consent order, within 30 days of the effective date, the Utility was required to submit an engineering analysis report identifying treatment upgrades. UIF met this milestone by submitting the engineering report on October 12, 2016. On December 19, 2016, the second milestone was met with the hiring of an engineering consultant. UIF was required to also submit Quarterly Reports, the first of which was submitted on January 5, 2017. Presently, the Utility has met all required milestones and the next milestone was due on June 22, 2017. Based on the fourth quarter samples taken in 2016, the disinfection byproducts were below the MCL. However, the consent order remains open and will not be closed until all conditions of the order are met by the Utility. (EXH 135, P 2; EXH 136, P 33-44)

From 2012-2016, DEP received three complaints concerning taste, odor, color, disinfection byproducts, and the rate increase. A complaint made on September 26, 2014, involved concern over blue water that had a metallic odor and felt sticky. The Utility responded that during maintenance on the stripping towers, dried media had entered the distribution system after an air bag gave way. Many other customers made similar water quality complaints to UIF following the incident, so the system was flushed and improvements in the water quality were seen. The Utility followed up with the customer and the complaint was closed on September 26, 2014. On October 16, 2015, a customer made a complaint with DEP regarding a notice of disinfection byproducts that he received in the mail, as well as the proposed rate increase. The Utility followed up with the customer and the complaint was closed on October 27, 2015. On January 5, 2016, an odor complaint was received by DEP that was associated with a WWTP, where an odor control system was in place. UIF responded to the customer, and the complaint was considered resolved on January 5, 2016.

Conclusion of Systems with Recommended Marginal Quality of Service

Based on testimony provided by witness Kleinfelter, Eagle Ridge has had continuous compliance issues since the inspection completed on May 23, 2016. UIF has indicated on several occasions that all deficiencies would be cured within a specific timeframe; however, the Utility has failed to meet those targets. Additionally, Cross Creek was found to be out-of-compliance by DEP and witness Kleinfelter testified to the system's non-compliance status at the technical hearing. Therefore, due to Cross Creek's and Eagle Ridge's current non-compliance status with DEP, staff recommends the quality of service should be found to be marginal for both systems.

Staff believes that UIF is taking adequate steps to meet the milestones set out in the consent order for disinfection byproducts at its LUSI WTP. The Utility has demonstrated that they are working with DEP and witness Kleinfelter testified that the system is considered to be in compliance, despite the open consent order. Nonetheless, staff believes that since LUSI has an open consent order with DEP, the quality of service should be consider marginal at this time.

In a previous decision, the Commission recognized the efforts of a utility to correct water quality issues and did not require a penalty.[23] UIF has been working cooperatively with DEP to address the issues associated with these three systems. Therefore, staff recommends no reduction to the Utility's return on equity. However, the Utility should file, with the Division of Engineering, a report on the status of compliance with DEP requirements for each marginal system within six months of the issuance of the Commission's Order in this rate proceeding. The quality of service for these three systems will be considered in the Utility's next rate proceeding.

System with Unsatisfactory Quality of Service

As shown in Table 3-1, OPC witness Vandiver recommended that the Commission find the quality of service of the UIF-Pasco – Summertree system to be unsatisfactory. Additionally, in its brief, Summertree agreed with OPC that the quality of service is unsatisfactory. UIF's position is the Summertree system's quality of service is satisfactory. As discussed in the analysis below, staff recommends that the quality of UIF's Summertree system should remain unsatisfactory as the record in this proceeding does not contain enough information to satisfy the requirements of Order No. PSC-16-0505-PAA-WS.[24]

UIF-Pasco - Summertree

By Order No. PSC-14-0025-PAA-WS,[25] the Commission found the quality of water in the Summertree water system to be unsatisfactory. The Commission ordered that the return on equity for the Summertree water system be subject to a 100-basis point reduction. UIF was ordered to engage its Summertree customers and present suitable options to address the quality issues relating to secondary water standards. The customers were surveyed on the presented options, and customers voted for the interconnection with Pasco County. As part of the approval of the cost of the interconnection, Commission Order No. PSC-16-0505-PAA-WS, [26] states:

> While the interconnection with Pasco County should improve water quality, the final impact on water quality can be determined only after the completion of the interconnection and the implementation of a flushing protocol. Therefore, the Utility shall be directed to provide secondary water quality results for portions of its Summertree distribution system at least every six months until this Commission finds the water quality to be satisfactory. Samples shall be taken from the same sites labeled "nearby system site" shown in Appendix A of the CPH Report for consistency purposes. Such results shall be filed with this Commission for informational purposes. The first report shall be filed no later than 30 days after the completion of the interconnection with Pasco County. Pursuant to the 2014 Order, the 100-basis point reduction in return on equity shall remain in place until the water quality is deemed satisfactory by this Commission.

[23] Order No. PSC-14-0626-PAA-WU, issued October 29, 2014, in Docket No. 130265-WU, *In re: Application for staff-assisted rate case in Charlotte county by Little Gasparilla Water Utility, Inc.*
[24] Order No. PSC-16-0505-PAA-WS, issued October 31, 2016, in Docket No. 150269-WS, *In re: Application for limited proceeding water rate increase in Marion, Pasco, and Seminole Counties by Utilities, Inc. of Florida.*
[25] Order No. PSC-14-0025-PAA-WS, issued January 10, 2014, in Docket No. 120209-WS, *In re: Application for increase in water and wastewater rates in Marion, Orange, Pasco, Pinellas, and Seminole Counties by Utilities, Inc. of Florida.*
[26] Order No. PSC-16-0505-PAA-WS, issued October 31, 2016, in Docket No. 150269-WS, *In re: Application for limited proceeding water rate increase in Marion, Pasco, and Seminole Counties by Utilities, Inc. of Florida.*

The interconnection with Pasco County was complete in December 2016. Witness Hoy testified that as of the hearing, UIF had only submitted one set of secondary water quality results since the interconnection. (TR 1502-1504; EXH 350)

Witness Flynn was asked when UIF may come to the Commission to address the quality of service associated with the interconnection. He testified that the Utility was planning to initiate a "burn" of its distribution system. Witness Flynn elaborated that after the burn the Utility would have a better understanding of the water quality it delivers to the Summertree customers and it would have a better understanding of its flushing regimen. (TR 470-471)

Conclusion to System with Unsatisfactory Quality of Service

Staff recommends that UIF undertake, at a minimum, continued sampling necessary to demonstrate that it is able to maintain all secondary water quality standards and has implemented a satisfactory flushing protocol as discussed in Order PSC-16-0505-PAA-WS. Until such time that the Commission approves a separate petition with this information, staff recommends that the quality of water in the Summertree water system should remain unsatisfactory and the 100-basis point reduction in return on equity should remain in place for the Summertree system.

CONCLUSION

Based on the record evidence and the parties' arguments, staff believes that UIF is investing in water quality improvement projects and is taking steps to reach a resolution to customers' concerns. Excluding Cross Creek, Eagle Ridge, LUSI, and Summertree, staff recommends that the quality of the Utility's product, the operating condition of the Utility's plant and facilities, and its attempts to address customer complaints should be considered satisfactory. Therefore, apart from the systems listed in Table 3-2 below, staff recommends that UIF's overall quality of service be deemed satisfactory.

Table 3-2
Quality of Service Summary Table

System	Quality of Service	Penalty
Cross Creek/Eagle Ridge	Marginal	None
LUSI	Marginal	None
Summertree	Unsatisfactory	100 basis points

Issue 4: What is the total ERCs applicable to Florida, by county, and by system as of December 31, 2015, for allocation purposes?

Recommendation: The total ERCs by system, as shown in the table below, should be used to allocate costs among the UIF systems after all appropriate adjustments, including the removal of non-UIF costs, are made. For costs shared by ACME Florida Legends Irrigation (ACME) that were not removed by UIF, 841 water ERCs should be used for allocation purposes. (Lee, Friedrich)

ERCs by UIF Systems for Allocation

UIF System	Water	Wastewater	Total
Cypress Lakes	1,266.3	1,204.5	2,470.8
Eagle Ridge	-	2,527.6	2,527.6
Labrador	762.7	756.7	1,519.4
Lake Placid	141.1	143.1	284.2
Longwood	-	1,695.5	1,695.5
LUSI	11,739.9	3,630.8	15,370.7
Mid-County	-	5,622.2	5,622.2
Pennbrooke	1,488.0	1,240.0	2,728.0
Sandalhaven	-	1,229.0	1,229.0
Sanlando	13,853.9	11,145.7	24,999.6
Tierra Verde	-	2,095.2	2,095.2
UIF-Marion	548.8	76.4	625.2
UIF-Orange	310.5	-	310.5
UIF-Pasco	2869.5	1245.2	4,114.7
UIF-Pinellas	430.1	-	430.1
UIF-Seminole	2711.5	1474.5	4,186.0
Total	**36,122.3**	**34,086.4**	**70,208.7**

Position of the Parties

UIF:

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**

OPC: The total ERCs applicable to Florida are 64,183.9.

Summertree: No post hearing position or argument was provided in the brief.

Staff Analysis:

PARTIES' ARGUMENTS

UIF

UIF asserted that costs should be allocated to each system based on the number of customers, measured in ERCs with a total of 70,208.7 ERCs. (UIF BR 9, TR 1505) UIF stated that it provided the appropriate test year allocations to staff auditors, and that no modifications have occurred to change them. (UIF BR 9)

OPC

OPC stated that UIF has provided two sets of ERC values in response to PSC staff auditor requests and discovery responses to OPC, for ERC totals of 71,049.7 and 64,183.9 customers, respectively. (OPC BR 12; EXH 201; EXH 315) OPC noted however that even for the 71,049.7 customer count, the allocation factors are not constant between responses. Specifically, the 71,049.7 customer count allocation factors for Sanlando varied from 33.29 percent to 35.61 percent, while the 64,183.9 count used 33.22 percent. (EXH 316; EXH 315) OPC argued that UIF did not provide an adequate explanation for these inconsistencies and that the count that appears in the MFR B-12 Schedules should be adopted, for a total customer count of 64,183.9 (OPC BR 13)

ANALYSIS

Some costs, such as those for Project Phoenix and Water Services Corp. (WSC), an entity used by UI to allocate shared services such as accounting, billing, and customer services, are shared among the UIF systems and may be shared with non-UIF systems that are part of UI. As in prior rate cases, after removing all non-UIF costs, the appropriate costs should be allocated to each system based on the number of customers, measured in ERCs. (TR 1505) UIF consolidated the ERCs for its operations in Marion, Orange, Pasco, Pinellas, and Seminole into a single entry labeled UIF, with 6,870.4 for water and 2,796.1 for wastewater. The accounting of certain costs resulted in different allocated costs for certain systems. (TR 747-748; TR 1143) The accounting adjustments are addressed in Issues 36, 48, and 80.[27]

ERCs by UIF Systems for Allocation

Staff audit finding 10 noted that there is a difference between the total ERCs for each system and the values used to allocate some O&M expenses. (TR 948-949; EXH 138, P 25) UIF witness Deason identified UIF's response to OPC's twelfth set of interrogatories, No. 283 as containing the total ERCs by system. (EXH 316) This is the same methodology utilized by OPC witness Ramas based on the total ERCs for each of the 16 systems within UIF. (EXH 133) Staff agrees with OPC's witness Ramas allocation methodology which is based on ERC data in Table 4-1 and consistent with the allocation method used by the Commission.

Table 4-1 shows the ERCs for each system used to derive these allocation percentages. For example, the allocation percentage for Cypress Lakes water system is 1.803 percent (1,266 / 70,209), as shown in Line No. 1 of Exhibit DMR-21. Staff recommends the allocation percentages used by the methodology of dividing the total ERCs for each system by the total Florida UIF ERCs. This method is consistent with Commission practice for allocation purposes and not disputed by the parties.

[27] While the issue as framed requests information on a county basis, the parties focused on a system-basis for the applicable ERCs.

Table 4-1
ERCs by UIF Systems for Allocation

UIF System	Water	Wastewater	Total
Cypress Lakes	1,266.3	1,204.5	2,470.8
Eagle Ridge	-	2,527.6	2,527.6
Labrador	762.7	756.7	1,519.4
Lake Placid	141.1	143.1	284.2
Longwood	-	1,695.5	1,695.5
LUSI	11,739.9	3,630.8	15,370.7
Mid-County	-	5,622.2	5,622.2
Pennbrooke	1,488.0	1,240.0	2,728.0
Sandalhaven	-	1,229.0	1,229.0
Sanlando	13,853.9	11,145.7	24,999.6
Tierra Verde	-	2,095.2	2,095.2
UIF-Marion	548.8	76.4	625.2
UIF-Orange	310.5	-	310.5
UIF-Pasco	2869.5	1245.2	4,114.7
UIF-Pinellas	430.1	-	430.1
UIF-Seminole	2711.5	1474.5	4,186.0
Total	**36,122.3**	**34,086.4**	**70,208.7**

Source: UIF and OPC data, EXH 133

ACME Allocation

UIF's total ERC count did not include the 841 ERCs associated with an unregulated company, ACME, which increases the total to 71,049.7 ERCs. As discussed earlier, OPC witness Ramas did not include the ERC count for ACME either. The method discussed above for allocation can also be used to adjust the shared costs in question. Including the 841 ERCs associated with ACME has the effect of removing 1.184 percent (841 / 71,049.7) of the total shared costs. For costs shared by ACME that were not removed by UIF, 841 ERCs should be used to allocate the ACME costs.

CONCLUSION

The total ERCs by system, as shown in Table 4-1 above, should be used to allocate costs among the UIF systems after all appropriate adjustments, including the removal of non-UIF costs, are made. For costs shared by ACME that were not removed by UIF, 841 water ERCs should be used for allocation purposes.

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

Recommendation: Adjustments should be made to rate base as set forth in staff's analysis in Tables 5-2 and 5-3. (Norris)

Position of the Parties

UIF: 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

OPC: Rate base should be reduced by $101,294 for the water systems and $632,920 for the wastewater systems.

Summertree: Agree with water and wastewater rate base decreases identified by Public Counsel.

Staff Analysis:

PARTIES' ARGUMENTS

UIF

In its brief, UIF stated that rate base should be adjusted to reflect Audit Findings 1-5 and 9, along with the inclusion of a calculation correction to Audit Finding 1. (UIF BR 9) UIF witness Deason stated that the audit adjustments in Audit Finding 1 excluded debits of $39,791 and $797 from accumulated depreciation. (TR 1079) In its brief, UIF included another correction to Audit Finding 1 to decrease plant by $37,500. (UIF BR 9) In total, UIF reflected a $400,922 reduction to rate base for the audit findings. (UIF BR 9)

OPC

In its brief, OPC agreed with rate base adjustments to reflect Audit Findings 1-4 and 9, along with the corrections to Audit Findings 1 and 3. (OPC BR 13-14) OPC agreed with UIF witness Deason's corrections to Audit Finding 1 and stated that another excluded adjustment, to decrease plant by $37,500, should also be included in the total audit adjustment. (EXH 201, BSP 742; OPC BR 13) OPC contended that further corrections are needed to decrease Audit Finding 3 based on the MFR balance of accumulated amortization of CIAC in UIF-Orange and the prior Commission-approved plant balance for UIF-Pasco, resulting in a total decrease of $298,144 to Audit Finding 3. (OPC BR 14)

Summertree

In its brief, Summertree agreed with OPC. (Summertree BR 5)

ANALYSIS

Based on the testimony of UIF witness Deason and OPC's brief, a brief description of the audit adjustments agreed upon by the Utility, OPC, and Summertree are set forth in the table below. (TR 934-936, 939, 1079, 1081; EXH 138, P 11-16, 22-24; UIF BR 9; OPC BR 13-14; Summertree BR 8)

Table 5-1
Description of Rate Base Audit Adjustments

Audit Finding	Description of Adjustments
1	To reflect the appropriate prior Commission-ordered adjustments for Cypress Lakes.
2	To reflect the appropriate prior Commission-ordered adjustments for LUSI.
3	To reflect the appropriate prior Commission-ordered adjustments for UIF-Marion, Orange, Pasco, Pinellas, & Seminole.
4	To correct Accumulated Amortization of CIAC balances for Pennbrooke.
9	To correct corporate and regional allocations of plant, accumulated depreciation, and depreciation expense.

Source: EXH 138, P 11-16, 22-24

However, UIF, OPC, and Summertree contended that corrections should be made to the calculation of Audit Findings 1 and 3, as discussed below. (UIF BR 9; OPC BR 13-14; Summertree BR 8)

Audit Finding 1

Staff witness Dobiac testified that Cypress Lakes' rate base should be increased by $13,362 for water and decreased by $135,012 for wastewater to reflect the appropriate prior Commission-ordered adjustments. (EXH 138, P 11-12) In UIF witness Deason's testimony, he contended that a reduction of $39,791 to water and $797 to wastewater were not made to accumulated depreciation in the final calculation reflected in staff witness Dobiac's testimony. (TR 1079) In its brief, OPC agreed with witness Deason's corrections to Audit Finding 1 and stated that another excluded adjustment, to decrease plant by $37,500, should also be included in the total audit adjustment. (EXH 201, BSP 742; OPC BR 13) Although not reflected in witness Deason's testimony, UIF's total adjustment to Audit Finding 1, as reflected in its brief, included the same additional reduction to plant. (UIF BR 9) Using the audit work papers, staff verified the three adjustments proposed by UIF and OPC. (EXH 201, BSP 743) Based on the inclusion of these additional adjustments, as agreed upon by all parties, the net adjustments to Cypress Lakes' rate base should be an increase of $15,652 for water and a decrease of $134,213 to wastewater. (EXH 201, BSP 743)

Audit Finding 3

Audit Finding 3, as reflected in witness Dobiac's testimony, addressed adjustments necessary to reflect the appropriate prior Commission-ordered adjustments for UIF-Marion, Orange, Pasco, Pinellas, and Seminole. (TR 935-936) Witness Dobiac testified that the total rate base for the currently consolidated systems should be decreased by $481,461 for water and $244,129 for wastewater. (EXH 138, P 15; TR 935) As detailed in her testimony, these total adjustments are comprised of rate base adjustments for each of the five counties. (EXH 138, P 15)

As reflected in witness Dobiac's testimony, the net adjustment to rate base for UIF-Seminole's water and wastewater systems are ($1,022,818) and $391,303, respectively. While using the audit work papers to apply the specific adjustments for Audit Finding 3, staff determined that the calculation of the accumulated depreciation adjustment for water and wastewater did not include all test year adjustments. (EXH 172, BSP 337; EXH 201, BSP 745) As such, the net rate base adjustment to UIF-Seminole's water and wastewater systems should be ($1,062,776) and $371,660 for water and wastewater, respectively.

As reflected in witness Dobiac's testimony, the net adjustment to rate base for UIF-Orange's water system is an increase of $39,630. (EXH 138, P 15) In its brief, OPC stated that the audit adjustment made to Accumulated Amortization of Contributions in Aid of Construction (AA of CIAC) for UIF-Orange was erroneously based on a negative balance of $12,404. (EXH 201, BSP 742; OPC BR 14) In the Utility's original filing, MFR Schedule A-1 of UIF-Orange reflected a positive balance of $12,404. (EXH 172, BSP 337) OPC asserted that the audit adjustment should be reduced to properly reflect the positive balance. (OPC BR 14) Staff agrees with OPC's assertion. As such, the net adjustment to rate base for UIF-Orange should be a net increase of $14,822.

In regards to UIF-Pasco's wastewater system, OPC contended that the beginning balance auditors used for total plant does not reconcile with the last order for this wastewater system.[28] (EXH 201, BSP 745) As such, OPC recommended a decrease of $273,336 to the audit adjustment. (OPC BR 14) The record does not support OPC's recommended adjustment, as the basis for the adjustment is the 13-month average balances from the last order. Staff witness Dobiac's beginning balances are appropriately based on the ending balances for the previous test year, not the average balances relied upon in OPC's recommended adjustment. (TR 935-936)

CONCLUSION

Tables 5-2 and 5-3 below summarize staff's recommended audit adjustments for water and wastewater, respectively. Additional detail for Audit Findings 3 and 9 is also provided in Tables 5-4 through 5-6 below.

[28] Order No. PSC-14-0025-PAA-WS, issued January 10, 2014, in Docket No. 120209-WS, *In re: Application for increase in water and wastewater rates in Marion, Orange, Pasco, Pinellas, and Seminole Counties by Utilities. Inc. of Florida.*

Table 5-2
Audit Adjustments to Rate Base – Water

Audit Finding	Plant	Accumulated Depreciation	CIAC	Accumulated Amortization of CIAC
1	($13,585)	$23,127	($3,625)	$9,735
2	24,235	146,639	(20,200)	(108,597)
3	1,485,795	(2,149,922)	282,972	(165,073)
9	379,310	0	0	0
Total	**$1,875,745**	**($1,980,156)**	**$259,147**	**($263,935)**

Source: EXH 138, P 11-16, 22-24

Table 5-3
Audit Adjustments to Rate Base – Wastewater

Audit Finding	Plant	Accumulated Depreciation	CIAC	Accumulated Amortization of CIAC
1	$197,346	($355,242)	$0	$23,683
2	2,579	8,499	32,579	(8,642)
3	1,889,544	(2,467,050)	273,168	40,567
4	0	0	0	(239,460)
9	223,199	0	0	0
Total	**$2,312,679**	**($2,813,793)**	**$305,747**	**($183,852)**

Source: EXH 138, P 11-16, 22-24

Table 5-4
Audit Finding 3 – Water

System	Plant	Accumulated Depreciation	CIAC	Accumulated Amortization of CIAC
UIF-Marion	$66,296	$93,584	$23,668	($16,529)
UIF-Orange	16,722	681	(28,844)	26,264
UIF-Pasco	741,722	(567,821)	111,100	39,924
UIF-Pinellas	101,538	(72,884)	18,546	(37,418)
UIF-Seminole	559,517	(1,603,482)	158,502	(177,314)
Total	**$1,485,795**	**($2,149,922)**	**$282,972**	**($165,073)**

Source: EXH 138, P 14-15

Table 5-5
Audit Finding 3 – Wastewater

System	Plant	Accumulated Depreciation	CIAC	Accumulated Amortization of CIAC
UIF-Marion	$28,777	($3,524)	$0	($59)
UIF-Pasco	666,675	(1,393,033)	46,517	19,216
UIF-Seminole	1,194,092	(1,070,493)	226,651	21,410
Total	**$1,889,544**	**($2,467,050)**	**$273,168**	**$40,567**

Source: EXH 138, P 14-15

Table 5-6
Audit Finding 9 – Net Plant

System	Water	Wastewater
Cypress Lakes	$6,317	$6,008
Eagle Ridge	0	(15,149)
Labrador	3,742	3,713
Lake Placid	967	980
LUSI	65,940	20,392
Longwood	0	(12,551)
Mid-County	0	63,653
Pennbrooke	7,002	5,834
Sandalhaven	0	(5,254)
Sanlando	128,910	103,695
Tierra Verde	0	(15,856)
UIF	166,432	67,734
Total	**$379,310**	**$223,199**

Source: EXH 138, P 22-24

Table 5-7
Audit Finding 9 – UIF Counties

System	Water	Wastewater
UIF-Marion	$13,294	$1,851
UIF-Orange	7,522	0
UIF-Pasco	69,512	30,164
UIF-Pinellas	10,419	0
UIF-Seminole	65,685	35,719
Total	**$166,432**	**$67,734**

Source: EXH 138, P 22-24

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?

Recommendation: Consistent with the Commission's previous decisions, UIF should be authorized to create regulatory assets and a regulatory liability as reflected in the table below. In addition, the balances for Sanlando should be increased by $832 for water and $649 for wastewater to reflect the annual amortization of the regulatory assets previously authorized by the Commission.

System	Regulatory Asset/Liability		Annual Amortization	
	Water	Wastewater	Water	Wastewater
Cypress Lakes	$7,173	$6,587	$1,793	$1,647
Eagle Ridge	0	3,421	0	855
Lake Placid	689	769	172	192
Pennbrooke	(1,113)	(892)	(278)	(223)
UIF-Orange	368	0	92	0
UIF-Pasco	3,401	1,476	850	369
UIF-Pinellas	510	0	127	0
UIF-Seminole	3,214	1,748	803	437
Total	**$14,242**	**$13,109**	**$3,554**	**$3,277**

(Norris)

Position of the Parties

UIF:

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

OPC: None. UIF did not include these assets in its MFRs or rebuttal testimony. Moreover, the Utility did not provide any supporting schedules, organized in a systematic and rational manner, so as to enable appropriate and timely verification. Therefore, the Commission should not allow the regulatory assets associated with the costs related to the Project Phoenix Financial/Customer Care Billing System.

Summertree: None. The Utility did not include these assets in its MFRs or rebuttal testimony. Therefore, the Commission should not allow the regulatory assets associated with the costs associated with the Utility's Project Phoenix Financial/Customer Care Billing System.

Staff Analysis:

PARTIES' ARGUMENTS

UIF

In response to staff's discovery, UIF reflected the amounts, by system, it calculated for the regulatory assets associated with the Utility's Project Phoenix. (EXH 168, BSP 298; UIF BR 10) The Utility stressed that the compulsory language of Commission Order No. PSC-14-0521-FOF-WS mandates the determination of the regulatory asset in the next rate case of the affected systems, regardless of the Utility's request. (UIF BR 10) UIF acknowledged that although the inclusion of the regulatory asset could not result in the Utility exceeding the revenue requirement requested in its MFRs, it could be used to offset any disallowed revenue. (UIF BR 10)

OPC

In its brief, OPC argued that UIF did not include any regulatory assets associated with the Project Phoenix Financial/Customer Care Billing system in its MFRs. (OPC BR 15) OPC contended that the Utility attempted to include the assets by providing a schedule of a calculation of such assets, although UIF witness Hoy had previously confirmed that those assets were not included in the Utility's testimony and exhibits. (TR 127-129; EXH 265; OPC BR 15) OPC asserted that Commission Order No. PSC-14-0521-FOF-WS addressed the creation of regulatory assets for the Project Phoenix Financial/Customer Care Billing System, and authorized the Utility to create a regulatory asset or liability, but did not require it. (OPC BR 15) OPC stated that the Utility did not provide evidence in its filings, audit, or discovery regarding the creation of these assets, and provided the schedule of assets via email well after the discovery deadline had passed. (OPC BR 15) OPC argued that, by rule, it is the Utility's burden to support its case, and UIF has not met this burden regarding the regulatory assets. OPC further argued that these assets should not be included in rate base. (OPC BR 15)

Summertree

In its brief, Summertree agreed with OPC. (Summertree BR 8)

ANALYSIS

The purpose of the Utility's Project Phoenix is to improve accounting, customer service, customer billing, and financial and regulatory reporting functions of Utilities, Inc., (UI) and its subsidiaries. UI's Project Phoenix became operational in December 2008. In the Miles Grant Water and Sewer Company case, the Commission determined that recovery of Project Phoenix costs would be allocated on the basis of Equivalent Residential Connections (ERCs).[29] Beginning with Pennbrooke's 2009 rate case, and in subsequent dockets, the Commission removed the ERCs of systems divested by UI from total company ERCs when determining the

[29] Order No. PSC-08-0812-PAA-WS, issued December 16, 2008, in Docket No. 070695-WS, *In re: Application for increase in water and wastewater rates in Martin County by Miles Grant Water and Sewer Company*.

net investment in Project Phoenix and did not include the ERCs of systems acquired by UI after the original allocation of the investment.[30]

In Docket No. 110153-SU, as part of a proposed settlement of Proposed Agency Action protests, Eagle Ridge, with the consent and support of OPC, petitioned the Commission to open a generic docket to address protested issues relating to the Utility's Project Phoenix.[31] These protested issues were subsequently addressed by Order No. PSC-14-0521-FOF-WS, issued in Docket No. 120161-WS (UI Generic Docket).[32] Additionally, the parties agreed, and the Commission subsequently ordered, that if there is an upward or downward adjustment to the previously approved revenue requirement resulting from a final Commission decision in the UI Generic Docket, Eagle Ridge should be authorized to create a regulatory asset or liability, accruing interest at the 30-day commercial paper rate, and further specified that the regulatory asset or liability should be amortized over four years in Eagle Ridge's next rate proceeding.[33] The Commission ordered this same treatment for Cypress Lakes, Lake Placid, Pennbrooke, Sanlando, UIF-Marion, UIF-Orange, UIF-Pasco, UIF-Pinellas, and UIF-Seminole.[34] The Commission determined the regulatory assets for Sanlando in its most recent rate proceeding, Docket No. 140060-WS.[35]

The Utility's MFRs did not include its calculation of the regulatory assets in its original request, nor did it include Sanlando's previously determined regulatory asset. (EXH 172, BSP 337) In its brief, OPC stressed that UIF did not include the assets in its testimony or exhibits and argued that the Utility did not provide evidence in its filings, audit, or discovery regarding the creation of these assets. (OPC BR 15) Further, OPC contended that although the Commission authorized the creation of a regulatory asset or liability for the systems, it ultimately did not require it. (OPC BR 15) As such, OPC argued that UIF should not be given recovery of regulatory assets associated with Project Phoenix because the Utility had failed to meet its burden to support the inclusion. (OPC BR 15) However, the Commission clearly specified in the UI Generic Docket that the regulatory assets or liabilities should be determined in the next rate case of the affected UI

[30] Order No. PSC-10-0400-PAA-WS, issued June 18, 2010, in Docket No. 090392-WS, *In re: Application for increase in water and wastewater rates in Lake County by Utilities, Inc. of Pennbrooke.*
[31] Order No. PSC-12-0346-FOF-SU, issued July 5, 2012, in Docket No. 110153-SU, *In re: Application for increase in wastewater rates in Lee County by Utilities, Inc. of Eagle Ridge*.
[32] Order No. PSC-14-0521-FOF-WS, issued September 30, 2014, in Docket No. 120161-WS, *In re: Analysis of Utilities, Inc.'s financial accounting and customer service computer system*.
[33] Order No. PSC-12-0346-FOF-SU, pp. 2, 9.
[34] Order Nos. PSC-14-0335-PAA-WS, issued June 30, 2014, in Docket No. 130243-WS, *In re: Application for staff-assisted rate case in Highlands County by Lake Placid Utilities Inc.*; PSC-14-0283-PAA-WS, issued May 30, 2014, in Docket No. 130212-WS, *In re: Application for increase in water and wastewater rates in Polk County by Cypress Lakes Utilities, Inc.*; PSC-14-0025-PAA-WS, issued January 10, 2014, in Docket No. 120209-WS, *In. re: Application for increase in water and wastewater rates in Marion, Orange, Pasco, Pinellas, and Seminole Counties by Utilities, Inc. of Florida*; PSC-13-0085-PAA-WS, issued February 14, 2013, in Docket No. 110257-WS, *In re: Application for increase in water and wastewater rates in Seminole County by Sanlando Utilities Corporation*; and PSC-12-0667-PAA-WS, issued December 26, 2012, in Docket No. 120037-WS, *In re: Application for increase in water and wastewater rates in Lake County by Utilities, Inc. of Pennbrooke.*
[35] Order No. PSC-15-0233-PAA-WS, issued June 3, 2015, in Docket No. 140060-WS, *In re: Application for increase in water and wastewater rates in Seminole County by Sanlando Utilities Corporation*.

systems in Florida.[36] Therefore, staff believes all Commission-ordered adjustments associated with Project Phoenix are appropriate.

In the UI Generic Docket, the Commission clarified its treatment of divestitures going forward and found that they should be net of any acquisitions.[37] Specifically, the Commission ordered that the net investment for Project Phoenix should be determined using a modified used and useful analysis that incorporated ERCs associated with both UI divestitures and acquisitions.[38] Staff calculated the total revenue impact of the Commission's decision for each of the affected systems, except Sanlando, by applying the methodology described in the UI Generic Docket Order to recalculate adjustments to computer maintenance expense, depreciation expense, and incremental return using information contained within the Commission orders that authorized the creation of a regulatory asset or liability for each of the systems. The regulatory assets and liabilities calculated by staff represent the total revenue impact since the implementation of rates in each of those rate proceedings, including interest.

In response to staff's discovery, UIF calculated regulatory assets for the appropriate systems associated with the Utility's Project Phoenix. (EXH 168, BSP 298) UIF's determination of the regulatory asset balances did not reflect the Commission-approved methodology; UIF's calculation eliminated the divestiture adjustment completely. (EXH 168, BSP 298) Therefore, UIF's balances are greater than the balances staff calculated which are consistent with the UI Generic Docket Order.

As such, the balances for Sanlando should be increased by $832 for water and $649 for wastewater to reflect the annual amortization of the regulatory asset previously authorized by the Commission.[39] For all but one system, the current adjustment is less than the adjustment calculated in the last rate case, therefore necessitating the creation of a regulatory asset pursuant to the UI Generic Docket. Pennbrooke is the one system with a current adjustment that is more than the adjustment calculated in the last rate case, therefore necessitating the creation of a regulatory liability pursuant to the UI Generic Docket. The regulatory assets and liability calculated for each system, as well as the annual amortization, are reflected in Table 6-1 below.[40] (EXH 346)

CONCLUSION

Consistent with the Commission's previous decisions, UIF should be authorized to create regulatory assets and a regulatory liability as reflected in Table 6-1 below. The balances for Sanlando should be increased by $832 for water and $649 for wastewater to reflect the annual amortization of the regulatory asset previously authorized by the Commission.

[36] Order No. PSC-14-0521-FOF-WS, p. 10.
[37] Id., pp. 8-9.
[38] Id.
[39] Order No. PSC-15-0233-PAA-WS, p. 10.
[40] Order Nos. PSC-14-0335-PAA-WS; PSC-14-0283-PAA-WS; PSC-14-0025-PAA-WS; PSC-13-0085-PAA-WS; and PSC-12-0667-PAA-WS.

Table 6-1
Project Phoenix Regulatory Assets/Liabilities & Annual Amortization

System	Regulatory Asset/Liability		Annual Amortization	
	Water	**Wastewater**	**Water**	**Wastewater**
Cypress Lakes	$7,173	$6,587	$1,793	$1,647
Eagle Ridge	0	3,421	0	855
Lake Placid	689	769	172	192
Pennbrooke	(1,113)	(892)	(278)	(223)
UIF-Orange	368	0	92	0
UIF-Pasco	3,401	1,476	850	369
UIF-Pinellas	510	0	127	0
UIF-Seminole	3,214	1,748	803	437
Total	**$14,242**	**$13,109**	**$3,554**	**$3,277**

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

Recommendation: Yes. Engineering fees in the amount of $3,821 for the Sandalhaven wastewater system should be capitalized. A corresponding adjustment should be made to increase accumulated depreciation and depreciation expense by $116. (Sewards, Galloway, Lee)

Position of the Parties

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

OPC: Yes, water plant should be decreased by $762,433 and wastewater plant should be reduced by $8,690 to reflect the removal of fully depreciated assets in the UIF-Marion and Lake Placid systems, to reflect the capitalization of engineering fees for Sandalhaven, to reduce the pro forma cost for the Splitter Box in the LUSI system, and to remove the pro forma project for the Myrtle Lake Hills expansion in the Sanlando system.

Summertree: Agree with Public Counsel.

Staff Analysis:

PARTIES' ARGUMENTS

UIF

The Utility argued that adjustments should be made to test year plant in service balances based on the decommissioning of the Summertree water plant in Pasco County and the wastewater plants in Sandalhaven and Longwood. (EXH 168 BSP 288-289; UIF BR 10) UIF stated that the effect of these decommissioned plants will be discussed in later issues. (UIF BR 10)

OPC

OPC witness Ramas contended that four plant accounts for Lake Placid and two plant accounts for UIF-Marion were fully depreciated. (TR 755, 806; OPC BR 17) Witness Ramas stated that since the accounts were fully depreciated, the balance should be completely removed from the Utility's books. (TR 755-756, 806-807; OPC BR 17) OPC discussed engineering invoices totaling $3,821 that should be capitalized in Sandalhaven, consistent with the discussion in Issue 43. (OPC BR 17) OPC also discussed other reductions pertaining to pro forma projects; these will be discussed in Issue 9. (OPC BR 16-17)

Summertree

In its brief, Summertree agreed with OPC. (Summertree BR 8-9)

ANALYSIS

In OPC witness Ramas' testimony, she discussed plant accounts that were fully depreciated at the start of the test year that UIF continued to depreciate. (TR 755-756, 806-807) Witness Ramas suggested removal of the test year depreciation expense as well as complete removal of the fully recovered assets and associated accumulated depreciation from the books to prevent the possibility of over depreciation from reoccurring. (TR 755-756, 806-807) UIF witness Swain agreed that test year depreciation expense in association with these accounts should be removed; however, witness Swain did not agree that the assets and accumulated depreciation should be written off. (TR 1430-1431, 1439) She argued that even though those accounts are fully depreciated, the plant items are still in service so they should not be removed from the books. (TR 1430-1431, 1439) Staff agrees with UIF witness Swain and recommends no adjustment to test year plant for this purpose. Staff agrees with OPC witness Ramas and UIF witness Swain regarding the removal of test year depreciation expense for these accounts and limiting accumulated depreciation to the account balance.

The discussion of fully depreciated plant accounts and the appropriate methodology for these accounts is discussed in Issue 18. Also, the discussion of inclusion or removal of various pro forma projects is addressed in Issue 9. In its brief, OPC included a table that lists ten pro forma projects for which the Utility included lower amounts in its MFRs than were included in its testimony. These ten items are discussed in Issue 9. (OPC BR 17) The costs associated with the Summertree water treatment plant decommissioning is discussed in Issue 8. The costs associated with the decommissioning of the Longwood and Sandalhaven wastewater treatment plants are discussed in Issue 10.

Further, OPC reclassified Engineering fees in the amount of $3,821 for the Sandalhaven wastewater system. (OPC BR 17) Both UIF witnesses Flynn and Deason agreed that these costs should be capitalized, as these fees were associated with a capital project and were nonrecurring. (TR 399-400, 1089-1090) As such, $3,821 associated with engineering fees should be capitalized. In addition, a corresponding adjustment to increase accumulated depreciation and depreciation expense by $116 is also necessary.

CONCLUSION

Based on the above, staff recommends that Engineering fees in the amount of $3,821 for the Sandalhaven wastewater system be capitalized. Staff has included this amount in the appropriate plant account. Staff also recommends a corresponding adjustment to increase accumulated depreciation and depreciation expense by $116.

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?

Recommendation: To reflect the appropriate retirement adjustments for UIF-Pasco water, plant and accumulated depreciation should be increased by $1,071,092 and $1,511,576, respectively. Also, contributions in aid of construction (CIAC) should be decreased by $3,633 and accumulated amortization of CIAC should be increased by $73,154. (P. Buys, Sewards)

Position of the Parties

UIF:

Plant Accounts Correction	1,071,092
Accumulated Depreciation Correction	1,511,577
CIAC Correction	(3,633)
Accumulated Amortization Correction	(73,154)
Working Capital	522,840

OPC: The utility's adjusted test year rate base should be decreased by $535,690 to reflect the impacts of the abandonment and decommissioning of the Summertree water supply assets.

Summertree: The utility's adjusted test year rate base should be decreased by $535,690 to reflect the impacts of the abandonment and decommissioning of the Summertree water supply assets.

Staff Analysis:

PARTIES' ARGUMENTS

UIF

UIF witness Swain agreed that the retirements made for the Summertree water system in Pasco County should be consistent with Order No. PSC-16-0505-PAA-WS, with an update to replace the estimated cost of decommissioning with the actual costs incurred. (TR 1437; EXH 233, P 1; UIF BR 11) UIF stated that the total loss on abandonment should be amortized pursuant to Rule 25-30.433(9), F.A.C. (UIF BR 11)

OPC

OPC witness Ramas stated that the retirement made for the Summertree water system in Pasco County should be consistent with the prior Order. (TR 794-795; OPC BR 18) OPC Witness Woodcock testified there was insufficient supporting documentation for the updated cost of decommissioning, thus, these costs should not be included. (TR 798, OPC BR 18)

Summertree

In its brief, Summertree stated the Utility's adjusted test year rate base should be decreased by $535,690. (Summertree BR 8-9)

ANALYSIS

In its filing, the Utility did not provide an assignment of specific plant balances between the Summertree and Orangewood systems. (EXH 168, BSP 288) UIF retired the full balance for multiple accounts associated with the water treatment plant and wells in UIF-Pasco water as listed below in Table 8-1. (EXH 172, BSP 337)

By Order No. PSC-16-0505-PAA-WS, the Commission established a net book value of $363,697 for the water treatment plant and wells in the Summertree system.[41] The Utility agreed that retirements should be made in agreement with the previous Order. (TR 1437; EXH 249, P 12) Accordingly, staff's recommended adjustments to the components of rate base are listed in Table 8-1 below.

Table 8-1
Adjustments to Rate Base in UIF-Pasco

Component of Rate Base	MFR retirement	Order retirement	Adjustments
Plant in Service	($1,786,610)	($715,518)	$1,071,092
Accumulated Depreciation	1,786,610	275,034	(1,511,576)
Contributions in Aid of Construction (CIAC)	156,827	160,460	3,633
Accumulated Amortization of CIAC (AA of CIAC)	(156,827)	(83,673)	73,154
Total	**$0**	**($363,697)**	**($363,697)**

Source: (EXH 172 BSP 337; Order No. PSC-16-0505-PAA-WS; EXH 249, P 12)

The parties' briefs included adjustments for the loss on abandonment amortization; this calculation is discussed in Issue 56. The effect on working capital is discussed in Issue 21.

CONCLUSION

To reflect the appropriate retirement adjustments for UIF-Pasco water, staff recommends plant and accumulated depreciation be increased by $1,071,092 and $1,511,576, respectively. Also, CIAC should be decreased by $3,633 and AA of CIAC should be increased by $73,154.

[41] Order No. PSC-16-0505-PAA-WS, issued October 31, 2016, in Docket No. 150269-WS, *In re: Application for limited proceeding water rate increase in Marion, Pasco, and Seminole Counties, by Utilities, Inc. of Florida,* p. 6.

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

Recommendation: Yes. Staff recommends that pro forma plant additions should be increased by $4,567,153 resulting in a total balance of pro forma additions of $35,878,520. Table 9-3 below shows that plant additions for water should be increased by $129,776 and increased by $4,437,377 for wastewater. The adjustments in Table 9-3 are based on the recommended amount for each pro forma project discussed in this issue. (Sewards, Galloway, P. Buys)

Position of the Parties

UIF: 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.

OPC: Yes, adjustments should be made to each system for the pro forma projects included in UIF’s initial filing, as discussed in testimony and exhibits of OPC Witnesses Woodcock and Ramas. The pro forma plant adjustments are shown on a table in the Brief Exhibit attached hereto.

Summertree: Yes, proforma plant additions to rate base should be limited to only the projects completed and placed into service at a cost of $4.5 million, as reflected in the pre-filed testimony and exhibits.

Staff Analysis:

PARTIES’ ARGUMENTS

UIF

UIF proposed 47 pro forma plant addition projects; however, one project, PCF-28 (Blower replacement at the Wekiva facilities), was deferred and recovery for the project is not being requested in this rate case. (UIF BR 11-17) The Utility asserted that this Commission’s policy, which OPC acknowledged, has been that proper documentation of pro forma projects is to provide actual invoices for the projects that have been completed and signed contracts supported by three bids for the projects not completed. (UIF BR 16)

The Utility asserted that 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 BR 16) The Utility explained pro forma projects, by their nature, are not always completed at the time of filing and hard numbers as to their cost are not available at the time either. As documentation became available throughout the discovery process, as it has been done in every case with pro forma plant adjustments, UIF provided updated documentation. (UIF BR 17)

UIF argued that OPC witness Woodcock had an opportunity to visit all of its water and wastewater systems and to evaluate the pro forma projects. The witness did not question the reasonableness or necessity of any of the pro forma projects, but recommended that projects be excluded because he did not have enough time to review the cost justification for all pro forma projects. (UIF BR 17) The Utility stated that 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 pro forma projects he claimed he did not have sufficient time to review. Further, UIF argued, for those projects whose cost exceeded the original estimate, OPC's witness recommended that only the original estimate be allowed, but at the same time, if the project cost was actually less than the estimate, he recommended the actual cost be allowed. UIF argued that the witness was clearly trying to establish a double standard. The Utility also noted that OPC sought to exclude 11 projects from Commission consideration, which included a project its own witness acknowledged at the hearing was reasonable. (UIF BR 17)

UIF stated that Summertree, through its cross-examination of UIF witness Flynn, implied that there was something sinister with coordinating capital projects with cost recovery in a rate case. The Utility explained doing so was good utility practice as it reduced the regulatory lag that was inherent in capital expenditures by utilities. (UIF BR 17)

Last, UIF argued that all of the pro forma projects were fully supported with either invoices or signed contracts and would be completed by December 31, 2017, which is within the 24-month statutory deadline. A summary of the current project costs and completion dates were set forth in Exhibit 248 and totals $36,850,000. (UIF BR 17)

OPC

In its brief, OPC began by providing a chronology and description of the filings supporting and opposing the proposed pro forma projects. OPC argued that UIF submitted an inadequate initial filing and an inadequate revised filing that failed to support its request for rate relief. (OPC BR 19-23) OPC asserted that UIF had enough time and expertise to provide support for projects OPC contested in this case. OPC argued that UIF, and not staff or any other party, has the burden of proof to support the Utility's rate request. OPC argued that during cross-examination of witness Woodcock, UIF asked numerous questions which attempted to shift the burden to OPC. (OPC BR 19-23)

OPC identified the non-contested pro forma projects with sufficient cost justification and argued that where there is a difference between OPC witness Woodcock's testimony and UIF witness Flynn's rebuttal testimony, greater weight should be given to witness Woodcock's recommendation. OPC argued this is because witness Woodcock physically inspected a number of UIF's proposed pro forma projects. (OPC BR 23, OPC BR EXH, P 12-16)

OPC next identified the contested projects, breaking them down into four categories:

- Category 1 – Pro Forma Projects Initially with Adequate Cost Justification
- Category 2 – Pro Forma Projects with Cost Justification Supporting Less than Requested
- Category 3 – Pro Forma Projects Lacking Adequate Cost Justification
- Category 4 – Pro Forma Projects Without any Cost Justification

OPC argued that documented cost support for projects in these categlories was either insufficient, inadequate, omitted, increased significantly, or provided unreasonably late through witness Flynn's rebuttal testimony. OPC asserted that some projects witness Woodcock initially agreed to in his testimony are now in dispute because of the increases included in witness Flynn's rebuttal testimony and exhibits. Once again, OPC asserted that greater weight should be given to witness Woodcock's recommendation because he physically inspected some of the proposed pro forma projects in dispute. (OPC BR 24-31; OPC BR EXH, P 17-20)

In conclusion, OPC argued that UIF has the burden to prove the prudence and reasonableness for all pro forma projects it requested be included in rates. Moreover, UIF should not be allowed to substantively enlarge its rate request in rebuttal. The Commission should disallow cost recovery for all pro forma projects where UIF failed to meet its burden. (OPC BR 31)

Summertree

In its brief, Summertree noted that UIF requested nearly $37 million of pro forma adjustments to be included in rate base and rates, although UIF identified only $30.8 million of pro forma projects in its MFRs. Summertree argued that UIF seeks to take advantage of the two-year pro forma test period authorized by Florida law. Summertree asserted that even where the prudence of a project and the reasonableness of a projected cost could be established, a project should not be included in rate base if UIF failed to produce credible evidence that it will complete the project by December 31, 2017. Therefore, the analysis of OPC witness Woodcock suggesting that a portion of the projected projects appeared prudent and the projected costs appeared reasonable is not sufficient for the Commission to include the projects and associated investments in rate base. Summertree stated credible evidence must be presented in the record to establish that the projects will be completed and in service prior to December 31, 2017. (Summertree BR 9-12)

Summertree next argued that UIF's capital planning program principally revolved around the goal of spending as much capital during the two-year pro forma period as possible to maximize UIF's rate increase. Summertree asserted that statements in the justification documentation identified rate recovery as a principal factor in identifying the pro forma projects to get prompt recovery of UIF's investment. In addition, Summertree noted that UIF's justification documentation included information regarding each pro forma projects' anticipated return on equity, cost of debt, after tax return on rate base, and pre-tax return on rate base. Summertree argued this information has no relationship to the justification of any individual project. (Summertree BR 10-12)

Summertree adopted the arguments proffered by OPC in opposition to the inclusion of other pro forma projects in rate base, particularly those projects which were not completed and in service on the day the evidentiary hearing was initiated. (Summertree BR 13) Summertree did not provide testimony on this issue.

ANALYSIS

Section 367.081, F.S., provides that the Commission, in fixing rates, shall consider facilities to be constructed within a reasonable time in the future, not to exceed 24 months after the end of the historic base year used to set final rates, unless a longer period is approved by the Commission, to be used and useful (U&U) if such property is needed to serve current customers. Eighteen pro forma plant items discussed in this issue have been completed and the remaining projects are projected to be completed within 24 months of the test year (December 31, 2017). (EXH 248)

The direct testimony of witness Flynn and the Utility's MFRs identified 47 pro forma plant additions totaling approximately $31 million.[42] For many of the pro forma projects, witness Flynn provided bids or invoices as well as internal Utility documents (add-change forms) providing a description, including the justification and benefits, of a respective project.

UIF originally requested cost recovery to replace a blower at the Wekiva facilities in the Sanlando service area (PCF-28) and to replace a blower at the Mid-County South facilities in the Mid-County service area (not a PCF exhibit). Since the start of the case, UIF has postponed both projects to a later date. (EXH 145, BSP 155; EXH 155, BSP 210; EXH 248) Because UIF postponed both projects, staff recommends these projects not be included in this rate case.

OPC witness Woodcock provided testimony identifying the pro forma costs that he considered appropriate for inclusion in rate base as well as the costs that he determined should not be included in rate base. Witness Woodcock's analysis and recommended adjustments relied on the information presented in the direct testimony of UIF witness Flynn. (TR 620) Additionally, witness Woodcock conducted field visits to observe the progress of some pro forma projects. (TR 635)

In total, OPC witness Woodcock testified that approximately $21.3 million of the Utility's requested pro forma additions appear to be reasonable and adequately supported by documentation. The $21.3 million acknowledged by witness Woodcock represents 38 projects. (TR 623-625; TR 637)

Witness Woodcock testified that much of the supporting documentation provided by witness Flynn did not sufficiently support the Utility's request. (TR 620) Witness Woodcock testified that invoices documenting the full scope of a project and final installed costs represent the best documentation to support additions to rate base. (TR 620-621) Witness Woodcock additionally testified that a competitive bid plus a signed contract for a defined project scope could be considered to support additions to rate base. (TR 621) Staff agrees that invoices and bids provide a rational basis for determining that the cost of a pro forma addition is reasonable.

In his rebuttal testimony, UIF witness Flynn provided information to address the concern expressed in the testimony of witness Woodcock. The information provided by witness Flynn included new and updated bids, invoices, and add-change forms. Based on the updated information, UIF's resulting pro forma plant request totaled $36,850,000 of capital investment. (EXH 248)

Neither Seminole County nor Summertree provided testimony on the pro forma projects. However, Summertree did brief this issue.

[42] Two of the pro forma projects (PCF-2 and PCF-4) are considered as expense items and are discussed in Issue 51. One pro forma project (PCF-34) relates to the abandonment and decommissioning of UIF's Summertree water supply assets and is discussed in Issues 8 and 56. In addition, the associated retirements for the pro forma projects will be discussed in Issue 10.

No party challenged or questioned the necessity of the pro forma projects as being needed to provide adequate and reliable service. The disputed issues are over the cost justification provided for several projects.

Staff's analyses of UIF's pro forma projects consist of 1) pro forma additions that are agreed upon by the parties and 2) pro forma additions that are not agreed upon. Within each section, staff provides a description of the individual pro forma additions and the associated costs requested by UIF.

Pro-Forma Additions Agreed to by the Parties

For each project in this section, staff reviewed the documentation in the record, including bids and invoices, to determine the reasonable cost for each respective addition. Staff then compared the supported cost to the cost proffered by UIF and OPC for each individual project. Based on this comparison, staff identified 18 pro forma additions, totaling approximately $13 million that appear to be agreed upon by UIF and OPC. Table 9-1 summarizes the pro forma additions that are agreed upon.

Table 9-1
Pro Forma Additions Agreed to by the Parties

Pro Forma Project	UIF Requested Amount	OPC Recommended Amount	Staff Recommended Amount
PCF-1 Cypress Lakes Hydro Tank Replacement	$26,000	$25,732	$25,732
PCF-6 Oswalt Rd. Water Mains (WM) Relocates	$181,000	$181,400	$181,400
PCF-7 LUSI SCADA System	$459,000	$458,902	$458,056
PCF-8 LUSI TTHM & HAA5 Analysis	$79,000	$79,250	$79,250
PCF-9 Engineering Lake Groves Water Treatment Plant (WTP) Upgrades	$331,000	$330,832	$330,832
PCF-10 Eng-LUSI US 27 Ph.3 Utility Relocates, and PCF-10a LUSI US 27 Ph. 3 Utility Relocates	$1,734,000	$1,806,000	$1,734,320
PCF-12 Longwood Groves I&I Study	$50,000	$50,000	$49,315
PCF-22 Sanlando Autumn Drive WM Replacement	$99,000	$98,970	$98,970
PCF-24 Sanlando Markham Woods Rd. WM Reloactes	$66,000	$65,900	$65,900
PCF-29 Sanlando Well 2A & Lift Station A1 Electrical Improvements	$344,000	$343,437	$343,437
PCF-31 Tierra Verde 401 8th Street GSM Replacement	$85,000	$84,673	$84,673
PCF-32 UIF Crescent Heights WM Replacement	$1,806,000	$1,806,000	$1,805,518

Pro Forma Project	UIF Requested Amount	OPC Recommended Amount	Staff Recommended Amount
PCF-39 UIF Crystal Lake WM Replacement	$1,586,000	$1,585,933	$1,585,933
PCF-40 UIF Little Wekiva WM Replacement	$522,000	$521,681	$521,681
PCF-42 UIF Oakland Shores WM Replacement	$1,572,000	$1,571,701	$1,571,701
PCF-43 UIF Phillips WM Replacement	$1,188,000	$1,188,247	$1,188,247
PCF-44 UIF Ravenna Park WM Replacement	$2,161,000	$2,160,808	$2,160,808
PCF-47 UIF Global – Geographic Information System (GIS) Mapping Services	$244,000	$244,321	$244,321
Pro Forma Projects Totals	**$12,533,000**	**$12,603,787**	**$12,530,094**

Source: TR 617-632; EXH 248[43]

PCF-1 Cypress Lakes Hydropneumatic Tank Replacement

In its filing, UIF requested cost recovery to install the 10,000-gallon hydropneumatic tank that is being removed from Summertree and relocated at the Cypress Lakes Water Treatment Plant (WTP). (EXH 207, P 1) UIF explained that the existing tank at Cypress Lakes is a non-American Society of Mechanical Engineers (ASME) tank and was installed in 1987. (EXH 207, P 2) A 2014 tank inspection, which was submitted to the Polk County Health Department, indicated that the tank is in less-than ideal condition and even though the tank has not failed, it is in a state of degradation that will likely result in failure in the near future. (EXH 145, BSP 146) The Polk County Health Department directed the Utility to either refurbish or replace the tank. (EXH 207, P 3) UIF believes it is prudent to replace a 30-year old non-ASME tank with a 4-year old ASME tank of similar size and configuration. (EXH 207, P 2)

The project also includes construction of a concrete support for the tank and connecting the tank to the existing yard piping. The tank is to be cleaned, disinfected, and sampled before placed in service. The existing tank at Cypress Lakes will be disconnected and removed. (EXH 207, P 1) This project was projected to be completed by April 30, 2017. (EXH 248)

In UIF witness Flynn's direct testimony, filed August 31, 2016, the requested amount for this project was $30,000. (TR 321) OPC witness Woodcock testified that the Utility provided sufficient documentation to support $25,732. (TR 624-625) In his rebuttal testimony, UIF witness Flynn provided a quote for $25,732. (EXH 207, P 6) Based on the documentation provided by the Utility, as well as the testimony of witnesses Flynn and Woodcock, staff recommends $25,732 is reasonable for the proposed project.

[43] This exhibit shows the pro forma amounts rounded and in thousands.

PCF-6 Oswalt Road Water Main Relocation

In its filing, UIF requested cost recovery to relocate distribution system facilities on Oswalt Road in advance of a Lake County road and drainage improvement project in the LUSI service area. (TR 322) UIF explained that as part of the project it was necessary to directionally drill through heavily treed portions of the right-of-way to complete the project. UIF was going to use the open cut installation method but due to a change in Lake County's plan, the Utility was forced to change the path of its water mains which caused costs to increase as noted below. (EXH 145, BSP 150-151) This project was completed on January 31, 2017. (EXH 248)

In UIF witness Flynn's direct testimony, the requested amount for this project was $50,000 based on initial bids. (TR 322) In his rebuttal testimony, UIF witness Flynn provided actual invoices and requested $181,000. OPC witness Woodcock testified that the Utility invoices actually reflect $181,400. (TR 623) Staff agrees the invoices total $181,400. (EXH 212) Based on the documentation provided by the Utility, as well as the testimony of witnesses Flynn and Woodcock, staff recommends $181,400 is reasonable for this project.

PCF-7 LUSI SCADA System

UIF requested cost recovery for design services, bidding and installation of a Supervisory Control and Data Acquisition (SCADA) system for the LUSI service area to remotely monitor eleven WTPs, one reclaimed water plant, one WWTP, five well sites and eighteen lift stations. (EXH 44, P 73) The WTPs historically operated according to system pressure differential by switches that offer little control over the operation. The WTPs tend to compete against one another and cause facilities to continue to run exceeding the maximum day design capacity. A solution to this issue is the implementation of a SCADA system wherein the facilities can be better controlled and monitored to avoid future exceedances. (EXH 44, P 74) The project was completed on July 1, 2016. (EXH 248)

The use of the SCADA system will improve response to alarms, eliminating the need for an external alarm company. The SCADA system will also improve the collection of pumping data. Lift station operating reports can be evaluated each morning to check for problems allowing the technician to prioritize the route. In addition, commercial power glitches that create false alarms would be recognized by the SCADA system. (EXH 44, P 74)

In UIF witness Flynn's direct testimony, the requested amount for this project was $470,000. (TR 322) The supporting documentation provided with witness Flynn's direct testimony includes invoices totaling $458,056. (EXH 44, P 76-118) OPC witness Woodcock testified that the Utility provided sufficient documentation to support $458,902. (TR 625) In his rebuttal testimony, UIF witness Flynn rounded the amount requested for this project to $459,000. (EXH 248) Based on the documentation provided by the Utility, as well as the testimony of witnesses Flynn and Woodcock, staff recommends $458,056 is reasonable for this project.

PCF-8 LUSI TTHM & HAA5 Analysis

UIF requested cost recovery to investigate options available to determine a long-term solution to reduce the Total Trihalomethanes (TTHM)/Five Haloacetic Acids (HAA5), which are disinfection byproducts, in the LUSI service area. (EXH 45, P 120) UIF explained that the LUSI systems had challenges meeting the TTHM/HAA5 limits over the last several years. The Utility commissioned an engineering study in 2014 and it was determined bi-directional flushing would help reduce the HAA5. Bi-directional flushing was the least costly and complicated solution when compared to Chloramines, Granular Activated Carbon (GAC), Ion Exchange, or Reverse Osmosis (RO). UIF reported that the bi-directional flushing was successful, particularly in the cooler weather when formation potential was less likely due to lower water temperature. However, higher temperatures are lasting longer and water temperatures have been altogether higher on average accelerating TTHM/HAA5 formation, indicating that UIF needed to find an alternate solution. (EXH 45, P 121)

The project also included testing at the eight wells in LUSI North and the three wells in LUSI South. The samples were evaluated to develop a basic TTHM formation curve and HAA5 formation potential. The hydraulic Water CAD model was updated to evaluate the water age within the system. UIF explained that the water age will need to be developed to determine the correlation between the existing sampling points and the model water age. (EXH 45, P 120) This project was completed on November 19, 2016. (EXH 248)

In UIF witness Flynn's direct testimony, the requested amount for this project was identified as $79,250. (TR 322) The supporting documentation provided with witness Flynn's direct testimony include invoices totaling $79,250. (EXH 45, P 125-144) OPC witness Woodcock testified that the Utility provided sufficient documentation to support the $79,250 cost. (TR 623) In his rebuttal testimony, UIF witness Flynn rounded the amount requested for this project to $79,000. (EXH 248) Based on the documentation provided by the Utility, as well as the testimony of witnesses Flynn and Woodcock, staff recommends $79,250 is reasonable for this project.

PCF-9 Engineering Lake Groves WTP Upgrades

UIF requested cost recovery for design services, permitting, and pilot testing of the complete membrane treatment system as discussed in PCF-8 for the Lake Groves WTP in the LUSI service area to reduce TTHM/HAA5 values. (EXH 213, P 1) UIF explained that on September 12, 2016, DEP issued a consent order for the LUSI service area for exceeding the TTHM/HAA5 limits. Under the terms of the consent order, the Utility was required to conduct a treatment study. The alternative treatment study is discussed above under PCF-8. The final engineering report identified four treatment technologies that would reduce the TTHM/HAA5 values: ozone, granular active carbon, ion exchange, and membrane filtration. The membrane filtration technology was selected based upon effectiveness, capital cost, maintenance costs, complexity, consistency, reliability, ease of future expansion, safety, and required operator skill set. During the design phase, a pilot test will be conducted to insure that the membrane filtration can in fact achieve the required TTHM/HAA5 reduction. (EXH 213, P 2) This project was projected to be completed by June 1, 2017. (EXH 248)

Based on the information provided by the Utility, UIF must meet two deadlines within the consent order: (1) the 60-day requirement to select a design engineer and (2) the 180-day design and permitting deadline. Conducting a pilot test will verify the chosen treatment technology best suits the needs of the Utility and the risk associated with selecting the membrane technology will be avoided up front. (EXH 213, P 2)

In UIF witness Flynn's direct testimony, the requested amount for this project was identified as $450,000. (TR 323) OPC witness Woodcock testified in his direct testimony that the Utility did not provide any supporting documentation and that this project should be excluded from the rate case. (TR 630) In his rebuttal testimony, UIF witness Flynn provided updated supporting documentation and decreased the total requested amount of the project to $331,000. The supporting documentation included two quotes: one for $330,832 and one for $352,606. (EXH 213, P 6-58) In response to discovery, OPC witness Woodcock acknowledged that he reviewed the supporting documentation and agreed $330,832 is reasonable for this project. (TR 671) Based on the documentation provided by the Utility, as well as the testimony of witnesses Flynn and Woodcock, staff recommends $330,832 is reasonable for this project.

PCF-10 Eng-LUSI US 27 Ph. 3 Utility Relocates and PCF 10a LUSI US 27 Ph.3 Utility Relocates

UIF requested cost recovery for the engineering design and the removal and replacement of water mains, reclaimed water mains, and force mains located within the Florida Department of Transportation (FDOT) right-of way along US Highway 27. (EXH 47, P 148; EXH 215, P 1) The Utility explained that its facilities are located within the FDOT right-of-way and subject to the FDOT permitting requirements that include the requirement to relocate and adjust facilities. Failure to comply with FDOT permit conditions will result in the issuance of a Notice to Vacate the right-of-way. UIF asserts this would negatively impact the quality and availability of service to existing customers. The Utility believes it is important to insure that its facilities are relocated efficiently and effectively. (EXH 47, P 149; EXH 215, P 2) UIF asserts that to do this, it will require the use of engineering services that are coordinated with FDOT's consultants and contractors. (EXH 47, P 149) Failure to relocate the facilities may result in delays to FDOT's contractor and claims for damages. (EXH 215, P 2)

This project includes engineering design and the relocation of approximately 9,915 linear feet of 16-inch water mains, 142 linear feet of 8-inch water mains, 2,460 linear feet of 12-inch force mains, 40 linear feet of 8-inch reclaimed water mains, and 602 linear feet of 12-inch reclaimed water mains. These quantities of pipes are based upon FDOT roadway plans with limited information provided regarding actual vertical and horizontal locations. As such, the contractor selected for the engineering design was tasked with verifying the vertical and horizontal locations of UIF's facilities, mapping the facilities, and comparing them to existing locations in the FDOT plan set. (EXH 215, P 2) This project was projected to be completed by June 30, 2017. (EXH 248)

In UIF witness Flynn's direct testimony, the requested amount for this project was $1,869,000. (TR 323) OPC witness Woodcock testified that the Utility provided sufficient documentation to support $1,806,000. (TR 623) In his rebuttal testimony, UIF witness Flynn provided updated supporting documentation and decreased the total requested amount to $1,734,000. (EXH 248) Based on the documentation provided by the Utility, as well as the testimony of witnesses Flynn and Woodcock, staff recommends $1,734,320 is reasonable for the proposed project.

PCF-12 Longwood Groves I&I Study

UIF has requested cost recovery to clean and video inspect 30,000 linear feet of gravity sewer main to identify the locations of significant deficiencies in the Longwood collection system. (TR 323) After measuring each sewer tangent, it was determined the actual lineal footage for this project totaled approximately 26,300 linear feet. (EXH 145, BSP 153) This project was completed on January 31, 2017. (EXH 248)

In UIF witness Flynn's direct testimony, the requested amount for this project was identified as $50,000. (TR 323) OPC witness Woodcock testified that the Utility provided documentation to support a project cost of $50,000. (TR 623) In his rebuttal testimony, UIF witness Flynn provided updated invoices totaling $49,315. (EXH 217) Based on the documentation provided by the Utility, as well as the testimony of witnesses Flynn and Woodcock, staff recommends $49,315 is reasonable for the project.

PCF-22 Sanlando Autumn Drive Water Main Replacement

UIF requested to replace approximately 900 linear feet of 6-inch PVC water mains in the Sanlando service area. (EXH 225, P 1) UIF explained there has been at least five water main breaks in this area since 2015. In addition, in this area, the stormwater conveyance system is overland flow. UIF explained that during the water main breaks, the extra water would cause damage to residential homes and property resulting in liability insurance claims. The existing PVC material was installed in mid to late 1970 and has much thinner wall thickness than what is installed today. The Utility staff, when making repairs, observed a great degree of deflection in the pipe making the repair activity difficult when realigning the pipe. UIF believes the breaks in this area appear to be related to stress caused by over-deflected water main sections when it was originally installed. (EXH 225, P 2) This project was completed on January 31, 2017. (EXH 248)

In UIF witness Flynn's direct testimony, the requested amount for this project was identified as $98,970. (TR 325) OPC witness Woodcock testified that the Utility provided documentation to support a project cost of $98,970. (TR 623-624) In his rebuttal testimony, UIF witness Flynn provided updated supporting documentation and rounded the total requested amount to $99,000. (EXH 248) The supporting documentation includes three quotes for $98,970, $103,020, and $109,130. (EXH 225, P 6-15) Based on the documentation provided by the Utility, as well as the testimony of witnesses Flynn and Woodcock, staff recommends $98,970 is reasonable for the project.

PCF-24 Sanlando Markham Woods Road Water Mains Relocations

UIF has requested cost recovery to relocate water mains and valves in the Sanlando service area in advance of a Seminole County road improvement project at the intersection of Markham Woods Drive and State Road 434. (TR 326) This project was completed on July 31, 2016. (EXH 248)

In UIF witness Flynn's direct testimony, the requested amount for this project was identified as $65,900. (TR 326) OPC witness Woodcock testified that the Utility provided invoices to support a project cost of $65,900. (TR 623-624) In his rebuttal testimony, UIF witness Flynn rounded the amount of the project to $66,000 (EXH 248) Based on testimony of witnesses Flynn and Woodcock, staff recommends $65,900 is reasonable for the project.

PCF-29 Sanlando Well 2A & Lift Station A1 Electrical Improvements

UIF requested cost recovery to design and install an emergency generator at the Des Pinar Well 2A and Lift Station A-1 in the Sanlando service area. The generator will provide backup power to the well and lift station during power outages to avoid sanitary sewer overflows or low water pressure. The project also includes improvements to the electrical equipment to meet National Electric Code (NEC) specifications. (TR 327) This project was projected to be completed by April 30, 2017. (EXH 248)

In UIF witness Flynn's direct testimony, the requested amount for this project was $343,437. (TR 327) OPC witness Woodcock testified that the Utility provided documentation to support a project cost of $343,437. (TR 623-624) In his rebuttal testimony, UIF witness Flynn rounded the amount of the project to $344,000 (EXH 248) Based on testimony of witnesses Flynn and Woodcock, staff recommends $343,437 is reasonable for the project.

PCF-31 Tierra Verde 401 8th Street Gravity Sewer Mains Replacement

UIF requested cost recovery to replace approximately 83 linear feet of gravity sewer mains in the Tierra Verde service area. UIF explained that in February 2015, approximately 28 linear feet of gravity sewer main failed and required replacement. Upon excavation and installation of the new pipe, it was found that an additional 15 linear feet of pipe needed replacement. Further issues were found with the gravity sewer main and it was determined an additional 40 linear feet of the pipe would need replacement. This project was broken down into two phases. The project also included dewatering the site, the removal and replacement of a customer's driveway, and restoration of the affected customer's landscaping materials. (EXH 69, P 584) This project was completed on March 3, 2016. (EXH 248)

In UIF witness Flynn's direct testimony, the requested amount for this project was identified as $84,673. (TR 327-328) The supporting documentation provided with witness Flynn's direct testimony included two invoices totaling $84,673. (EXH 69, P 589-593) OPC witness Woodcock testified that the Utility provided documentation to support a project cost of $84,673. (TR 623-624) Based on the documentation provided by the Utility, as well as the testimony of witnesses Flynn and Woodcock, staff recommends $84,673 is reasonable for the project.

PCF-32 UIF-Orange County- Crescent Heights Water Mains Replacements

UIF requested cost recovery to replace approximately 14,100 linear feet of water mains in the Crescent Heights service area within the UIF Orange County territory. (EXH 231, P 1) UIF explained that the Crescent Heights water system is comprised of Asbestos Cement (AC) and galvanized iron pipes, which are estimated to be 57 years old, with few valves to isolate sections of the system when water main breaks occur. The existing valves are double disc valves that do not fully seat and bronze body wheel handle valves that are damaged and difficult to operate. The AC pipes are failing frequently due to but not limited to fatigue, loss of hoop strength due to high water table, gasket failures, ground settling, and excess deflection of pipe joints. The galvanized pipes over time have organic growth that contributes to water quality complaints. UIF explained there are no fire hydrants or significant flushing points to adequately maintain the system. (EXH 231, P 2)

Orange County requires the Utility remove all existing water mains located within the right-of-way except mains under county roads that can be grouted in place. UIF explains that all AC pipe must be removed and disposed of by a certified asbestos contractor in a Class I landfill. (EXH 231, P 2) This project includes replacing valves, blows offs, water services, driveway sections and sidewalks. (EXH 231, P 1) This project was projected to be completed by November 30, 2017. (EXH 248)

In UIF witness Flynn's direct testimony, the requested amount for this project was $1,806,000. (TR 328) The supporting documentation provided with witness Flynn's direct testimony included three quotes for the majority of the work and a quote for right-of-way permitting, production of as-built drawings, field inspections during construction, and contract bidding services. (EXH 70, P 600-616) OPC witness Woodcock testified that the Utility provided documentation to support a project cost of $1,806,000. (TR 623-624) Based on the documentation provided by the Utility, as well as the testimony of witnesses Flynn and Woodcock, staff recommends $1,805,518 is reasonable for the project.

PCF-39 UIF-Seminole County- Crystal Lake Water Main Replacements

UIF requested cost recovery to replace approximately 18,500 linear feet of water mains in the Crystal Lake service area within the UIF Seminole County territory. (EXH 77, P 717) UIF explained that the Crystal Lake water system is comprised of AC and galvanized iron pipes, which are estimated to be 61 years old, with few valves to isolate sections of the system when water main breaks occur. The existing valves are double disc valves that do not fully seat and bronze body wheel handle valves that are damaged and difficult to operate. The AC pipes are failing frequently due to but not limited to fatigue, loss of hoop strength due to high water table, gasket failures, ground settling, and excess deflection of pipe joints. Over time organic growth in the distribution system contributes to water quality complaints. UIF explained there are no fire hydrants or significant flushing points to adequately maintain the system. UIF explained that some galvanized mains are located in a rear easement with water meters being inaccessible for reading and maintenance purposes. (EXH 77, P 717-718)

Seminole County requires the Utility to remove all existing water mains located within the right-of-way except mains under county roads that can be grouted in place. UIF explains that all AC pipe must be removed and disposed of by a certified asbestos contractor in a Class I landfill. (EXH 77, P 718) This project includes replacing valves, blows offs, water services, and driveway sections. (EXH 77, P 717) This project was projected to be completed by September 30, 2017. (EXH 248)

In UIF witness Flynn's direct testimony, the requested amount for this project was $1,585,933. (TR 329-330) The supporting documentation provided with witness Flynn's direct testimony included three quotes for the majority of work, and a quote for right-of-way permitting, production of as-built drawings field inspections during construction, and contract bidding services. (EXH 77, P 722-738) OPC witness Woodcock testified that the Utility provided documentation to support a project cost of $1,585,933. (TR 623-624) In his rebuttal testimony, UIF witness Flynn rounded the amount of the project to $1,586,000 (EXH 248) Based on the documentation provided by the Utility, as well as the testimony of witnesses Flynn and Woodcock, staff recommends $1,585,933 is reasonable for the project.

PCF-40 UIF-Seminole County – Little Wekiva Water Main Replacements

UIF requested cost recovery to replace approximately 4,100 linear feet of water mains in the Little Wekiva service area within the UIF Seminole County territory. (EXH 78, P 740) UIF explained that the Little Wekiva water system is comprised of AC and galvanized iron pipes, which are estimated to be 58 years old, with few valves to isolate sections of the system when water main breaks occur. The existing valves are double disc valves that do not fully seat and bronze body wheel handle valves that are damaged and difficult to operate. The AC pipes are failing frequently due to but not limited to fatigue, loss of hoop strength due to high water table, gasket failures, ground settling, and excess deflection of pipe joints. Over time, organic growth in the distribution system contributes to water quality complaints. UIF explained there are no fire hydrants or significant flushing points to adequately maintain the system. (EXH 78, P 741)

Seminole County requires the Utility to remove all existing water mains located within the right-of-way except mains under county roads that can be grouted in place. UIF explains that all AC pipe must be removed and disposed of by a certified asbestos contractor in a Class I landfill. (EXH 78, P 741) This project includes replacing valves, blows offs, water services, and driveway sections. (EXH 77, P 740) This project was projected to be completed by March 31, 2017. (EXH 248)

In UIF witness Flynn's direct testimony, the requested amount for this project was $521,681. (TR 330) The supporting documentation provided with witness Flynn's direct testimony included three quotes for the majority of work and a quote for right-of-way permitting, production of as-built drawings field inspections during construction, and contract bidding services. (EXH 78, P 745-761) OPC witness Woodcock testified that the Utility provided documentation to support a project cost of $521,681. (TR 623-624) In his rebuttal testimony, UIF witness Flynn rounded the amount of the project to $522,000. (EXH 248) Based on the documentation provided by the Utility, as well as the testimony of witnesses Flynn and Woodcock, staff recommends $521,681 is reasonable for the project.

PCF-42 UIF Seminole County-Oakland Shores Water Main Replacements

UIF requested cost recovery to replace approximately 16,900 linear feet of water mains in the Oakland Shores service area within the UIF Seminole County territory. (EXH 80, BSP 774) UIF explained that the Oakland Shores water system is comprised of AC and galvanized iron pipes, which are estimated to be 55 years old, with few valves to isolate sections of the system when water main breaks occur. The existing valves are double disc valves that do not fully seat and bronze body wheel handle valves that are damaged and difficult to operate. The AC pipes are failing frequently due to but not limited to fatigue, loss of hoop strength due to high water table, gasket failures, ground settling, and excess deflection of pipe joints. Over time organic growth in the distribution system contributes to water quality complaints and elevated TTHM/HAA5 levels. (EXH 80, P 775)

Seminole County requires the Utility to remove all existing water mains located within the right-of-way except mains under county roads that can be grouted in place. UIF explains that all AC pipe must be removed and disposed of by a certified asbestos contractor in a Class I landfill. (EXH 80, P 775) This project includes replacing valves, blows offs, water services, driveway sections, and sidewalks. (EXH 80, P 774) This project was projected to be completed by June 30, 2017. (EXH 248)

In UIF witness Flynn's direct testimony, the requested amount for this project was $1,571,701. (TR 330) The supporting documentation provided with witness Flynn's direct testimony included three quotes for the majority of work and a quote for right-of-way permitting, production of as-built drawings field inspections during construction, and contract bidding services. (EXH 80, P 779-795) OPC witness Woodcock testified that the Utility provided documentation to support a project cost of $1,571,701. (TR 623-624) In his rebuttal testimony, UIF witness Flynn rounded the amount of the project to $1,572,000 (EXH 248) Based on the documentation provided by the Utility, as well as the testimony of witnesses Flynn and Woodcock, staff recommends $1,571,701 is reasonable for the project.

PCF-43 UIF Seminole County – Phillips Water Main Replacements

UIF requested cost recovery to replace approximately 9,350 linear feet of water mains in the Phillips service area within the UIF Seminole County territory. (EXH 81, P 797) UIF explained that the Phillips water system is comprised of AC and galvanized iron pipes, which are estimated to be 53 years old, with few valves to isolate sections of the system when water main breaks occur. The existing valves are double disc valves that do not fully seat and bronze body wheel handle valves that are damaged and difficult to operate. The AC pipes are failing frequently due to but not limited to fatigue, loss of hoop strength due to high water table, gasket failures, ground settling, and excess deflection of pipe joints. The galvanized pipes over time have organic growth that contributes to water quality complaints. UIF explained there are no fire hydrants or significant flushing points to adequately maintain the system. (EXH 81, P 798)

Seminole County requires the Utility to remove all existing water mains located within the right-of-way except mains under county roads that can be grouted in place. UIF explains that all AC pipe must be removed and disposed of by a certified asbestos contractor in a Class I landfill. (EXH 81, P 798) This project includes replacing valves, blows offs, water services, and driveway sections. (EXH 81, P 797) This project was projected to be completed by November 30, 2017. (EXH 248)

In UIF witness Flynn’s direct testimony, the requested amount for this project was $1,188,247. (TR 330) The supporting documentation provided with witness Flynn’s direct testimony included three quotes for the majority of work and a quote for right-of-way permitting, production of as-built drawings field inspections during construction, and contract bidding services. (EXH 81, P 802-818) OPC witness Woodcock testified that the Utility provided documentation to support a project cost of $1,188,247. (TR 623-624) In his rebuttal testimony, UIF witness Flynn rounded the amount of the project to $1,188,000 (EXH 248) Based on the documentation provided by the Utility, as well as the testimony of witnesses Flynn and Woodcock, staff recommends $1,188,247 is reasonable for the project.

PCF-44 UIF Seminole County – Ravenna Park Water Main Replacements

UIF requested cost recovery to replace approximately 23,400 linear feet of water mains in the Ravenna Park service area within the UIF Seminole County territory. (EXH 243, P 820) UIF explained that the Ravenna Park water system is comprised of AC and galvanized iron pipes, which are estimated to be 51 to 59 years old, with few valves to isolate sections of the system when water main breaks occur. The existing valves are double disc valves that do not fully seat and bronze body wheel handle valves that are damaged and difficult to operate. The AC pipes are failing frequently due to but not limited to fatigue, loss of hoop strength due to high water table, gasket failures, ground settling, and excess deflection of pipe joints. The galvanized pipes over time have organic growth that contributes to water quality complaints. UIF explained there are no fire hydrants or significant flushing points to adequately maintain the system. (EXH 243, P 821)

Seminole County requires the Utility to remove all existing water mains located within the right-of-way except mains under county roads that can be grouted in place. UIF explains that all AC pipe must be removed and disposed of by a certified asbestos contractor in a Class I landfill. (EXH 243, P 821) This project includes replacing valves, blows offs, water services, driveway sections, and sidewalks. (EXH 243, P 820) This project was projected to be completed by June 30, 2017. (EXH 248)

In UIF witness Flynn's direct testimony, the requested amount for this project was $2,160,808. (TR 330) The supporting documentation provided with witness Flynn's direct testimony included three quotes for the majority of work and a quote for right-of-way permitting, production of as-built drawings field inspections during construction, and contract bidding services. (EXH 243, P 825-841) OPC witness Woodcock testified that the Utility provided documentation to support a project cost of $2,160,808. (TR 623-624) In his rebuttal testimony, UIF witness Flynn rounded the amount of the project to $2,161,000. (EXH 248) Based on the documentation provided by the Utility, as well as the testimony of witnesses Flynn and Woodcock, staff recommends $2,160,808 is reasonable for the project.

PCF-47 UIF Global – Geographic Information System (GIS) Mapping Services

UIF requested cost recovery for a GIS database mapping system. UIF explained that this project would be broken down into two phases. Phase one involved updating the system maps for each service area. The maps were needed for support in this rate case as well as providing current information to the field staff. The maps depict water and sewer facilities including size of pipe, location of treatment facilities and lift stations, and customers served by class type. This phase has been completed. (EXH 85, P 885)

Phase two is comprised of conversion of the system maps into a GIS database mapping system. This tool will provide a means of collecting up-to-date information of the Utility's linear assets in a network accessible by all employees. UIF explained this upgrade in technology would improve workflow management, accurately identify and locate linear assets, track and trend data to better forecast renewals and replacements, guide expenditure decisions, and improve level of service to the customers. The GIS database mapping system will produce a consolidated geodatabase with descriptive attribute data to support daily operations and the continued maintenance and development of the GIS database locally. (EXH 85, P 886) This phase of the project was projected to be completed by June 30, 2017. (EXH 248)

In UIF witness Flynn's direct testimony, the requested amount for this project was $350,000. (TR 331) The supporting documentation provided with witness Flynn's direct testimony included a quote for phase one of $60,880 and phase two of $183,441. Phase two was awarded to the same contractor who performed the phase one work.[44] UIF explained additional bidders were not sought for phase two because the contractor was familiar with UIF's systems due to performing phase one. In addition, using the same contractor who developed the maps would make the conversion of the maps into the GIS database mapping system seamless. (EXH 85, P

[44] UIF did not seek more than one bidder for phase one as the threshold to obtain three bids was not exceeded. (EXH 85, P 888) UIF explained that its internal policy requires the solicitation of at least three bids for capital projects that are expected to exceed $50,000 in cost. (EXH 145, P 154)

888-908) OPC witness Woodcock testified that the Utility provided documentation to support a project cost of $244,321. (TR 624-625) In his rebuttal testimony, UIF witness Flynn rounded the amount of the project to $244,000 (EXH 248) Based on the documentation provided by the Utility, as well as the testimony of witnesses Flynn and Woodcock, staff recommends $244,321 ($183,441 + $60,880) is reasonable for the project.

Pro Forma Additions Disagreed to by the Parties

As discussed in the previous section, staff identified 18 pro forma additions representing approximately $13 million of capital investment that UIF and OPC agree upon the reasonableness of the cost. The remaining 28 pro forma additions account for approximately $24 million of the Utility's pro forma request.[45]

Witness Woodcock testified that approximately $8 million should be included in rate base and the inadequacy or lack of documentation was the basis for excluding the balance of the Utility's requested costs. (TR 627-632) Witness Woodcock did not provide specific testimony opposing UIF's rational for pursuing the pro forma projects.

Similar to the previous section, staff reviewed the documentation in the record, including bids and invoices, to determine the reasonable cost for each respective addition. Table 9-2 summarizes the pro forma additions that are disagreed upon by UIF and OPC.

Table 9-2
Pro Forma Additions Disagreed to by Parties

Pro Forma Project	UIF Requested Amount	OPC Recommended Amount[46]	Staff Recommended Amount
PCF-3 Eagle Ridge Surge Tank & Plant Improvements	$938,000	$106,388	$937,445
PCF-5 Lake Groves Sludge Dewatering Equipment	$249,000	$240,000	$244,295
PCF-11 Longwood Church Ave. Force Main (FM) Relocates	$254,000	$193,880	$253,524
PCF-13 Longwood Groves I&I Remediation	$274,000	$0	$273,745
PCF-14 Mid-County Electrical Improvements	$1,139,000	$0	$1,158,120
PCF-15 Mid-County Field Office Replacement	$65,000	$65,000	$78,429
PCF-16 Mid-County Flow Monitoring & Analysis	$77,000	$76,704	$62,760
PCF-17 Mid-County I&I Remediation	$148,000	$0	$118,031

[45] As noted earlier, PCF-28 was postponed.
[46] Staff notes that in several instances, the numbers recommended in OPC's post-hearing position and associated chart differ from those discussed in the text of OPC's brief. In those instances, staff has used the amount ultimately cited in OPC's post-hearing position and chart.

Pro Forma Project	UIF Requested Amount	OPC Recommended Amount[46]	Staff Recommended Amount
PCF-18 Mid-County Methanol Pumps & Instrumentation	$102,000	$92,576	$101,833
PCF-19 Mid-County US 19 FM Relocation & Gravity Sewer Main (GSM) Rehab	$230,000	$172,879	$194,271
PCF-20 Pennbrooke WTP Electrical	$421,000	$0	$436,617
PCF-21 Sandalhaven Placida Road Utility Relocation	$267,000	$217,034	$200,557
PCF-23 Sanlando Lift Station Remote Terminal Unit (RTU)	$591,000	$353,200	$591,200
PCF-25 Sanlando Myrtle Lake Hills WM	$695,000	$684,271	$60,000
PCF-26 Sanlando I&I Study and Remediation, Ph.2	$1,727,000	$1,573,884	$1,820,225
PCF-27 Sanlando Shadow Hills Diversion	$8,090,000	$0	$8,075,735
PCF-30 Sanlando Wekiva Wastewater Treatment Plant (WWTP) Rehabilitation	$1,837,000	$1,729,034	$1,826,204
PCF-33 UIF-Buena Vista/Orangewood WM Replacement	$2,174,000	$0	$2,161,993
PCF-35 Lake Tarpon WM Replacement	$1,218,000	$800,000	$1,218,146
PCF-36 UIF Electrical Improvements at Little Wekiva & Jansen WTPs.	$282,000	$268,830	$221,495
PCF-37 UIF Eng WM Replacement	$57,000	$0	$57,047
PCF-38 UIF Bear Lake WM Replacement	$1,495,000	$1,485,270	$1,495,127
PCF-41 UIF Northwestern FM Relocation	$689,000	$120,000	$688,631
PCF-45 UIF Ravenna Park/Crystal Lake Interconnection	$647,000	$646,000	$707,320
PCF-46 C4500 Kodiak Truck Upgrade	$46,000	$44,000	$46,157
Vehicle Replacement Program for 2016	$175,000		$175,000
Boom Truck	$61,000		$61,000
LUSI Lake Groves WWTP Splitter Box Replacement	$83,000		$83,460
Pro Forma Projects Totals	**$24,031,000**	**$8,865,950**	**$23,348,426**

Source: TR 617-632; EXH 248

PCF-3 Eagle Ridge WWTP Surge Tank and Headworks

UIF requested cost recovery for replacing and upgrading the surge tanks at the Eagle Ridge WWTP and performing plant improvements. (EXH 209, P 1) UIF explained that one of the tanks at the WWTP ruptured due to structural failure caused by erosion in 2010. A DEP inspection in 2016 showed that the remaining tanks were badly corroded and the facility was determined to be out of compliance. The DEP inspection also identified other plant improvements needed to avoid degradation of plant performance. (EXH 89, P 21; EXH 209, P 2)

Based on information provided by UIF, the existing surge tanks are subject to corrosion due to the presence of hydrogen sulfide gases in spite of the use of an air scrubber on a continuous basis. The tanks are covered to provide odor control as mandated by DEP, which causes preventative maintenance to be insufficient to extend the life of the tank. UIF explained the existing bar screen is insufficient in removing grit, rags, and debris from the influent flow resulting in a buildup of inert or inorganic materials in the tanks and airbays of the treatment trains. UIF proposes to replace the tanks with a single glass-fused steel tank of larger capacity. (EXH 209, P 1-2)

This project also includes replacing the existing 40-year old wooden chemical storage building. UIF explained that the chemical building is at the end of its service life and is at risk of collapsing. According to UIF, the cost to replace the building is less than the cost to repair the building. Additionally, the original aluminum splitter box leaked from holes caused by corrosive gasses. UIF is requesting to remove and replace the splitter box. (EXH 209, P 2) The project includes upgrading the chlorination system and plant process equipment to include SCADA controls. (EXH 209, P 1) UIF also is replacing the weathered wooden decking, rails, and steps at the membrane filter with aluminum decking, rails and steps. DEP noted in its inspection that the walkways do not appear safe. UIF explained that the field office has been in continuous use for over 20 years, is at the end of its service life, and no longer provides an adequate work area for UIF’s field staff. This project also includes removing non-native trees along the perimeter fence and improvements to the plant entrance as requested by the home owner association. (EXH 89, P 21; EXH 209, P 2) It appears that the proposed project will address the deficiencies identified by DEP. This project was projected to be completed by September 30, 2017. (EXH 248)

In UIF witness Flynn’s direct testimony, the requested amount for this project was $350,000. (TR 321) Witness Flynn’s direct testimony included an agreement dated March 15, 2016 with Excel Engineering to perform a feasibility analysis of replacing the two existing surge tanks. (EXH 39) OPC witness Woodcock testified that the Utility only provided documentation to support a project cost of $106,388 because there was an agreement with a contractor, which was unsigned. (TR 624-626; EXH 110) However, OPC, in the narrative of its brief, argued that the appropriate amount to approve for this project is $350,000, based on the Utility’s initial estimate. (OPC BR 26) In his rebuttal testimony, UIF witness Flynn provided updated documentation supporting the increased amount of $938,140. Witness Flynn explained that the initial estimate of $350,000 was before the engineering design had been completed and bid out. (TR 1239-1241) Based on the results of the previously discussed feasibility analysis, Excel Engineering submitted bid packages to qualified contractors. The described bid process resulted in a signed agreement, dated March 8, 2017, for the majority of the work. The following summarizes the documentation provided by witness Flynn:

- Invoices to replace the splitter box totaling $28,628 dated March 16, 2016, May 27, 2016, and June 15, 2016

- Invoices for engineering of the project for $45,919 dated May 25, 2016, August 30, 2016, September 7, 2016, October 24, 2016, November 30, 2016, January 23, 2017, and March 1, 2017

- A quote for driveway improvements for $20,263 dated June 15, 2016
- Two quotes for the installation of the SCADA equipment for $23,013 dated August 2, 2016 and February 24, 2017
- A quote to replace the field office for $52,665 dated September 2, 2016
- Invoices to remove trees for $40,850 dated October 3, 2016 and October 10, 2016
- A quote for replacement of the decking and stairs for $8,850 dated January 24, 2017
- A quote for replacement of the catwalk deck for $13,478 dated February 6, 2017
- A quote to replace the field office furnishing for $3,427 dated February 24, 2017
- Two quotes for the majority of work for $700,363 and $1,639,841 dated March 8, 2017

(EXH 209, P 6-64)

Based on the documentation provided in this case, staff recommends $937,445 ($700,363 + $45,919 + $20,263 + $23,013 + $13,478 + $8,850 + $52,665 + $3,427 + $28,628 + $40,850) is reasonable for the proposed project.

PCF-5 Lake Groves Sludge Dewatering Equipment

In its filing, UIF requested cost recovery to construct a 20-inch by 60-inch concrete Pre-processing and Pasteurization chamber with an odor control system. (EXH 41, P 43) UIF explained that using the pilot technology would avoid increases in sludge hauling expense. The proposed process passes sludge through a dewatering box and then pours the sludge into the pre-processing chamber of the drying unit. After a day in the pre-processing chamber, the sludge will then be pushed into the pasteurization chamber where the biosolids will be converted to a Class A product. The reduced biosolids will then be swept up and disposed of in a Class 1 landfill. UIF also noted that DEP backs the development and application of this technology due to its potential as a viable means of achieving Class A solids and reducing the need for land application. (EXH 41, P 44)

The project also includes a second Flo Trend box to be used in dewatering and tipping of residuals into the processing chamber. The second box will not hamper the existing operation of the wastewater treatment process. UIF explains there is continued growth in the Lake Groves service area and influent flows have been increasing, which increases the sludge production. A small odor control unit with a blower is also included in the scope of this project. (EXH 41, P 44) This project was projected to be completed by May 30, 2017. (EXH 248)

In UIF witness Flynn’s direct testimony, the requested amount for this project was identified as $245,000. (TR 322) OPC witness Woodcock testified that the Utility provided sufficient documentation to support $240,000. (TR 625) In his rebuttal testimony, UIF witness Flynn provided updated supporting documentation and increased the total requested amount of this project to $249,000. Witness Flynn explained the increase reflects the purchase of a Kubota tractor loader and rake attachment. (TR 1240) The following summarizes the documentation provided by witness Flynn:

- $160,000 for the SolarOrganite Pilot project dated May 28, 2015
- $4,295 for Kubota tractor loader and rake dated June 17, 2015
- $40,000 for the concrete and asphalt used for the SolarOrganite system dated July 13, 2015
- $40,000 for the Flo Trend Sludge Mate with Tarp dated May 30, 2016

(EXH 41, P 48-55; EXH 211)

Based on the documentation provided in this case, staff recommends $244,295 ($160,000 + $40,000 + $40,000 + $4,295) is reasonable for the proposed project.

PCF-11 Longwood Church Ave. Force Main Relocation

UIF requested cost recovery for removing and relocating 1,885 linear feet of 6-inch force main and 415 linear feet of 4-inch force main on Church Avenue. (EXH 216, P 1) UIF explained that its existing force main is in direct conflict with the City of Longwood's new storm water pipe. This project will relocate the force main away from the storm water excavation so that the force main is not damaged during construction and thus avoids a sanitary sewer spill. The existing PVC force main will be removed after the new High Density Polyethylene (HDPE) force main is placed in service. The PVC force main cannot be abandoned in place. (EXH 216, P 2)

UIF explained that there are two parallel force mains along Church Avenue. Initially, it was determined that only the existing 6-inch force main would need to be removed and the existing 4-inch force main would not be in conflict with the City's plans. When the contractor began the relocation work, it was determined that the 4-inch force main was in conflict with the City's project. The 4-inch force main will be relocated to the south side of Church Avenue and connected to the new force main being installed from a lift station. To match the new force mains, approximately 485 linear feet of the new 4-inch force main will be upsized to 6-inch, which requires the lift station pumps to be upgraded from 5 horsepower to 10 horsepower. It was also determined that the amount of pipe removal increased by 1,367 linear feet. (EXH 216, P 2) This project was projected to be completed by March 30, 2017. (EXH 248)

In UIF witness Flynn's direct testimony, the requested amount for this project was identified as $193,880. (TR 323) OPC witness Woodcock testified that the Utility provided documentation to support a project cost of $193,880. (TR 623) In his rebuttal testimony, UIF witness Flynn provided updated supporting documentation and increased the total requested amount of the project to $253,324. Witness Flynn explained the increase reflects additional project cost driven by the City of Longwood, which made unilateral changes to the original scope of the project. (TR 1238) The following summarizes the documentation provided by witness Flynn:

- Invoices totaling $24,000 for the design and permitting services dated April 30, 2016, May 31, 2016 and June 30, 2016

- Three quotes for the majority of work for $144,770, $168,505, and $169,450 dated June 30, 2016
- A quote for $25,110 for the pipe removal dated August 16, 2016
- Quotes totaling $39,038 for the relocation of the 4-inch force main dated October 15, 2016
- A quote for $7,766 for modifications to the lift station dated October 27, 2016
- A quote for $12,840 for the pumps for the lift station dated November 3, 2016

(EXH 216, P 6-10)

Based on the documentation provided in this case, staff recommends $253,524 ($144,770 + $25,110 + $24,000 + $12,840 + $7,766 + $39,038) is reasonable for the proposed project.

PCF-13 Longwood Groves Inflow and Infiltration (I&I) Remediation

UIF requested cost recovery to correct deficiencies found during the cleaning and videoing of the gravity sewer mains in Longwood Groves, PCF-12. The corrections will address excessive I&I that currently increases the flows. UIF explained that the vast majority of the collection system is located under paved areas where a catastrophic failure of a gravity main could lead to the collapse of a paved roadway. (EXH 218, P 2)

The project includes:

- Installing a Cured-In-Place Pipe (CIPP) liner and one four-foot sectional liner
- Reinstating and grouting 15 sanitary laterals and rehabilitate 4 sanitary manholes
- Removing roots and applying root killer to 469 linear feet of gravity sewer main
- Excavating and repairing gravity sewer mains at three locations. This is to repair significant pipe sagging and offset joints.

(EXH 218, P 1)

Based on the information provided by UIF, this project will repair damaged gravity sewer mains that if not addressed would continue to be a source of significant I&I, which would elevate the treatment costs. By addressing the deficiencies in the collection system, groundwater intrusion should be reduced, improving the plant’s performance. (EXH 218, P 2) This project was projected to be completed by May 30, 2017. (EXH 248)

In UIF witness Flynn’s direct testimony, the requested amount for this project was $450,000. (TR 323) OPC witness Woodcock testified in his direct testimony that UIF did not provide any supporting documentation and this project should be excluded from this rate case. (TR 630) In his rebuttal testimony, UIF witness Flynn provided supporting documentation and decreased the total requested amount of this project to $274,000. (EXH 248) The supporting documentation included two quotes. One quote was from Traverse Group, Inc. for the majority of the work for $180,913 dated February 13, 2017. The second quote was from Inistuform for installing CIPP liners and root removals for $92,832 dated February 20, 2017. (EXH 218, P 6-19) It appears the original cost of $450,000 included the I&I study, which is accounted for in PCF-12. Based on the documentation provided in this case, staff recommends $273,745 ($180,913 + $92,832) is reasonable for the project.

PCF-14 Mid-County Electrical Improvements

UIF requested cost recovery to upgrade the electrical equipment at the Mid-County WWTP. UIF explained that a design engineer determined the existing electrical distribution equipment fails to meet current electrical code. To obtain a Pinellas County electrical permit, all deficient components of the electrical system must be replaced and upgraded. The existing 1978 generator and primary transfer switch were bought used and installed in 1993. This equipment is frequently under repair, parts are difficult to obtain on short notice, and has reached the end of its service life. (EXH 219, P 2)

Based on the information provided by the Utility, the current generator unit's performance history indicates that it could fail at any time. If the generator fails, UIF must rent a 500KW unit on short notice with very high daily/weekly rental charges. In addition, the failure would put the facility at risk of not meeting effluent water quality limits. (EXH 219, P 2)

The project includes replacing and upgrading new transfer switches, motor controls, distribution panels, conduits, cables, and ancillary equipment. Also included is a change from 230V service to 480V service in order to provide cleaner incoming power with fewer outages and negative impacts to motors and pumps. Three 230V, 3 phase pole-mounted transformers will be replaced with a single pad-mounted 480V transformer. The transformer will feed a new motor control center through a single automatic transfer switch. (EXH 219, P 2) This project was projected to be completed by September 30, 2017. (EXH 248)

In UIF witness Flynn's direct testimony, the requested amount for this project was $900,000. (TR 323-324) OPC witness Woodcock testified that the Utility did not provide documentation to support the cost. The documentation that witness Woodcock reviewed included a bid that was un-dated and un-signed and did not contain the detailed information that should have been included as compared to other bids. For this reason, witness Woodcock recommends the project not be included in this rate case. (TR 627-629) In his rebuttal testimony, UIF witness Flynn provided updated supporting documentation and increased the total requested amount of the project to $1,139,000. Witness Flynn explained the initial project scope and estimated cost was focused on replacing the 500KW diesel generator and transfer switches. Further investigation identified the need to replace the existing electrical equipment. (TR 1242-1243) The following summarizes the documentation provided by witness Flynn:

- Invoices for the engineering services totaling $27,420 dated February 25, 2015, March 7, 2016, September 29, 2016, October 25, 2016, December 22, 2016, and January 30, 2017

- A quote for the site survey for $15,300 dated March 8, 2016

- A quote for project management for $98,400 dated August 23, 2016

- Two bids for the majority of the work; one for $1,017,000 and the other for $1,110,000 dated January 25, 2017

(EXH 219, P 6-40)

Based on the documentation provided in this case, staff recommends $1,158,120 ($1,017,000 + $98,400 + $27,420 + $15,300) is reasonable for the proposed project.

PCF-15 Mid-County Field Office Replacement

UIF requested cost recovery to remove and replace the Mid-County field office trailer. (EXH 53, P 247) UIF explained that the existing office trailer is approximately 20 years old and is in need of replacement due to structural degradation. The existing facility has experienced frequent repairs to its heating, ventilation, and air conditioning unit, its roof due to leaks, and its floor. UIF explained the electrical service is undersized for current operational needs and the trailer layout is inadequate to meet the current and future needs of the operations staff. The wear and tear after many years of use indicates the trailer will require a major investment in capital improvement in order to extend its useful life. (EXH 53, P 248)

UIF explained that the new facility would provide additional room to support the requirements of the Area Manager, plant operators, and field staff at the Mid-County WWTP. The new building will also house the treatment plant's SCADA system, the process control lab facilities, storage lockers, offices, and storage space for files, plans and drawings. UIF believes that the new facility would also provide adequate space to conduct safety-training activities. (EXH 53, P 248) This project was completed on July 8, 2016. (EXH 248)

In UIF witness Flynn's direct testimony, the requested amount for this project was identified as $65,000. (TR 324) However, the supporting documentation provided with witness Flynn's direct testimony included invoices totaling $78,429. The following summarizes the documentation provided by witness Flynn:

- Two invoices for the modular building totaling $43,797 dated November 24, 2015 and May 2, 2016

- Seven invoices for furniture and process lab cabinets totaling $6,962 with five dated March 31, 2016 and the other two dated April 19, 2016 and May 5, 2016

- Two invoices for the site work and demolition of the existing trailer totaling $27,670 dated April 25, 2016 and August 30, 2016

(EXH 53, P 252-274)

OPC witness Woodcock testified that the Utility provided documentation to support a project cost of $65,000. (TR 623) It appears witness Flynn estimated the project costs lower than what the actual invoices provided totaled. Witness Woodcock recommended the costs identified in witness Flynn's written direct testimony be accepted even if the supporting invoices are higher.

(TR 654-656) Based on the documentation provided by the Utility, staff recommends $78,429 ($43,797 + $27,670 + $6,962) is reasonable for the project.

PCF-16 Mid-County Flow Monitoring & Analysis

UIF requested cost recovery to collect gravity flow data at 16 discrete manhole locations in the Mid-County collection system over two months. The manhole sites include locations where flows from mobile home parks enter the Utility's collection system. (EXH 220, P 1) UIF explained the purpose of this project is to determine the location and severity of excessive I&I that occurs during severe wet weather conditions. Locating and then fixing the sources of excessive inflow and infiltration will allow for optimal use of existing permitted treatment capacity instead of investing capital to expand the plant's current capacity. This project will allow the Utility to make timely and prudent improvements to the facilities where appropriate and beneficial in order to maintain an adequate level of service, avoid sanitary sewer overflows, and operate efficiently. (EXH 220, P 2)

This project includes ten Hach FloDar open channel flow meters with wireless data transmission and six Hach Sub AV open channel flow meters with wireless data transmission. The flow meters are on a three-month lease. Also, included are digital rain gauges at each site. (EXH 220, P 1) This project was projected to be completed by April 1, 2017. (EXH 248)

In UIF witness Flynn's direct testimony, the requested amount for this project was identified as $80,000. (TR 324) OPC witness Woodcock testified that the Utility provided documentation to support a project cost of $80,000. (TR 623) In his rebuttal testimony, UIF witness Flynn provided updated supporting documentation and decreased the total requested amount to $77,000. (EXH 248) However, the supporting documentation includes three invoices for the 16 flow meter leases totaling $62,760 dated October 1, 2015, November 1, 2015, and December 22, 2015. (EXH 220, P 6-25) Based on the documentation provided by the Utility, staff recommends $62,760 for the flow meter leases is reasonable for the project

PCF-17 Mid-County I&I Remediation

UIF requested cost recovery to evaluate and address I&I throughout Mid-County's sanitary sewer collection system. (EXH 221, P 1) UIF explained a large percentage of the collection system is made of clay pipe that is greater than 40 years old. The pipes are subject to root intrusion as well as pipe and gasket failures that provide pathways for groundwater infiltration. During extended wet weather when the water table is elevated, the additional plant flow can tax the plant's performance as well as generate sanitary sewer overflows. (EXH 221, P 2)

Included in the project are two open channel flow meters. These meters will collect data from multiple locations to determine where excess I&I is occurring. Also included is an emergency investigation of a trunk line to determine the cause of sewer backups and the remediation of an offset pipe under a creek bed that was discovered by the emergency investigation. A smoke testing of specific sub-basins as indicated from analysis of previously collected flow data and the purchase of a push camera system to investigate gravity mains and laterals are included in this project. (EXH 221, P 2) This project was projected to be completed by October 31, 2017. (EXH 248)

In UIF witness Flynn's direct testimony, the requested amount for this project was $600,000. (TR 324) OPC witness Woodcock testified that the Utility did not provide documentation to support the cost and the project should not be included in this rate case. (TR 630) In his rebuttal testimony, UIF witness Flynn provided updated supporting documentation and reduced the total requested amount of the project to $148,000. (EXH 248) The following summarizes the documentation provided by witness Flynn:

- Invoices for manhole pins totaling $7,519 dated November 29, 2016
- Invoices for the cleaning and video inspecting of the collection system totaling $24,716, both dated November 30, 2016
- An invoice for an emergency investigation for $17,550 dated November 30, 2016
- A quote for a relay pipe totaling $14,755 dated January 26, 2017
- A quote for the open channel flow meters totaling $44,777 dated March 6, 2017
- A quote for a push camera recorder and locator for $8,714 dated March 14, 2017

(EXH 221, P 6-28)

Based on the documentation provided in this case, staff recommends $118,031 ($24,716 + $44,777 + $14,755 + $7,519 + $8,714 + $17,550) is reasonable for the proposed project.

PCF-18 Mid-County Methanol Pumps & Instrumentation

UIF requested cost recovery for replacing two existing methanol feed pumps and installing instrumentation to flow pace the methanol feed rates. (EXH 56, P 296) UIF explained that the Mid-County WWTP is a surface water discharge facility with limits in its National Pollutant Discharge Elimination System operating permit. The permit includes deep bed denitrification filters that utilize methanol to reduce total nitrogen levels. The methanol pumps, associated pump controls, and piping components are approximately 24 years old and at the end of their service lives. UIF explained that the pumps are frequently under repair and some of the pump parts are obsolete. (EXH 56, P 297)

Based on the information provided, the WWTP could suffer a catastrophic failure due to obsolete pumping equipment. This would result in higher costs for emergency procurement of scarce parts, shipping, and installation. The upgrades would eliminate these concerns and monitoring would be enhanced and improved. (EXH 56, P 297) This project was projected to be completed by March 31, 2017. (EXH 248)

In UIF witness Flynn's direct testimony, the requested amount for this project was $102,000. (TR 324-325) The supporting documentation provided with witness Flynn's direct testimony includes:

- An invoice for the methanol pumps for $38,609 dated July 22, 2016

- A quote for the labor and material to install the pumps and equipment for $12,500 dated July 25, 2016

- A quote for the chemical analyzer equipment for $41,467 dated August 24, 2016

- Added contingency for a change in prices for $9,257

(EXH 56, P 299-312)

OPC witness Woodcock testified that the Utility provided documentation to support a project cost of $92,576. (TR 624-625) It appears that witness Woodcock did not include the added contingency for a change in price. Staff recommends including the contingency since there are two quotes, which are not firm costs like those contained in the invoices. Based on the documentation provided in this case, staff recommends $101,833 ($41,467 + $38,609 + $12,500 + $9,257) is reasonable for the proposed project.

PCF-19 Mid-County US 19 Force Main Relocation and Gravity Sewer Main Rehabilitation

UIF requested cost recovery to replace approximately 525 linear feet of 6-inch force main and to redirect flows to a different manhole and gravity artery into the Mid-County WWTP. (EXH 222, P 1) UIF explained that this project is in coordination with the widening of US 19. The Utility will relocate the existing 6-inch force main by redirecting the flow from a lift station to across US 19 south of the lift station and then discharge into another gravity artery that flows into the WWTP. The existing flows cross US 19 through an 8-inch cast iron pipe. That pipe is so tuberculated that it restricts flow during major rain events resulting in sanitary sewer overflows at the manhole. UIF believes that by redirecting the force main flow away from the manhole through an alternate path, the risk of sanitary sewer overflows would be significantly reduced. (EXH 222, P 2)

The project would also give UIF an opportunity to clean and line 190 linear feet of 8-inch gravity main crossing under US 19. (EXH 222, P 1-2) This project was projected to be completed by May 31, 2017. (EXH 248)

In UIF witness Flynn's direct testimony, the requested amount for this project was $230,000. (TR 325) OPC witness Woodcock testified that the Utility provided documentation to support a project cost of $172,879. (TR 624-625) Witness Woodcock indicated that the remainder of the cost is unsupported. (EXH 110) In his rebuttal testimony, UIF witness Flynn provided updated supporting documentation for the same amount as requested in his direct testimony. Witness Flynn also explained the engineering design of this project was initiated in 2013 and was delayed while the county revised the road widening plans. (TR 1240) The following summarizes the documentation provided by witness Flynn:

- An invoice for preliminary engineering evaluation for $15,000 dated July 9, 2014

- A quote to clean and line 190 linear feet of 8-inch gravity sewer line for $16,125 dated July 5, 2016

- A quote to remove and replace 75 linear feet of damaged sewer gravity line for $49,700 dated August 10, 2016

- Invoices for the engineering of the project totaling $4,265 dated August 30, 2016 and September 30, 2016

- An invoice to replace 525 linear feet of 6-inch force main for $107,054 dated December 20, 2016

- Added contingency for a change in prices for $2,127

(EXH 222, P 6-31)

Based on the documentation provided in this case, staff recommends $194,271 ($107,054 + $4,265 + $16,125 + $15,000 + $49,700 + $2,127) is reasonable for the proposed project.

PCF-20 Pennbrooke WTP Electrical Improvements

UIF requested cost recovery to design, construct, and permit new electrical components at the Pennbrooke WTP. (EXH 223, P 1) UIF explained that the WTP was constructed in 1987 and has been expanded to accommodate growth. Much of the electrical equipment was phased-in to include additional high service capacity without regard for upgrading the main electrical service to the building. The existing main service is not sized so that both wells and high service pumps can function together during periods of peak demands. In addition, most of the electrical panels do not comply with the 2016 NEC and represent a safety hazard when troubleshooting. (EXH 223, P 2)

UIF explained that prolonging the upgrades would subject the facility to current and future failure that will impact the level of service. The new panels will meet all current codes and provide for a safe working environment when troubleshooting or making adjustments. (EXH 223, P 2) This project was projected to be completed by July 1, 2017. (EXH 248)

In UIF witness Flynn’s direct testimony, the requested amount for this project was $270,000. (TR 325) OPC witness Woodcock testified that the Utility did not provide documentation to support the cost and the project should not be included in this rate case. (TR 630) In his rebuttal testimony, UIF witness Flynn provided updated supporting documentation and increased the total requested amount of the project to $421,000. (EXH 248) UIF explained the scope of the project changed to include installation of isolation valves on each of the three ground storage tanks’ outlet ports. The valves are needed in order to remove any of the tanks individually in order to inspect, maintain and repair the tanks as needed. (EXH 163, BSP 252) The following summarizes the documentation provided by witness Flynn:

- Invoices for the engineering services for the project totaling $19,900 dated June 7, 2016, August 2, 2016 and September 7, 2016

- Three quotes for the majority of the work with the lowest quote being $311,453 dated December 9, 2016

- A quote for the pump control panel, pressure monitoring panel and filed instruments for $69,584 dated December 9, 2016
- A quote for isolation valves, as explained above, for $25,630 dated January 11, 2017
- A quote for underground electric service for $10,050 dated April 10, 2017

(EXH 163, BSP 252; EXH 223, P 6-25)

Based on the documentation provided in this case, staff recommends $436,617 ($311,453 + $19,900 + $69,584 + $25,630 + $10,050) is reasonable for the proposed project.

PCF-21 Sandalhaven Placida Road Utility Relocation

UIF requested cost recovery to relocate approximately 2,295 linear feet of force mains in the Sandalhaven service area. (EXH 224, P 1) UIF explained that Charlotte County intends to modify its stormwater system along Placida Road. Besides widening the drainage swale, the County plans to install sidewalks. As a result, UIF must relocate multiple segments of 4-inch and 6-inch PVC force mains. The force main segments must be moved before the County's contractor begins the work to avoid incurring a damage claim from the County contractor for delays to the production schedule. (EXH 224, P 2) This project was projected to be completed by June 30, 2017. (EXH 248)

The project includes:

- Relocating 1,880 linear feet of 6-inch PVC force main
- Relocating 415 linear feet of 4-inch PVC force main
- Installing 4 6-inch valves
- Installing 1 4-inch valve
- Making 11 force main connections
- Adjusting 6 valves
- Completing all restoration activities

(EXH 224, P 1)

In UIF witness Flynn's direct testimony, the requested amount for this project was $250,000. (TR 325) OPC witness Woodcock testified that the Utility provided documentation to support a project cost of $217,034. (TR 624-625) Witness Woodcock indicated the remainder of the $32,966 ($250,000 - $217,037) for the project cost was unsupported. (EXH 110) In his rebuttal testimony, UIF witness Flynn provided updated supporting documentation and increased the total requested amount of the project to $267,000. (EXH 248) The following summarizes the documentation provided by witness Flynn:

- A quote for the majority of the work for $ 174,088 dated July 22, 2011
- Invoices for professional services totaling $7,300 dated October 3, 2011, November 1, 2011, April 11, 2012, and August 8, 2012
- A quote for the engineering of the project for $19,169 dated March 21, 2016

(EXH 59, P 335-346)

Based on the documentation provided in this case, staff recommends $200,557 ($19,169 + $7,300 + $174,088) is reasonable for the proposed project.

PCF-23 Sanlando Lift Station Remote Terminal Unit (RTU)

UIF requested cost recovery to procure and install 55 Remote Terminal Units (RTUs) at each lift station in the Sanlando service area. (EXH 226, P 1) UIF explained that 42 lift station are currently monitored by an alarm company and 13 lift stations are monitored by audio/visual alarms only. In 2016, UIF installed the SCADA at the Wekiva WTP and WWTP. With the use of SCADA, the response time for the field technicians has been reduced by 5 to 10 minutes. UIF believes installing RTUs at the lift station, so the SCADA can monitor the lift stations, will reduce sanitary sewer overflows and potential backups in the systems. In addition, the field technicians will be able to pull reports from SCADA about the lift stations and enter data into the SCADA about repairs completed to the lift stations. (EXH 226, P 2)

UIF explained that in 2016, the DEP issued an emergency rule that requires stringent sanitary sewer overflow reporting procedures. These procedures include notifying DEP, Central District DEP, and the media within 24 hours of the spill, regardless of the volume. The new procedures also call for notification to any affected property owners within 48 hours if the spill creates a threat to the public health and/or Florida's air and water resources. UIF believes this project will improve response times for alarm events and further reduce sanitary sewer overflows. (EXH 226, P 2) This project was projected to be completed by June 30, 2017. (EXH 248)

In UIF witness Flynn's direct testimony, the requested amount for this project was $353,200. (TR 326) OPC witness Woodcock testified that the Utility provided documentation to support a project cost of $353,200. (TR 623-624) In his rebuttal testimony, UIF witness Flynn provided updated supporting documentation and increased the total requested amount of the project to $591,000. (EXH 248) Witness Flynn explained the increase reflects the lower of two bids received after soliciting bids from four qualified electrical contractors. (TR 1238) The following summarizes the documentation provided by witness Flynn:

- A quote for the engineering service for $26,200 dated April 25, 2016
- Two quotes for electrical work and stands for the RTUs for $217,250 and $258,500, both dated November 18, 2016
- A quote for the RTUs for $341,320 dated November 18, 2016

- A permit fee for $6,430

(EXH 226, P 6-22)

Based on the documentation provided in this case, staff recommends $591,200 ($217,250 + $341,320 + $26,200 + $6,430) is reasonable for the proposed project.

PCF-25 Sanlando Myrtle Lake Hills Water Mains

UIF requested cost recovery to provide water service to 116 home sites within the existing Myrtle Lake Hills subdivision in the Sanlando service area. (EXH 227, P 1) Myrtle Lake Hills is a subdivision recently added to the Sanlando service area.[47] The project was completed on January 31, 2017. (EXH 248) The project includes legal fees, legal description, revised service area map, design, permitting and construction to provide potable water service and fire protection to the Myrtle Lake Hills subdivision. (EXH 227, P 1)

In UIF witness Flynn's direct testimony, the requested amount for this project was $695,450. (TR 326) OPC witness Woodcock testified that the Utility provided documentation to support a project cost of $684,271. (TR 625) Witness Woodcock indicated the remainder of the $11,179 ($695,450 - $684,271) for the project cost was unsupported. (EXH 110) However, OPC witness Ramas testified this pro forma project should not be included because Commission Order No. PSC-16-0107-PAA-WU[48] made it clear the project would not affect the existing Sanlando customers and that the costs of the project would be reimbursed by the main extension charge. (TR 787) In his rebuttal testimony, UIF witness Flynn testified that the construction of the Myrtle Lake Hills water main extension did impact the existing Sanlando customers. The project brought benefits to the existing customers by having a hydrant in close proximity to their homes and a looped connection resulting in lower head loss during peak demand, enhanced fire flows, and reduced risk of water outages by having a second connection. (TR 1236)

Staff agrees with OPC that the Commission's Order for the Myrtle Lake Hill territory amendment stated that the existing customers of Sanlando would not be affected by this project. The amount included in the Commission Order in Docket No. 150230-WU for the project was $641,000. However, staff also agrees with UIF that the existing customers in Sanlando did indeed benefit from this project. Since the customers of Myrtle Lake Hill are paying a main extension charge for connections based on the project amount of $641,000, staff recommends reducing the amount of this project to $54,000 ($695,000[49] - $641,000). However, there was an invoice related to this pro forma project that was expensed and not capitalized. UIF agreed that the amount of the invoice, $6,000, should be capitalized and part of this project. (EXH 192, BSP 660) Therefore, staff recommends $60,000 ($54,000 + $6,000) is reasonable for this project.

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[47] See Docket No. 150230-WU, *In re: Application for amendment of Certificate of Authorization No. 247-W, to extend water service area to include land in Seminole County, by Sanlando Utilities Corporation.*

[48] See Order No. PSC-16-0107-PAA-WU, issued March 15, 2016, in Docket No: 150230-WU, *In re: Application for amendment of Certificate of Authorization No. 247-W, to extend water service area to include land in Seminole County, by Sanlando Utilities Corporation.*

[49] Staff used the amount in EXH 248, which was rounded.

PCF-26 Sanlando I&I Study and Remediation, Phase 2

UIF requested cost recovery to inspect and clean approximately 98,190 linear feet of gravity sewer mains in the Sanlando service area. (EXH 228, P 1) The Sanlando service area has a history of excessive I&I. UIF explained that lift station elapsed time readings were analyzed to determine the most likely sources of I&I. In 2014, approximately 49,900 linear feet of gravity sewer main were inspected and cleaned under Phase 1. Damaged pipes were either lined or excavated as needed to address the deficiencies. Under Phase 2, approximately 83,190 linear feet of gravity sewer mains will be inspected so UIF will be able to identify other sources of I&I and make corrections or improvements. (EXH 228, P 1)

There was a "Change Order" to this project that increased the amount of gravity sewer mains to be inspected. Actual field quantities were found and it was determined that there was an additional 15,000 linear feet to be inspected. The total amount of gravity sewer mains to be inspected is now 98,190 linear feet. (EXH 228, P 1) The investigation portion of this project was completed on July 1, 2016 and the deficiency correction portion was completed on January 31, 2017. (EXH 248)

In UIF witness Flynn's direct testimony, the requested amount for this project was $1,726,384. (TR 326) OPC witness Woodcock testified that the Utility provided documentation to support a project cost of $1,573,884. (TR 623-624) It appears that witness Woodcock did not include the documentation for the inspection phase of this project. In its brief, OPC asserts there is no evidence to support increasing this project cost beyond what witness Woodcock recommended. (OPC BR 25) In his rebuttal testimony, UIF witness Flynn provided supporting documentation and rounded the total requested amount to $1,727,000. (EXH 248) The following summarizes the documentation provided by witness Flynn:

- Invoices for the inspections totaling $138,784 dated June 22 and 26, 2015, July 30, 2015, August 31, 2015, September 30, 2015, November 30, 2015, December 31, 2015, and January 5 and 14, 2016

- Invoices for the excavation and repairs totaling $954,113 dated August 26, 2016, September 28, 2016, November 30, 2016, December 14, 2016 and January 31, 2017

- Invoices for the majority of work totaling $727,328 dated September 13, 2016, October 4, 2016, November 29, 2016, December 13, 2016 and January 1, 2017

(EXH 228, P 6-45)

Although UIF requested $1,727,000 for this project, the final invoices totaled $1,820,225. Based on the final invoices, staff recommends $1,820,225 ($138,784 + $727,328 + $954,113) is reasonable for the proposed project.

PCF-27 Sanlando Shadow Hills Diversion

UIF requested cost recovery to divert wastewater flows from the Shadow Hills WWTP to the Wekiva WWTP. (EXH 229, P 1) As discussed in Issue 10, staff recommends that the decommissioning of the Shadow Hills WWTP, which serves approximately 1,726 connections, is prudent. The Shadow Hills WWTP is a stand alone plant with no alternative means, currently, to redirect flow. (EXH 229, P 2)

The Utility contracted with Kimley-Horn and Associates (Kimley-Horn) to evaluate the most cost-effective means to address the situation described above. At the conclusion of the evaluation, the following options were identified:

1. Build a new plant at Shadow Hills and decommission the old plant.

2. Build a master pump station at the Shadow Hills plant site, demolish the plant and redirect the flow to Des Pinar for treatment at the Wekiva WWTP.

3. Build an equalization tank at Des Pinar to allow the Shadow Hills flow to be pumped as evenly as possible across 24 hours so as not to hydraulically or organically overload the Wekiva WWTP.

(EXH 229, P 8-26)

Each option listed above was evaluated giving consideration to associated capital costs as well as O&M costs, which were estimated over a 20-year operational period. Based on the economic analysis performed by Kimley-Horn, Option 3 was approximately $114,000 less than Option 2 and approximately $5,700,000 less than Option 1. Kimley-Horn recommended Option 3 as the favored alternative for treating flows from Shadow Hills. (EXH 229, P 8-26) Staff believes the analysis performed by Kimley-Horn reasonably demonstrates that Option 3 is the best alternative for diverting wastewater flows from Shadow Hills WWTP.

The project includes replacement of a lift station, the installation and upsizing of the force mains, tank and pumping station improvements, construction of a new operations building and equipment storage building, and decommissioning of the Shadow Hills WWTP. (EXH 229, P 1) In his direct testimony, UIF witness Flynn testified that the total cost of the project would be $4,243,423. Witness Flynn also testified that this project would include the construction of a field office and equipment storage shed. (TR 326-327)

OPC witness Woodcock testified that the support originally provided by UIF was basically an engineering-design report, which is not sufficient documentation. Witness Woodcock additionally reviewed the information provided subsequent to the Utility's initial filing. Based on his review, witness Woodcock testified that the cost of the project appeared to increase more than $3.6 million. (TR 629-630) Witness Woodcock, citing specifically to a generator and the field office, further argued that the scope of the project expanded significantly. (TR 660-661) Given the described changes, witness Woodcock recommended that all costs associated with this project should be excluded from the current rate case, as there was insufficient time for him to render a thorough review. (TR 629-630)

In his rebuttal testimony, UIF witness Flynn provided updated documentation to support the Utility's request. Based on the updated documentation, the total cost of the project increased from $4.2 million to $8.1 million. (EXH 248) Regarding the cost increase, witness Flynn explained that the field office and storage building identified in his direct testimony were not included in the original cost estimate. Witness Flynn added that witness Woodcock did not question the prudence of the project despite having visited the facilities. (TR 1241-1242)

UIF also provided a Post-Bid Update, performed by Kimley-Horn, to explore the reasons for the increase in the project costs and to determine if Option 3 remained the best option. Based on the Post-Bid Update, there were multiple factors that contributed to the cost differential including increases in labor and material costs. Kimley-Horn ultimately concluded that Option 3 remained the most cost-effective option to pursue. (EXH 229, P 35-40) Based on the information contained in the Post-Bid Update, it appears the cost increase impacting this project was not a result of imprudent actions on the Utility's part.

UIF explained several components of the project must be completed in order to achieve adequate performance of the existing system. These components include the replacement or modification of several force mains and pumping station improvements. UIF indicated that the new operations building and storage building could be eliminated. It was noted, however, that the headcount working out of the current building, which was built in 1973, has grown over time and the existing building does not adequately support the staff. In addition, the existing 40 year old storage barn, which is made of wood and galvanized metal, has rotted, and is in need of replacement. (EXH 229, P 2) This project is projected to be completed by December 31, 2017. (EXH 248)

UIF indicated that all bids received for the project were competitive and from vendors that the Utility has worked with in the past. It was also noted that the bid for the storage building was from a vendor that had previously performed similar work at a similar price for UIF. The following summarizes the quotes provided by UIF:

- One quote for the alternatives analysis for $23,500 dated January 20, 2015
- Three quotes for majority of the engineering work for $236,923, $549,966 and $239,801 dated April 7 and 8, 2016
- One quote for the office design for $47,750 dated October 7, 2016
- Three quotes for the Springs Blvd force main for $925,350, $1,082,398, and $1,096,790 dated December 22, 2016
- Three quotes for the Devonshire force main for $1,488,184, $1,598,003, and $1,443,049 dated December 22, 2016
- Two quotes for the Des Pinar improvements for $3,325,829 and $3,012,273 dated January 9, 2017
- Two quotes for the Sabal Palm Master Pump station for $2,473,433 and $2,244,445 dated January 11, 2017
- Three quotes for different parts of the Shadow Hills WWTP demolition totaling $35,786 ($29,750 – six different tasks, $600 – for disconnection of power, and $5,436 – abandon

and monitoring well testing) dated January 18, 2017, January 20, 2017, and January 26, 2017

- One quote for the Des Pinar storage building for $106,659 dated February 17, 2017

(EXH 229)

Based on the documentation provided in this case, staff recommends $8,075,735 ($236,923 + $23,500 + $47,750 + $3,012,273 + $2,244,445 + $925,350 + $1,443,049 + $106,659 + $35,786) is reasonable for the proposed project.

PCF-30 Sanlando Wekiva Wastewater Treatment Plant Rehabilitation

UIF requested cost recovery to empty, clean, and completely rehabilitate each of the three wastewater treatment plants at the Wekiva Hunt Club facility. (EXH 230, P 1) UIF explained the Wekiva WWTP is comprised of three circular wastewater treatment trains. Each of the three treatment trains have been in service for over twenty years without any comprehensive rehabilitation work being performed. There are two baffle walls separating air bays from aerobic digesters that have become significantly deteriorated and are flexing under the hydrostatic pressure of the contents. Repairing the baffle walls will prevent failure and maintain the integrity of the structure. Debris has accumulated throughout each of the plant's airbays reducing the overall treatment efficiency. By removing the debris additional treatment capacity will be reestablished. In addition, many areas near walkways are significantly deteriorated and lighting atop each plant is inadequate creating a potential safety hazard. When diffusers fail, the replacement drop pipe must be shortened by two to three feet before the diffusers can be reinstalled due to the mass of grit and sand that has accumulated on the bottom of the tanks. The existing clarifier drives on two of the plants are past the end of their service life and repair parts are no longer available. UIF explained by replacing the drives, future maintenance and repair can be performed quickly and efficiently. (EXH 230, P 2)

There were two "Change Orders" to this project. The first "Change Order" increased the expense by delaying the cleaning of plant number 3. UIF explained that in preparation of the plant number 3 rehabilitation, the plant was taken off line and the flows were sent to plants number 1 and number 2 for treatment. This created plant upset conditions resulting in solids being sent to the filters, binding of the media, and increasing backwash frequency. The treated water in excess of what the filters could process was sent to Rapid Infiltration Basin Systems 2, 3 and 4. Due to these circumstances, plant number 3 had to be placed back in service until an alternative approach could be developed. (EXH 230, P 2)

The second "Change Order" includes adding sludge removal to the project. UIF explained a complete sludge removal from the digesters is required to complete the rehabilitation process. The monies required to complete sludge removal were not included in the original project amount, as it was believed that the sludge could be transferred from one plant to the next. Transferring the sludge from one plant to another would upset the treatment process and become unmanageable. (EXH 230, P 2) This project was projected to be completed by November 30, 2017. (EXH 248)

In UIF witness Flynn's direct testimony, the requested amount for this project was $1,803,000. (TR 327) OPC witness Woodcock testified that the Utility provided documentation to support a project cost of $1,729,034. Witness Woodcock indicated that he disagrees with UIF's estimate for the sales tax. Witness Woodcock testified that 7 percent sales tax that UIF used to estimate the cost of the project was overestimated and he used 6 percent sales tax instead. (TR 625-627) In his rebuttal testimony, UIF witness Flynn provided updated supporting documentation and increased the requested amount to $1,837,000. (EXH 248) Witness Flynn also explained that Seminole County levies a 1 percent sales tax, which is in addition to the state sales tax rate of 6 percent. (TR 1240-1241) The following summarizes the documentation provided by witness Flynn:

- Three quotes for the majority of the work for $1,526,000, $1,704,000, and $1,695,555 dated March 28, 2016
- One bid for the cleaning of each tank for $158,850 dated September 20, 2016
- One bid for Change Order 1 for $10,534 dated September 20, 2016
- Invoices for Change Order 2 totaling $24,000 dated December 22, 2016 and January 3 and 4, 2017
- Estimated 7 percent sales tax for $117,940

(EXH 230, P 6-38)

Based on the testimony and documentation provided in this case, staff recommends $1,826,204 ($1,526,000 + $158,850 + $106,820 + $10,534 + $24,000) is reasonable for the proposed project. Staff calculated the sales tax, using 7 percent, as $106,820, not the $117,940 that UIF estimated.

PCF-33 UIF-Pasco County – Buena Vista/Orangewood Water Mains Replacement

UIF requested cost recovery to replace approximately 60,069 linear feet of water mains in the Buena Vista/Orangewood service area within the UIF Pasco County territory. (EXH 232, P 1) UIF explained that the Buena Vista/Orangewood water system is comprised of AC and galvanized iron pipes, which are estimated to be 50 years old, with few valves to isolate sections of the system when water main breaks occur. The existing valves are double disc valves that do not fully seat. The AC pipes are failing frequently due to but not limited to fatigue, loss of hoop strength due to high water table, gasket failures, ground settling, and excess deflection of pipe joints. (EXH 232, P 2) This project was projected to be completed by June 30, 2017. (EXH 248)

There were two "Change Orders" to this project. The first "Change Order" increased the expense to reestablish residential services connections to 600 residences. This is required because UIF will be relocating the water mains from the back lot utility easement to the front of the property along the roadway. (EXH 232, P 1)

The second “Change Order” increased the project budget to include the following four items:

- Additional 820 linear feet of AC pipe replacement
- Construct an additional 26 short side residential services
- Additional mobilization/demobilization due to Pasco County requiring a ROW use permit
- Bond processing fee to obtain Pasco County ROW permit

(EXH 232, P1)

In UIF witness Flynn’s direct testimony, the requested amount for this project was $1,200,000. (TR 328) Staff notes that Kimley-Horn, which UIF signed an agreement with for design, permitting, and oversight services, provided the Utility with a preliminary opinion of probable cost totaling $1,200,000. The signed agreement identified bidding and construction services as a task that would be performed by Kimley-Horn. OPC witness Woodcock testified that the Utility did not provide documentation to support the cost and the project should not be included in this rate case. (TR 630) In his rebuttal testimony, UIF witness Flynn provided updated supporting documentation and increased the requested amount to $2,174,000. (EXH 248) The following summarizes the documentation provided by witness Flynn:

- Invoices for the engineering totaling $53,125 provided in March 2016 through February 2017
- Three quotes for the majority of the work for $4,464,401, $2,675,851, and $2,066,888 dated December 12, 2016
- Invoices for the Change Orders totaling $41,980 dated February 9 and 28, 2017

(EXH 232, P 6-46)

Based on the documentation provided in this case, staff recommends $2,161,993 ($2,066,888 + $53,125 + $41,980) is reasonable for the proposed project.

PCF-35 Lake Tarpon Water Main Replacements

UIF requested cost recovery to replace approximately 17,400 linear feet of water mains in the Lake Tarpon service area within the UIF Pinellas County territory. (EXH 234, P 1) UIF explained that the Lake Tarpon water system is comprised of AC pipes, which are estimated to be 50 years old, with few valves to isolate sections of the system when water main breaks occur. The existing valves are double disc valves that do not fully seat. The AC pipes are failing frequently due to but not limited to fatigue, loss of hoop strength due to high water table, gasket failures, ground settling, and excess deflection of pipe joints. (EXH 234, P 2) This project was projected to be completed by March 31, 2017. (EXH 248)

There was a "Change Order" to this project. The "Change Order" increased the expense to reestablish residential services connections to 260 residences. This is required because UIF will be relocating the water mains from the backyards to the front of the property. (EXH 234, P 1)

In UIF witness Flynn's direct testimony, the requested amount for this project was $800,000. (TR 328-329) OPC witness Woodcock testified that the Utility provided documentation to support a project cost of $800,000. (TR 624) In his rebuttal testimony, UIF witness Flynn provided updated supporting documentation and increased the requested amount to $1,218,000. (EXH 248) Witness Flynn explained the increase in project costs reflects the additional cost to replace 260 service lines that was not included in the original bid package and is part of the "Change Order". (TR 1238) The following summarizes the documentation provided by witness Flynn:

- A quote for the engineering services for $41,125 dated February 1, 2016
- Two quotes for the majority of the work for $1,048,321 and $1,673,583 September 14, 2016
- A quote for the "Change Order" for $128,700 dated December 12, 2016

(EXH 234, P 6-23)

Based on the documentation provided in this case, staff recommends $1,218,146 ($1,048,321 + $41,125 + $128,700) is reasonable for the proposed project.

PCF-36 UIF Seminole County Electrical Improvements at Little Wekiva and Jansen WTPs

UIF requested cost recovery to make electrical improvements at the Jansen and Little Wekiva WTPs. Included in this project is the installations of RTUs at six other Seminole County systems, which will be networked through the Wekiva SCADA system to allow remote monitoring of all eight Seminole County WTPs. (EXH 235, P 1) UIF explained that both electrical components at the Little Wekiva and Jansen WTPs were originally installed in 1970 and have out lived their service life. The new control panel at the Little Wekiva WTP will provide a long service life, meet current electrical codes, and improve the functionally and reliability of the facility. The new water pressure-monitoring panel at the Jansen WTP will include a pressure transducer to capture operating pressure at the facility. There will be a new 6-inch flow meter installed at the Jansen WTP as a meter at one of the wells failed its meter accuracy test. (EXH 235, P 7)

Included in this project are meter register heads that will be installed at four locations. This will allow the existing flow meters at those locations to provide run conditions and flow totals. This information will be captured by the Wekiva SCADA system for use in producing the Monthly Operating Reports for FDEP. (EXH 235, P 7)

There was one "Change Order" to this project. UIF explained that the existing water meters at Jansen Well #1 and Bear Lake well cannot be retrofitted to accommodate the meter register head. This is due to the meters age and manufacturer. The register meter head provides input to the new Remote Terminal Units (RTUs). Therefore, complete new meter assemblies must be purchased. (EXH 235, P 7)

In UIF witness Flynn's direct testimony, the requested amount for this project was $323,000. (TR 329) OPC witness Woodcock testified that the Utility provided documentation to support a project cost of $268,830 and the remaining amount is unsupported. (TR 624-625; EXH 110) In his rebuttal testimony, UIF witness Flynn provided updated supporting documentation and decreased the requested amount to $281,181. (TR 1241) The following summarizes the documentation provided by witness Flynn:

- Invoices for 100 percent of the deign services completed and 70 percent of the construction services completed dated October 1, 2015 through November 2, 2016. Included on the invoices is the total contract price of $38,600
- Invoices for 50 percent of work completed dated July 27, 2016, September 12, 2016 and November 15, 2016. Included on the invoices is the total contract price of $83,750
- Invoices for the RTU installations totaling $86,794 dated September 21, 2016 and October 18, 2016
- Invoices for the meters and meter registers totaling $12,351 dated October 25, 2016 and November 1 and 7, 2016

(EXH 235, P 11-36)

Based on the invoices provided in this case, staff recommends $221,495 ($38,600 + $83,750 + $86,794 + $12,351) is reasonable for the proposed project.

PCF-37 UIF Seminole and Orange Counties Engineering Water Mains Replacements

UIF requested cost recovery to provide design bid level plans and permitting of construction through FDEP for the seven water systems where the Utility will replace the water mains. UIF explained the seven systems have been in service for 40 plus years and are combinations of AC and galvanized water mains. The AC water mains have approached the end of their service life. The galvanized water mains have reduced capacity resulting in a reduction in pressure and volume at the tap due to mineral deposits. UIF also explained that galvanized water mains contribute to water quality issues related to color from iron deposits. (EXH 236, P 1) This project was completed on September 1, 2016. (EXH 248)

In UIF witness Flynn's direct testimony, the requested amount for this project was $57,000. (TR 329) OPC witness Woodcock testified that he believed the documentation provided supports engineering costs for a number of different water systems that are also included in the individual system projects. Witness Woodcock recommends removing the cost of the project to avoid double counting. (TR 627) In his rebuttal testimony, UIF witness Flynn explained the $57,000 in this project reflects the cost of designing seven separate water main replacement projects. The contractor also provided support for permitting and bidding tasks and made periodic visits to the job sites while construction was under way, which was included in the individual projects. (TR

1241) These are two separate components of the engineering services. The supporting documentation included invoices totaling $57,047. Based on the testimony and documentation provided in this case, staff recommends $57,047 is reasonable for the project.

PCF-38 UIF Seminole County - Bear Lake Water Mains Replacements

UIF requested cost recovery to replace approximately 16,400 linear feet of water mains in the Bear Lake service area within the UIF Seminole County territory. (EXH 237, P 1) UIF explained that the Bear Lake water system is comprised of AC and galvanized iron pipes, which are estimated to be 58 years old, with few valves to isolate sections of the system when water main breaks occur. The existing valves are double disc valves that do not fully seat and bronze body wheel handle valves that are damaged and difficult to operate. The AC pipes are failing frequently due to but not limited to fatigue, loss of hoop strength due to high water table, gasket failures, ground settling, and excess deflection of pipe joints. The galvanized pipes over time have organic growth that contributes to water quality complaints. UIF explained there are no fire hydrants or significant flushing points to adequately maintain the system. (EXH 237, P 2)

Seminole County requires the Utility to remove all existing water mains located within the right-of-way except mains under county roads that can be grouted in place. UIF explains that all AC pipe must be removed and disposed of by a certified asbestos contractor in a Class I landfill. (EXH 237, P 2) This project includes replacing valves, blow offs, water services, and driveway sections. (EXH 237, P 1) This project was projected to be completed by November 30, 2017. (EXH 248)

In UIF witness Flynn’s direct testimony, the requested amount for this project was $1,485,270. (TR 329) The supporting documentation provided with witness Flynn’s direct testimony includes:

- A quote for the engineering services for $9,857 dated August 24, 2016
- Three quotes for the majority of the work for $1,485,269, $1,707,721 and $1,570,182 September 26, 2016

(EXH 76, P 699-715)

OPC witness Woodcock testified that the Utility provided documentation to support a project cost of $1,485,270. (TR 623-624) Witness Woodcock recommended the costs identified in witness Flynn’s written direct testimony should be accepted even if the supporting documentation is higher. (TR 654-656) In his rebuttal testimony, UIF witness Flynn increased the requested amount to $1,495,000. (EXH 248) Based on the documentation provided in this case, staff recommends $1,495,127 ($1,485,269 + $9,858) is reasonable for the proposed project.

PCF-41 UIF Seminole County Northwestern Force Main Relocation

UIF requested cost recovery to remove approximately 158 linear feet of AC force main pipes and install approximately 4,497 linear feet of HDPE and PVC pipes in the Trailwoods subdivision in the UIF Seminole County service territory. (EXH 240, P 1-2) UIF explained that a portion of the force main was installed, approximately in 1970, along a private road. One of the property owners has requested compensation from UIF for use of the private road. UIF negotiated with the property owner; however, an agreeable value for the easement was not reached. (EXH 240, P 2)

UIF explained another portion of the force main is severely deteriorated. The force main is pumped to a gravity manhole and the pipe drains with every lift station pump cycle. This allows gasses to accumulate in the pipe causing deterioration and corrosion. UIF indicated the original force main is 10-inch in diameter exceeding the pipe size that is needed to convey the flow to the manholes. UIF will downsize the pipe to 6-inch diameter, which is the correct size to fit the hydraulic profile of the lift station. (EXH 240, P 2) This project was projected to be completed by April 30, 2017. (EXH 248)

In UIF witness Flynn's direct testimony, the requested amount for this project was $120,000. (TR 330) OPC witness Woodcock testified that the Utility provided documentation to support a project cost of $120,000. (TR 623-624) In his rebuttal testimony, UIF witness Flynn provided updated supporting documentation and increased the requested amount to $689,000. Witness Flynn explained the increase in cost of the project was due to a change in the plan route. Originally, UIF planned the route using the shortest available distance between the lift station and the City of Altamonte Springs' force main on Highway 434. However, the City staff required UIF to utilize a specific point of connection, which significantly increased the length of pipe. In addition, Seminole County requires the excavation and removal of the existing pipe from the right-of-way instead of abandoning the pipe. (TR 1238-1239) The following summarizes the documentation provided by witness Flynn:

- A quote for the engineering service for $19,500 dated April 4, 2016
- Two quotes for the majority of the work for $681,100 and $669,131 dated April 11, 2016

(EXH 240, P 6-16)

Based on the documentation provided in this case, staff recommends $688,631 ($19,500 + $669,131) is reasonable for the proposed project.

PCF-45 UIF Seminole County Ravenna Park/Crystal Lake Interconnection

UIF requested cost recovery to construct an interconnection between the Ravenna Park and Crystal Lake water distribution systems in the Seminole County service territory. (EXH 83, BSP 843) UIF explained that the Crystal Lake WTP was originally constructed in the late 1950s and included a single well, chlorination equipment, and a hydropneumatic tank. In the early 1990s, the Utility entered into an emergency interconnect with the City of Sanford to have an auxiliary water source in the event of a plant outage and to maintain compliance with FDEP regulations. Over the last several years, the well at Crystal Lake has been producing sand that was first resolved by adding a sand filter with an automatic backwash feature. However, the increased sand production has damaged the pumps and caused the sand filter not to work as efficiently as it should. This causes a low-pressure event that activates the automatic interconnect and elevates the purchased water expense. (EXH 83, BSP 844)

The Utility met with the City of Sanford to determine if it was willing to provide a permanent wholesale interconnect water supply to service the area. The City was not opposed and provided

UIF with the connection fee cost per customer and the consumption rates both of which included a 25 percent surcharge, as the system is located outside the City limits. An analysis was performed to determine what would be more cost effective: interconnect with the City of Sanford or interconnect with Ravenna Park. The analysis revealed that it would be more prudent to interconnect Crystal Lake with Ravenna Park. (EXH 83, BSP 844)

Included in this project is the demolition of the existing 20,000-gallon ground storage tank at the Ravenna Park WTP and improvements to a 103,000-gallon ground storage tank. Improvements will be made to the 560 gallons per minute cascade aerator adjacent to the tank. The project includes relocation of the existing high service pumps, 3,000-gallon hydropneumatic tank, and associated appurtenances such as piping valves. The contractor will demolish the existing facilities at the Crystal Lake WTP and abandon the potable well. (EXH 83, BSP 843)

There was one "Change Order" to this project. The Utility needed to install a temporary interconnect with the City of Sanford that included a 4-inch meter, 6-inch reduced pressure zone backflow preventer, and piping. (EXH 83, BSP 843) This project was completed October 1, 2016. (EXH 248)

In UIF witness Flynn's direct testimony, the requested amount for this project was $646,000. (TR 331) The supporting documentation provided with witness Flynn's direct testimony includes:

- Three quotes for the majority of work for $595,935, $631,499, and $656,200 dated March 19, 2015
- A quote for the engineering services $22,000 dated April 13, 2015
- A quote for the Crystal Lake well abandonment for $10,000 dated September 3, 2015
- A quote for the Change Order for $17,900 dated March 10, 2016

(EXH 83, BSP 848-870)

OPC witness Woodcock testified that the Utility provided documentation to support a project cost of $646,000. (TR 623-624) OPC witness Ramas testified that $61,485 of the test year purchase water for Seminole County should be removed. (TR 808) In his rebuttal testimony, UIF witness Flynn rounded the requested amount to $647,000. (EXH 248) Witness Flynn also testified that it was appropriate to include the cost to purchase bulk water from the City in the pro forma project cost. (TR 1237) Based on the testimony and documentation provided in this case and including the purchased water amount, staff recommends $707,320 ($595,935 + $22,000 + $10,000 + $17,900 + $61,485) is reasonable for the proposed project.

PCF-46 C4500 Kodiak Truck Upgrade

UIF requested cost recovery to upgrade its Kodiak truck. UIF explained that the service truck is 10 years old. The project includes installing a properly sized and configured utility body, a larger crane with a 20-foot boom extension and 25,000 feet per pound moment rating, twin outriggers, work lights, safety strobe lights, rooftop beacon, power inverter and a 12-volt outlet. The contractor will reinstall the welding unit. (TR 331) This project was completed September 16, 2016. (EXH 248)

In UIF witness Flynn's direct testimony, the requested amount for this project was $44,000. (TR 331) The supporting documentation provided with witness Flynn's direct testimony include invoices totaling $46,157 dated September 20, 2016, and November 7, 2016. OPC witness Woodcock testified that the Utility provided documentation to support a project cost of $44,000. (TR 623-624) Witness Woodcock testified that even though the documentation costs were higher than what witness Flynn requested, he is recommending what witness Flynn requested in his direct testimony stating that the request was supported. (TR 654-656) In his rebuttal testimony, UIF witness Flynn rounded the requested amount to $46,000. (EXH 248) Based on the actual invoices provided in this case, staff recommends $46,157 is reasonable for the proposed project.

Vehicle Replacement Program and Boom Truck

UIF requested approximately $900,000 for a Vehicle Replacement program. UIF explained that the Utility cycles out vehicles that have been fully depreciated and amortized, that are at the end of their service life, that are likely to incur significant increases in maintenance and repair costs in the near term due to age, mileage, condition, reliability, and factory recall activity. UIF explained that it has an ongoing history of prudently replacing worn out vehicles on an annual basis. (EXH 145, P 156) Based on review of information provided in a discovery response, it appears that the Utility's requested amount included costs over multiple years. (EXH 155, BSP 209) In response to a staff interrogatory, UIF clarified that the total cost for this pro forma project is $175,000. (EXH 161, BSP 243)

OPC witness Woodcock did not address this project. (EXH 332) In UIF witness Flynn's rebuttal testimony, he indicated that the requested amount for the Vehicle Replacement program was $175,000, which was based on five vehicles that were replaced in 2016. The Utility also requested $61,000 for the purchase of a Boom Truck. The vehicle replacement program was completed July 22, 2016 and the Boom Truck purchase was completed September 27, 2016. (EXH 248) Based on the documentation provided in this case, staff recommends $175,000 is reasonable for the vehicle replacement program and $61,000 is reasonable for the Boom Truck purchase.

LUSI Lake Groves WWTP Splitter Box Replacement

UIF requested cost recovery to replace a splitter box in the Lake Groves WWTP in the LUSI service area. UIF explained that the existing splitter box is designed to divide the influent flow to each of the two treatment plants and allow excess flow to be diverted to each of the surge tanks. The baffle wall inside the splitter box has deteriorated to the point that the influent flow can no longer be evenly divided between the two treatment plants. UIF explained that the maximum permitted nitrate levels have been exceeded from time to time. UIF believes the splitter box deterioration is a contributing factor to the exceedances. (EXH 145, BSP 152) This project was completed January 29, 2016. (EXH 248)

OPC witness Woodcock did not address this project as it was not addressed in witness Flynn's direct testimony. (EXH 332) However, supporting documentation provided through discovery included:

- Two quotes for the majority of the work for $83,504 and $78,000 dated March 24, 2015
- An invoice from the selected contractor for $78,000 dated May 4, 2015
- UIF included 7 percent sale tax of $5,460, as the quotes stated taxes were not included.

(EXH 145, BSP 152)

In his rebuttal testimony, UIF witness Flynn rounded the requested amount to $83,000. (EXH 248) In its brief, OPC addressed this project. OPC asserts that UIF provided no testimony and no supporting documentation with testimony for this project. However, OPC asserts that UIF provided an invoice supporting $78,000. OPC argues that only $78,000 should be included. (OPC BR 16) Based on the testimony and documentation provided in this case, staff recommends $83,460, which includes the sales tax and the invoiced amount ($5,460 + $78,000) is reasonable for the project.

Total Adjustments to Pro Forma Additions by System

In addition to the adjustments to pro forma plant, staff also calculated adjustments for accumulated depreciation, depreciation expense, and property taxes in TOTI. Table 9-3 below summarizes the total adjustments of pro forma additions to plant, accumulated depreciation, depreciation expense, and TOTI by system.

Table 9-3
Adjustments for Pro Forma Additions

System	Plant	Accumulated Depreciation	Depreciation Expense	TOTI Prop. Tax
Cypress Lakes – Water	($10,144)	$620	($3,211)	$6,096
Cypress Lakes – Wastewater	(15,101)	994	(3,200)	(7,164)
Eagle Ridge – Wastewater	535,755	(38,513)	23,911	6,325
Labrador – Water	(5,885)	324	(1,414)	(179)
Labrador - Wastewater	(5,837)	322	(1,403)	(177)
Lake Placid - Water	(1,768)	116	(375)	0
Lake Placid - Wastewater	(1,795)	118	(380)	0
LUSI – Water	183,534	(41,959)	(16,654)	95,121
LUSI – Wastewater	700,530	(33,660)	7,317	(98,231)
Longwood – Wastewater	(54,675)	(10,077)	(749)	184
Mid County – Wastewater	(353,644)	(40,616)	(12,631)	(4,800)
Pennbrooke – Water	(114,201)	(6,589)	(10,150)	(2,502)
Pennbrooke – Wastewater	(17,979)	1,226	(3,699)	(1,124)
Sandalhaven - Wastewater	(69,852)	(1,413)	(5,087)	1,562
Sanlando – Water	(772,505)	3,729	(39,123)	(13,693)
Sanlando – Wastewater	3,355,294	(792,029)	186,630	28,201
Tierra Verde – Wastewater	11,106	374	(4,738)	401
UIF-Marion – Water	(6,880)	183	(920)	(203)
UIF-Marion – Wastewater	(957)	26	(128)	(33)
UIF-Orange – Water	(8,624)	(23,468)	2,060	(2,528)
UIF-Pasco – Water	626,016	(31,937)	10,614	7,677
UIF-Pasco – Wastewater	(15,612)	417	(2,088)	(396)
UIF-Pinellas – Water	212,753	(16,588)	4,362	1,936
UIF-Seminole – Water	27,480	(113,641)	(1,721)	(10,070)
UIF-Seminole – Wastewater	370,144	(17,443)	10,469	4,702
Total	**$4,567,153**	**($1,159,484)**	**$137,692**	**$11,105**

Note: Accounting Method shown = there is an inverse relationship for accumulated depreciation only, which means that a positive adjustment reflected above indicates a reduction to the system and a negative adjustment indicates an increase to the system.

CONCLUSION

Based on the discussion above, staff recommends the total adjustment for pro forma plant additions should be $4,567,153 resulting in a total balance of pro forma additions of $35,878,520. As shown in Table 9-3 above, the total plant additions for water should be increased by $129,776, and increased by $4,437,377 for wastewater. The adjustments in Table 9-3 are based on the recommended amount for each pro forma project discussed in this issue.

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

Recommendation: Plant retirements should be $2,535,669 for water and $3,352,506 for wastewater. As such, plant should be increased by $8,922,014 for water and $1,111,915 for wastewater. Accumulated depreciation should be increased by $8,922,014 for water and $2,550,706 for wastewater. Depreciation expense should be increased by $237,951 for water and $61,684 for wastewater. Taxes Other than Income should be decreased by $29,552 for wastewater. In addition, increases of $193,156 and $30,496 to amortization expense are necessary for Longwood and Sandalhaven respectively, to recognize the loss on retirement of the wastewater treatment plants. (Sewards, Galloway, P. Buys)

Position of the Parties

UIF: 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.

OPC: Each pro forma addition replacing existing plant must be reviewed to determine the appropriate retirement amount. Application of the 75% factor is appropriate for some projects; however, it should not be utilized where it results in retirement amounts exceeding the respective plant account balance. The retirement of existing plants should not result in a negative accumulated depreciation balance with zero associated plant balance, otherwise the negative balance will increase rate base in perpetuity.

Summertree: Agree with Public Counsel.

Staff Analysis:

PARTIES' ARGUMENTS

UIF

UIF witness Swain testified that plant retirements should include the decommissioning of the two wastewater treatment plants in Longwood and Sandalhaven. (TR 1431, 1434; EXH 249, P 5, 9; UIF BR 17) UIF asserted that the loss on assets should be amortized according to Rule 25-30.433(9), F.A.C. (UIF BR 17-18) In its brief, the Utility also addressed the decommissioning of the Summertree water treatment plant in UIF-Pasco, which is discussed in Issue 8. (UIF BR 18)

The Utility stated that for assets being replaced by pro forma projects, the retirement should equal 75 percent of the replacement cost. (UIF BR 18) UIF witness Swain added that using a different method to estimate original cost would have an impact on the calculation of depreciation expense. (TR 1423-1424; UIF BR 18-19) UIF witness Swain agreed with OPC witness Ramas that in the event the 75 percent of replacement cost resulted in removal of an amount greater than the test year balance for a fixed asset account, the retirement should be limited to the test year balance. (TR 1443; UIF BR 19) Additionally, the Utility indicated that, in specific situations, the amount of the retirement should be altered if the books show a negligible balance for the fixed asset being retired and replaced. (EXH 249, P 12; TR 1438-1439; UIF BR 19)

OPC

OPC witness Ramas discussed the Utility's application of a 75 percent factor to the pro forma plant additions to determine the cost of retirement for the items being replaced. (TR 723; OPC BR 31) Witness Ramas showed that UIF applied a 75 percent factor because it is established by the Commission as acceptable when original cost is unknown, and has been used numerous times by UIF in past rate cases. (EXH 173, BSP 378-379; TR 723; OPC BR 31)

OPC witness Ramas argued that while the application of the 75 percent factor may be appropriate, it is not appropriate in instances where the 75 percent factor exceeds the entire balance of the plant account. (EXH 173, BSP 378-379; TR 723; OPC BR 32) Witness Ramas further argued that the application of the 75 percent factor results in negative accumulated depreciation balances. (TR 722-723; OPC BR 32) OPC witness Ramas stated negative accumulated depreciation is an increase to rate base which can be caused by retiring plant before it is fully depreciated without early retirement loss recovery provisions. (TR 721) Witness Ramas stated it is not normal to have on-going negative accumulated depreciation balances. (TR 720-721, 850-851; OPC BR 32)

OPC stated that for each pro forma project with a replacement, the retirement should be capped at the year-end balance of the plant account affected. (OPC BR 32) Additionally, OPC witness Ramas stated an amount lower than the test year balance may be warranted. (TR 724; OPC BR 32) UIF agreed that a more appropriate estimate should be used and agreed that retirements should be capped at the year-end plant balances. (TR 1430, 1439; OPC BR 32)

OPC based its retirements on 75 percent of replacement cost in the majority of the projects. (OPC BR 33) However, specific instances of less than 75 percent are discussed below.

Longwood

The Church Avenue relocation project should be capped at the balance in account 360.2 of $23,870. Thus, OPC witness Ramas contended plant should be increased by $103,630 and corresponding adjustments should be made to increase accumulated depreciation by $101,903 and depreciation expense by $3,454. (EXH 119, P 3, 5; TR 759-760; OPC BR 33) Utility witness Swain agreed with this adjustment. (TR 1431)

UIF-Orange

The Crescent Heights water main replacement project should be capped at the balance in account 331.4 of $199,193. Thus, OPC witness Ramas asserted plant and accumulated depreciation should be increased by $1,153,967 and depreciation expense by $26,827. (EXH 127, P 7; TR 788-789; OPC BR 33) UIF Witness Swain agreed with this adjustment. (TR 1437)

UIF-Pinellas

Due to the age of the system, the assets associated with the Lake Tarpon water main replacement project should be fully depreciated and should not have a retirement associated with it. Thus, OPC witness Ramas recommended plant and accumulated depreciation be increased by $750,000 and depreciation expense by $17,442. (EXH 129, P 3, 5; TR 803-804; OPC BR 33-34) UIF Witness Swain agreed with this adjustment. (TR 1438-1439)

UIF-Seminole

Due to previous replacement projects in the system, the assets associated with the Seminole County water main replacement project should be capped at the December 2000 balance of account 334.1 of $886,000. Thus, OPC witness Ramas stated plant should be increased by $5,489,669, accumulated depreciation by $5,516,978 and depreciation expense by $127,572. (EXH 126, P 9; TR 808-811; OPC BR 34) UIF witness Swain agreed with this adjustment. (TR 1440)

Also, the Northwestern force main replacement project should be capped at the balance in account 360.2 of $28,207. OPC witness Ramas asserted plant in service should be increased by $16,793, accumulated depreciation by $193,329, and depreciation expense by $563. (EXH 126, P 10; OPC BR 34) UIF witness Swain agreed with this adjustment. (TR 1440)

Summertree

In its brief, Summertree agreed with OPC. (Summertree BR 13)

ANALYSIS

75 Percent of Pro Forma Plant Additions

In its filing, UIF used the 75 percent of pro forma addition methodology to determine the retirement amount of the asset being replaced by all pro forma projects. (EXH 172, BSP 337) UIF explained that it is the Commission's practice that a factor of 75 percent of replacement cost be used for retirements. (EXH 173, BSP 436) OPC agreed that this method is acceptable in the event that the Utility does not know the original cost of the asset being retired. (OPC BR 32; TR 724) Table 10-2 below reflects the 75 percent retirement of pro forma plant by system.

Throughout the discovery period, Commission staff and OPC sent multiple interrogatories and production of documents requests asking for the original cost of the retirements associated with pro forma replacement projects. The Utility responded that either this information was not available, or if documentation was provided, it did not contain the information requested. (EXH 156, BSP 213; EXH 168, BSP 288; EXH 172, BSP 340-342) However, in UIF witness Swain's opening statement at the hearing, she explained that the Utility does not book retirements using the 75 percent method. (TR 1443) Witness Swain further stated that UIF either uses original cost, if available, or the Handy-Whitman Guide. (TR 1443; EXH 172, BSP 339-340)

Capped Plant Retirements

OPC witness Ramas recommended that for each of the pro forma plant additions associated with the replacement of existing plant, a corresponding adjustment to reduce plant and accumulated depreciation associated with the retirement of the plant being replaced is made. (TR 724) Witness Ramas argued the amount should be capped at the test year-end balance of the impacted plant account. (TR 724) In its brief, OPC argued, "Clearly, it is not appropriate to remove a larger amount of plant from UIF's books associated with the replacement and retirement of an existing asset than what was actually recorded to begin with." (OPC BR 32) In her rebuttal testimony, UIF witness Swain agreed with OPC witness Ramas on this matter. (TR 1443)

Staff believes that in this case, the amount of retirement to plant in service and accumulated depreciation reflected in the adjusted test year should be calculated based on either the 75 percent methodology used by the Utility or on the actual balance in the impacted plant in service account as of December 31, 2015, if that balance would be negative as a result of the 75 percent methodology. (TR 724)

Therefore, when a retirement results in a negative plant balance, staff has limited the retirement amount to the test year plant balance so that there would be no negative plant. This situation occurred six times in this docket, as reflected in Table 10-1 below.

Table 10-1
Capped Plant Retirements

System	PCF/Description	Account Number	Amount
Longwood	PCF-11: Collection System – Force (relocation)	360.2	($23,800)
Pennbrooke	PCF-20: Electrical Improvements	311.3	($157,313)
Sanlando	PCF-27: Shadow Hills Diversion	360.2	($363,073)
UIF – Orange	PCF-32: Crescent Heights Water Main Replacement	331.4	($199,271)
UIF – Orange	PCF-32: Crescent Heights Water Main Replacement	333.4	($25,106)
UIF – Seminole	PCF-36: Electrical improvements at Little Wekiva & Jansen WTP	304.3	($128,797)

Agreed Upon Account Treatment

OPC witness Ramas identified multiple accounts that should be capped due to special situations.

UIF-Pasco

In witness Ramas' testimony, she discussed the retirement in association with the Orangewood/Buena Vista water main replacement project. (TR 800) Witness Ramas stated that due to the low amount of accumulated depreciation compared to the plant balance, no retirement should be recorded for this project. (TR 800) In her rebuttal testimony, UIF witness Swain agreed with this adjustment. (TR 1438) Therefore, staff recommends increasing account No. 331.4 by $1,125,000 for this project.

UIF-Pinellas

Witness Ramas discussed the retirement associated with the Lake Tarpon water main replacement project. (TR 803) Witness Ramas stated that due to the age of the water system, any water mains being replaced have likely already been fully depreciated and removed from the books in previous cases; therefore, the retirement should be removed for this project. (TR 804) In her rebuttal testimony, witness Swain agreed with this adjustment. (TR 1439) As such, staff recommends increasing account No. 331.4 by $750,000 for this project.

UIF-Seminole

OPC witness Ramas discussed the retirements associated with the water main replacement projects. (TR 809) Ms. Ramas stated that due to past replacement projects and retirements, only

$885,984 should be associated with the current project. (TR 810) In her rebuttal testimony, witness Swain agreed with this adjustment. (TR 1440) As such, staff recommends increasing account No. 331.4 by $5,527,913 for this project.

Witness Ramas also discussed removing the retirement for the Northwestern Force Main replacement. (TR 811) In her rebuttal testimony, witness Swain agreed with this adjustment. (TR 1440) Therefore, staff recommends increasing account No. 360.2 by $139,990.

Table 10-2 summarizes staff's adjustments to pro forma addition retirements for plant, accumulated depreciation, and depreciation expense.

Table 10-2
Pro Forma Plant Additions Retirements

System	MFR - Pro Forma Plant Retirements	Staff - Pro Forma Plant Retirements	Staff – Plant/ accumulated depreciation adjustment	Staff - Depreciation expense adjustment
Cypress Lakes – Water	$24,036	$21,638	$2,398	$1,110
Cypress Lakes - Wastewater	8,595	2,225	6,370	1,348
Eagle Ridge – Wastewater	295,537	707,753	(412,216)	(29,724)
Labrador – Water	5,443	1,409	4,034	854
Labrador – Wastewater	5,399	1,398	4,001	847
Lake Placid – Water	1,007	261	746	157
Lake Placid – Wastewater	1,022	264	758	160
LUSI – Water	985,043	951,188	33,855	12,442
LUSI – Wastewater	617,180	1,177,369	(560,189)	(9,185)
*Longwood – Wastewater	139,599	26,932	112,667	5,355
Mid County – Wastewater	892,944	740,372	152,572	5,312
*Pennbrooke – Water	400,619	160,062	240,557	2,488
Pennbrooke – Wastewater	8,849	2,291	6,559	503
Sandalhaven – Wastewater	200,020	152,688	47,332	2,742
Sanlando – Water	222,157	149,245	72,912	15,442
*Sanlando – Wastewater	1,999,867	383,663	1,616,204	74,812
Tierra Verde – Wastewater	50,426	67,376	(16,950)	1,723
UIF-Marion – Water	3,917	1,014	2,903	614
UIF-Marion – Wastewater	545	141	404	85
*UIF-Orange – Water	1,359,903	224,951	1,134,952	26,565
*UIF-Pasco – Water	1,145,477	5,301	1,140,167	29,424
UIF-Pasco – Wastewater	8,886	2,300	6,586	1,394
*UIF-Pinellas – Water	753,069	794	752,275	17,957
*UIF-Seminole – Water	6,557,012	1,019,806	5,537,206	130,898
*UIF-Seminole – Wastewater	235,552	87,734	147,818	6,312
Total	**$15,922,104**	**$5,888,175**	**$10,033,929**	**$299,635**

*These systems have capped plant retirements or parties agreed upon treatment of retirement.

Early Loss on Retirements

In response to staff's Interrogatory No. 273, UIF identified early loss on abandonment calculations that were appropriate for UIF-Pasco, Longwood, and Sandalhaven. (EXH 168, BSP 288) UIF-Pasco decommissioning is discussed in Issues 8 and 56. Below is the discussion regarding loss on abandonment for Longwood and Sandalhaven.

Longwood

As discussed in Issue 9, UIF requested cost recovery for the decommissioning of its Shadow Hills WWTP in the Longwood service area. UIF explained that the Shadow Hills WWTP was constructed in the early 1980s and has never been rehabilitated. Additionally, the equalization tank at the Shadow Hills WWTP has passed its useful service life and the treatment train and aerobic digesters are in need of rehabilitation. A failure of the tank at Shadow Hills WWTP would have a negative environmental impact, as there would be no means to treat the incoming waste stream. Based on the deteriorated state of the facility and the potential impact of a failure, it was determined the facility should be decommissioned. (EXH 229, P 2)

UIF reviewed options to remedy the situation. Based on an economic analysis, decommissioning the Shadow Hills WWTP and diverting the flows to the Des Pinar WWTP in the Sanlando service area was the favored solution. (EXH 229, P 1-2)

Rule 25-30.433(9), F.A.C., prescribes the calculation for determining the appropriate amortization period for forced abandonment or the prudent retirement of plant assets prior to the end of their depreciable life. Staff has calculated the amortization period and expense as established in the Rule. Staff recommends an annual amortization expense of $193,156 over 9.01 years. Staff's calculations are summarized in Table 10-3 below.

Table 10-3
Longwood WWTP Loss on Decommissioning

	Staff Calculations
Net Book Value	$1,689,498
Salvage Value	(50,361)
Cost of Removal	50,923
Total Cost	$1,690,060
Rate of Return	7.08%
Return on Net Book Value	$116,097
Depreciation Expense	77,059
Annual Amortization Expense	$193,156
Amortization Period	9.01 Years

In addition to this calculation, staff also corrected the adjustment to accumulated depreciation the Utility made in its original filing. (EXH 172, BSP 337) Staff zeroed out accumulated depreciation for the corresponding plant accounts that were retired. This results in an addition of $1,639,137 to accumulated depreciation for Longwood.

Staff has also made an adjustment to property tax to recognize the retired plant. As such, staff recommends a decrease of $29,552 to TOTI. The effect on working capital of the unamortized portion of the loss on decommissioning is discussed in Issue 21.

Sandalhaven

In October 2014, DEP issued a Consent Order that required the Utility to divert all flows from Sandalhaven's WWTP to the Englewood Water District, and decommission the WWTP.[50] Pursuant to Order No. PSC-16-0013-PAA-SU, the Commission approved the retirement of Sandalhaven's WWTP and a net loss on the forced abandonment in the amount of $97,696. OPC witness Ramas testified that in the prior docket, the Order indicated the Utility provided revised calculations for the retirement after several inquiries from staff. (TR 781) These revised calculations removed the same amount from both plant in service and accumulated depreciation for the WWTP. (TR 781) OPC witness Ramas stated because the accumulated depreciation accounts were apparently reduced by the full balance in the associated plant in service account, a negative accumulated depreciation resulted, and will continue to increase rate base in perpetuity unless corrected. (TR 781-782) In its brief, the Utility stated that "a correction to Sandalhaven's MFRs is necessary to properly reflect a loss on the retirement." (UIF BR 18, TR 780)

UIF witness Swain agreed with OPC witness Ramas, but suggested similar adjustments should be made to depreciation expense and accumulated amortization of CIAC. (TR 1435) UIF witness Swain also suggested to defer and amortize the net balance of the "loss" and to include an amount in working capital (1/2 year amount).

In order to correct this situation, staff adjusted the accumulated depreciation balances for the WWTP by removing the negative balances. Staff also recalculated the net loss and fall out adjustments to depreciation expense and accumulated amortization of CIAC. Additionally, staff recalculated the amortization period, pursuant to Rule 25-30.433(9), F.A.C. These adjustments are shown in Table 10-4.

[50] Order No. PSC-16-0013-PAA-SU, issued January 6, 2016, in Docket 150102-SU, *In re: Application for increase in wastewater rates in Charlotte County by Utilities Inc. of Sandalhaven.*

Table 10-4
Sandalhaven WWTP Loss on Decommissioning

	Staff Calculations
Net Plant	$200,347
Net CIAC	19,273
Net Loss to Rate Base	$181,074
Plus Removal Cost from prior Order	97,696
Total Net Loss	$278,770
Rate of Return	7.08%
Return on Net Loss to Rate Base	$12,825
Depreciation Expense	42,745
Amortization of CIAC	(25,074)
Annual Amortization Expense	$30,496
Amortization Period	9.14 years

In addition to this calculation, staff also corrected the adjustment to accumulated depreciation the Utility made in its original filing. (EXH 172, BSP 337) Staff has zeroed out accumulated depreciation for the corresponding plant accounts that were retired. This results in a decrease of $200,347 to accumulated depreciation for Sandalhaven.

Further, with respect to the Sandalhaven decommissioning, UIF witness Flynn testified there was no salvage value associated with the decommissioning of the Sandalhaven wastewater treatment plant. (TR 1235-1236) UIF witness Swain also testified that for Sandalhaven, the loss on retirement was net of salvage value. (TR 1434) Staff agrees that the loss on retirement was net of salvage value.

Staff has also made an adjustment to property tax to recognize the retired plant. As such, staff recommends a decrease of $3,151 to TOTI. The effect on working capital of the unamortized portion of the loss on decommissioning is discussed in Issue 21.

CONCLUSION

Plant retirements should be $2,535,669 for water and $3,352,506 for wastewater. As such, plant should be increased by $8,922,014 for water and $1,111,915 for wastewater. Accumulated depreciation should be increased by $8,922,014 for water and $2,550,706 for wastewater. Depreciation expense should be increased by $237,951 for water and $61,684 for wastewater. TOTI should be decreased by $29,552 for wastewater. In addition, increases of $193,156 and $30,496 to amortization expense are necessary for Longwood and Sandalhaven respectively, to recognize the loss on retirement of the wastewater treatment plants.

Issue 10A: DROPPED.

Issue 10B: DROPPED.

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

Recommendation: Yes, there are nine water systems that have excessive unaccounted for water (EUW). Staff's recommended adjustments to purchased water, purchased power, and chemical expenses are shown in the table below.

System Name	**EUW (%)**	**Staff's Recommended Adjustment ($)**
Labrador	4.6	($460)
Lake Placid	3.06	($108)
Pasco Orangewood	7.66	($1,234)
Marion	1.35	($203)
Pinellas Lake Tarpon	10.2	($415)
Seminole Little Wekiva	4.81	($66)
Seminole Oakland	2.23	($282)
Seminole Phillips	1.56	($28)
Seminole Weathersfield	1.31	($338)
Seminole Ravenna Park	0	$0

(Ellis, Norris)

Position of the Parties

UIF:

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)
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)

OPC: Yes. OPC Witness Woodcock calculated the excessive unaccounted for water (EUW) percentages for each UIF water system. The table below reflects the ten systems with excessive unaccounted for water, percentages, and recommended adjustments as calculated by OPC Witness Ramas.

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)
Pasco – Orangewood et. al.	7.66%	(1,234)
UIF Marion	1.35%	(203)
UIF Pinellas – Lake Tarpon	10.20%	(415)
UIF Seminole – Ravenna Park et. al.	0.95%	(76)
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)

Summertree: Yes. Agree with Public Counsel.

Staff Analysis:

PARTIES' ARGUMENTS

UIF
UIF agrees with OPC that nine systems have excessive unaccounted for water (EUW), as shown in the table above. (UIF BR 19-20) UIF witness Siedman disagrees with OPC witness Woodcock that the Ravenna Park system had EUW. (TR 1180-1181) UIF asserts that as Ravenna Park was interconnected with Crystal Lake during the test year, it is appropriate to consider them together, which produces no EUW. (UIF BR 20; TR 1180-1181)

OPC
OPC witness Woodcock stated he found ten of UIF's water systems had more than ten percent of the water pumped or purchased for which UIF could not account. (OPC BR 37; TR 591-592) The only disputed system is Ravenna Park, which OPC argues should be 0.95 percent EUW. (OPC BR 37; TR 592)

Summertree
Summertree agreed with OPC's position and adopted its arguments. (Summertree BR 13)

ANALYSIS

Rule 25-30.4325, F.A.C., defines EUW as "unaccounted for water in excess of 10 percent of the amount produced." After performing the EUW calculations for all water systems, staff recommends that for all systems, except UIF Seminole Ravenna Park, the percentages of EUW agreed upon by UIF and OPC be applied to adjust the purchased power and chemicals costs. Staff recalculated the EUW for Ravenna Park using the updated MFR for that system, and recommends that no adjustment should be made for that system. Table 11-1 below illustrates the parties' recommended percentages of EUW, along with staff's recommended percentages of EUW and adjustments for each system.

Table 11-1
Percentages of EUW

System Name	EUW (%)			Staff's Recommended Adjustment ($)
	OPC	UIF	Staff	
Labrador	4.6	4.6	4.6	($460)
Lake Placid	3.06	3.06	3.06	($108)
Pasco Orangewood	7.66	7.66	7.66	($1,234)
Marion	1.35	1.35	1.35	($203)
Pinellas Lake Tarpon	10.2	10.2	10.2	($415)
Seminole Little Wekiva	4.81	4.81	4.81	($66)
Seminole Oakland Shores	2.23	2.23	2.23	($282)
Seminole Phillips	1.56	1.56	1.56	($28)
Seminole Weathersfield	1.31	1.31	1.31	($338)
Seminole Ravenna Park	0.95	0	0	$0

Source: (TR 592)

CONCLUSION

There are nine water systems that have EUW. Staff's recommended adjustments to purchased water, purchased power, and chemical expenses are shown in the table below.

System Name	EUW (%)	Staff's Recommended Adjustment ($)
Labrador	4.6	($460)
Lake Placid	3.06	($108)
Pasco Orangewood	7.66	($1,234)
Marion	1.35	($203)
Pinellas Lake Tarpon	10.2	($415)
Seminole Little Wekiva	4.81	($66)
Seminole Oakland	2.23	($282)
Seminole Phillips	1.56	($28)
Seminole Weathersfield	1.31	($338)
Seminole Ravenna Park	0	$0

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

Recommendation: Yes, three wastewater systems have excessive infiltration and/or inflow. UIF Pasco Wis Bar has 17.22 percent, Sandalhaven has 8.37 percent, and UIF Seminole Lincoln Heights has 32.9 percent. Staff recommends decreasing O&M expense, based on these percentages for the three systems, by $35,616, $30,452, and $61,068, respectively. (Ellis, Norris)

Position of the Parties

UIF: 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%.

OPC: Yes. OPC Witness Woodcock calculated the infiltration and/or inflow (I&I) percentages for each UIF wastewater system. The table below reflects the systems with excessive infiltration and/or inflow, percentages, and recommended adjustments as calculated by OPC Witness Ramas.

System	Test Year Excessive I&I (gallons)	Test Year Excessive I&I (as a percent of WWTP flow)	Expenses related to excessive inflow and infiltration (in dollars)
Sandalhaven	4,225,819	8.37%	(28,486)
UIF Pasco – Wis Bar	951,518	17.22%	(33,025)
UIF Seminole – Lincoln Heights	8,717,900	37.41%	(69,439)

Summertree: Yes. Summertree agrees with Public Counsel.

Staff Analysis:

PARTIES' ARGUMENTS

UIF

UIF agreed with OPC that there is excessive I&I in three wastewater systems, although it disagreed with the calculated percentages for two of those systems. (UIF BR 20; TR 1181) UIF witness Seidman agreed with OPC on the excessive I&I amount for UIF Pasco Wis Bar, but disagreed with the excessive I&I amounts for Sandalhaven and UIF Seminole Lincoln Heights. UIF asserted that for both systems, it is reasonable to utilize values higher than the standard values utilized by the Commission for expected return flows in calculating the percentages of I&I. (UIF BR 21; TR 1181; TR 1183) Further, UIF witness Seidman pointed out that, in his calculation of infiltration for Seminole Lincoln Heights, OPC witness Woodcock utilized an incorrect total length of gravity main pipe, which should be 6,018 ft for the 8 inch pipe. (UIF BR 21; TR 1183)

OPC

OPC agreed with UIF that for the UIF Pasco Wis Bar system, the amount of excessive I&I is 17.22 percent. (OPC BR 38; EXH 97) OPC stated that it does not agree with UIF's use of an alternative methodology to calculate I&I because the Utility provided no additional evidence or support that such methodology is reliable. (OPC BR 39) OPC witness Woodcock's analysis used the standard Commission practice of 80 percent return for residential and 90 percent return for general service customers, resulting in excessive I&I for Sandalhaven of 8.37 percent and for Seminole Linclon Heights of 37.41 percent. (OPC BR 38-39; TR 594-596) In addition, OPC witness Ramas recommended adjustments based on witness Woodcock's assessments. (TR 730)

Summertree

Summertree agreed with OPC's positions and arguments concerning excessive I&I. (Summertree BR 13)

ANALYSIS

UIF and OPC agree that the UIF Pasco Wis Bar system has 17.22 percent excessive I&I. However, the parties disagree on the percentages of excessive I&I for the Sandalhaven and UIF Seminole Lincoln Heights systems. The systems and respective percentages of excessive I&I and recommended adjustments to O&M expense are as follows:

Table 12-1
Summary of Excessive I&I

System Name	Excessive I&I (%)			Staff's Recommended Adjustment
	OPC	UIF	Staff	
Pasco Wis Bar	17.22	17.22	17.22	($35,616)
Sandalhaven	8.37	1.76	8.37	($30,452)
Seminole Lincoln Heights	37.41	32.62	32.9	($61,068)

Source: (TR 596; TR 731; TR 1183)

UIF Seminole Lincoln Heights

In calculating I&I, the actual amount of treated wastewater is compared to the amount that is expected to be returned to the WWTP. In the calculation, the Commission has historically utilized 80 percent of the water used by residential customers and 90 percent of the water used by general service customers to obtain the expected amount returned to the WWTP. However, for the Seminole Lincoln Heights system, UIF witness Seidman stated that, because the lots are small and some have their own irrigation systems, higher expected flows of 84 percent for residential and 96 percent for general service customers should be utilized. (TR 1182-1183) In support of these values, witness Seidman cites Order No. PSC-07-0505-SC-WS in Docket No.

060243-WS, wherein the Commission allowed identical values for expected return flow at the Ravenna Park system.[51]

The amount of excessive I&I calculated by OPC utilized the standard values of 80 percent and 90 percent. Although the Commission accepted higher values for expected return flows at the Ravenna Park system in a previous rate case, staff is not persuaded that UIF's justification for a similar adjustment at Seminole Lincoln Heights is reasonable. Staff notes that UIF provided no analysis to support its percentages for estimated return flows of 84 percent for residential and 96 percent for general service, other than the fact that those values were utilized in a previous rate case for a different system. Staff agrees with OPC that the appropriate values for estimated return flow are 80 and 90 percent for residential and general service, respectively.

Staff performed a calculation of the infiltration allowance for Seminole Lincoln Heights utilizing 6,018 feet of 8 inch pipe, which is the correct length contained in the Utility's MFRs. The calculation resulted in 32.9 percent excessive I&I; therefore, staff recommends a 32.9 percent adjustment to purchased power and chemicals at Seminole Lincoln Heights.

Sandalhaven

In the case of Sandalhaven, UIF witness Seidman made a general statement that the Commission "has made exceptions when the Utility provided a reasonable explanation for using different percent return flows." (TR 1181) Witness Seidman went on to explain that "based on their knowledge of the system, UIF personnel have determined that a 90 percent return for residential use and a 96 percent return for general service are more appropriate for this utility." (TR 1181) Witness Seidman stated that there is very little irrigation utilized by the residential customers at Sandalhaven, and that the flows from the multi-family units with common irrigation systems are not returned to the WWTP. The witness also cites the Utility's calculation of I&I in its previous rate case for Sandalhaven, in which the higher values for return flows were utilized.[52] (TR 1182)

Witness Seidman stated that in Docket No. 060285-SU, "staff did a calculation of I&I which was virtually identical to that presented by the Utility." (TR 1182) In Order No. PSC-07-0865-PAA-SU, it is unclear what values for the expected return flows were used, since the calculation shown is for the used and useful percentage and only shows the total amount of I&I with no excess. Witness Seidman also stated that the Commission accepted the Utility's higher values for expected return flows, and that he has not "seen any information to lead me to vary from that precedence [sic]." (TR 1182)

In addition, witness Seidman did not offer any numerical or analytical basis for using the particular values for expected return flows of 90 percent for residential and 96 percent for general service in either the previous case or the instant case. Staff is not persuaded that values higher than the Commission's standard of 80 percent for residential return flow and 90 percent for general service return flow should be utilized for the UIF Seminole Lincoln Heights and

[51] See Order No. PSC-07-0505-SC-WS, issued June 13, 2007, in Docket No. 060243-WS, *In re: Application for increase in water and wastewater rates in Marion, Orange, Pasco, Pinellas, and Seminole Counties by Utilities, Inc. of Florida*, p. 51.
[52] See Order No. PSC-07-0865-PAA-SU, issued October 29, 2007, in Docket No. 060285-SU, *In re: Application for increase in wastewater rates in Charlotte County by Utilities, Inc. of Sandalhaven.*

Sandalhaven systems, because the Utility did not provide a reasonable justification for using the higher values.

CONCLUSION

Three wastewater systems have excessive infiltration and/or inflow. UIF Pasco Wis Bar has 17.22 percent, Sandalhaven has 8.37 percent, and UIF Seminole Lincoln Heights has 32.9 percent. Staff recommends decreasing O&M expense, based on these percentages for the three systems, by $35,616, $30,452, and $61,068, respectively.

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

Approved Stipulation: All water treatment and related facilities should be 100 percent used and useful.

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

Approved Stipulation: All water storage and related facilities should be 100 percent used and useful.

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

Approved Stipulation: All water distribution and related facilities should be 100 percent used and useful.

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

Recommendation: The appropriate used and useful percentages are shown in the table below. (Lee, Sewards, Galloway)

System	Facilities	U&U (Percent)
Cypress Lakes	WWTP	100.00
Eagle Ridge	WWTP	100.00
Labrador	WWTP	79.94
Lake Placid	WWTP	29.79
Longwood	WWTP	100.00
LUSI	WWTP	58.78
Mid-County	WWTP	93.67
Pennbrooke	WWTP	100.00
Sandalhaven	EWD Capacity	95.88
Sandalhaven	Transmission	100.00
Sanlando	WWTP	100.00
UIF-Marion	WWTP	68.65

The appropriate fall-out adjustments are shown in the table below.

System - WWTP	Rate Base	Depreciation Expense (Net)	TOTI
Labrador	($289,404)	($14,181)	($2,180)
Lake Placid	(89,807)	(7,418)	(816)
LUSI	(727,208)	(39,964)	(1,742)
Mid-County	(67,761)	(5,926)	(460)
Sandalhaven	(17,533)	(598)	(1,050)
UIF-Marion	(16,641)	(2,011)	(140)
Total	**($1,208,354)**	**($70,098)**	**($6,388)**

Position of the Parties

UIF: 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.

OPC: Pursuant to Rule 25-30.4325, F.A.C. and OPC Witness Woodcock's testimony, the appropriate used and useful percentages should be as follows: LUSI – 53.55%. (HE 99); Mid-

County – 93.67%. (HE 100); Lake Placid – 29.79%. (HE 101, 102); Labrador – 40.59%. (HE 103, 104); Crownwood – 53.20%. (HE 106, 107); Sandalhaven Components: Englewood Water District Capacity Fees – 42.24%; Master Lift Station – 11.27%; Pumping Plant – 27.25%; Force Main – 13.55%. (HE 108, 109).

Summertree: Summertree agrees that the appropriate used and useful percentages should be as indicated in Public Counsel's brief.

Staff Analysis:

PARTIES' ARGUMENTS

UIF

UIF noted that both the Utility and OPC agree that Eagle Ridge is 100 percent used and useful (U&U). (UIF BR 22) All systems except Labrador, Lake Placid, LUSI, Mid-County, Sandalhaven, and UIF-Marion's Crownwood have already been determined to be 100 percent U&U by the Commission in prior Orders.

For Labrador and UIF-Marion's Crownwood WWTP, UIF asserted that both facilities are built-out, regardless of OPC's mathematical calculation, and should therefore be considered 100 percent U&U. (UIF BR 22-23) For Labrador, UIF argued that the only developable land within the service area is an 11.6 acre parcel that the residents use as a storage area for their RV's and boat trailers, and that OPC did not present evidence that this usage would change. (UIF BR 22; TR 1186) UIF stated that adjacent land outside the Utilities certificated territory should not be considered in the determination of U&U as Rule 25-30.432, F.A.C., does not contemplate expansion of the service territory as a factor to be considered and OPC has not provided evidence to support that this is possible. (UIF BR 23)

For Lake Placid, UIF asserted the system should be considered 100 percent U&U. The service area is built-out despite some growth potential, as environmental regulations in the service territory prevent further development. (UIF BR 23; TR 1197-1198)

For Mid-County, UIF argued that the situation is unique, and that it has little, if any room for growth within the service area. (UIF BR 23) While there will continue to be some growth in ERCs as more mobile home parks are redeveloped and some parcels become available for new construction, the new growth in customers has not resulted in increased flows due to lower density and improvements in I&I. (TR 1185) Despite the calculation of 91.75 percent U&U, UIF suggested that it would not have a great impact to allow 100 percent U&U given the circumstances discussed above. (UIF BR 24)

For LUSI and Sandalhaven, UIF asserted that prepaid connections should be considered in U&U calculations, as an obligation has been placed on the Utility to be ready to service these customers, causing them to plan and commit resources. (UIF BR 24) Witness Seidman argued that ignoring these connections would penalize UIF for being prudent by incurring the obligation based on non-refundable prepayments from developers. (TR 1189) For LUSI, UIF stated that a 59 percent U&U is appropriate using the flow rates reserved by developers, instead of the average system flow proposed by OPC. (UIF BR 24) A similar treatment was proposed for Sandalhaven by UIF witness Seidman. (TR 1189-1190)

For Sandalhaven, UIF argued that the Commission's Rule 25-30.432, F.A.C., applies only to WWTP, and does not apply to other components of a wastewater system. (UIF BR 24) UIF asserted that OPC's proposed approach to each individual component, such as the force main, master lift station, and the pumping plant, ignores economies of scale and simple logic, and is inconsistent with the Commission's prior practice. (UIF BR 24-25) For example, UIF argued that both the force main and master lift station were sized based upon the ultimate flow to avoid future expansions, equipment failure, or damage. (UIF BR 25-26; TR 1191-1192) UIF witness Seidman stated that weight must be given to the Commission's consideration in Order PSC-16-0013-PAA-SU, which found that U&U for the Englewood Water District (EWD) purchase and the force main/lift station were 91.4 percent and 93 percent. (TR 1192) While witness Seidman agreed that the issue of U&U would have no precedential value based on the settlement agreement in that case, witness Seidman maintained that no underlying engineering aspects, such as the sizing of the force main to meet the expected peak flows, had changed to support U&U lower than the values considered in that order. (TR 1192) Further, UIF asserted that the Commission's rules do not specify how to determine U&U for force mains or lift stations. (UIF BR 25; TR 1191) While not disputing that the flow method used by OPC was also used in Order No. PSC-07-0865-PAA-SU for the force main and lift station, UIF argued that the method was based on U&U rules intended for treatment plants. (TR 1190-1191)

For the EWD capacity, UIF asserted that while OPC and UIF's methodology are the same, OPC's application fails to account for factors such as prepaid connections, growth, or an appropriate amount of I&I. (UIF BR 25) For Sandalhaven, UIF's MFR schedule F-6 cited Commission Order No. PSC-07-0865-PAA-SU to support that the Utility acted prudently in its decision to interconnect with and purchase 300,000 gpd blocks of capacity for treatment and disposal from EWD in 2006, and eventually retire the onsite WWTP, which was taken off line on November 6, 2015.

For the force main, UIF classified it as the manifold main through which all wastewater flows are delivered for treatment, and asserted that it should be found to be 100 percent U&U pursuant to Order No. PSC-96-1338-FOF-WS.[53] (UIF BR 25) UIF argued that given that 45 percent of the force main is outside of the service territory, it cannot collect flows from connections along that length. (UIF BR 25)

For the master lift station, UIF asserted that the sizing of the master lift station concrete structure was prudent and should be considered 100 percent U&U, as it is unreasonable to expect UIF to build a smaller well initially to house two pumps, and then enlarge it for the third pump. (UIF BR 25-26, TR 1191)

For the pumping plant, UIF argued that it is sized to address current and expected flows based upon a peaking factor. (UIF BR 26) UIF asserted that consideration of a peaking factor is appropriate, and conforms with prior Commission precedence as a peaking factor was used to

[53] Order No. PSC-96-1338-FOF-WS, issued November 7, 1996, in Docket No. 951056-WS, *In re: Application for rate increase in Flagler County by Palm Coast Utility Corporation.*

determine the U&U calculation of pumping plant in Order No. PSC-96-1338-FOF-WS. (UIF BR 26: TR 1191)

OPC

OPC asserted that both UIF and OPC's respective witnesses used the same methodology, but differ in choice of inputs, with OPC selecting traditional inputs. (OPC BR 41) OPC noted that it considers Eagle Ridge to be built-out and therefore 100 percent used & useful. Furthermore, OPC stated that its analysis focused on Labrador, Lake Placid, LUSI, Mid-County, Sandalhaven, and UIF-Marion's Crownwood, none of which have been determined to be 100 percent by the Commission in prior Orders. (OPC BR 41; TR 596)

For Labrador, OPC asserted that the system is 40.59 percent U&U, as the 11.6 acre parcel currently used by residents to store RV's and boats may be developed in the future. Also, there is extensive undeveloped land surrounding the service territory. (OPC BR 46; TR 606) Similarly, for UIF-Marion's Crownwood system, OPC argued that the system is 53.20 percent U&U as adjacent land is available for development and that in the future, UIF-Marion's Crownwood system may expand to serve more customers. (OPC BR 47; TR 608) However, witness Woodcock recognized that the Crownwood system was previously set at 68.65 percent U&U by Order No. PSC-03-1440-FOF-WS.[54] (TR 608)

For Lake Placid, OPC asserted that the system is 29.79 percent U&U as it has been experiencing growth since its last rate case. In addition, OPC stated that as UIF has failed to provide documentation of the purported environmental restrictions, it should not be considered unavailable for development. (OPC BR 46) Similarly, for Mid-County, OPC argued that the system is 93.67 percent U&U as it has been experiencing growth since its last rate case, including an increase in flows since the test year used in this rate case. (OPC BR 46; TR 604)

Regarding prepaid connections used in LUSI and Sandalhaven, OPC witness Woodcock stated that the U&U statute and rules are silent regarding the use of prepaid connections. (TR 599) OPC argued that the inclusion of the prepaid connections by UIF for LUSI and Sandalhaven was based on speculative assumptions and extended the growth period beyond the five years provided in Section 367.081(2), F.S. (OPC BR 40; TR 599) Usage of prepaid connections further risks double-counting growth of new customers. (OPC BR 45; TR 602) In addition, OPC argued that if prepaid connections are considered by the Commission, they should be based upon flow data during the test year, instead of estimates of prepaid commitments. (OPC BR 44; TR 603) Further, prepaid connections should be reduced by those future customers that will never connect due to changes in developments. (OPC BR 44; TR 598-600; EXH 108, P 7) Based on these factors, for LUSI, OPC asserted that the system is 53.55 percent U&U based on the removal of prepaid connections.

For Sandalhaven, OPC agreed that the decision to purchase capacity and interconnect with EWD appeared to be prudent at the time the decision was made. (OPC BR 42; TR 609) OPC witness Woodcock agreed that in Order No. PSC-16-0013-PAA-SU, the Commission recognized UIF's argument for economies of scale in prudently sizing the facilities to meet the long term needs of

[54] Order No. PSC-03-1440-FOF-WS, issued December 22, 2003, in Docket No. 020071-WS, *In re: Application for rate increase in Marion, Orange, Pasco, Pinellas, and Seminole Counties by Utilities, Inc. of Florida.*

the service area. (TR 612). However, OPC witness Woodcock stated there were not any U&U adjustments due to economies of scale and he cited prior Commission orders, including Order No. PSC-07-0865-PAA-SU for the force main and master lift station, for his similar approach to evaluate each component separately. (TR 613) Last, OPC witness Woodcock argued that it is more appropriate to use average flow instead of the peak flow method used by UIF. (BR 43; 616-617) OPC witness Woodcock asserted that he followed the same method he used in the 2012 rate case under the jurisdiction of Charlotte County and calculated U&U of the components of the transmission system. (TR 613; TR 615) Combing these factors and those discussed above, OPC argued that Sandalhaven's EWD capacity should be considered 42.24 percent U&U, the force main 13.55 percent U&U, the master lift station 11.27 percent U&U, and the pumping plant 27.25 percent U&U.

Summertree

Summertree adopted OPC's positions and arguments for Issue 16. (Summertree BR 13-14)

ANALYSIS

There is no dispute that Rules 25-30.431 and 25-30.432, F.A.C., should be followed for U&U evaluation of WWTP. The rules set forth provisions for flow data and capacity to be used in the equation and other factors for consideration such as inflow and infiltration, growth, the extent to which the area served by the plant is built-out, and decrease in flow due to conservation or reduction in customers. In addition to WWTP, the U&U for Sandalhaven's purchased capacity and transmission system is discussed separately, as parties disagree on the method and applicable provisions.

U&U for WWTP

Table 16-1 is a summary of the U&U percentages for the ten WWTP systems proposed by UIF, OPC, and staff. OPC did not dispute with UIF on the U&U for Cypress Lakes, Eagle Ridge, Longwood, Pennbrooke, and Sanlando, as the Commission previously determined the U&U to be 100 percent and there is no dispute regarding the flow data, capacity, and other factors for consideration pursuant to Rules 25-30.431 and 25-30.432, F.A.C. Therefore, these WWTP systems should be considered 100 percent U&U.

Table 16-1
UIF, OPC, and Staff Recommendation for WWTP U&U Percent Value

WWTP System	UIF	OPC	Staff
Cypress Lakes	100.00	No Dispute	100.00
Eagle Ridge	100.00	No Dispute	100.00
Labrador	100.00	40.59	79.94
Lake Placid	100.00	29.79	29.79
Longwood	100.00	No Dispute	100.00
LUSI	58.78	53.55	58.78
Mid-County	100.00	93.67	93.67
Pennbrooke	100.00	No Dispute	100.00
Sanlando	100.00	No Dispute	100.00
UIF-Marion	100.00	53.20	68.65

Source: EXH 36, TR 1187, EXH 98, Staff Analysis

Of the remaining five systems in dispute, the differences can be attributed to the treatment of prepaid connections and the system build-out status discussed in the parties' arguments.

Prepaid Connections

The treatment of prepaid connections affects the U&U for LUSI and Sandalhaven and is discussed together here. UIF argued that prepaid commitment should be considered in U&U, as the payment placed an obligation on the Utility to be ready to serve, and ignoring it would penalize UIF for being prudent by incurring the obligation based on non-refundable prepayments from developers. (TR 1203; TR 1189) OPC argued that the U&U statute and rules are silent regarding the use of prepaid connections and the inclusion of the prepaid connections was based on speculative assumptions. (TR 599; TR 603)

Using hindsight, the prepaid connections, now cancelled, may appear to be based on the speculative demand from the developers, but that should not be the basis for a U&U adjustment. Rather, the practice of commitment of capacity based on non-refundable prepayments from developers is reasonable and the CIAC reduces the investment on which the utility may earn a return (TR 982-983) After weighing the parties' arguments, staff concludes that UIF's arguments in this case support the inclusion of the prepaid connections for determination of U&U.

For LUSI, the only difference between OPC and UIF's U&U values is the treatment of prepaid connections. OPC's position of 53.55 percent did not include any consideration of prepaid commitment. UIF included 52,360 gpd commitment due to prepaid connections. This equates to approximately 5.24 percent of additional U&U after dividing that commitment by the 999,000 gpd of capacity. As discussed above, staff included the 5.24 percent due to prepaid connections and recommends 58.78 percent U&U for LUSI.

System Build-Out Status

UIF's position that Lake Placid, Mid-County, Labrador, and UIF-Marion are 100 percent U&U, was based on the Utility's argument that those systems are built-out because there has been no growth in flows within the service areas. OPC argued that these systems are not built-out because of the potential for expansion. Based on staff's review of the record, UIF has not demonstrated that its built-out argument is any different than that considered by the Commission in prior orders. There is no dispute regarding the calculated U&U percentages, as they are based on the same flow data, capacity, and method. Therefore, staff evaluated the U&U based on the comparison of the established U&U determined in prior orders and the calculated U&U percentages.

For Lake Placid and Mid-County, staff agrees with OPC and recommends 29.79 percent and 93.67 percent based on the calculated U&U percentages. They are slightly higher in comparison with the U&U percentages established by prior orders, indicating growth. For Labrador and UIF-Marion, staff recommends 79.94 percent and 68.65 percent based on the higher U&U percentages established by prior orders, as the calculated values are lower due to lower flows while capacities remain the same. This is consistent with Commission practice in consideration of the conservation factor, which reduces the flows below the level that the Commission used to set U&U.[55]

U&U for Sandalhaven Purchased Capacity and Transmission System

For the EWD capacity purchased by Sandalhaven, UIF and OPC agreed on the use of 300,000 gpd for EWD capacity and 138,285 gpd for test year flows. (EXH 36, P 68; EXH 109, P 1) The difference is in prepaid connections and an adjustment due to excess I&I. Consistent with the recommendation on I&I in Issue 12, staff recommends an annual I&I adjustment of 4,225,529 gallons, or 11,577 gpd, which reduces the flow to 126,708 gpd. Regarding prepaid connections, for the reason discussed earlier, staff recommends the inclusion of the prepaid capacity of 160,930 gpd. Dividing the 287,638 gpd total flow by the 300,000 gpd capacity, results in a U&U of 95.88 percent for EWD capacity.

While recognizing that the U&U method used in Order No. PSC-16-0013-PAA-SU would have no precedential value based on the settlement agreement, UIF witness Seidman argued that weight must be given to the Commission's consideration in that order, which found that U&U for the EWD purchase, and the force main/lift station were 91.4 percent and 93 percent. (TR 1192) OPC witness Woodcock agreed with UIF that the Commission in that order recognized UIF's argument for economies of scale in prudently sizing the facilities to meet the long term needs of the service area. (TR 612) However, witness Woodcock calculated U&U of the facilities as 11.27 percent for the master lift station structure, 27.25 percent for the pumping plant, and 13.55 percent for the force main. (TR 615; EXH 109, P 1)

Staff believes these U&U percentages calculated by witness Woodcock using the flow method for these components produces unreasonable results and are inconsistent with the economies of scale argument. As expressed by UIF witness Seidman, the sizing of the master lift station concrete structure for three pumps was economical compared with building a smaller well initially to house two pumps, and then enlarging it for the third pump. (TR 1191-1192)

[55] Order No. PSC-03-1440-FOF-WS, issued December 22, 2003, in Docket No. 020071-WS, *In re: Application for rate increase in Marion, Orange, Pasco, Pinellas, and Seminole Counties by Utilities, Inc. of Florida* and Order No. PSC-15-0208-PAA-WS, issued May 26, 2015, in Docket No. 140135-WS, *In re: Application for increase in water/wastewater rates in Pasco County by Labrador Utilities, Inc.*

Staff recognizes that the approach OPC witness Woodcock used for these components is similar to the method used by the Commission in Order No. PSC-07-0865-PAA-SU. However, staff notes the special circumstances in that case under which the Commission made adjustments as part of evaluating the pro forma construction of the transmission system for the EWD interconnection. The order states on page 11, "…until the wastewater treatment plant is retired, a non-U&U adjustment is necessary for the interconnection costs, including the impact fees paid to the EWD."

Based on the language in the Order, staff believes the approach the Commission took was only intended until retirement of the wastewater treatment plant. Before Sandalhaven completed its interconnection to EWD, its WWTP was the sole means of treating its wastewater effluent and was determined to be 100 percent U&U. Now that the WWTP has been decommissioned and the transmission system, which includes the force main, master lift station structure and pumps, is the sole means of delivering flows to EWD for treatment, staff believes the transmission system should be evaluated as a whole and be considered 100 percent U&U. This is also supported by the evaluation by the flow method as discussed below.

Based on the opinion expressed in the letter of engineering firm CPH dated June 26, 2006, the transmission system was expected to handle a daily average flow of 275,000 gpd with installed pumping capacity of 760 gallons per minutes, or approximately 1,000,000 gpd peak flow. (EXH 109, P 26-27) Because the daily average flow is used for the U&U evaluation by the flow method, staff believes it is appropriate to use the 275,000 gpd as the capacity of the transmission system for consistency. Based on the calculation with this capacity and the same 287,638 gpd total flow for the U&U evaluation of the EWD capacity, staff recommends 100 percent U&U for the transmission system.

Prepaid CIAC

OPC witness Ramas argued that the non-U&U adjustment should only be applied to prepaid CIAC. (TR 769) Witness Ramas cites the procedure established in the previous order issued for LUSI.[56] (TR 769) Staff does not agree with this adjustment. It is Commission practice to apply non-U&U to CIAC, including any prepaid CIAC.[57] Application of a U&U adjustment to total CIAC is needed to determine proper cost of service. Order No. PSC-95-0748-FOF-WU on page 8 states:

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[56] Order No. PSC-11-0514-PAA-WS, issued November 3, 2011, in Docket No. 100426-WS. *In re: Application for increase in water and wastewater rates in Lake County by Lake Utility Services, Inc.*, pages 16-17.

[57] Order No. PSC-02-1449-PAA-WS, issued October 21, 2002, in Docket No. 011451-WS, *In re: Investigation of water and wastewater rates for possible overearnings by Plantation Bay Utility Co. in Volusia County*. Order No. PSC-02-1739-PAA-WS, issued December 10, 2002, in Docket No. 990374-WS, *In re: Application for staff- assisted rate case in Highlands County by The Woodlands of Lake Placid, L.P. Docket No. 020010-WS, In re: Application for certificates to operate a water and wastewater utility in Highlands County by The Woodlands of Lake Placid, L.P., and for deletion of portion of wastewater territory in Certificate No. 361-S held by Highlands Utilities Corporation.* Order No. PSC-96-0679-FOF-WU, issued May 23, 1996, in Docket No. 950697-WU, *In re: Application for staff-assisted rate case in Highlands County by Placid Lakes Utilities, Inc.* Order No. PSC-96-0869-FOF-WS, issued July 2, 1996, in Docket No. 950966-WS, *In re: Application for a staff-assisted rate case in Highlands County by Sebring Ridge Utilities, Inc.*

> The cost of service is based on used and useful assets which are devoted to providing service to the customer base served. Nonused and useful plant, Nonused and useful CIAC and the useful investment in taxes are excluded from cost of service and rates.[58]

Staff agrees with UIF that Non-U&U should be applied to total CIAC, including the prepaid portion.

Adjustments to Rate Base and Net Operating Income

Using the U&U percentages established above, staff calculated adjustments to rate base, Depreciation Expense (net of CIAC), and TOTI. Table 16-2 below summarizes the adjustments in each of the applicable systems.

Table 16-2
U&U Adjustments to Rate Base and Net Operating Income

System - WWTP	Rate Base	Depreciation Expense (Net)	TOTI
Labrador	($289,404)	($14,181)	(2,180)
Lake Placid	(89,807)	(7,418)	(816)
LUSI	(727,208)	(39,964)	(1,742)
Mid-County	(67,761)	(5,926)	(460)
Sandalhaven	(17,533)	(598)	(1,050)
UIF-Marion	(16,641)	(2,011)	(140)
Total	**($1,208,354)**	**($70,098)**	**($6,388)**

[58] Order No. PSC-95-0748-FOF-WU, issued June 21, 1995, in Docket No. 940865-WU, *In re: Application for Authority to Gross Up Contributions In Aid Of Construction (CIAC) in Escambia County by THE PEOPLES WATER SERVICE COMPANY*.

CONCLUSION

The appropriate used and useful percentages are shown in Table 16-3 below.

Table 16-3
Staff WWTP U&U Percent Value

System	Facilities	U&U (Percent)
Cypress Lakes	WWTP	100.00
Eagle Ridge	WWTP	100.00
Labrador	WWTP	79.94
Lake Placid	WWTP	29.79
Longwood	WWTP	100.00
LUSI	WWTP	58.78
Mid-County	WWTP	93.67
Pennbrooke	WWTP	100.00
Sandalhaven	EWD Capacity	95.88
Sandalhaven	Transmission	100.00
Sanlando	WWTP	100.00
UIF-Marion	WWTP	68.65

The appropriate fall-out adjustments are shown in Table 16-4 below.

Table 16-4
U&U Adjustments to Rate Base and Net Operating Income

System - WWTP	Rate Base	Depreciation Expense (Net)	TOTI
Labrador	($289,404)	($14,181)	($2,180)
Lake Placid	(89,807)	(7,418)	(816)
LUSI	(727,208)	(39,964)	(1,742)
Mid-County	(67,761)	(5,926)	(460)
Sandalhaven	(17,533)	(598)	(1,050)
UIF-Marion	(16,641)	(2,011)	(140)
Total	**($1,208,354)**	**($70,098)**	**($6,388)**

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

Approved Stipulation: All collection lines should be 100 percent used and useful.

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

Recommendation: Yes. The appropriate adjustments are reflected in Table 18-1 in staff's analysis below. (Sewards, Galloway)

Position of the Parties

UIF: 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.

OPC: Yes, water accumulated depreciation should be decreased by $117,948 and wastewater accumulated depreciation should be reduced by $11,176 to reflect the removal of fully depreciated assets in the UIF-Marion and Lake Placid systems, to reflect the capitalization of engineering fees for Sandalhaven, to reduce the pro forma cost for the Splitter Box in the LUSI system, and to remove the pro forma project for the Myrtle Lake Hills expansion in the Sanlando system.

Summertree: Summertree agrees with Public Counsel.

Staff Analysis:

PARTIES' ARGUMENTS

UIF

The Utility stated that an increase of $4,928,573 should be made to the adjusted test year balances in association with audit adjustments, updates to pro forma projects, and a correction to the decommissioning of the Sandalhaven wastewater treatment plant. (UIF BR 27; EXH 249, P 9) These adjustments will be discussed further in other issues.

OPC

In its brief, OPC stated that this issue is a fall-out issue from the adjustments made in Issue 7. (OPC BR 47) Staff would note that many of the adjustments discussed in OPC's brief pertained to pro forma projects which were addressed in Issue 10.

Summertree

In its brief, Summertree agreed with OPC. (Summertree BR 14)

ANALYSIS

In their briefs, UIF and OPC discussed adjustments that are presented in other issues. Audit adjustments to test year accumulated depreciation is discussed in Issue 5. Adjustments to pro forma projects are discussed in Issues 9 and 10.

As discussed in Issue 7, OPC witness Ramas argued that fully depreciated accounts and associated accumulated depreciation should be removed from the books to prevent future incidences of over depreciation. (TR 755-756, 806-807) UIF witness Swain disagreed contending that assets that are still in use should not be removed from the books. (TR 1430, 1439) Staff agrees with UIF witness Swain that assets still in use should not be removed from the books. However, staff believes that the continued depreciation of fully recovered assets should be reversed.

Staff applied UIF's proposed adjustments and staff audit adjustments, as well as staff's recommended pro forma adjustments. Staff analyzed the updated balance of plant, accumulated depreciation, and depreciation expense and has made adjustments to limit accumulated depreciation to plant balances and to remove depreciation expense from fully depreciated assets.

CONCLUSION

Table 18-1 below summarizes staff recommended adjustments for each system.

Table 18-1
Over Depreciation Corrections

System	Accumulated Depreciation	Depreciation Expense
Cypress Lakes – Water	$354,032	($1,131)
Cypress Lakes – Wastewater	357	0
Eagle Ridge – Wastewater	64,783	(9,097)
Labrador – Wastewater	3,520	(198)
Lake Placid – Water	2,754	(525)
Lake Placid – Wastewater	7,208	1,290
Longwood – Wastewater	9,150	(1,708)
Mid County – Wastewater	82,281	0
Pennbrooke – Wastewater	91	0
Sandalhaven – Wastewater	33,696	(6,944)
Sanlando – Wastewater	53,216	(26,258)
Tierra Verde – Wastewater	8,649	(191)
UIF-Marion – Water	13,617	(8,477)
UIF-Marion – Wastewater	1,934	(414)
UIF-Orange – Water	11,656	(2,696)
UIF-Pasco – Water	52,687	(12,650)
UIF-Pasco – Wastewater	20,460	(11,165)
UIF-Pinellas – Water	5,900	(3,945)
UIF-Seminole – Water	491,079	(42,196)
UIF-Seminole – Wastewater	50,215	(12,985)
Total	**$1,267,285**	**($139,290)**

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

Recommendation: Yes. However, all necessary adjustments to CIAC are discussed in Issues 5 and 8. No additional adjustments to test year CIAC are necessary for this issue. (Sewards, Galloway)

Position of the Parties

UIF: Test Year CIAC should be increased for audit adjustments impacting CIAC, numbers 1, 2, and 3. Pro forma 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 pro forma plant addition.

OPC: Yes. The LUSI wastewater CIAC balance should not be reduced through the application of a non-used and useful percentage as proposed by UIF. Removal of the Company's application of a non-used and useful percentage increases CIAC by $1,656,177. In addition, if the pro forma project for the Myrtle Lake Hills expansion is included in plant, a corresponding amount of CIAC should be imputed to reflect the Service Availability charges approved in Order No. PSC-16-0107-PAA-WU.

Summertree: Yes. Summertree agrees with Public Counsel.

Staff Analysis:

PARTIES' ARGUMENTS

UIF

In its brief, UIF stated that test year adjustments should be made as a result of the audit findings impacting CIAC, Audit Findings 1, 2, and 3 (UIF BR 28-29, EXH 138, P 12).

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

The Utility also argued that pro forma adjustments should be made regarding the decommissioning of the UIF-Pasco Summertree system. (UIF BR 28) UIF referred to Issue 8 and stated that CIAC should be reduced by $3,633 to properly record the decommissioning of the Summertree plant. (EXH 249, P 12) Regarding Sanlando – Myrtle Lake Hills Water Main addition, UIF stated that until CIAC is collected, the costs are incurred by the Utility. (UIF BR 28; TR 1436-1437) UIF argued that, consistent with Commission practice, the Utility will construct the water main extension in Myrtle Lake Hills, and the customers will pay a service availability fee at the time of connection. (UIF BR 28) The Utility further argued that because the plant addition has been paid for by UIF, only the CIAC collected to date should be added. (TR 1436-1437) According to UIF, the amount of CIAC collected in connection with the Myrtle Lake Hills extension is $5,526 per connection for forty connections. (EXH 194, BSP 677; TR 1236)

OPC

LUSI

According to OPC, the LUSI wastewater CIAC balance should not be reduced through the application of a non-used and useful percentage (non-U&U) as proposed in UIF's initial filing. (TR 769-770) Removal of the Company's application of non-U&U percentage to the LUSI wastewater CIAC increases CIAC by $1,656,177. (OPC BR 48; TR 770) OPC witness Ramas referred to the last rate case where the Utility made a similar adjustment.[59] (TR 769) Citing this Order, OPC witness Ramas testified that the Commission rejected the non-U&U adjustments to CIAC, finding that they were not appropriate or justified. (TR 769) OPC argued, "in fact, the Commission firmly stated:

> We find that the Utility's non-U&U adjustments to the CIAC accounts are not appropriate or justified . . . U&U adjustments apply only to prepaid CIAC and it is the utility's burden to prove that those adjustments relate to prepaid CIAC. We find that LUSI did not provide documentation supporting any prepaid CIAC. Prepaid CIAC for treatment plant is typically associated with Refundable Advance Agreements which the utility admitted that it does not have. Consistent with our practice, all CIAC associated with existing customers is considered 100 percent U&U, and as such, no U&U adjustment shall be made to CIAC."

(TR 769)

OPC argued that, as in the last case, UIF is attempting to reclassify CIAC in order to "qualify" it for a U&U calculation. (OPC BR 48; TR 769-770) OPC further argued that UIF has provided no evidence to support its argument. (OPC BR 48) OPC stated that the Commission made it clear that "it was the Utility's burden," and that the Utility still has not met its burden. (OPC BR 48) OPC agreed with the Commission's prior Order and argued that the Utility has the burden to demonstrate that it has appropriately included CIAC. (OPC BR 48) OPC argued that UIF has not met its burden on this issue.

Sanlando

A pro forma addition was included by UIF to design and construct water facilities in the Myrtle Lake Hills subdivision. (TR 326) OPC argued that this project should not be included in rate base because its intent is to serve future customers. (OPC BR 48; TR 1360-1361) OPC argued that if the Commission does include this project in rate base, "the related revenue impacts should also be included." (OPC BR 48) In its brief, OPC argued that witness Flynn testified that the revenues associated with these future customers was not included in its filing. (OPC BR 49; TR 1359) According to OPC, UIF witness Flynn also testified that the service availability charges for this project should be included in rate base if the project is included. (OPC BR 49; TR 1360) According to OPC, if the project is allowed in rate base, $241,542 should be included in CIAC. (OPC BR 49)

[59] Order No. PSC-11-0514-PAA-WS, issued November 3, 2011, in Docket No. 100426-WS. *In re: Application for increase in water and wastewater rates in Lake County by Lake Utility Services, Inc.*, pages 16-17.

Summertree

In its brief, Summertree agreed with the arguments made by Public Counsel, adopted such arguments, and did not repeat them in its brief for brevity. (Summertree BR 14)

ANALYSIS

In its brief, UIF presented adjustments to CIAC associated with Audit Findings 1, 2, and 3. (UIF BR 27) These adjustments were discussed in Issue 5. (UIF BR 27) The Utility also included an adjustment for the decommissioning of the UIF-Pasco Summertree treatment plant. (UIF BR 17-18, 27) To properly record the decommissioning of the Summertree plant, UIF stated that CIAC should be reduced by $3,633 (UIF BR 28, EXH 249, P 12). This adjustment is discussed in Issue 8.

During the course of the hearing, testimony was presented regarding the application of U&U to CIAC and Accumulated Amortization of CIAC. OPC argued the application of the U&U adjustment to CIAC should follow the treatment established in the last order issued for LUSI. (OPC BR 48) Issue 16 addresses the U&U methodology and its application to CIAC for LUSI.

OPC also argued that the Myrtle Lake Hills expansion project, within the Sanlando system, should not be included in rate base because it is intended to serve future customers. (OPC BR 48) However, OPC offered that if this project is included, the related revenue impact should also be recognized, including an adjustment to CIAC. (OPC BR 48) As discussed in Issue 9, staff is recommending that the Myrtle Lake Hills project cost be reduced from UIF’s requested $695,000 to $60,000. In accordance with staff’s recommendation in Issue 9, no adjustments were necessary for CIAC associated with the Sanlando system.

CONCLUSION

All required adjustments to CIAC are discussed in Issues 5 and 8. No additional adjustments to test year CIAC are necessary for this issue.

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

Recommendation: Yes. The appropriate accumulated amortization of CIAC adjustments are as follows:

System	Water	Wastewater
Lake Placid	($722)	($25,258)
Mid-County	0	(123,809)
Sanlando	0	(13,749)
Total	**($722)**	**($162,816)**

Staff recommends a net reduction to test year accumulated amortization of CIAC of $722 for water and $162,816 for wastewater. (Sewards, Galloway)

Position of the Parties

UIF: 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. Pro forma reduction of $73,154 is needed to correct the decommissioning of the Summertree plant.

OPC: Yes. The LUSI wastewater accumulated amortization of CIAC should not be reduced through the application of a non-used and useful percentage as proposed by UIF. Removal of the Company's application of a non-used and useful percentage increases accumulated amortization by $573,138.

Summertree: Yes. Summertree agrees with Public Counsel.

Staff Analysis:

PARTIES' ARGUMENTS

UIF

UIF witness Swain testified that 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; UIF BR 28) The Utility also argued that test year adjustments should be made as a result of the audit findings impacting accumulated amortization, Audit Findings 1, 2, 3, and 4, as reflected in the table below. (EXH 138 P 12-13, 15-16; UIF BR 28)

UIF - Audit Findings Adjustments

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

Source: UIF BR 28

The Utility stated that in order to properly record the decommissioning of the Summertree plant, discussed in Issue 8, pro forma adjustments should result in a reduction to the accumulated amortization of CIAC balance in the amount of $73,154. (EXH 249, P 12; UIF BR 28)

OPC

OPC only addressed the LUSI wastewater accumulated amortization of CIAC in its brief. (OPC BR 49) OPC argued that LUSI's wastewater accumulated amortization of CIAC balance should not be reduced through the application of a non-U&U percentage as proposed in UIF's initial filing. (OPC BR 49) OPC witness Ramas testified that removal of the Utility's application of a non-U&U percentage to the LUSI wastewater accumulated amortization of CIAC increases the accumulated amortization of CIAC by $573,138. (TR 769-770 and OPC BR 49) OPC argued the non-U&U adjustment should not be applied to the CIAC balance "for the same argument set forth in that issue," and "no related adjustment should be made to the accumulated amortization account." (OPC BR 49)

Summertree

In its brief, Summertree agreed with the arguments made by Public Counsel, adopted such arguments, and did not repeat them in its brief for the sake of brevity. (Summertree BR 14)

ANALYSIS

In its brief, UIF discussed adjustments that should be made as a result of Audit Findings 1, 2, 3, and 4. (UIF BR 28) These adjustments are discussed in Issue 5. The Utility also discussed the adjustment to accumulated amortization of CIAC for the UIF-Pasco Summertree decommissioning. (UIF BR28) This adjustment is addressed in Issue 8.

In its brief, OPC argued for a change in the application of the U&U adjustment to accumulated amortization of CIAC for LUSI. (OPC BR 48) This adjustment is discussed in Issue 16.

With regard to the Sandalhaven retirement, in order to correct a negative accumulated depreciation for the WWTP account balances, staff recalculated the net loss. This resulted in an adjustment reducing amortization of CIAC by $19,273. This adjustment is discussed in Issue 10.

Several systems reflected accumulated amortization of CIAC in excess of the CIAC total balance. For these systems, staff made adjustments to limit the accumulated amortization of CIAC to the CIAC balance. These adjustments are found in Table 20-1.

CONCLUSION

Staff is recommending the appropriate adjustments are as follows:

Table 20-1
Accumulated Amortization of CIAC Test Year Adjustments

System	Water	Wastewater
Lake Placid	($722)	($25,258)
Mid-County	0	(123,809)
Sanlando	0	(13,749)
Total	**($722)**	**($162,816)**

Staff recommends a net reduction to test year accumulated amortization of CIAC of $722 for water and $162,816 for wastewater.

Issue 21: What is the appropriate working capital allowance?

Recommendation: The appropriate working capital allowance is $1,130,422 for water and $3,030,342 for wastewater. As such, the working capital allowance should be increased by $166,896 for water and $1,654,561 for wastewater. The total adjustment for each system is reflected in Table 21-6 in staff's analysis below. (Norris)

Position of the Parties

UIF: $5,500,069

OPC: The working capital balances included in UIF's MFR filing should be reduced by $758,114 based on updated and corrected pro forma project costs; deferral of a test year project; removal of decommissioning costs; and removal of prepaid income tax balances for the Eagle Ridge and Sandalhaven Systems. See Brief Exhibit Issue 21 for breakdown by system. UIF's untimely adjustment to the prepaid income tax balances for all remaining systems should be rejected as unsupported.

Summertree: Summertree agrees with Public Counsel.

Staff Analysis:

PARTIES' ARGUMENTS

UIF

In its brief, UIF stated that working capital per the MFRs was $2,234,901 and adjustments to working capital totaled $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

(EXH 172, BSP 337; EXH 249, P 1-12; UIF BR 29)

UIF stated that corrections to working capital adjustments should be made to reflect the calculation of loss on decommissioning for Longwood and Sandalhaven, per Rule 25-30.433(9) F.A.C. (UIF BR 29) For UIF-Pasco, it should reflect the findings in Order No. PSC-16-0505-PAA-WS. (UIF BR 29)

OPC

In its brief, OPC argued that several adjustments to miscellaneous deferred debits should be made. (OPC BR 49-50) For Cypress Lakes, OPC contended that a reduction to working capital of $720 is necessary to reflect the cost of $50,200 for the pro forma Sediment Removal project (PCF-2). (TR 321; EXH 248; OPC BR 49) As reflected on MFR Schedule A-3 of Cypress Lakes, the Utility based its pro forma adjustment to working capital on a total project cost of $51,000. (EXH 172, BSP 337) For Labrador, OPC stated that working capital should be increased by $9,000 for the water system to reflect the amortization of a water system alternatives analysis, which was agreed upon by the Utility. (TR 753-754; TR 1430; EXH 117, P 7; OPC BR 50-51) OPC also argued that the $180,000 UIF included in working capital for the abandonment and decommissioning of the Summertree water supply assets should be removed. (EXH 172, BSP 337; OPC BR 50) The final adjustment to miscellaneous deferred debits proposed by OPC was to reduce LUSI's working capital by $119,000 to reflect the revised amount associated with the pro forma TTHM/HAA5 Remediation project (PCF-9). (TR 323; EXH 200, BSP 733; EXH 248; OPC BR 50)

OPC also argued that additional adjustments to accrued taxes are required. (OPC BR 50-53) The first was an adjustment to decrease working capital by $3,924, correcting an allocation error of accrued taxes in UIF-Pinellas, as agreed upon by the Utility. (TR 805-806; TR 1439; OPC BR 50) OPC stated that $82,809 should be removed from Eagle Ridge's working capital because its negative accrued tax balance was associated with income tax overpayments for which refunds have been requested, and the Utility is in agreement. (EXH 177, BSP 947; TR 752-753; TR 853-854; TR 1430; OPC BR 50-51) OPC highlighted its concern with the negative accrued tax balance in Sandalhaven, as emphasized by OPC witness Ramas. (TR 777-780; OPC BR 51) OPC contended that UIF agreed that the balance associated with the federal income tax amounts should be removed from the Sandalhaven working capital as the balance was written-off by the Utility. (TR 1435; OPC BR 51)

Additionally, OPC stated that in response to its recommended removal of the negative accrued income tax balances for the Eagle Ridge and Sandalhaven systems, UIF witness Swain testified that the Utility made a correcting entry after the end of the test year to remove the balances from its books, and that a similar adjustment was made to all of the UIF systems. (TR 1435; OPC BR 51) As a result, UIF included adjustments for all systems in its rebuttal testimony filing. (TR 1441; EXH 250; OPC BR 51) OPC argued that its recommended adjustments for the Eagle Ridge and Sandalhaven systems should be adopted by the Commission as the issue was discovered early enough to allow for a more detailed review of the accrued income tax balances through the discovery process, but OPC contended that it did not have enough information to evaluate the appropriateness or reasonableness of the remaining adjustments in UIF's rebuttal filing and incorporated in Hearing Exhibit 250. (OPC BR 52)

Summertree

In its brief, Summertree agreed with OPC. (Summertree BR 14)

ANALYSIS

Rule 25-30.433(2), F.A.C., requires that Class A utilities use the balance sheet method to calculate the working capital allowance. In its MFRs, UIF reflected a total working capital allowance of $963,526 for water and $1,130,915 for wastewater. (EXH 172, BSP 337) Staff believes additional adjustments are necessary.

Regulatory Assets

Issue 6 addresses the Project Phoenix regulatory assets but does not include an adjustment to working capital. Staff adjusted working capital to reflect the unamortized balance of the regulatory assets approved in the UI Generic Docket. Accordingly, working capital should be increased based on the net amounts reflected in Table 21-1 below.

Table 21-1
Adjustments for Regulatory Assets/Liability

System	Water	Wastewater
Cypress Lakes	$5,380	$4,941
Eagle Ridge	0	2,565
Lake Placid	517	577
Pennbrooke	(835)	(669)
Sanlando	2,496	1,947
UIF-Orange	276	0
UIF-Pasco	2,551	1,107
UIF-Pinellas	382	0
UIF-Seminole	2,410	1,311
Total	**$13,177**	**$11,779**

Deferred Rate Case Expense

In its MFRs, the Utility reflected no deferred rate case expense for any systems. (EXH 172, BSP 337) The July 1, 2016 implementation of Section 367.081(9), F.S., prohibits a utility from earning a return on the unamortized balance of rate case expense. Prior to that implementation, it was Commission practice to include in working capital one-half of the approved amounts of rate case expense from prior cases that had not been fully amortized under the balance sheet method. UIF witness Swain testified that in the preparation of this case, she applied the current statute as it pertains to working capital and did not include the unamortized portion of rate case expense associated with prior dockets. (TR 1482) However, the current statute does not apply to rate case expense previously authorized by the Commission prior to the 2016 implementation of Section 367.081(9), F.S. As acknowledged by witness Swain, all unamortized rate case expense included in the instant docket is the result of rate case proceedings that occurred prior to the 2016 implementation of Section 367.081(9), F.S. Therefore, adjustments are necessary to reflect the unamortized balance of rate case expense associated with the Commission's previous decisions, as discussed below.

As addressed in Issue 76, staff is recommending a surcharge for systems with unamortized rate case expense from prior dockets based on the annual four-year rate reduction amount set by prior Commission orders. Prior to the implementation of Section 367.081(9), the annual four-year rate reduction amount included the associated return on deferred rate case expense included in working capital. As such, no working capital adjustments are necessary for these systems.

However, an adjustment to working capital is necessary for systems that have not begun amortizing rate case expense previously approved in the UI Generic Docket. Pursuant to the UI Generic Docket Order, recovery of the approved expense should be included as part of each systems' next rate proceeding.[60] An adjustment should be made to include the unamortized balance of the UI Generic Docket rate case expense in the working capital of each system commencing recovery. The surcharges, as previously discussed, address the systems that have previously started recovery of rate case expense associated with the UI Generic Docket, and no working capital adjustment is necessary for these systems. As such, staff recommends that working capital be increased based on the amounts reflected in Table 21-2 below.

Table 21-2
Adjustments for Deferred Rate Case Expense

System	Water	Wastewater
Cypress Lakes	$1,304	$1,241
Eagle Ridge	0	2,634
Lake Placid	137	139
LUSI	11,131	3,442
Longwood	0	1,820
Mid-County	0	3,513
Pennbrooke	1,544	1,287
Tierra Verde	0	2,192
UIF-Marion	566	79
UIF-Orange	320	0
UIF-Pasco	2,960	1,284
UIF-Pinellas	444	0
UIF-Seminole	2,797	1,521
Total	**$21,203**	**$19,152**

Miscellaneous Deferred Debits

MFR Corrections

Several adjustments are necessary to correct errors reflected in the Utility's MFRs. In its original filing, UIF included $450,000 associated with PCF-9, a project for engineering design and permitting services to address elevated TTHM and HAA5 values, as a pro forma adjustment to miscellaneous deferred debits for LUSI's water system. (EXH 172, BSP 337) As addressed in

[60] Order No. PSC-14-0521-FOF-WS, p. 20.

Issue 9, this project was capitalized to a plant account. Thus, working capital for LUSI's water system should be decreased by $450,000.

Additionally, the Utility's original filing included an error in the allocation of miscellaneous deferred debits for UIF-Pinellas. (EXH 172, BSP 337). In its original filing, UIF allocated working capital to each of the UIF systems currently consolidated, based on each system's respective ERCs.[61] (TR 805) All consolidated systems reflected $71,595 of miscellaneous deferred debits prior to allocation except UIF-Pinellas. (EXH 172, BSP 337) UIF should have allocated miscellaneous deferred debits to UIF-Pinellas. (EXH 172, BSP 337) Based on an ERC allocation of 4.449 percent, working capital should be increased by $3,186 (4.449 percent x $71,595) for UIF-Pinellas to correct the allocation error. (EXH 172, BSP 337)

Additionally, UIF witness Swain identified adjustments to correct the exclusion of miscellaneous deferred debits from Schedule A-17 for several systems in her rebuttal testimony. (TR 1441) Staff verified all of witness Swain's adjustments, and each one corresponded to the amount included on Schedule A-18 for each system. (EXH 172, BSP 337) These adjustments are set forth in Table 21-3 below.

Table 21-3
Adjustments to Correct Schedule A-17

System	Water	Wastewater
Eagle Ridge	$0	$8,233
Lake Placid	29	29
Mid-County	0	9,533
Pennbrooke	69,245	57,704
Sandalhaven	0	51,332
Sanlando	25,399	20,434
Total	**$94,673**	**$147,265**

Fall-Out Adjustments

The final area of adjustments to miscellaneous deferred debits results from the amortization of expenses or the loss on early retirements addressed in other issues. Table 21-4 below summarizes the adjustments to include the unamortized portion of each item, less one year of amortization, along with the corresponding issue for further discussion.

[61] The UIF systems currently consolidated are UIF-Marion, UIF-Orange, UIF-Pasco, UIF-Pinellas, and UIF-Seminole.

Table 21-4
Fall-Out Adjustments to Miscellaneous Deferred Debits

System	Corresponding Issue No.	Water	Wastewater
Cypress Lakes	51	$0	($720)
Labrador	46	8,000	0
Lake Placid	51 & 43	0	4,369
Longwood	10	0	1,547,265
Mid-County	42	0	21,602
Mid-County	51	0	4,000
Mid-County	43	0	1,904
Mid-County	46	0	4,700
Pennbrooke	42	0	2,700
Sandalhaven	10	0	186,539
Sanlando	42	0	7,799
Sanlando	51	1,960	1,577
UIF-Marion	46	2,827	0
UIF-Pasco	56	298,672	0
Total		**$311,460**	**$1,781,735**

Accrued Taxes

OPC witness Ramas' testimony addressed several concerns associated with negative balances of accrued taxes in UIF's original filing. As testified by witness Ramas, liabilities typically reduce the working capital allowance under the balance sheet methodology, unless the balance of the liability is negative. (TR 777)

As addressed by witness Ramas, the working capital for UIF-Pinellas reflected a negative accrued tax balance in the amount of $79,890 prior to allocation. (TR 806) As previously discussed, the allocation is derived from a consolidated working capital shared with the currently consolidated UIF systems. (TR 805) The working capital of each of the consolidated systems reflected a positive accrued tax balance of $78,890, prior to allocation, except UIF-Pinellas. (EXH 172, BSP 337; TR 806) UIF-Pinellas' accrued tax balance prior to allocation was a negative $78,890. Accordingly, accrued taxes should be increased by $159,780 for UIF-Pinellas to change the negative balance into a positive balance of $79,890 (-$79,890 + $159,780). Since liabilities reduce working capital, the correction actually decreases working capital by $159,780. Based on an ERC allocation of 4.449 percent, working capital should be decreased by $7,109 (4.449 percent x $159,780) for UIF-Pinellas to correct the allocation. (EXH 172, BSP 337)

Witness Ramas stated that working capital for UIF-Pinellas needed to be reduced by $3,924 to correct the erroneous balance of accrued taxes allocated to the system, and UIF agreed with the correction. (TR 806; TR 1439) However, the amount agreed upon by both parties also included the adjustment amount to correct miscellaneous deferred debits, as previously identified by staff, resulting in a net adjustment that decreased working capital by $3,924 ($3,186 - $7,109).

The final adjustment to accrued taxes stems from OPC witness Ramas' testimony regarding negative balances of accrued taxes for Eagle Ridge and Sandalhaven. (TR 752-753; TR 777-780) In her rebuttal testimony, UIF witness Swain indicated that the Utility made correcting entries after the test year to remove balances associated with federal income tax and included the associated adjustments. (TR 1430; TR 1441; EXH 250) Witness Ramas testified that for rate-making purposes, the accrued tax component of working capital represents a current liability. (TR 854) Staff analyzed the adjustments proposed by witness Swain using the Utility's general ledgers and verified that all but one adjustment was associated with federal income tax balances brought forward from previous years. (EXH 172, BSP 338) The one adjustment that could not be confirmed was a decrease of $602,382 to the accrued taxes for LUSI. As such, staff recommends the adjustments to accrued taxes as set forth on Table 21-5 below to remove federal income tax balances brought forward from previous years.

Table 21-5
Accrued Taxes

System	Water	Wastewater
Cypress Lakes	$18,113	$17,230
Eagle Ridge	0	(82,809)
Labrador	7,595	7,536
Lake Placid	378	383
Longwood	0	43,703
Mid-County	0	75,556
Pennbrooke	(13,881)	(11,567)
Sandalhaven	0	(389,275)
Sanlando	121,096	97,424
Tierra Verde	0	39,342
UIF-Marion	(1,701)	(237)
UIF-Orange	(962)	0
UIF-Pasco	(8,893)	(3,859)
UIF-Pinellas	(1,333)	0
UIF-Seminole	(8,403)	(4,570)
Total	**$112,009**	**($211,143)**

Accumulated Deferred Income Taxes (ADITs)

The Utility's original filing reflected an ADIT debit test-year balance of $95,909 for Mid-County and an additional pro forma adjustment to decrease the balance by $1,683. As addressed in Issue 24, ADITs are addressed on a consolidated basis. Thus, working capital for Mid-County should be decreased by $94,226 ($95,909 - $1,683) to remove ADITs included in Mid-County's working capital.

Negative Working Capital

Staff's adjustments to LUSI's working capital results in a negative working capital for the water system. Commission practice is to set a negative working capital balance to zero.[62]

CONCLUSION

The appropriate working capital allowance is $1,130,422 for water and $3,030,342 for wastewater. As such, the working capital allowance should be increased by $166,896 for water and $1,654,561 for wastewater. Table 21-6 below summarizes staff's recommended adjustments and working capital allowance for each system.

Table 21-6
Staff's Recommended Working Capital Allowance

System	Adjustments		Working Capital Allowance	
	Water	Wastewater	Water	Wastewater
Cypress Lakes	$24,798	$22,691	$6,860	$85,561
Eagle Ridge	0	(69,376)	0	123,249
Labrador	15,595	7,536	42,589	117,473
Lake Placid	1,060	5,496	7,374	12,842
LUSI	(370,572)	3,442	0	53,358
Longwood	0	1,592,788	0	1,592,801
Mid-County	0	26,582	0	211,457
Pennbrooke	56,073	49,455	80,599	88,298
Sandalhaven	0	(151,404)	0	325,277
Sanlando	150,952	129,181	322,563	331,244
Tierra Verde	0	41,534	0	11,759
UIF-Marion	1,693	(158)	17,471	2,038
UIF-Orange	(366)	0	8,561	0
UIF-Pasco	295,290	(1,468)	557,788	34,331
UIF-Pinellas	(4,431)	0	11,858	0
UIF-Seminole	(3,196)	(1,738)	74,759	40,654
Total	**$166,896**	**$1,654,561**	**$1,130,422**	**$3,030,342**

[62] Order No. PSC-91-0076-FOF-WS, issued January 27, 1997, in Docket No. 961364-WS, *In re: Investigation of rates of Lindrick Service Corporation in Pasco County for possible overearnings, p. 3*.

Issue 22: What is the appropriate rate base for the adjusted December 31, 2015, test year? (Fall-out)

Recommendation: Consistent with other recommended adjustments, the appropriate 13-month average rate base is $52,396,017 for the water systems and $60,230,106 for the wastewater systems. (Norris)

Position of the Parties

UIF: $114,815,110

OPC: The water rate base should be $48,172,804 and the wastewater rate base should be $43,687,931.

Summertree: Summertree agrees with Public Counsel.

Staff Analysis:

This is a fallout issue. Based upon the Utility's adjusted 13-month average test year balances and staff's recommended adjustments, the appropriate 13-month average rate base is $52,396, 017 for the water systems and $60,230,106 for the wastewater systems. Schedule Nos. 3-A and 3-B reflect staff's recommended rate base calculations for each system. Staff's proposed adjustments to rate base for each system are shown on Schedule No. 3-C.

Issue 23: Should any adjustments be made to Deferred Tax Debits - Tap Fees Post 2000 included in the Accumulated Deferred Income Tax balance?

Recommendation: Yes. The full amount of Deferred Tax Debits – Post 2000 Tap Fees should be removed from the Accumulated Deferred Income Tax (ADIT) balance in the MFRs. This results in an adjustment to increase the credit balance of ADITs in the capital structure by $2,750,246 on a UIF consolidated basis. (D. Buys)

Position of the Parties

UIF: Yes, the unamortized balance of accumulated deferred income taxes (ADIT) for Tap Fees Post 2000 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.

OPC: Yes. Deferred Tax Debits – Tap Fees Post 2000 should be removed from the accumulated deferred income tax (ADIT) component of the capital structure, consistent with the Commission's explicit findings in Order No. PSC-16-0013-PAA-SU (PAA Order). This increases the ADIT component of the capital structure by $2,750,256 on a UIF consolidated basis. The Utility has not presented evidence justifying the inclusion of the impacts of any Deferred Tax Debits – Tap Fees Post 2000 on ADIT.

Summertree: Agrees with OPC.

Staff Analysis:

PARTIES' ARGUMENTS

UIF

UIF maintained that it correctly paid taxes on the Tap Fees Post 2000 based on the advice of its outside tax consultants. (TR 1446) The Utility argued that taxes paid on Tap Fees after the year 2000 was not "thrown-away" money and considers it to be a prepayment of taxes that should have been amortized over 25 years. (UIF BR 30, TR 1446) The Utility argued that the unamortized balance of ADITs associated with Post 2000 Tap Fees should have been amortized at the same rate as the corresponding CIAC balance as of the time the CIAC was collected from the developers, and the remaining unamortized balance should be removed from the MFR balance. (OPC BR 30) UIF agreed that the deferred tax balance on the Post 2000 Tap Fees should be removed, but only the amount that should have been on the books had the Utility been correctly accounting for the deferred tax balances as reflected in witness Swain's late filed exhibit DDS-3. (OPC BR 30, EXH 343; EXH 205) In its post-hearing brief, UIF argued the following:

> Witness Swain explained that in its prior Sandalhaven rate case 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. (UIF BR 30) 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 BR 30) UIF argued that it should be amortizing the Post 2000 Tap Fees ADITs with the offset against ADITs for depreciation. (UIF BR 30: EXH 338) UIF further argued the unamortized balance should be disallowed and the ADIT depreciation should be increased by the amount of the amortization of the Post 2000 Tap Fees ADITs. (UIF BR 30) UIF argued the appropriate amortization period to use is 25 years which is the period allowed for depreciation. (UIF BR 30) The calculation of the amortization of Post 2000 Tap Fees ADITs which should be included as an ADIT, and the corresponding unamortized balance which should be disallowed is reflected in Exhibit 343 and is based on the balances reflected in prior rate cases. (UIF BR 30; TR 1453-1457).

OPC

OPC argued that the Commission has clearly and concisely addressed the inclusion of the Post 2000 Tap Fees ADITs in Sandalhaven's prior rate cases. (OPC BR 52; TR 779) OPC opined that in Order No. PSC-16-0013-PAA-SU, the Commission explicitly determined that the deferred tax debit item should be excluded. (OPC BR 53) OPC argued that in the Sandalhaven case, the Commission determined that Post 2000 Tap Fees ADITs, which were generated from plant capacity charges collected from developers by the Utility, were non-taxable according to IRS Treasury Regulation 1.118-2(b)(4)(i). (OPC BR 53) OPC further argued that the Post 2000 Tap Fees ADITs balance of $2,750,256 identified in Audit Finding 5 of the Staff Audit Report should be removed from the ADIT balance in the capital structure. (OPC BR 53) OPC argued that up until April 20, 2017, UIF agreed to remove the Post 2000 Tap Fees ADITs from the capital structure and chose not to provide any supporting documentation for the calculations or origination of the Post 2000 Tap Fees ADITs. (OPC BR 53-54) OPC also argued that UIF witness Swain conceded the Utility changed its position three days after indicating it agreed to remove the Post 2000 Tap Fee ADITs and subsequent to the filing of UIF's rebuttal testimony. (OPC BR 54) OPC contended that this issue is not whether UIF either has or should have been amortizing the deferred debit balance from the Post 2000 Tap Fees ADITs; the issue is that the Commission has previously determined the Utility should not have paid the income taxes on the plant capacity fees collected from developers after 2000. (OPC BR 54) OPC argued that since the Commission determined that the income taxes should not have been paid, ratepayers should not be penalized by a reduction to the ADIT credit balance which results from the inclusion of the debit deferred tax from the Post 2000 Tap Fees, and therefore, the full amount of the Post 2000 Tap Fees ADITs should be removed. (OPC BR 54)

Summertree

In its brief, Summertree agreed with and adopted the arguments made by OPC. (Summertree BR 15)

ANALYSIS

In Finding 5 included in the staff audit report, staff determined the balances for Post 2000 Tap Fees ADITs for each of the systems included in UIF's rate case filing. (EXH 138, P 15) The ADIT balances resulted from plant capacity fees paid by developers to UIF which is recorded as CIAC. (EXH 138, P 15) In Order No. PSC-16-0013-PAA-SU, the Commission determined that according to IRS Treasury Regulation 1.118-2, the plant capacity fees collected from developers after calendar year 2000 were not taxable. (TR 779, EXH 339, P 18) However, UIF argued that it correctly paid income tax on Post 2000 Tap Fees and only the unamortized balance should be removed. (TR 1456, EXH 171, BSP 332) This issue was previously resolved in Docket No. 150102-SU regarding Utilities, Inc. of Sandalhaven's application for an increase in wastewater rates.[63] In Order No. PSC-16-013-PSS-SU, the Commission stated:

> Paragraph (b)(3) of IRS Treasury Regulation 1.118-2 states that a customer connection fee is not a contribution in aid of construction under paragraph (b) and generally is included in taxable income. The Utility classified the CIAC received from developers as Tap Fees, or service line or meter fees. Based on the Utility's classification, it is understandable that a reasonable person could conclude that the CIAC is taxable under the Utility's interpretation of IRS Treasury Regulation 1.118-2. However, we find that the CIAC collected from developers does not meet the definition of a customer connection fee as defined by Paragraph (b)(3)(i) of IRS Treasury Regulation 1.118-2, which states:
>
>> The term *customer connection fee* includes any amount of money or other property transferred to the Utility representing the cost of installing a connection or service line (including the cost of meters and piping) from the Utility's main water or sewer lines to the line owned by the customer or potential customer.
>
> The CIAC in question consists mostly of payments from multiple developers from 1995 through 2006 to the utility to reserve capacity from the utility to service potential residents in the planned developments. The amount of the plant capacity fee collected from the developers was based upon the Commission-approved plant capacity fee of $1,250 per DRC listed in Sandalhaven's tariff. The amount of CIAC received was $1,573,581 which resulted in deferred taxes of approximately $592,138.
>
> IRS Treasury Regulation 1.118-2 clearly demonstrates that Sandalhaven's plant capacity charges are non-taxable CIAC. The characteristics to meet the definition of non-taxable CIAC are: (1) the money must be contributed to a regulated public utility that provides either water or sewer disposal services; (2) the contribution must provide for the expansion, improvement, or replacement of the utility's facilities; and (3) the contribution cannot be included in the utility' rate base for rate-making purposes. The CIAC collected by the utility meets all of these characteristics.
>
> Further, if the CIAC received from the developers is considered a customer connection fee, paragraph (b)(4)(i) of IRS Treasury Regulation 1.118-2 clearly demonstrates that Sandalhaven's plant capacity charges meet the exception

[63] Order No. PSC-16-0013-PAA-SU, issued January 6, 2016, in Docket No. 150102-SU, *In re: Application for increase in wastewater rates in Charlotte County by Utilities, Inc. of Sandalhaven, p. 17–20.*

> whereby the CIAC is non-taxable if the charges were approved within 81/2 months from the in-service date of the wastewater treatment plant.

In its Order, the Commission found that the debit ADITs from taxes paid on plant capacity charges shall be disallowed for ratemaking purposes.[64] This same issue was addressed by the Commission in October 2007 in Docket No. 060285-WS, and in that case, the Commission also disallowed the inclusion of the debit ADITs.[65]

Order No. PSC-16-0013-PAA-SU, in Docket No. 150102-SU, was protested by both OPC and UIF and set for hearing. A settlement to the protest was filed by OPC and UIF and approved by the Commission in Order No. PSC-16-0151-FOF-SU, issued April 18, 2016 (Settlement Order). In the Commission's Settlement Order, all of the issues protested by the parties in the PAA Order were set forth in the respective parties' Petition and Cross-Petition. The protested issues could be raised in a subsequent rate case by either party. The parties agreed that all issues decided by the PAA Order, except for those preserved subject to the terms of the Stipulation and Settlement Agreement shall become final upon the acceptance and approval of the Stipulation and Settlement Agreement. The disallowance of the Post 2000 Tap Fees ADIT adjustment was not one of the issues included in either OPC's Petition or UIF's Cross-Petition. Therefore, the Commission's decision on the ADITs was a final action.[66]

During cross examination, witness Swain agreed that the Order disallowed fully the inclusion of the debit ADIT balance, but testified that she believed the ADIT issue in Order No. PSC-16-0013-PAA-SU was not one of the issues that were included as finally decided. (TR 1459) However, Commission Order No. PSC-16-0151-FOF-SU approving the Stipulation and Settlement Agreement is clear on its face that the ADIT issue was not protested and was deemed final.[67]

In its filing in the instant case, UIF recognized the Commission Ordered adjustment for Sandalhaven and removed the Post 2000 Tap Fee ADIT debit balance of $618,138 from the capital structure. (TR 1444) However, UIF did not make the same adjustment for the other systems in its filing as reported in Audit Finding 5. (TR 1444) Through discovery, staff requested that UIF provide supporting documentation and information regarding the Post 2000 Tap Fees ADITs. (EXH 336; EXH 337) The requested information included three interrogatories to explain (1) from what sources the ADITs were generated, (2) if there was any corresponding CIAC balance associated with the Tap Fees, and (3) why the amounts were not being amortized to reduce the ADIT debit balance. (EXH 337) Staff also requested UIF to provide any documents associated with the collection of tap fees that gave rise to the Post 2000 Tap Fees ADITs, and documentation that demonstrated the Utility paid income tax on the income from the Post 2000 Tap Fees. (EXH 336; EXH 337)

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[64] Id.
[65] Order No. PSC-07-0865-PAA-SU, issued October 29, 2007, in Docket No. 060285-SU, *In re: Application for increase in wastewater rates in Charlotte County by Utilities, Inc. of Sandalhaven, pages 23-36.*
[66] Order No. PSC-16-0151-FOF-SU, issued April 28, 2016, in Docket No. 150102-SU, *In re: Application for increase in wastewater rates in Charlotte County by Utilities, Inc. of Sandalhaven.*
[67] Id.

On April 17, 2017, UIF provided the following response to staff's three interrogatories and two requests for production of documents regarding the ADITS:

> Although the Company's position is that taxes were correctly paid on Post 2000 Tap Fees, the Company is in agreement to remove ADITs associated with Post 2000 Tap Fees from the determination of revenue requirement.

(EXH 336; EXH 337)

During cross examination, witness Swain admitted that UIF did not provide any of the information or documents requested by staff in its interrogatories and requests for production of documents regarding the ADITs. (TR 522-523) Witness Swain explained that the information was not provided because at that point in time [April 17, 2017] the Utility was not going to defend having the Tap Fees included in the MFRs. (TR 523) On cross examination, witness Swain admitted that in UIF's last two Sandalhaven rate cases, the Post 2000 Tap Fee ADITs were disallowed by the Commission because the Commission determined the payment of the income taxes was not justified. (TR 524) Witness Swain testified that UIF chose not to defend its position because it had already lost in two prior rate cases.[68] (TR 524) Witness Swain explained that after the Utility's response on April 17, 2017, UIF determined that there was a portion of the ADITs that should be included. (TR 524)

In UIF's response to Staff's Interrogatory No. 307, filed on April 20, 2017, the Utility agreed with Audit Finding 5 that an adjustment should be made to remove the deferred debit balance for the Post 2000 Tap Fees ADITs for all of the systems, but only to remove the unamortized balance. (EXH 338) In its response, UIF indicated that the ADITs should be amortized over the tax life of the related CIAC, with the debit to ADIT depreciation. (EXH 338) In witness Swain's original rebuttal testimony, she incorrectly stated that the Utility had removed all the deferred taxes associated with Post 2000 Tap Fees, when in fact, it did not. (TR 1444) During witness Swain's deposition on April 28, 2017, she changed her rebuttal testimony to remove a statement regarding other corrections to the MFRs that related to the removal of the Post 2000 Tap Fees ADITs. (TR 1454) According to witness Swain, "So there were taxes paid on Tap Fees after the law had changed that they were no longer taxable. The Utility maintains that it was correct to pay the tax because that is what their tax accountants, outside tax accountants, told them to do." (TR 1446)

Witness Swain testified that after responding to discovery, the Utility realized that the taxes paid should have been recovered over time at the same rate as the related CIAC is amortized. (TR 1446-1447) Witness Swain agreed that the unamortized portion of the Post 2000 Tap Fee ADITs should not be included in the ADIT balance, and explained that the proper treatment is to reduce the ADIT credit on depreciation expense by an amount equal to the amortization of the ADIT on CIAC. (TR 1456-1457) The deferred tax for depreciation expense is created by a timing difference [book life of the asset verses tax life of the asset] of the depreciation life of the CIAC

[68] Order Nos. PSC-07-0865-PAA-SU, issued October 29, 2007, in Docket No. 060285-SU, *In re: Application for increase in wastewater rates in Charlotte County by Utilities, Inc. of Sandalhaven*; and PSC-16-0151-FOF-SU, issued April 28, 2016, in Docket No. 150102-SU, *In re: Application for increase in wastewater rates in Charlotte County by Utilities, Inc. of Sandalhaven*.

asset. (TR 1458) UIF argued that had it not paid the income tax on Tap Fees, the proper treatment would have been to reduce the deduction for depreciation expense by the amount of the amortization of the corresponding CIAC, and therefore, the deferred tax associated with depreciation would have been a credit equal to the amortization of the ADIT on CIAC. (TR 1456) However, witness Swain admitted that UIF has not actually amortized the Post 2000 Tap Fee ADITs on its books in the past and, as of May 10, 2017, the Utility has not worked out all the calculation details. (TR 1456)

In support of UIF's position, witness Swain provided a late-filed deposition exhibit reflecting calculation of the amortization of the Post 2000 Tap Fee ADITs which the Utility argued should be included, and the unamortized balance which should be disallowed. (UIF BR 30, TR 1445, EXH 343) However, during cross examination, witness Swain admitted that the Utility did not produce any additional documentation supporting or explaining from where the balances in the schedule were obtained, only that witness Swain pulled them from prior rate cases. (TR 1479-1480)

CONCLUSION

Staff agrees with OPC that the Post 2000 Tap Fee ADITs should be removed from the ADIT component of the capital structure consistent with the Commission's findings in Order No. PSC-16-0013-PAA-SU. (TR 842) The Utility had an opportunity to protest the Commission's decision in Order No. PSC-16-0013-PAA-SU, but chose not to. (TR 524)

Audit Finding 5 included in the staff audit report, issued January 5, 2017, listed the debit balances of the Post 2000 Tap Fee ADITs that were in question and staff followed up with discovery to inquire about the Utility's position. The Utility initially agreed, on April 17, 2017, that the amounts should be removed from the determination of revenue requirement, but three days later, UIF changed its position. (TR 1451-1452; EXH 336; EXH 337; EXH 338) It was not until April 28, 2017, one week before the start of the hearing, that witness Swain changed her rebuttal testimony on the treatment of the Post 2000 Tap Fee ADITs. (TR 1421; TR 1445) In addition, the Utility has not provided any convincing record evidence in this proceeding to support its position. (TR 523; TR 1148-1452; TR 1476-1480)

Staff agrees with OPC that the issue is not whether the Utility either has or should have been amortizing the deferred tax debits associated with Post 2000 Tap Fees, but that the Commission has previously determined that the taxes should not have been paid. (OPC BR 54; TR 842) Staff believes the Commission has previously determined that income taxes should not have been paid in the first place, and as a result, rate payers should not be penalized by the reduction to the zero cost ADIT balance in the capital structure that would result from the Utility's proposal to include the amortized portion in the ADIT balance. (TR 842)

Therefore, staff recommends that the full amount of Deferred Tax Debits – Post 2000 Tap Fees be removed from the ADIT balance in the MFRs. This results in an adjustment to increase the credit balance of ADITs in the capital structure by $2,750,246 on a UIF consolidated basis.

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

Recommendation: The appropriate amount of accumulated deferred income taxes to include in the capital structure is $16,643,096. This reflects an increase of $6,553,231 related to pro forma plant additions, an increase of $2,750,246 related to the removal of the debit deferred taxes for tap fees post 2000 as discussed in Issue 23, and an increase of $608 for a corresponding adjustment related to U&U in Issue 16, for a total increase of $9,304,085. (D. Buys)

Position of the Parties

UIF: $15,462,763

OPC: ADITs of $13,756,149 (consolidated basis) should be included in the capital structure. The amount presented in the Utility's filing of $7,585,272 should be increased by $6,170,877 for: (1) removal of the Deferred Tax Debit - Post 2000 Tap Fees (see Issue 23); and (2) the impacts of the 50% bonus depreciation allowance on both the water and wastewater pro forma plant additions and the impacts of the OPC adjusted pro forma plant additions.

Summertree: Summertree agrees with Public Counsel.

Staff Analysis:

PARTIES' ARGUMENTS

UIF

UIF opined that bonus depreciation on pro forma water and wastewater utility plant should be included in the calculation of ADIT. (UIF BR 30; TR 1427, 1437, and 1443) The Utility argued that 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. (UIF BR 30)

OPC

OPC argued that in the Utility's filing, UIF included the impacts of its proposed post-test year plant additions on the ADIT balance in the capital structure, but failed to include the impacts of the 50 percent bonus depreciation allowed under current tax law in determining the ADIT impacts of the post-test year plant additions. (OPC BR 55, TR 739-741) OPC argued that the impacts of bonus depreciation on the ADIT balance in the capital structure should be included for any post-test year plant additions the Commission ultimately approves for inclusion in rate base, with the exception of pro forma land and buildings additions. (OPC BR 55, TR 1427, EXH 192, BSP 653) The electronic ADIT work papers provided by the Utility in response to OPC's discovery request was modified by witness Swain to include the impacts of the 50 percent bonus depreciation calculations. (OPC BR 55, EXH 172, BSP 337) Using the modified work paper version resulted in a $3,524,927 increase in the ADIT balance associated with OPC's adjusted pro forma plant additions. (OPC BR 55) As a result of removing the impacts of the Deferred Tax Debit – Post 2000 Tap Fees in Issue 23 and including the impacts of the bonus depreciation on

OPC's recommended plant additions, the ADIT balance included in UIF's filing of $7,585,272 on a consolidated UIF basis should be increased to $13,756,149. (OPC BR 55)

Summertree

In its brief, Summertree agreed with the arguments made by OPC. (Summertree BR 15)

ANALYSIS

Both UIF and OPC agree that an adjustment should be made to reflect the 50 percent bonus depreciation on new plant additions permitted by the Protecting Americans from Tax Hikes (PATH) Act and current IRS tax law. (TR 739, TR 1427) The PATH Act, signed into law on December 18, 2015, extended the bonus deprecation allowed by Section 179 of the Internal Revenue (IRS) Code from 2015 through 2017. (TR 739) Staff agrees with OPC witness Ramas that the impacts of the 50 percent bonus depreciation should be included in determining the amount of ADITs to include in the capital structure for pro forma plant placed in service from 2015 through 2017. (TR 740)

Section 179 of the U.S. Code permits a tax deduction of 50 percent of the cost of certain qualified new property placed in service during the tax year.[69] Qualified utility property is listed in Sections 168(e)(5) and 168(i)(10) of the U.S. Code and includes both water and wastewater property used predominantly in the trade or business of the furnishing or sale of water or sewage disposal services.[70]

UIF admitted that it did not include bonus depreciation on pro forma plant additions in its MFRs. (TR 740) During cross examination, UIF witness Swain agreed that water utility property and reuse property qualify for bonus depreciation and also agreed that Utilities, Inc. claims bonus depreciation on its wastewater utility property on its income tax returns. (TR 1468) Witness Swain testified that for that reason the bonus depreciation should be calculated on all the plant [water and wastewater] that is included on UI's tax returns. (TR 1468)

To make the adjustments for the pro forma plant additions, OPC witness Ramas used the electronic ADIT work papers provided by the Utility in its supplemental response to OPC's POD No. 4. (TR 741; EXH 172, BSP 337) To calculate the appropriate balance, the electronic work papers were modified to replace UIF's plant balances with OPC's recommended pro forma plant balances, and revised the tax depreciation formulas to include the calculation for the 50 percent bonus depreciation. (OPC BR 55, TR 741)

Staff used the same electronic work sheets included in OPC's and UIF's electronic work papers to calculate the ADITs associated with the pro forma plant additions. Staff used the staff recommended pro forma plant addition amounts in Issue 9 and calculated the associated ADITs using the same methodology contained in OPC's and UIF's electronic work sheets. The only exception was that, in an abundance of caution, staff did not include 50 percent bonus depreciation for the Kodiak Truck Upgrade (EXH 84) since it was not a "new" plant addition as

[69] 26 U.S. Code § 179.
[70] 26 U.S. Code § 168.

required by the IRS code for qualified plant.[71] Staff's recommended amount of the ADITs associated with the addition of the staff recommend pro forma plant amounts is delineated in Table 24-1.

Table 24-1
ADIT Balances
Pro Forma Plant Additions

System	Amount
Cypress Lakes	$8,365
Eagle Ridge	162,027
Labrador	2,797
Lake Placid	523
Longwood	108,399
LUSI	728,648
Mid-County	285,813
Pennbrooke	78,179
Sandalhaven	38,763
Sanlando	2,311,578
Tierre Verde	18,549
Marion County	802
Orange County	273,819
Pasco County	399,480
Pinellas County	288,254
Seminole County	1,907,235
Total Consolidated UIF Basis	**$6,553,231**

Source: Staff Analysis

The total amount of ADITs from pro forma plant additions is a credit balance of $6,553,231 on a consolidated UIF basis that should be added to the ADIT balance in capital structure.

In addition, staff calculated corresponding adjustments to ADITs to reflect the reduction of plant due to staff's recommended U&U adjustment in Issue 16. The total corresponding adjustment related to staff's recommended U&U adjustment in Issue 16 is a credit of $608 on a consolidated UIF basis that should be added to the ADIT balance in the capital structure.

As discussed in Issue 23, staff is recommending an increase of $2,750,246 on a consolidated UIF basis to the credit balance of the ADITs included in the capital structure.

[71] Id.

CONCLUSION

In its MFRs, the Utility included a 13-month average balance of $7,339,011 for ADITs in its capital structure. (EXH 86, P10) Staff’s total recommended adjustment is an increase of $9,304,085 ($6,553,231 + $2,750,246 + $608) to the credit ADIT balance included in the capital structure. Accordingly, staff believes the appropriate amount of ADITs to include in the capital structure is $16,643,096 ($7,339,011 + $9,304,085).

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

Approved Stipulation: $232,022.

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

Approved Stipulation: As provided by Rule 25-30.311, F.A.C., the customer deposit cost rate should be 2.0 percent. The customer deposit cost rate contained in the capital structure for the Lake Placid system should be reduced to 2.0 percent.

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

Approved Stipulation: The appropriate cost rate for the short-term debt for the test year should be 2.32 percent.

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

Recommendation: The appropriate cost rate for long-term debt for the test year ended December 31, 2015, is 6.70 percent. (D. Buys)

Position of the Parties

UIF: 6.7%

OPC: The appropriate cost rate for long-term debt for the test year should be 6.70%.

Summertree: The Commission should reduce the UIF's long-term debt cost to penalize UIF for failing to produce any evidence establishing that UIF has diligently pursued low cost and no cost loans and grants which may be available to UIF, such as state revolving loan funds and grants.

Staff Analysis:

PARTIES' ARGUMENTS

UIF

In its MFRs, UIF included a cost rate of long-term debt of 6.70 percent and opined that subsequent documentation was provided in Exhibits 147 and 172. (UIF BR 31) UIF argued that "Although Summertree 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 6.70 percent cost rate for long-term debt is unrefuted." (OPC BR 31)

OPC

OPC provided no additional argument for its position. (OPC BR 55)

Summertree

In its brief, Summertree argued the following:

> UIF failed to produce any evidence to establish that UIF has diligently pursued low cost and no cost funding available to UIF from state agencies. The cost rate for long-term debt for the test year should be reduced to penalize UIF for failing to prove it has made any efforts to secure available low cost loans such as state revolving loan funds available to UIF.

(Summertree BR 15)

ANALYSIS

OPC and UIF agreed that 6.70 percent is the appropriate cost rate for long-term debt for the test year ended December 31, 2015. (OPC BR 55; UIF BR 31) The cost rate for long-term debt is the actual cost of long-term debt for its parent company, Utilities, Inc. (EXH 86, P 9) UIF provided documentation supporting its cost rate for long-term debt, filed confidentially. (EXH 147; EXH 172, BSP 343) Staff reviewed the documentation and confirmed that the cost rate for long term debt of 6.70 percent is based on Utility Inc.'s actual cost rate for long term debt. Summertree sponsored no witnesses, provided no testimony, nor did Summertree provide any record evidence in this case to support its position.

CONCLUSION

Based on the evidence in the record, staff recommends that the appropriate cost rate for long-term debt for the test year ended December 31, 2015, is 6.70 percent.

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

Recommendation: Staff recommends that a consolidated capital structure consisting of 49.27 percent common equity, 46.33 percent long-term debt, and 4.40 percent short-term debt as a percentage of investor sources be used for rate setting purposes to correspond to the consolidated rates recommended by staff in Issues 61 and 64. The consolidated water and wastewater rate base should be reconciled to investor sources of capital only, and specific adjustments should be made to increase the ADIT balance to $16,643,096 as recommended in Issue 24, and increase the customer deposit balance to $232,022 as stipulated in Issue 25. (D. Buys)

Position of the Parties

UIF: The consolidated capital structure.

OPC: The impacts of the 50% bonus depreciation allowance on the OPC adjusted pro forma water and wastewater plant additions should be included in determining the amount of ADIT to include in the capital structure at zero cost. Further, the capital structure for each system should be synchronized with OPC's recommended adjusted rate base balances with [the] capital structure [for each system].

Summertree: Summertree agrees with Public Counsel.

Staff Analysis:

PARTIES' ARGUMENTS

UIF

In its brief, UIF argued that consistent with the Utility's request for consolidated rates, UIF maintains that the appropriate capital structure is as filed in the MFRs consolidated filing, adjusted as indicated in Issue 31. (UIF BR 31)

OPC

OPC maintained that the impact of the 50 percent bonus depreciation allowance on its adjusted pro forma water and wastewater plant additions should be included in determining the amount of ADITs to include in the capital structure at zero cost. (OPC BR 56, TR 740) Further, OPC argued that the capital structure for each system should be synchronized with OPC's recommended adjusted rate base balances for each system. (OPC BR 56, TR 742)

Summertree

Summertree agreed with and adopted the arguments made by OPC. (Summertree BR 16)

ANALYSIS

In its original MFRs, UIF requested a consolidated capital structure based on a 13-month average as of December 31, 2015, consisting of common equity in the amount of $50,417,549 (49.27 percent), long-term debt in the amount of $47,409,074 (46.33 percent), and short-term debt in the amount of $4,502,481 (4.40 percent) as a percentage of investor supplied capital. (EXH 86, P 10)

The ratios of UIF's investor supplied capital is based on the actual capital structure of the Utility's parent company, Utilities, Inc. (UIF BR 31, EXH 86, P 9-10) UIF witness Hoy testified that UI's subsidiaries do not have their own loan facilities and "That all happens at the UI umbrella." (TR 1509) The Utility appropriately used the 13-month average to determine the capital structure for class A utilities as required by Rule 25-30.433(4), F.A.C. UIF reconciled the capital structure to the consolidated UIF rate base using only its investor sources of capital.

OPC proposed to use a separate capital structure of each system to determine the rate of return and revenue requirement on a system by system basis. (OPC BR 56, TR 742) OPC adjusted the capital structure for each system in order to synchronize OPC's recommended adjusted rate base balances with the capital structure. (TR 742) OPC also adjusted the ADIT balance in each system's capital structure to reflect OPC's proposed adjustments to ADITs as a result of the impacts of OPC's revisions to the proposed pro forma plant additions and inclusion of the 50 percent bonus depreciation. (TR 742) OPC witness Ramas applied a different capital structure to each system to determine the rate of return on an individual system basis. (TR 742; EXH 115, P 8; EXH 116, P 6; EXH 117, P 9; EXH 118, P 8; EXH 119, P 6; EXH 120, P 8; EXH 121, P 6; EXH 122, P 8; EXH 123, P 6; EXH 124, P 8; EXH 125, P 6; EXH 126, P 8; EXH 127, P 6; EXH 128, P 8; EXH 129, P 6; EXH 130, P 9) The resulting adjusted rate of return for each system was carried forward to the calculation of OPC's recommended revenue requirement. (TR 742, EXHs 115 – 130)

In Issues 61 and 64, staff recommends that the rates be consolidated into a single rate structure for all water systems and all wastewater systems. Accordingly, the same rate of return should be applied to all water systems and wastewater systems, on a consolidated basis. UIF receives all of its capital from its parent company, Utilities, Inc., which is used to invest in each of UIF's water and wastewater systems. As a consolidated singular company, UIF's capital it receives from its parent is fungible and shared by all water and wastewater systems operating under the UIF umbrella.

Therefore, staff agrees with UIF to use a consolidated capital structure to determine a uniform rate of return for all systems for rate setting purposes. This methodology is consistent with the Commission's decision in the Aqua Utilities Florida, Inc. rate case in Docket No. 080121-WS.[72] In the instant docket, staff determined the appropriate capital structure by reconciling staff's combined recommended water and wastewater rate base to the investor sources of capital. Staff made a specific adjustment to increase the ADIT balance in the capital structure consistent with its recommendation in Issue 24. The resulting capital structure is provided in Schedule No. 1.

CONCLUSION

Staff recommends that a consolidated capital structure consisting of 49.27 percent common equity, 46.33 percent long-term debt, and 4.40 percent short-term debt as a percentage of investor sources be used for rate setting purposes to correspond to the consolidated rates recommended by staff in issues 61 and 64. The consolidated water and wastewater rate bases

[72] Order No. PSC-09-0385-FOF-WS, issued May 29, 2009, in Docket No. 080121-WS, *In re: Application for increase in water and wastewater rates in Alachua, Brevard, DeSoto, Highlands, Lake, Lee, Marion, Orange, Palm Beach, Pasco, Polk, Putnam, Seminole, Sumter, Volusia, and Washington Counties by Aqua Utilities Florida, Inc.*

should be reconciled to investor sources of capital only, and specific adjustments should be made to increase the ADIT balance to $16,643,096 as recommended in Issue 24 and increase the customer deposit balance to $232,022 as stipulated in Issue 25.

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

Recommendation: The appropriate ROE for rate setting purposes is 10.40 percent for all systems except for the Summertree system based on the Commission's approved leverage formula and an equity ratio of 49.27 based on investor sources of capital. The ROE applicable for the Summertree system is 9.40 percent if the Commission approves the staff recommendation in Issue 3 regarding quality of service. (D. Buys)

Position of the Parties

UIF: 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%.

OPC: The Commission should utilize the leverage formula in effect at the time of the Commission's vote to calculate the ROE and then apply a minimum 150 basis points ROE reduction based on the Commission's determination of UIF's quality of service.

Summertree: The Commission should reduce the return on equity indicated when using the leverage formula by 300 basis points to recognize the lower risk of owning and operating UTF facilities than natural gas facilities given differences in Florida laws and Commission policies and practices between the water/wastewater industry and the natural gas industry. A 150 basis point reduction also is appropriate due to UIF's unsatisfactory quality of service.

Staff Analysis:

PARTIES' ARGUMENTS

UIF

In its brief, UIF argued that while it has been the Commission's long-standing policy in PAA cases to use the leverage formula in effect when it makes its decision, in a case that is going directly to hearing, the leverage formula at the time of filing should be used. (UIF BR 32) UIF argued that the use of the leverage formula is an option the Utility can choose in lieu of presenting evidence on the appropriate rate of return on common equity. (UIF BR 32) UIF argued that since the Utility had to make the choice of using the leverage formula or presenting evidence at the time of its filing the rate case, the leverage formula in place at the time of filing must control. (UIF BR 32) However, the Commission in Docket No. 170006-WS at the June 5, 2017 Agenda, retained the current leverage formula, thus, the appropriate ROE is 10.40 percent as set forth in the MFRs. (UIF BR 32; EXH 86, p. 8-10)

OPC

In its brief, OPC argued that the Commission should utilize the leverage formula in effect at the time of the Commission's vote to calculate the ROE. (OPC BR 56) OPC agreed that at the time of the hearing, the leverage formula produced an ROE for UIF of 10.40 percent. (OPC BR 56) OPC pointed out in its brief that UIF witness Swain argued in her rebuttal that the appropriate ROE for the Longwood system was 11.61 percent, but during cross examination, she conceded that all UIF systems should have the same ROE, and that she calculated the Longwood ROE incorrectly. (OPC BR 56; TR 1478-1479) OPC argued that the ROE should be reduced by 150 basis points as addressed in Issue 3 due to UIF's failure to provide satisfactory quality of service. (OPC BR 56) OPC also opined that "Additional factors may also require further reductions to ROE based upon evidence adduced at the hearing." (OPC BR 56)

Summertree

In its brief, Summertree argued that the Commission's use of the leverage formula in this proceeding would result in an excessive ROE and excessive rates. (Summertree BR 16) Summertree argued that water and wastewater utilities are the beneficiaries of a number of rate-setting mechanisms which facilitate rate increases and render the operation of a water and wastewater utility much less risky than a natural gas utility. (Summertree BR 16) Summertree argued that natural gas utilities do not have access to annual indexing, staff assisted rate cases, pass-through of standard operating expenses, AFPI, guaranteed revenue charges, and rules requiring minimum contributions in aid of construction from customers. (Summertree BR 16; TR 76; TR 995) Summertree argued that each of these favorable rate-setting devices is available to water and wastewater utilities in Florida, and as such, UIF's authorized ROE should be reduced by 300 basis points to reflect this significantly lower risk. (Summertree BR 16)

ANALYSIS

Both OPC and UIF agree that the appropriate return on common equity to use for rate setting purposes is 10.40 percent and should be based on the Commission's approved leverage formula. (OPC BR 56, UIF BR 32) OPC argued that the approved leverage formula at the time of the Commission's vote on this matter should be used. (OPC BR 56) UIF argued that the approved leverage formula at the time of filing its rate case should be used. (UIF BR 32) At the June 6, 2017 Commission Conference, the Commission voted to continue to use the same leverage formula that was approved in 2016.[73] Effectively, the same leverage formula was in effect at the time of UIF filing this rate case that will be in effect at the time of the Commission's decision on this matter. Therefore, the specific leverage formula to use for determining the appropriate ROE for rate setting purposes is not in dispute by OPC or UIF.

Florida law allows UIF, in lieu of presenting evidence and filing testimony on the appropriate rate of return on common equity, to request that the Commission adopt the range of rates of return on common equity that has been established by Commission through a leverage formula. Section 367.081(4)(f), F. S. states:

> The commission may regularly, not less often than once each year, establish by order a leverage formula or formulate that reasonably reflect the range of returns on common equity for an average water or wastewater utility and which, for purposes of this section, shall be used to calculate the last authorized rate of return on equity for any utility which otherwise would have no established rate of return on equity. In any other proceeding in which an authorized rate of return on equity is to be established, a utility, in lieu of presenting evidence on its rate of return on

[73] Order No. PSC-17-0249-PAA-WS, issued June 26, 2017, in Docket No. 170006-WS, *In re: Water and wastewater industry annual reestablishment of authorized range of return on common equity for water and wastewater utilities pursuant to Section 367.081(4)(f), F.S.*

> common equity, may move the commission to adopt the range of rates of return on common equity that has been established under this paragraph.

The Commission approved leverage formula in effect throughout the duration of this rate case was:

$$\text{ROE} = 7.13\% + (1.610 \div \text{Equity Ratio})^{74}$$

The cost rate of common equity derived from the Commission approved leverage formula is dependent upon the equity ratio of the Utility. Both OPC and UIF agree that the appropriate equity ratio to use in the Commission approved leverage formula is 49.27 percent. (TR 1478) The equity ratio was based on UIF's investor sources of capital only. (TR 1478) The appropriate return on equity derived from the Commission approved leverage formula is 10.40 percent. For illustrative purposes, the derivation is delineated below.

$$10.40\% = 7.13\% + (1.610 \div 49.27\%)$$

OPC argued in Issue 3 that the ROE should be reduced by 150 basis points to penalize the Utility for failure to provide satisfactory quality of service. (OPC BR 56) However, in Issue 3 staff is not recommending a reduction to the ROE for UIF's quality of service, with the exception of a specific adjustment for the Summertree System. In Issue 3, staff is recommending a specific adjustment to reduce the ROE for the Summertree system by 100 basis points as a result of unsatisfactory quality of service. The resulting ROE for the Summertree system is 9.40 percent.

Summertree opined that UIF's ROE should be reduced by 300 basis points to reflect the Utility's significantly lower risk. (Summertree BR 16) Summertree argued that since the Commission approved leverage formula is based on natural gas utilities, and whereas water and wastewater utilities have favorable rate setting devices not available to natural gas utilities, the resulting ROE is excessive. (Summertree BR 16) Summertree's arguments are misplaced and more appropriate for the Commission's annual docket regarding the reestablishment of authorized range of return on common equity for water and wastewater utilities pursuant to Section 367.081(4)(f), F.S. Further, Summertree's arguments are unsupported by any testimony or competent record evidence.

CONCLUSION

The appropriate ROE for rate setting purposes is 10.40 percent for all systems except for the Summertree system based on the Commission's approved leverage formula and an equity ratio of 49.27 based on investor sources of capital. The ROE applicable for the Summertree system is 9.40 percent if the Commission approves the staff recommendation in Issue 3 regarding quality of service.

[74] Order No. PSC-17-0249-PAA-WS, issued June 26, 2017, in Docket No. 170006-WS, *In re: Water and wastewater industry annual reestablishment of authorized range of return on common equity for water and wastewater utilities pursuant to Section 367.081(4)(f), F.S.*

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

Recommendation: Based on the proper components, amounts, and cost rates associated with the capital structure for the test year ended December 31, 2015, the appropriate weighted average cost of capital on a consolidated basis for UIF for purposes of setting rates in this proceeding is 7.08 percent for all systems except the Summertree system. If the Commission approves the 100 basis point reduction in Issue 3 for the Summertree system, the appropriate weighted average cost of capital for the Summertree system is 6.66 percent. (D. Buys)

Position of the Parties

UIF: 7.21%

OPC: The appropriate cost rates are as follows: long-term debt – 6.70%; short-term debt – 2.32%; Common Equity – 10.40%; and customer deposits – 2.0%. The appropriate cost rates should reflect the most current leverage formula and any ROE reductions as a result of the Commission's decisions on Issues 3. (Ramas)

Summertree: Fallout issue.

Staff Analysis:

PARTIES' ARGUMENTS

UIF

In its brief, UIF argued the appropriate weighted average cost of capital is 7.21 percent based on the capital structure in its MFRs and the additional ADIT adjustment as addressed in Issue 24 and reconciliation to the Utility's adjusted rate base. (UIF BR 32)

OPC

In its brief, OPC provided the following argument regarding the appropriate cost rates:

> The appropriate cost rates are as follows: long-term debt – 6.70%; short-term debt – 2.32%; Common Equity – 10.40%; and customer deposits – 2.0%. The appropriate cost rates should reflect the most current leverage formula and any ROE reductions as a result of the Commission's decisions on Issues 3.

(OPC BR 57)

OPC used a separate capital structure for each system to determine the weighted average cost of capital based on its proposed adjustments to rate base and the amount of ADITs to include in the capital structure. (TR 742, EXH 115, P 8; EXH 116, P 6; EXH 117, P 9; EXH 118, P 8; EXH 119, P 6; EXH 120, P 8; EXH 121, P 6; EXH 122, P 8; EXH 123, P 6; EXH 124, P 8; EXH 125, P 6; EXH 126, P 8; EXH 127, P 6; EXH 128, P 8; EXH 129, P 6; EXH 130, P 9) In its brief, OPC provided the following argument regarding the appropriate cost rates:

Summertree

In its brief, Summertree argued the following:

> The appropriate cost rates are the result of Commission decisions regarding prior issues relating to cost of capital, however, as to return on equity the Commission should establish a 5.9% return on equity (a 450 basis point reduction); as to long-term debt cost, the Commission should reduce UIF's debt costs to reflect the fact that UIF has produced no evidence to identify any efforts to obtain available low cost or no cost funds.

(Summertree BR 16)

ANALYSIS

In its initial filing, UIF requested a weighted average cost of capital (WACC) of 7.75 percent. In its brief, the Utility changed its request and argued the appropriate weighted average cost of capital is now 7.21 percent. (UIF BR 32) The lower WACC is due to the increase of ADITs from the adjustments discussed in Issues 23 and 24. In its brief, UIF proposed the following capital structure and weighted average cost of capital:

Table 31-1
UIF Proposed Weighted Average Cost of Capital

Capital Component	Amount	Percentage	Cost Rate	Weighted Cost
Long Term Debt	$45,901,027	39.98%	6.70%	2.69%
Short Term Debt	4,359,260	3.80%	2.32%	0.10%
Common Equity	48,813,805	42.52%	10.40%	4.42%
Customer Deposits	232,022	0.20%	2.00%	0.004%
Tax Credits – Zero Cost	46,232	0.04%	0.00%	
ADITs	$15,462,763	13.47%	0.00%	
Total Weighted Average Cost of Capital		**100%**		**7.21%**

Source: UIF Brief at 32

OPC did not propose to use a consolidated WACC and instead calculated the rate of return for each individual system to determine the revenue requirement and then aggregated the individual system revenue requirements into a total UIF revenue requirement. (TR 742)

In Issues 61 and 64, staff recommends that the rates be consolidated into a single rate structure for all water systems and a single rate structure for all wastewater systems. Accordingly, the same rate of return should be applied to all water and wastewater systems on a consolidated basis. UIF receives all of its capital from its parent company, Utilities, Inc., which is used to invest in each of UIF's water and wastewater systems. As a consolidated singular company, UIF's capital it receives from its parent is fungible and shared by all water and wastewater systems operating under the UIF umbrella.

The weighted average cost of capital is a fallout issue that combines the cost rates and amounts of the capital components into a final rate of return. As discussed in the prior issues, the record established that the cost rates for common equity (10.40 percent), long-term debt (6.70 percent), short-term debt (2.32 percent), and customer deposits (2.0 percent) is not in material dispute. Only Summertree disputes the cost rate of long-term debt and common equity, but Summertree did not provide or cite to any record evidence or testimony to support its position.

As discussed in Issues 23 and 24, staff recommended an increase to the ADIT balance in the capital structure. The net effect of staff's recommended adjustment to the ADITs is a decrease in the overall cost of capital from UIF's revised requested rate of return of 7.21 percent to 7.09 percent. Schedule 1 shows staff's recommended capital structure and weighted average cost of capital. Staff's recommended WACC is summarized below in Table 31-2.

In Issue 3, staff recommends a 100-basis point reduction to staff's recommended return on equity for the Summertree system due to unsatisfactory quality of service. The resulting WACC for Summertree with a 9.40 percent return on equity is 6.66 percent.

Table 31-2
Staff Recommended Weighted Average Cost of Capital

Capital Component	Amount	Percentage	Cost Rate	Weighted Cost
Long Term Debt	$44,338,214	39.37%	6.70%	2.64%
Short Term Debt	4,212,130	3.74%	2.32%	0.09%
Common Equity	47,154,429	41.87%	10.40%	4.35%
Customer Deposits	232,022	0.21%	2.00%	0.00%
Tax Credits – Zero Cost	46,232	0.04%	0.00%	
ADITs	$16,643,096	14.78%	0.00%	
Total Weighted Average Cost of Capital		**100%**		**7.08%**

Source: Staff Schedule 1

CONCLUSION

Based on the proper components, amounts, and cost rates associated with the capital structure for the test year ended December 31, 2015, the appropriate weighted average cost of capital on a consolidated basis for UIF for purposes of setting rates in this proceeding is 7.08 percent for all systems except the Summertree system. If the Commission approves the 100 basis point reduction in Issue 3 for the Summertree system, the appropriate weighted average cost of capital for the Summertree system is 6.66 percent.

Issue 32: What are the appropriate test year revenues?

Recommendation: The appropriate test year revenues for UIF's water and wastewater systems are $13,737,592 and $15,551,992, respectively. (Johnson, Friedrich, Bruce)

Position of the Parties

UIF: $28,430,668

OPC: The test year revenues are $29,279,888 for water and wastewater.

Summertree: Test year revenues should be adjusted to reflect the disallowances and rate base reductions identified in this brief and the brief of Public Counsel. Summertree, which consists of UIF customers, does not have the capacity to identify exact test year revenues.

Staff Analysis:

PARTIES' ARGUMENTS

UIF

UIF argued the appropriate test year revenues are $28,430,668, as set forth in the Utility's MFRs. (EXH 86; UIF BR 33)

OPC

OPC argued the appropriate test year revenues are $29,279,888 for water and wastewater. Furthermore, OPC contended that test year revenues should be increased by $13,972 if the Myrtle Lake Hills project is included in rate base. In support of their argument, OPC noted UIF witness Flynn testified that the revenues associated with Myrtle Lake Hills were not included in the Utility's MFRs. (TR 1359) Additionally, witness Flynn testified that if this project is included, the service availability charges should be included in rate base. (TR 1360) In turn, if this project is included in rate base, OPC asserted that the associated billing determinants and revenues should be included in test year revenues. (EXH 194, BSP 677-78)

As discussed in Issue 67, the Utility did not have an approved late payment fee in place for all its systems during the test year. (TR 304-305) OPC argued that regardless of the late payment charge approved during this proceeding, the charge should be multiplied by the number of late payment occurrences in 2015 of 21,491 and imputed into test year revenues. (EXH 157, BSP 219-20; OPC BR 57)

Summertree

Summertree argued that this is a fall-out issue based on Commission adjustments supported by OPC and Summertree. Therefore, Summertree agrees and adopts the arguments of OPC for this issue. (Summertree BR 17)

ANALYSIS

In its MFRs, the Utility reflected test year revenues of $13,649,614 for water and $15,629,963 for wastewater. In order to calculate the appropriate test year revenues, staff compiled the billing determinants from each respective system's E-14 Schedules, which included revisions to cure deficiencies of the initial filing. (EXH 32) The appropriate billing determinants of each respective system were multiplied by the rates in effect prior to filing except Eagle Ridge, Sandalhaven, Mid-County, and Pennbrooke. Subsequent to the test year, four-year rate reductions, index and pass-throughs, or limited proceedings affected their existing rates at the time of filing. Staff recommends total test year revenues of $13,737,592 and $15,551,992 for water and wastewater respectively. Staff's recommended test year revenues are composed of $13,607,252 and $15,496,096 of service revenues and $130,340 and $55,896 of miscellaneous revenues for UIF's water and wastewater systems, respectively. Staff made adjustments to UIF's miscellaneous revenues if a particular system included county taxes in its recorded miscellaneous revenues. As stated in an interrogatory, UIF has to collect county taxes on behalf of the county and UIF is allowed to keep a portion of the taxes to help cover the administrative costs of collecting the taxes before remitting to the county. (EXH 168, BSP 280-81) However, staff believes the revenues associated with administration of county taxes should be removed and recorded below the line, because the revenues are not associated with the provision of utility service. Additionally, on an individual system basis, staff made adjustments to the miscellaneous revenues to reflect the appropriate allocation between water and wastewater based on ERCs.

Staff considered OPC's argument for the inclusion of the billing determinants of Myrtle Lake Hills in test year revenues. (EXH 86, P 959; EXH 194, BSP 677-78; OPC BR 57) However, staff does not believe it is appropriate to impute these billing determinants into test year revenues because the corresponding expenses were not included in net operating income.

The Utility's requested and staff's recommended test year revenues, by system, are shown below in Tables 32-1 for water and Table 32-2 for wastewater.

Table 32-1
Test Year Water Revenues by System

System	Staff's Recommended Service Revenues	Staff's Recommended Miscellaneous Revenues	Staff's Total Test Year Revenues	Utility Adjusted Test Year Revenues	Staff Recommended Adjustment
Cypress Lakes	$355,650	$2,225	$357,875	$358,028	($153)
Labrador	$303,918	$1,323	$305,241	$305,241	$0
Lake Placid	$69,282	$231	$69,513	$69,370	$143
LUSI	$5,422,420	$62,234	$5,484,654	$5,484,612	$42
Pennbrooke	$375,133	$1,729	$376,862	$382,225	($5,363)
Sanlando	$4,594,779	$24,561	$4,619,340	$4,632,114	($12,774)
UIF-Marion	$206,120	$2,295	$208,415	$208,417	($2)
UIF-Orange	$114,317	$2,775	$117,092	$117,093	($1)
UIF-Pasco	$993,892	$14,782	$1,008,674	$902,828	$105,846
UIF-Pinellas	$156,867	$1,248	$158,115	$158,115	$0
UIF- Seminole	$1,014,874	$16,937	$1,031,811	$1,031,571	$240
TOTAL	**$13,607,252**	**$130,340**	**$13,737,592**	**$13,649,614**	**$87,978**

Table 32-2
Test Year Wastewater Revenues by System

System	Staff's Recommended Service Revenues	Staff's Recommended Miscellaneous Revenues	Staff's Total Test Year Revenues	Utility Adjusted Test Year Revenues	Staff Recommended Adjustment
Cypress Lakes	$657,692	$2,756	$660,448	$660,639	($191)
Eagle Ridge	$1,148,868	$1,735	$1,150,603	$1,168,925	($18,322)
Labrador	$633,312	$966	$634,278	$639,372	($5,094)
Lake Placid	$72,621	$210	$72,831	$72,690	$141
Longwood	$799,122	$9,691	$808,813	$808,813	$0
LUSI	$2,296,655	$9,073	$2,305,728	$2,305,688	$40
Mid-County	$1,787,087	$2,121	$1,789,208	$1,790,020	($812)
Pennbrooke	$511,099	$1,440	$512,539	$518,121	($5,582)
Sandalhaven	$1,158,784	$3,313	$1,162,097	$1,196,788	($34,691)
Sanlando	$4,039,708	$18,954	$4,058,662	$4,075,542	($16,880)
Tierra Verde	$996,212	$0	$996,212	$996,212	$0
UIF-Seminole	$840,387	$3,176	$843,563	$840,136	$3,427
UIF-Pasco	$506,565	$2,166	$508,731	$508,738	($7)
UIF- Marion	$47,984	$295	$48,279	$48,279	$0
TOTAL	**$15,496,096**	**$55,896**	**$15,551,992**	**$15,629,963**	**($77,971)**

CONCLUSION

Based on the above, the appropriate test year revenues for UIF's water and wastewater systems are $13,737,592 and $15,551,992, respectively.

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

Recommendation: Adjustments should be made to operating expense as set forth in Tables 33-2 and 33-3 in the conclusion section of staff's analysis. (Norris)

Position of the Parties

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

OPC: The Sanlando Materials & Supplies expense should be reduced by $10,399 and the Pennbrooke Taxes Other Than Income expense should be reduced by $1,805.

Summertree: Summertree agrees with Public Counsel.

Staff Analysis:

PARTIES' ARGUMENTS

UIF

In its brief, UIF accepted Audit Findings 2, 4, 9 and 10, as reflected in the testimony of UIF witness Deason. (TR 1080-1081; UIF BR 33) Witness Deason stated that he agreed with each of the findings and took no exception with the calculation of the adjustments. (TR 1080-1081) Based on witness Deason's testimony, UIF agreed with a total adjustment increasing depreciation expense by $72,776 to reflect Audit Findings 2, 3, 4 and 9 and increasing O&M expense by $71,662 to reflect Audit Finding 10. (EXH 138, P 13-16, 22-24; TR 1080-1081) Additionally, witness Deason stated that he agreed with Audit Finding 7, but further asserted that the adjustment was immaterial. (TR 1080)

OPC

In its brief, OPC detailed its recommendations on Audit Finding 6, 7 and 10, as follows:

Audit Finding 6

OPC argued that according to staff witness Dobiac's testimony, $12,999 should be removed from Materials and Supplies expense, as it fell outside the test year and was extraordinary. (TR 937; OPC BR 58) OPC pointed out that staff witness Dobiac also testified that this expense was the result of a steel tank that was demolished, and that the Utility did not respond to staff's request for supporting documentation of the original cost of the steel tank. (TR 937; OPC BR 58) OPC contended that the Utility provided invoices totaling $12,999 for sand and grit removal that were originally for services in 2014, but were reclassified to 2015 on September 30, 2015. (TR 785-786; OPC BR 58) The expense should be reduced by $10,399 to reflect the $2,600 annual amortization. (OPC BR 58) OPC stated that, since the charges were incurred in May of 2015, deferred debits included in working capital should reflect amortization of one year and seven months, for a 13-month average adjustment of $10,813. (OPC BR 58)

Audit Finding 7

OPC stated that staff witness Dobiac and UIF witness Deason agreed that there was a 2006 delinquent tax bill of $1,695 and a tax bill of $110 that was duplicative in Pennbrooke test year taxes other than income. (TR 938, 1080; OPC BR 58) As such, OPC contended that test year taxes should be reduced by $985 for water and $820 for wastewater. (OPC BR 58)

Audit Finding 10

OPC stated that staff witness Dobiac recommended an increase of $70,000 to allocated expenses pending the outcome of the conflicting ERC schedules that the Utility provided to the auditors. (OPC BR 58) OPC argued that this adjustment should not be made because the Utility did not meet the burden of proof to support its allocation methodology concerning the ERC schedules. (OPC BR 58) OPC indicated that since UIF did not support the allocation, no adjustment is appropriate. (OPC BR 58)

Summertree

In its brief, Summertree agreed with OPC. (Summertree BR 17)

ANALYSIS

Based on the testimony of UIF witness Deason, audit adjustments agreed upon by the Utility are set forth in Table 33-1 below. (TR 1079-1080) OPC agreed with all of the adjustments in Table 33-1, except for Audit Finding 10. (OPC BR 58) In its brief, OPC also argued for the inclusion of adjustments reflected in Audit Finding 6. (OPC BR 58) However, Audit Finding 6 was provided for additional consideration and subsequently addressed in Issue 42. (TR 938)

Table 33-1
Description of NOI Audit Adjustments

Audit Finding	Description of Adjustments
2	To reflect the appropriate prior Commission-ordered adjustments for LUSI.
3	To reflect the appropriate prior Commission-ordered adjustments for UIF-Marion, Orange, Pasco, Pinellas, & Seminole.
4	To correct Accumulated Amortization of CIAC balances for Pennbrooke.
7	To remove TOTI incorrectly booked for Pennbrooke.
9	To correct corporate and regional allocations of plant, accumulated depreciation, and depreciation expense for all UIF systems.
10	To correct corporate and regional allocations of O&M expense for all UIF systems.

Source: EXH 138, P 13-16, 20, 22-26

Audit Finding 2

Staff witness Dobiac testified that the net depreciation expense for LUSI should be increased by $8,261 and $3,117 for water and wastewater, respectively. (EXH 138, P 13; TR 935) While using the audit work papers to apply the specific adjustments for Audit Finding 2, staff determined that the net depreciation expense adjustment for water included the depreciation expense adjustment twice. (EXH 201, BSP 744) As such, the net depreciation adjustment to LUSI's water system should be increased by $3,420 to reflect a total increase of $11,681 ($8,261 + $3,420).

Audit Finding 3

Staff witness Dobiac testified that the net depreciation expense for UIF-Seminole should be increased by $26,599 and $72,343 for water and wastewater, respectively. (EXH 138, BSP 15) While using the audit work papers to apply the specific adjustments for Audit Finding 3, staff determined that the calculation of the net depreciation expense adjustment for water and wastewater did not include all test year adjustments. (EXH 172, BSP 337; EXH 201, BSP 745) As such, the net depreciation adjustments to UIF-Seminole's water and wastewater systems should be increases of $32,059 and $75,313, respectively.

Audit Finding 10

Staff witness Dobiac testified that allocated corporate and regional expenses were reviewed and reconciled to the general ledger for each UIF system. (TR 939) Additionally, witness Dobiac noted that calculating the effect on each system's O&M expense based on ERCs produced material increases to O&M expense for Mid-County and Sanlando. (TR 939-940) In an effort to clarify the allocations, UIF provided an additional ERC schedule, but did not provide any further support for the allocations. (EXH 138, P 25)

Ultimately, as testified by witness Dobiac, the issue of the correct ERC allocation was deferred for further review. (EXH 138, P 25; TR 940) In its brief, OPC argued that the audit adjustment should not be made because the Utility did not meet the burden of proof to support its allocation methodology concerning the ERC schedules. (OPC BR 58)

Staff's recommended ERC allocation is the same count reflected in the adjustments set forth in witness Dobiac's testimony. (EXH 201, BSP 742; TR 939-940) Therefore, no further adjustments are necessary for Audit Finding 10. O&M expense should be increased for water and wastewater by $10,517 and $61,141, respectively. (EXH 138, P 25-26)

CONCLUSION

Based on the above, staff recommends the adjustments in the Tables 33-2 and 33-3. Additional detail of Audit Findings 3, 9, and 10 is also provided in Tables 33-4 through 33-6.

Table 33-2
Audit Adjustments to NOI – Water

Audit Finding	Depreciation Exp. Net of CIAC Amortization	O&M Exp.	TOTI
2	$11,681	$0	$0
3	2,241	0	0
7	0	0	(985)
9	(46,772)	0	0
10	0	10,517	0
Total	**($32,850)**	**$10,517**	**($985)**

Source: EXH 138, P 13-16, 20, 22-26

Table 33-3
Audit Adjustments to NOI – Wastewater

Audit Finding	Depreciation Exp. Net of CIAC Amortization	O&M Exp.	TOTI
2	$3,117	$0	$0
3	49,941	0	0
4	68,031	0	0
7	0	0	(820)
9	(3,664)	0	0
10	0	$61,141	0
Total	**$117,425**	**$61,141**	**($820)**

Source: EXH 138, P 13-16, 20, 22-26

Table 33-4
Audit Finding 3 – Net Depreciation Expense

System	Water	Wastewater
UIF-Marion	($16,245)	($20,482)
UIF-Orange	(1,854)	0
UIF-Pasco	(9,103)	(4,890)
UIF-Pinellas	(2,616)	0
UIF-Seminole	32,059	75,313
Total	**$2,241**	**$49,941**

Source: EXH 138, P 14-15

Table 33-5
Audit Finding 9 – Net Depreciation Expense

System	Water	Wastewater
Cypress Lakes	$14,048	$13,336
Eagle Ridge	0	(3,073)
Labrador	(2,068)	(2,051)
Lake Placid	(184)	(187)
LUSI	(28,849)	(8,921)
Longwood	0	(2,264)
Mid-County	0	19,610
Pennbrooke	(3,545)	(2,953)
Sandalhaven	0	(1,294)
Sanlando	(7,879)	(6,338)
Tierra Verde	0	(2,514)
UIF-Marion	(1,696)	(236)
UIF-Orange	(1,031)	0
UIF-Pasco	(7,858)	(3,410)
UIF-Pinellas	(1,463)	0
UIF-Seminole	(6,197)	(3,369)
Total	**($46,722)**	**($3,664)**

Source: EXH 138, P 22-24

Table 33-6
Audit Finding 10 – O&M Expense

System	Water	Wastewater
Cypress Lakes	($1,852)	($1,758)
Eagle Ridge	0	(4,345)
Labrador	(1,152)	(1,143)
Lake Placid	41	42
LUSI	(10,862)	(3,359)
Longwood	0	(3,525)
Mid-County	0	57,334
Pennbrooke	(2,502)	(2,085)
Sandalhaven	0	(1,908)
Sanlando	35,968	28,933
Tierra Verde	0	(3,674)
UIF-Marion	(981)	(137)
UIF-Orange	(570)	0
UIF-Pasco	(4,420)	(1,918)
UIF-Pinellas	(732)	0
UIF-Seminole	(2,421)	(1,316)
Total	**$10,517**	**$61,141**

Source: EXH 138, P 25-26

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

Recommendation: Yes. Salaries and wages expense for Sandalhaven should be decreased by $47,495. Accordingly, the appropriate level of salaries and wages expense for Sandalhaven to reflect the retirement of the WWTP, as ordered in Commission Order No. PSC-16-0013-SU, is $98,504. (Frank, Andrews)

Position of the Parties

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

OPC: Yes. The Utility's unsupported pro forma adjustments to include projected costs for three additional employees that have not been hired in the LUSI, Mid-County and Sanlando systems should be removed. This reduces salary and wage expenses by $27,000 for each of these three systems. Additionally, salary and wages expense should be reduced by $47,495 for the Sandalhaven system to reflect the adjustment recently adopted by the Commission in Order No. PSC-16-0013-PAA-SU.

Summertree: Yes. UIF's unsupported pro forma adjustments to include projected costs for three employees that have not been hired should be removed.

Staff Analysis:

PARTIES' ARGUMENTS

UIF

UIF requested a 3.75 percent increase to annualize salaries and wages expense. (EXH 172, BSP 337) UIF also requested additional employees. (EXH 175, BSP 478-479) UIF witness Flynn asserted that 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. (TR 1232; UIF BR 34) Further, UIF detailed the tasks the additional field technicians will complete including flushing of dead end lines on a cyclical basis, performing drawdown tests of lift stations, and testing of pressure relief valves on hydropneumatic tanks on an annual basis. (UIF BR 34) UIF stated that the preventative and predictive maintenance activities will reduce the need for reactive maintenance, which negatively impacts the delivery of water and sewer service in a reliable way. (UIF BR 34) UIF argued that although the process of filling these technician positions is not complete, the inclusion of salary and benefits associated with these positions is appropriate for reliable water and sewer service. (EXH 194, BSP 679-680; UIF BR 34)

OPC

OPC witness Ramas argued that the three new positions, for which the costs are applied entirely to the Mid-County, LUSI, and Sanlando systems, should be excluded. (TR 762-763, 766-767, 784) Ms. Ramas asserted that the Utility has not filled these positions, has not demonstrated that it needs to increase its employee complement directly assigned to these three systems, and has failed to meet its burden demonstrating that the expenses associated with these proposed new positions are prudent and reasonable. (TR 762-763, 766-767, 784) OPC asserted that UIF failed to demonstrate that it filled a position for Mid-County or that the number of employees assigned to the Mid-County system increased after the test year. (TR 762)

OPC argued that as a result of the recent decommissioning of the Sandalhaven WWTP, the Commission determined in Order No. PSC-16-0013-PAA-SU, at pages 21-22, that salary and wage expense should be reduced by $45,778; benefit expense should be reduced by $13,284; and payroll taxes should be reduced by $3,947 to reflect the reduction in WWTP operators needed after decommissioning of the plant. (TR 773; OPC BR 60) OPC argued that after considering the 3.75 percent gross-up factor applied by the Company, the Sandalhaven salary and wage expenses should be reduced by $47,495 to reflect the reduced WWTP operator staffing needs, consistent with the Commission's prior Order. (TR 773-774; OPC BR 60)

Summertree

Summertree argued that the requested increase for the three new maintenance employees would be hired outside of the test year. (Summertree BR 17) Summertree argued that given UIF's refusal to identify or present facts which would suggest reductions in UIF costs or investments outside the 2015 test year, the Commission should refuse to make any pro forma adjustments requested by UIF to increase its revenue requirements such as the additional salaries and wages for three additional maintenance employees. (TR 766-767; EXH 120, P. 4; Summertree BR 18) Summertree further asserted that UIF has not filled these positions and has not demonstrated that it needs to increase the number of employees. (TR 762, 766-767 and 784; Summertree BR 18)

ANALYSIS

The Utility requested an adjustment to increase salaries and wages expense by 3.75 percent. (EXH 172, BSP 337) This includes two parts, (1) a 3.00 percent pro forma increase for the year after the test year, and, (2) a 0.75 percent increase to annualize test year salaries that were increased by three percent in April of the test year. (EXH 172, BSP 337) OPC witness Ramas did not challenge the application of the 3.75 percent increase in salaries and wages expense. (TR 761) Further, staff believes it is reasonable for UIF to annualize and increase salaries and wages expense, as this is the national average annual increase. Therefore, staff recommends no adjustment.

OPC and Summertree contended that UIF did not justify three new positions. However, UIF witness Flynn stated in his rebuttal testimony that "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." (TR 1232) Staff concurs with the premise of providing preventative maintenance and therefore recommends no adjustment for these positions.

In accordance with Commission Order No. PSC-16-0013-PAA-SU,[75] staff made an adjustment to Sandalhaven to reflect the reduced operating staff needs as a result of the retired WWTP. This results in a reduction of $45,778. (TR 773) In addition, staff adjusted this amount to remove the 3.75 percent increase included by UIF for salaries that are no longer included. (TR 774) This results in a reduction of $1,717 ($45,778 x 0.0375). In total, staff recommends reducing Sandalhaven's salaries and wages expense by $47,495 ($45,778 + $1,717).

CONCLUSION

Based on staff's recommended adjustments to salaries and wages expense, the appropriate level of O&M expenses to reflect the retirement of the WWTP, as ordered in Commission Order No. PSC-16-0013-PAA-SU is $98,504. Accordingly, salaries and wages expense should be decreased by $47,495.

[75] Order No. PSC-16-0013-PAA-SU, issued January 6, 2016, in Docket No. 150102-SU, *In re: Application for rate increase in wastewater rates in Charlotte County by Utilities, Inc. of Sandalhaven*

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

Recommendation: Yes. Pensions and benefits expense for Sandalhaven should be reduced by $13,782 to reflect the retirement of the WWTP. Additionally, pensions and benefits expense should be reduced by $119,878, allocated across all systems as shown in Table 35-1. (Frank, Andrews)

Position of the Parties

UIF: No adjustment should be made to the MFRs.

OPC: Yes. Employee benefits expense should be reduced: (1) $24,300 to remove the benefits related to the unsupported pro forma expense for three additional employees (see Issue 34); (2) $13,782 for Sandalhaven to reflect the adjustment recently adopted by the Commission in Order PSC-16-0013-PAA-SU (see Issue 34); and (3) $26,410 to reduce benefits for a reserve adjustment made by WSC and allocated to UIF that is not reflective of normal annual expense levels.

Summertree: Yes. Summertree agrees with Public Counsel.

Staff Analysis:

PARTIES' ARGUMENTS

UIF

UIF reiterated the need for three additional field technicians and therefore argued the need to include employee pensions and benefits expense related to those positions. In regards to the remaining employee pensions and benefits expense, UIF argued that OPC's witness did not attempt to refute that the health insurance reserve expense was recurring, merely that the expense was "not reflective of a normal annual expense level." (TR 744) UIF argued that since the health care cost is directly related to the number of claims filed in a year, it would not be uncommon for the level of expense to vary from year to year. (EXH 188, BSP 617-618; UIF BR 35) The Utility reasserted this fact by pointing out that this expense was $926,599 in 2014, $1,153,840 in 2015, and $1,034,444 in 2016. (EXH 181, BSP 561; TR 744) UIF reasserted the legitimacy of this expense, and that it would make no sense to exclude it in its entirety merely because the amount may vary from year to year. (UIF BR 35)

OPC

OPC argued that the Utility's proposed pro forma adjustments to the Mid-County, LUSI, and Sanlando systems to include costs associated with three additional new positions should be rejected for the reasons set forth in Issue 34. (TR 762-763, 766-767, 784; OPC BR 61) In addition to the salary and wage expense impacts, the removal of these positions results in reductions to employee pension and benefits expense. (OPC BR 61)

OPC also argued that the Sandalhaven employee benefits expense should be reduced by $13,284 to reflect the impacts of the Commission Ordered Adjustment from Order No. PSC-16-0013-

PAA-SU, grossed up by the 3.75 percent increase applied to the test year labor expenses by the Company. (TR 773-774; OPC BR 61)

OPC further argued that a health insurance reserve adjustment of $110,000 to the health insurance reserve expense subaccount, booked on the last day of the year, was not supported by the Utility and had a significant impact on the test year expenses. (TR 743-744) In addition, OPC asserted that the adjustment resulted in the test year expenses being inconsistent with the surrounding years' expense levels. (TR 744) OPC further argued that in order to calculate the test year expense level that is reflective of a normal on-going expense level, the impacts of the $110,000 reserve adjustment should be removed. (TR 744)

Summertree

In its brief, Summertree agreed with OPC. (Summertree BR 18)

ANALYSIS

UIF requested an adjustment to increase pensions and benefits expense by 3.75 percent. (EXH 172, BSP 337) This includes two parts, (1) a 3.00 percent pro forma increase for the year after the test year, and, (2) a 0.75 percent increase to annualize test year salaries that were increased by three percent in April of the test year. (EXH 172, BSP 337) Consistent with the adjustment discussed in Issue 34, this adjustment annualizes the 2015 pensions and benefits expense and reflects an increase in pensions and benefits expense for 2016. (TR 761) OPC witness Ramas did not challenge the application of the 3.75 percent increase in pensions and benefits expense. (TR 761) Further, staff believes it is reasonable for UIF to annualize and increase pensions and benefits expense, as this is the national average annual increase. Therefore, staff recommends no adjustment.

In accordance with Commission Order No. PSC-16-0013-PAA-SU, staff made an adjustment to Sandalhaven to reflect the reduced operating staff needs as a result of the retired WWTP. This results in a reduction of $13,284. In addition, staff adjusted this amount to reflect the 3.75 percent increase included by UIF. This results in a further reduction of $498 ($13,284 x 0.0375). Therefore, staff recommends reducing pensions and benefits by $13,782 ($13,284 + $498).

UIF had a health insurance reimbursements expense of $926,599 for 2014, $1,153,840 for 2015, and $1,034,444 for 2016. (EXH 181, BSP 561; TR 744) In order to normalize the test year with the previous and following years, and consistent with the methodology used to adjust Eagle Ridge's materials and supplies expense, as discussed in Issue 42, staff calculated a three year average for UIF's pensions and benefits expense. (TR 827-830) The three-year average is $1,038,294. This results in a reduction to pensions and benefits expense of $115,546 ($1,153,840 - $1,038,294). In addition, staff removed $4,333 ($115,546 x 0.0375) to account for the 3.75 percent increase. This results in a total adjustment of $119,878 ($115,546 + $4,333). Staff allocated this adjustment to all UIF systems using the ERC allocations.

CONCLUSION

Based on the above, staff recommends that pensions and benefits expense for Sandalhaven be reduced by $13,782. Additionally, staff recommends reducing pensions and benefits expense by $119,878 allocated across all systems, as reflected in Table 35-1 below.

Table 35-1
Three-Year Average Adjustment

System	Total Adj.	Water Adj.	Wastewater Adj.
Cypress Lakes	($4,219)	($2,162)	($2,057)
Eagle Ridge	(4,316)	0	(4,316)
Labrador	(2,594)	(1,302)	(1,292)
Lake Placid	(485)	(241)	(244)
Longwood	(2,895)	0	(2,895)
LUSI	(26,245)	(20,045)	(6,199)
Mid-County	(9,600)	0	(9,600)
Pennbrooke	(4,658)	(2,541)	(2,117)
Sandalhaven	(2,098)	0	(2,098)
Sanlando	(42,686)	(23,655)	(19,031)
Tierra Verde	(3,577)	0	(3,577)
UIF-Marion	(1,068)	(937)	(130)
UIF-Orange	(530)	(530)	0
UIF-Pasco	(7,026)	(4,900)	(2,126)
UIF-Pinellas	(734)	(734)	0
UIF-Seminole	(7,147)	(4,630)	(2,518)
Total	**($119,878)**	**($61,677)**	**($58,201)**

Source: EXH 181, BSP 561

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

Recommendation: The costs and allocation factors from WSC are appropriate, with the exception of allocated depreciation expense associated with a Fixed Asset Clean Up adjustment. Depreciation expense should be decreased by $86,263 to remove the Fixed Asset Clean Up adjustment. The specific system adjustments are reflected in the table below.

System	% Allocation	Water	Wastewater	Total
Cypress Lakes	3.48%	($1,556)	($1,480)	($3,036)
Eagle Ridge	3.56%	0	(3,106)	(3,106)
Labrador	2.14%	(937)	(930)	(1,867)
Lake Placid	0.40%	(173)	(176)	(349)
LUSI	21.63%	(14,424)	(4,461)	(18,885)
Longwood	2.39%	0	(2,083)	(2,083)
Mid-County	7.91%	0	(6,908)	(6,908)
Pennbrooke	3.84%	(1,828)	(1,524)	(3,352)
Sandalhaven	1.73%	0	(1,510)	(1,510)
Sanlando	35.19%	(17,022)	(13,694)	(30,716)
Tierra Verde	2.95%	0	(2,574)	(2,574)
UIF-Seminole	5.89%	(3,332)	(1,812)	(5,143)
UIF-Orange	0.44%	(381)	0	(381)
UIF-Pasco	5.79%	(3,526)	(1,530)	(5,056)
UIF-Pinellas	0.61%	(528)	0	(528)
UIF-Marion	0.88%	(674)	(94)	(768)
Total		**($44,382)**	**($41,881)**	**($86,263)**

(Norris)

Position of the Parties

UIF: Yes.

OPC: No, UIF did not satisfy its burden of proof. At a minimum, the allocation factors should be adjusted to the ERCs discussed in Issue 4. The allocated expenses should be reduced by $198,254 to reflect the corrected ERCs as well as to remove the expenses related to the Leadership Training and to remove a non-recurring entry for a “Fixed Asset Clean Up.”

Summertree: No. UIF has failed entirely to meet the higher burden of proof applicable to affiliate transactions. UIF's evidence concerning more than $2 million of allocated costs of "shared services" from its affiliate established that UIF did nothing to audit the $2 million expenditure, establish the reasonableness of such costs, evaluate the quality of the services being rendered by the affiliate or to confirm that the affiliate was not performing such services for third parties other than UIF and its utility affiliates located in other states. In light of UIF's flagrant disregard to even attempt to establish the prudence of this $2 million payment to its affiliate or the reasonableness of such cost, the Commission should disallow UIF recovery of the affiliate costs.

Staff Analysis:

PARTIES' ARGUMENTS

UIF

In its brief, UIF maintained that Water Service Corp. (WSC) is a part of Utilities, Inc. and was created to allocate the services that are shared among all of UI's subsidiaries throughout the country. (TR 1143-1144, 1505-1507, 1530; UIF BR 35) Allocated costs include services for human resources, accounting, and all employee related costs. (TR 1505-1507; OPC BR 35) UIF stated that these expenses are allocated among all Utilities, Inc. subsidiaries based upon ERC counts, and that the Commission audits the allocations in every rate case, including the instant docket. (EXH 138, P 9; TR 1139, 1505, 1509; UIF BR 35) UIF concurred with OPC's position to remove the adjustment associated with a non-recurring entry for a Fixed Asset Clean Up. (TR 1428; UIF BR 35)

OPC

In its brief, OPC stated that UIF did not present a case in its direct testimony to support its allocations or allocation methodology. (OPC BR 62) OPC argued that UIF failed to meet the burden of proof to demonstrate that costs allocated from WSC were reasonable or that the allocation factors were appropriate going forward. (TR 1139-1166; OPC BR 62) OPC recommended that the following adjustments be made:

Allocation Factors

OPC argued that the corrected ERC count of 64,183.9 should be applied. (EXH 201 BSP 742) The allocated expenses should be reduced by $104,985. (OPC BR 62)

Leadership Training

OPC explained in its brief that, according to Commission staff auditor's testimony, the audit identified leadership training expense that work paper 47 traced to the Leadership Team Meeting cost source documentation. (EXH 201, BSP 742; OPC BR 62) OPC stated that the audit work papers indicate a total cost to UI of $32,069. (EXH 201, BSP 742; OPC BR 62) The Commission stated in Order No. PSC-15-0233-PAA-WS that, while the expense of leadership training is not impermissible, the failure to provide support documentation warrants an adjustment.[76] OPC pointed out that in that Order, the Commission stated that UIF was put on notice to submit support of the expense, but failed to do so.[77] Therefore, the costs were disallowed.[78] OPC argued that while the Utility did provide the auditor with the necessary invoices in this case, it did not justify the necessity of those expenses for the provision of water and wastewater to the customers. (EXH 201, BSP 742; OPC BR 63) OPC maintained that costs of $7,047 should be removed. (OPC BR 63)

[76] Order No. PSC-15-0233-PAA-WS.
[77] Id.
[78] Id.

Fixed Asset Clean Up

OPC witness Ramas testified that depreciation expense from “Water Service Corp. Allocated State Expenses” was much higher in March 2015 as compared to the rest of the year for all systems. (TR 745; OPC BR 63) The Utility explained that this increase was due to a Fixed Asset Clean Up adjustment, and UIF witness Swain agreed with the removal of the out of period adjustment. (EXH 175, BSP 472; TR 1428; OPC BR 63) OPC stated that the document that the Utility provided showed a Fixed Asset Clean Up entry of $87,296 that was booked to the Florida depreciation expenses that are allocated to the systems. (TR 745; OPC BR 63) OPC witness Ramas maintained that the $86,222 (87,296 - $1,074 for non-regulated) recorded to the Florida regulated systems should be removed. (TR 746; OPC BR 63)

Summertree

Summertree stated in its brief that UIF's only witness to justify UIF's payment of more than $2 million annually to its affiliate, WSC, was UIF witness Deason. (Summertree BR 18) Summertree maintained that witness Deason testified that costs from WSC are allocated to UIF based upon the number of ERCs served by UIF in Florida and that annual allocated costs for the 2015 test year were $1,843,658. Allocated depreciation cost for common plant was $406,630. (TR 1139-1140; Summertree BR 18-19)

Summertree stated that UIF witness Deason could not agree that an annual expenditure of more than $2 million was a significant amount, and suggested that it was a matter of opinion. (TR 1140; Summertree BR 18) Summertree argued that witness Deason did not know if the $2 million affiliate cost was audited by anyone, and did not know if these costs were ever audited by UIF's independent auditors. (TR 1140; Summertree BR 19)

Summertree argued that UIF witness Deason was aware of third parties capable of performing the same type of services that are currently being provided by UIF's affiliate, but that it was not his responsibility to ensure that the costs being incurred by UIF, and allocated to UIF by its affiliate, were the lowest cost possible. (TR 1146, 1151; Summertree BR 19) Summertree maintained that witness Deason could not identify an entity or person who reviews the $2 million of costs on behalf of UIF or evaluates the quality of the services being provided. (Summertree BR 19) Summertree argued that there was an absence of any diligence on UIF's part to evaluate such services, their quality, and their costs. (Summertree BR 19) Summertree stated that it was troubling that the Commission also has not audited these costs or the quality of the services provided. (TR 961; Summertree BR 19)

Summertree stated that the record indicates that UIF and WSC failed to properly book Commission ordered adjustments despite repeated orders to do so and failed to properly record costs and identify assets upon acquisition. (Summertree BR 19) Summertree indicated that the Utility has made a number of mistakes in its utility accounting and that the quality of services being provided to UIF by WSC is suspect. (Summertree BR 19)

Summertree argued that UIF presented a confused representation of the affiliate relationship between WSC and UIF. (TR 1504-1510; Summertree BR 19) Summertree maintained that it is the Utility’s burden to identify and explain that relationship, the scope of services provided by its affiliate on UIF's behalf, and the reasonableness of the costs being allocated by its affiliate. (Summertree BR 19) Summertree stated that UIF has failed to meet that burden and its request to recover more than $2 million of payments made to its affiliate, WSC, should be denied. (Summertree BR 19)

Additionally, Summertree agreed with and adopted the arguments of OPC regarding allocation factors. (Summertree BR 19)

ANALYSIS

Allocation Factors

The Utility's allocation factors, based on ERCs, have been previously addressed in Issue 4, and a corresponding audit adjustment discussed in Issue 33. Therefore, staff believes that no further allocation factor adjustments are necessary.

WSC Allocated Costs

As testified by UIF witness Hoy, WSC is comprised of all UI shared services, such as IT, accounting, and human resources, for all of its systems across the country. (TR 1505) UIF witness Deason further described the entity as an accounting mechanism for costs associated with the shared services. (TR 1144) Witness Hoy echoed this description when he testified that WSC was set up to control the shared costs, including proper allocations, by having them flow through one organization, especially since costs are shared by UI subsidiaries across the country. (TR 1509-1510) Although each subsidiary has an individual agreement with WSC, the purpose of the agreement is to specify the services that are provided and the allocation methodology associated with those services. (TR 1505) Both UIF witnesses Hoy and Flynn asserted that WSC does not fulfill the role of a contractor. (TR 1144, 1505) Witness Flynn also clarified that all employees that provide service to UI systems at any level are considered WSC employees. (TR 1507-1510)

Summertree questioned the reasonableness of all affiliate costs allocated to UIF from WSC. (Summertree BR 18) Through cross examination of UIF witness Deason, Summertree attempted to establish that costs allocated from WSC were not audited by UIF or Commission auditors. (TR 961, 1140-1141) Allocations from UIF's affiliate, WSC, have been audited in all previous rate cases and in the instant docket, as testified by staff witness Dobiac. (EXH 138, P 9) Audit Findings 9 and 10 reflect witness Dobiac's recommended adjustment to allocated costs. (TR 939-940) Similar adjustments were often made to allocated costs approved by the Commission in previous UIF rate cases, but allocated costs were never completely disallowed.

In addition, Summertree suggested that the Utility did not perform its due diligence to ensure that there were not more reasonable costs offered by third parties for performing the types of services currently being provided by WSC. (TR 1151; Summertree BR 19) These services referred to by Summertree in its cross-examination of witness Deason, such as accounting, customer service and billing, are all reflected in the WSC salaries and wages expense allocated to each of the UIF systems. (TR 1145-1146, 1507-1510) Salaries and wages expense is routinely examined for reasonableness in each of UIF's rate cases, including the instant docket. The Utility's burden of proof for costs associated with shared services provided by WSC is met in the reasonableness of salaries and wages expense. As addressed in Issue 34, all parties had the ability to challenge the reasonableness of existing levels of the expense.

Leadership Training

In its brief, OPC argued for the exclusion of costs associated with Leadership Training, as set forth in two prior Commission Orders.[79] (OPC BR 62-63) As cited in OPC's brief, the Commission found that the leadership training was not necessarily impermissible, but that UIF should submit detailed support for the expense.[80] The Utility provided invoices to auditors in the instant docket, and the auditors did not make an adjustment to remove these costs. (EXH 201, BSP 742; TR 939-940, 947) Additionally, since the two prior Commission Orders that removed the expense, the Commission has not made an adjustment to disallow the expense of the leadership training in a subsequent UIF rate case.[81]

Fixed Asset Clean Up

OPC witness Ramas testified that MFR Schedule B-12 for each of the systems shows the "Water Service Corp. Allocated State Expenses" in account 403 - Depreciation Expense, was much higher in March 2015 than in the other months of the test year. (TR 745) The Utility explained that this increase was due to a Fixed Asset Clean Up adjustment. (EXH 175, BSP 472). The Utility stated that in the past, depreciation was calculated for fixed assets but not recorded in the general ledger. (EXH 175, BSP 472) Therefore, UIF had to do an adjusting entry to reconcile the general ledger and fixed assets. (EXH 175, BSP 472) OPC witness Ramas testified that $86,222 recorded to the Florida regulated systems should be removed. (TR 746) Witness Ramas provided an allocation schedule for the removal of this expense from each system. (EXH 132) UIF witness Swain agreed that the adjustment applies to a period outside of the test year and should be removed. (TR 1428) Staff's calculation of the adjustment differs slightly in regard to the ERC count, which is consistent with staff's recommendation in Issue 4. Staff's recommended adjustments to remove the Fixed Asset Clean Up adjustment are reflected in Table 36-1 below.

CONCLUSION

The costs and allocation factors from WSC are appropriate, with the exception of allocated depreciation expense associated with a Fixed Asset Clean Up adjustment. Depreciation expense should be decreased by $86,263 to remove the Fixed Asset Clean Up adjustment. The specific system adjustments are reflected in Table 36-1 below.

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[79] Order Nos. PSC-15-0233-PAA-WS; and PSC-15-0208-PAA-WS, issued May 26, 2015, in Docket No. 140135-WS, *In re: Application for increase in water and wastewater rates in Pasco County by Labrador Utilities, Inc.*
[80] Order No. PSC-15-0233-PSS-WS.
[81] Order No. PSC-16-0013-PAA-SU, issued January 6, 2016, in Docket No. 150102-SU, *In re: application for increase in wastewater rates in Charlotte County by Utilities, Inc. of Sandalhaven.*

Table 36-1
Adjustment to Remove Fixed Asset Clean Up Adjustment

System	% Allocation	Water	Wastewater	Total
Cypress Lakes	3.48%	($1,556)	($1,480)	($3,036)
Eagle Ridge	3.56%	0	(3,106)	(3,106)
Labrador	2.14%	(937)	(930)	(1,867)
Lake Placid	0.40%	(173)	(176)	(349)
LUSI	21.63%	(14,424)	(4,461)	(18,885)
Longwood	2.39%	0	(2,083)	(2,083)
Mid-County	7.91%	0	(6,908)	(6,908)
Pennbrooke	3.84%	(1,828)	(1,524)	(3,352)
Sandalhaven	1.73%	0	(1,510)	(1,510)
Sanlando	35.19%	(17,022)	(13,694)	(30,716)
Tierra Verde	2.95%	0	(2,574)	(2,574)
UIF-Seminole	5.89%	(3,332)	(1,812)	(5,143)
UIF-Orange	0.44%	(381)	0	(381)
UIF-Pasco	5.79%	(3,526)	(1,530)	(5,056)
UIF-Pinellas	0.61%	(528)	0	(528)
UIF-Marion	0.88%	(674)	(94)	(768)
Total		**($44,382)**	**($41,881)**	**($86,263)**

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

Recommendation: Yes. Purchased water expense should be increased by $117,206 for UIF-Pasco and decreased by $61,485 for UIF-Seminole. (Frank, Andrews, Ellis)

Position of the Parties

UIF: No adjustment should be made to the MFRs.

OPC: Yes, purchased water expense should be increased by $55,721 to reflect the post test year interconnection of the Summertree water system with Pasco County and reduced by $61,485 to remove the temporary costs to purchase water while the interconnection between Crystal Lake and Ravenna Park was completed.

Summertree: Yes, in light of UIF's refusal to identify and reflect in its MFRs the potential 5% to 10% reduction in operating expenses, annually, which can be anticipated from implementation of the implementation of the asset management, geographic information system, predictive and preventive maintenance programs and policies (see HE 247), all operating expenses, not just purchased water expense, should be reduced by 10%.

Staff Analysis:

PARTIES' ARGUMENTS

UIF

While UIF concurred with the purchased water expense increase for Summertree of $117,206, it argued that this assumes adequate chlorine residual in the water delivered by Pasco County. (UIF BR 35; TR 1438) With respect to Ravenna Park, the Utility argued that the proposed adjustment to remove 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 that water is likely to still be purchased on an emergency basis if needed. (TR 1439-1440). The Utility asserted that 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. (UIF BR 36) UIF adjusted out the purchased water expense in both years and both systems because that expense is not expected to recur. Crystal Lake expenses decreased by $1,657 while Ravenna Park expenses increased by $4,356, which is a difference of $2,699. (EXH 171, BSP 329)

OPC

OPC argued that the Utility did not include the cost of purchased water expense resulting from the post test year interconnection of the Summertree system to Pasco County. (TR 796) OPC witness Ramas testified that the adjustment to include this expense should be consistent with the methodology used in Order No. PSC-16-0505-PAA-WS, Docket No. 150269-WS. Witness Ramas also testified that, because the interconnection project in UIF-Seminole is complete and Crystal Lake is being supplied by UIF's Ravenna Park wells, purchased water expense should be discontinued. (TR 808) These changes resulted in the Crystal Lake expenses decreasing by $1,657 and the Ravenna Park expenses increasing by $3,256, a difference of $2,699. (EXH 171, BSP 329) While this is a net of multiple accounts, the amount is minimal, so an adjustment to the removal of the purchased water expense is a reasonable estimate. Therefore, OPC argued that $58,786 ($61,485 - $2,699) should be removed as a non-recurring expense. (OPC BR 64)

Summertree

In its brief, Summertree referenced Section 3 of the Operations Management System Project Brief entitled, "Project Justification" in order to demonstrate that using the Operations Management System could produce year-over-year cost savings of five to ten percent. (Summertree BR 20) Summertree argued that UIF neglected to reflect any such savings in its request for rate relief, yet its cost-benefit analysis of whether or not to utilize the Operations Management System likely included these potential savings. (Summertree BR 21) Summertree stated that UIF should not only record savings it experiences for future rate proceedings, but should also remove those savings from its 2015 test year revenue requirement, as those costs will be avoided as a result of implementing the new systems. (Summertree BR 21) Summertree argued that the Commission should reject UIF's assertion that it is unable to quantify the savings associated with the Operations Management System, and should reduce UIF's operating costs by ten percent. (Summertree BR 21)

ANALYSIS

Based on its review of purchased water expense, staff recommends two adjustments to the Utility's purchased water expense as summarized below.

UIF – Pasco

OPC witness Ramas testified that purchased water expense for UIF-Pasco should be increased by $117,206 pursuant to Order No. PSC-16-0505-PAA-WS, Docket No. 150269-WS. (TR 796) Witness Ramas calculated this adjustment by projecting gallons to be sold to the Summertree system grossed up by 10 percent for flushing and another 10 percent for other losses. (TR 796) UIF witness Swain testified that this adjustment "should be made, subject to any revisions provided by Mr. Flynn." (TR 1438) UIF witness Flynn provided no further testimony on this issue. Therefore, staff agrees with this adjustment and recommends increasing purchased water expense by $117,206 in accordance with Order No. PSC-16-0505-PAA-WS.

UIF – Seminole

As discussed in Issue 9, UIF requested cost recovery to construct an interconnection between the Ravenna Park and Crystal Lake water distribution systems in Seminole County's service territory, identified as pro forma project PCF-45, which is addressed in witness Flynn's direct testimony. (EXH 83, BSP 843) Witness Ramas testified that $61,485 of the test year purchased water for Seminole County should be removed. (TR 808) Witness Flynn agreed and testified that it was appropriate to include this cost in the pro forma project cost. (TR 1237) As such, staff reduced purchased water expense by $61,485 to capitalize it as part of the pro forma cost.

Summertree stated in its brief that the Commission should reduce the Utility's operating expenses by ten percent based on the Project Justification section of the Operations Management System Project Brief. (EXH 247, P 12-14; Summertree BR 21) As detailed in Issue 53, staff recommends that no other adjustments be made to O&M expense based on the Operations Management System Project Brief.

CONCLUSION

Based on the above, staff recommends that purchased water expense be increased by $117,206 for UIF-Pasco and decreased by $61,485 for UIF-Seminole.

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

Recommendation: Yes. Purchased sewage expense for UIF-Pasco wastewater should be decreased by $11,088. (Frank, Andrews, Ellis)

Position of the Parties

UIF: No adjustment should be made to the MFRs.

OPC: Yes, in addition to the impacts of excess I&I previously addressed, the UIF-Pasco purchased sewage expense should be reduced by $11,088 to only reflect twelve months of expense.

Summertree: Yes, in light of UIF's refusal to identify and reflect in its MFRs the potential 5% to 10% reduction in operating expenses, annually, which can be anticipated from implementation of the implementation of the asset management, geographic information system, predictive and preventive maintenance programs and policies (see HE 247), this operating expense should be reduced by 10% in addition to the adjustments indicated by Public Counsel.

Staff Analysis:

PARTIES' ARGUMENTS

UIF

In response to OPC's suggested reduction in purchased sewage for Sandalhaven, UIF witness Flynn testified that OPC witness Ramas misunderstood the Utility's calculation of purchased sewage. (TR 1235) UIF witness Flynn asserted that the calculation of purchased sewage "reflects the sum of the total gallons treated in the test year at the Sandalhaven WWTP plus the total gallons treated at [Englewood Water District] in the test year multiplied by the unit cost of treatment and disposal at [Englewood Water District]." (TR 1235)

OPC

OPC argued that two invoices totaling $11,088 for UIF-Pasco should be removed from the test year because they are out of period. (EXH 142, BSP 126) In response to further discovery, UIF explained that the December 2015 invoices "did not hit the GL until January 2016 and were therefore not included in the test year." (EXH 192, BSP 659) However, OPC argued that a review of the general ledger and the schedule from EXH 142 indicated that the December 2015 invoices were included in the test year as well as the December 2014 invoices. (EXH 142, BSP 126; EXH 172, BSP 338)

Summertree

In its brief, Summertree referenced Section 3 of the Operations Management System Project Brief entitled, "Project Justification" in order to demonstrate that using the Operations Management System could produce year-over-year cost savings of five to ten percent. (EXH 247, P 12-14; Summertree BR 21) Summertree argued that UIF neglected to reflect any such savings in its request for rate relief, yet its cost-benefit analysis of whether or not to utilize the Operations Management System likely included these potential savings. (Summertree BR 21)

Summertree stated that UIF should not only record savings it experiences for future rate proceedings, but should also remove those savings from its 2015 test year revenue requirement, as those costs will be avoided as a result of implementing the new systems. (Summertree BR 22) Summertree argued that the Commission should reject UIF's assertion that it is unable to quantify the savings associated with the Operations Management System, and should reduce UIF's operating costs by ten percent. (Summertree BR 22)

ANALYSIS

Based on its review of purchased sewage expense, staff recommends one adjustment to the Utility's purchased sewage expense. In its MFRs for UIF-Pasco, UIF reflected an expense of $217,919 for purchased sewage treatment. In response to an OPC data request, the Utility indicated that two invoices totaling $11,088 were included in the test year that were for services provided in 2014 and should be removed from the test year. (EXH 142, BSP 126; EXH 192, BSP 659)

Summertree stated in its brief that the Commission should reduce the Utility's operating expenses by ten percent based on the Project Justification section of the Operations Management System Project Brief. (EXH 247, P 12-14; Summertree BR 22) As detailed in Issue 53, staff recommends that no other adjustments be made to O&M expense based on the Operations Management System Project Brief.

CONCLUSION

Based on the above, staff recommends that purchased sewage expense for UIF-Pasco wastewater be decreased by $11,088.

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

Recommendation: Yes, adjustments should be made to reduce sludge removal expense by $21,000 for LUSI to account for savings due to the sludge dewatering project, by $3,600 for Mid County to remove costs for services received outside the test year, and by $13,455 for Sandalhaven to remove expenses for the decommissioned WWTP. (Ellis, Frank, Andrews)

Position of the Parties

UIF: 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.

OPC: Yes, sludge removal expense should be increased by $59,055 to reflect the adjustment to sludge removal for Sandalhaven made in the prior Commission order, to remove an out of period expense for Mid-County, and to reflect the annual cost savings associated with the pro forma project at LUSI.

Summertree: Yes, in light of UIF's refusal to identify and reflect in its MFRs the potential 5% to 10% reduction in operating expenses, annually, which can be anticipated from implementation of the implementation of the asset management, geographic information system, predictive and preventive maintenance programs and policies (see HE 247), this operating expense should be reduced by 10% in addition to the adjustments indicated by Public Counsel.

Staff Analysis:

PARTIES' ARGUMENTS

UIF

UIF asserted that the only necessary adjustment for sludge removal is for LUSI due to the pilot test of the sludge dewatering project at the Lake Groves subsystem. (UIF BR 36-37) The data indicated that only half of the maximum savings to expense, or $1,750 per month, could be obtained from the project and therefore, the adjustment should be a reduction of $21,000 per year. (TR 1433-1434) UIF witness Swain disagreed with OPC witness Ramas' recommended adjustment of $3,600 for Mid County. (TR 1432-1433) UIF witness Flynn stated that although the retirement of the WWTP at Sandalhaven eliminated the need for sludge hauling, $2,000 of expense should be included in the revenue requirement for cleaning lift stations. (TR 1235)

OPC

OPC asserted that adjustments should be made to Mid-County, Sandalhaven, and LUSI. In each instance, OPC argued that UIF failed to provide documentation to support the Utility's proposed adjustments. (OPC BR 65-66)

For Mid-County, OPC stated that invoices for $3,600 provided by the Utility showed the services were provided outside the test year and recommended removing them from expense. (OPC BR 65; TR 765) For Sandalhaven, OPC witness Ramas stated that a reduction of $13,455 was appropriate for Sandalhaven based on the decommissioning of the WWTP which eliminates the need for sludge hauling. (TR 774) For LUSI, OPC witness Ramas referred to UIF's indication in discovery that the sludge dewatering project in the Lake Groves subsystem of LUSI could result in a $3,500 per month reduction in sludge hauling expense, and recommended an annual adjustment of $42,000. (TR 770-771)

Summertree

Summertree stated that UIF and Corix participated in the decision to implement the Operations Management System at a cost of $4 million. (TR 1262; Summertree BR 22) Because Corix's utility operation at the University of Oklahoma experienced a year-over-year O&M cost savings of five to ten percent, Summertree stated that UIF should reduce its operating costs by ten percent as a result of the implementation of the Operations Management System. (Summertree BR 22)

ANALYSIS

UIF and OPC disagreed on adjustments for the LUSI, Mid County, and Sandalhaven systems. While Summertree argues for a reduction in O&M costs between five to ten percent, they provided no testimony to support these adjustments. The parties' and staff's recommended adjustments are shown in Table 39-1 below.

Table 39-1
Recommended Adjustments for Sludge Removal Expense

System	Recommended Adjustments		
	UIF	OPC	Staff
LUSI	($21,000)	($42,000)	($21,000)
Mid County	$0	($3,600)	($3,600)
Sandalhaven	($11,455)	($13,455)	($13,455)

LUSI Pro Forma Project

As one of its pro forma projects, UIF is proposing to install a sludge dewatering system at its LUSI wastewater plant. The system is designed to use solar energy to reduce the water content of sludge from the plant thereby reducing its volume, which in turn would reduce sludge hauling expense. (TR 322) In response to discovery, the Utility estimated a maximum amount of O&M savings resulting from the project to be $3,500 each month. (EXH 173, "No. 8") Based on that response, OPC witness Ramas recommended a reduction to annual sludge hauling expense at LUSI of $42,000. (TR 770-771)

UIF witness Flynn stated in his rebuttal testimony that, based on the actual performance of the installed equipment, the estimated full savings of $42,000 stemming from the project cannot be achieved. Witness Flynn explained that the dewatering facility will operate satisfactorily only if the loading rate is reduced to half of the full design rate, and therefore, only half of the anticipated $3,500 per month in sludge hauling expense savings is possible. Witness Flynn stated that an adjustment to O&M expense for sludge hauling at LUSI should be calculated to be $21,000 per year. (TR 1234-1235) Staff is persuaded that a reduction of $21,000 for sludge hauling expense is appropriate, based on the actual performance of the dewatering equipment.

Mid County

OPC witness Ramas also recommended a reduction of $3,600 to sludge hauling expense at Mid County. Ms. Ramas stated that two of the three accruals to sludge removal made on December 31, 2015, were for services rendered in January of 2016, which is outside the established test year. (TR 765-766) UIF witness Swain stated in rebuttal testimony that she did not agree with OPC witness Ramas' adjustment, but provided no reason or justification for her opinion, and did not dispute that the services were provided outside the test year. (TR 1432) Staff believes that OPC's recommended adjustment is appropriate as the services were provided outside the test year.

Sandalhaven

OPC witness Ramas recommended a reduction of $13,455 to sludge hauling expense at Sandalhaven, based on the decommissioning of the WWTP. By Order No. PSC-16-0013-PAA-SU, issued January 6, 2016, the Commission ordered UIF to remove 100 percent of the test year sludge hauling expense.[82] (TR 773) Ms. Ramas also pointed to UIF's response to discovery in which it stated that a portion of the sludge hauling expense is related to lift station cleaning. (EXH 177, BSP 516; TR 774) However, witness Ramas stated that the Utility did not quantify the amount of sludge hauling expense related to lift station cleaning in its test year expenses, nor did it provide an ongoing level of expense.

UIF witness Flynn did not rebut OPC witness Ramas' argument in favor of reducing sludge hauling expense at Sandalhaven due to the decommissioning of the WWTP; however, he explained that the O&M expense also included an amount for cleaning lift stations of $2,000, and stated that it is appropriate to include that amount in the revenue requirement. (TR 1235) However, no explanation of how the $2,000 figure was obtained nor any additional information provided to support the amount. Thus, staff does not believe that it should be included.

Summertree stated in its brief that the Commission should reduce the Utility's operating expenses by ten percent based on the Project Justification section of the Operations Management System Project Brief. (EXH 247, P 12-14; Summertree BR 22) As detailed in Issue 53, staff recommends that no other adjustments be made to O&M expense based on the Operations Management System Project Brief.

CONCLUSION

Based on the above, adjustments should be made to reduce sludge removal expense by $21,000 for LUSI to account for savings due to the decommissioning project; by $3,600 for Mid County to remove costs for services received outside the test year; and by $13,455 for Sandalhaven to remove expenses for the decommissioned WWTP.

[82] Order No. PSC-16-0013-PAA-SU, issued January 6, 2016, in Docket No. 150102-SU, *In re: Application for increase in wastewater rates in Charlotte County by Utilities, Inc. of Sandalhaven.*

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

Recommendation: Yes. In addition to adjustments to purchased power expense addressed in Issues 11 and 12, the adjustments identified in the table below are appropriate. (Ellis, Frank, Andrews)

System	Staff Recommended Adjustment ($)	
	Water	Wastewater
LUSI	3,631	(9,831)
Longwood	0	(7,147)
Sandalhaven	0	(3,637)
Sanlando	(9,671)	9,671

Position of the Parties

UIF: 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.

OPC: Yes, purchased power expense should be reduced by $48,009 for the water systems and $37,845 for the wastewater systems to remove a utility deposit, reflect expense after plant retirement, and remove the pro forma increases proposed by UIF.

Summertree: Yes, in light of UIF's refusal to identify and reflect in its MFRs the potential 5% to 10% reduction in operating expenses, annually, which can be anticipated from implementation of the implementation of the asset management, geographic information system, predictive and preventive maintenance programs and policies (see HE 247), this operating expense should be reduced by 10% in addition to the adjustments indicated by Public Counsel.

Staff Analysis:

PARTIES' ARGUMENTS

UIF

UIF witness Flynn stated that due to Duke Energy Florida, LLC's (Duke) requirements for remaining on an interruptible tariff having changed, in order to meet the new requirements to receive power under the interruptible tariffs, UIF asserted it would need to replace its existing generators which supply power to the plant when the power from Duke is interrupted. (UIF BR 37) Witness Flynn explained that replacing the generators is not a viable option for UIF's customers as it would not be operationally feasible or economical. (TR 1233) As a result, the expense for purchased power at Sanlando increased by $16,982 for water and $31,111 for wastewater. (TR 1233)

Witness Flynn also stated that the cancellation of a purchased power agreement with Sumter Electric Cooperative (SECO) has caused an increase in water expense at LUSI. (UIF BR 37; TR 1234) Witness Flynn explained that the load-shedding tariff agreement with SECO was also cancelled at LUSI due to the requirement that load be shed no more than thirty minutes after SECO's request, increasing frequency of such requests, and SECO's unwillingness to install equipment allowing for automated response to requests, and other factors. (UIF BR 37) Although the cancellation of the tariff at SECO was not related to the new Federal EPA requirements, to remain on the tariff, UIF would need to incur expenses to enhance or replace equipment used to control the system, in addition to increases in other related costs. (UIF BR 37) Witness Flynn stated that the interruptible power agreement with SECO actually resulted in increased power costs at the LUSI wastewater plant due to penalties levied by SECO because the power was not shut off quickly enough. (TR 1234)

OPC

OPC witness Ramas testified that in discovery responses, UIF explained that the pro forma increases to purchased power were due to the termination of interruptible power tariffs by Duke and SECO. Witness Ramas stated that for each of the adjustments, no supporting information was provided by UIF for the cancellation of interruuptible power tariffs by Duke at Longwood and Sanlando, or by SECO at LUSI. Witness Ramas recommended reductions of ($7,147) for Longwood, ($21,866) for LUSI [($14,209) for water and ($7,657) for wastewater], and ($48,093) for Sanlando [($26,653) for water and ($21,440) for wastewater]. (TR 760, 767, 784-785; OPC BR 67-68)

In addition, OPC recommended two adjustments at Sandalhaven. The first adjustment is for ($3,637) due to an out-of-test year expense. (TR 1087-1088) OPC stated that this expense was for a customer Guarantee Deposit Certificate which UIF agreed should be removed from the purchased power expense. (OPC BR 66) The second adjustment is for ($5,111) which OPC stated was an additional reduction from the purchased power expense included in the MFRs due to the decommissioning of the WWTP at Sandalhaven and diverting flows to Englewood Water District's treatment and disposal facilities. (OPC BR 66-67)

Summertree

Summertree stated that UIF and Corix participated in the decision to implement the Operations Management System at a cost of $4 million. Because Corix's utility operation at the University of Oklahoma experienced a year-over-year O&M cost savings of five to ten percent, Summertree stated that UIF should reduce its operating costs by ten percent as a result of the implementation of the Operations Management System. (Summertree BR 23)

ANALYSIS

Three systems are impacted by the cancellation of interruptible power tariffs: LUSI, Longwood, and Sanlando. The interruptible tariffs provide a credit on the power bill in exchange for the customer shutting off its power from the electric utility upon request. Because UIF requires a continuous source of electric power to operate its facilities, standby generators must be available. The difference between any savings from credits due to an interruptible tariff and increased costs to upgrade generators and related equipment must be balanced.

UIF witness Flynn stated that, according to an analysis undertaken by UIF, the cost of upgrading equipment is greater than credits offered by the electric companies. (TR 1338-1340, 1344) In addition to equipment costs, witness Flynn stated that remaining on the interruptible tariff creates higher costs for employees who must work extra hours in order to operate the generators at LUSI. (TR 1341-1344) Staff notes that the facilities will still have generators available in the event of a general power outage. Staff's recommended adjustments for LUSI and Sanlando are obtained by netting out the increase in purchased power costs due to the cancellation of interruptible tariffs with the total test year expense listed in the MFRs.

UIF witness Deason agreed with OPC that an adjustment of $3,637 should be made to reduce purchased power expense at Sandalhaven. The amount was related to a Customer Guarantee Deposit Certificate that was recorded in November, 2015, which is outside the established test year. (TR 1087-1088) In addition, the expense for purchased power at the WWTP should reflect the average monthly expense during the test year.

Staff is persuaded that, along with the adjustments identified in Issues 11 and 12, the increased cost of purchased power due to the cancellation of interruptible power agreements is reasonable due to the higher cost of replacing equipment, along with increases in related costs. Also, staff agrees with OPC that adjustments at Sandalhaven for an out-of-test-year expense and for reduced purchased power expense due to the decommissioning of the WWTP are appropriate.

Summertree stated in its brief that the Commission should reduce the Utility's operating expenses by ten percent based on the Project Justification section of the Operations Management System Project Brief. (EXH 247, P 12-14; Summertree BR 23) As detailed in Issue 53, staff recommends that no other adjustments be made to O&M expense based on the Operations Management System Project Brief.

CONCLUSION

In addition to adjustments to purchased power expense addressed in Issues 11 and 12, the adjustments identified in the table below are appropriate.

Table 40-1
Purchased Power Adjustments

UIF System	Staff Recommended Adjustment ($)	
	Water	Wastewater
LUSI	3,631	(9,831)
Longwood	-	(7,147)
Sandalhaven	-	(3,637)
Sanlando	(9,671)	9,671

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

Recommendation: Yes. In addition to the adjustments for chemical expense addressed in Issues 11 and 12, staff recommends reductions of $7,266 for Eagle Ridge, $4,220 for Mid County, and $3,145 for Sandalhaven. (Ellis, Frank, Andrews)

Position of the Parties

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

OPC: Yes, chemical expense should be decreased by $14,631 to reflect the adjustment to chemicals for Sandalhaven as made in a prior Commission order, to adjust the expense for Eagle Ridge to reflect the amount supported in the Utility's work papers, and to reflect the annual cost savings associated with the pro forma project at Mid-County.

Summertree: Yes, in light of UIF's refusal to identify and reflect in its MFRs the potential 5% to 10% reduction in operating expenses, annually, which can be anticipated from implementation of the implementation of the asset management, geographic information system, predictive and preventive maintenance programs and policies (see HE 247), this operating expense should be reduced by 10% in addition to the adjustments indicated by Public Counsel.

Staff Analysis:

PARTIES' ARGUMENTS

UIF

UIF admitted that an error included in the MFRs for Eagle Ridge should be corrected requiring a decrease of $7,266 in chemical expense. (UIF BR 38; TR 1429-1430) UIF witness Swain stated that the Utility does not agree with OPC that chemical expense at Mid County should be adjusted by $4,220, based on the Company's statement that a decrease of "as much as" ten percent of the test year expense for purchased methanol was expected due to the pro forma project to replace methanol pumps and install in-line nutrient analyzers. (TR 1432) UIF witness Swain testified that OPC witness Ramas had made the adjustment based on the Utility's statement that it expected as much as a ten percent reduction. (UIF BR 38; TR 1432) UIF argued that up to 10 percent may result in values from zero to ten percent, and therefore no adjustment should be made at this time. (UIF BR 38)

OPC

OPC argued that adjustments are necessary at Eagle Ridge, Sandalhaven, and Mid-County. OPC agreed with UIF's adjustment for Eagle Ridge of $7,266. For Sandalhaven, OPC witness Ramas recommended an adjustment of $3,145 based on the fact that chemicals are no longer required due to the decommissioning of the WWTP. (OPC BR 68; TR 774-775) For Mid County, OPC witness Ramas testified that UIF's proposed pro forma project to add in-line nutrient analyzers and to replace methanol pumps should result in a $4,220 reduction to purchased methanol expense. OPC witness Ramas referred to a response to discovery in which the Utility stated it expected the expense to decrease by as much as ten percent of the $42,222 test year expense. (OPC BR 69; TR 763-764; EXH 173, "No. 26")

Summertree

Summertree stated that UIF and Corix participated in the decision to implement the Operations Management System at a cost of $4 million. Because Corix's utility operation at the University of Oklahoma experienced a year-over-year O&M cost savings of five to ten percent, Summertree stated that UIF should reduce its operating costs by ten percent as a result of the implementation of the Operations Management System. (Summertree BR 24)

ANALYSIS

UIF witness Swain stated that the MFRs contained an error in the chemicals expense for UIF's Eagle Ridge system and that there should have been a reduction to the test year amount of $37,241. (TR 1429-1430) This correction results in a decrease of $7,266. (UIF BR 38)

Accordingly, staff recommends reducing chemicals expense at Eagle Ridge by $7,266.

Mid County is the only system for which OPC and UIF dispute an adjustment. However, OPC recommended an adjustment at Sandalhaven which UIF did not rebut. While Summertree argues for a reduction in O&M costs between five to ten percent, it provided no testimony to support the adjustments.

Staff believes that it is reasonable to adjust expenses by $4,220 at Mid County, based on UIF's statement in discovery that it expected to achieve as much as ten percent in savings to chemical expenses. Staff further believes that UIF's argument that a lower level of savings should be reflected without offering an alternative figure should be rejected. UIF did not rebut OPC's recommended adjustment of $3,145 in chemical expense at Sandalhaven. Consistent with staff's recommended adjustment due to the closure of the WWTP at Sandalhaven, addressed in Issue 39, staff believes that OPC's recommended adjustment is reasonable.

Summertree stated in its brief that the Commission should reduce the Utility's operating expenses by ten percent based on the Project Justification section of the Operations Management System Project Brief. (EXH 247, P 12-14; Summertree BR 27) As detailed in Issue 53, staff recommends that no other adjustments be made to O&M expense based on the Operations Management System Project Brief.

CONCLUSION

Based on the above, in addition to the adjustments for chemical expense addressed in Issues 11 and 12, staff recommends reductions of $7,266 for Eagle Ridge, $4,220 for Mid County, and $3,145 for Sandalhaven.

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

Recommendation: Yes. Materials and supplies expense should be reduced by $59,610 as shown in Table 42-1. (Frank, Andrews, Ellis)

Position of the Parties

UIF: Per MFRs. Additionally, there should be a reduction of Labrador's water analysis expense of $10,000, a reduction of $10,399 to defer the steel tank removal for Sanlando, and an increase of $267,272 for amortization expense.

OPC: Yes, materials and supplies expense should be reduced by $44,194 to reflect a normalized expense for Eagle Ridge, to amortize a non-recurring expense for Mid-County, and to remove maintenance on the retired plant at Sandalhaven.

Summertree: Yes, in light of UIF's refusal to identify and reflect in its MFRs the potential 5% to 10% reduction in operating expenses, annually, which can be anticipated from implementation of the implementation of the asset management, geographic information system, predictive and preventive maintenance programs and policies (see HE 247), this operating expense should be reduced by 10% in addition to the adjustments indicated by Public Counsel.

Staff Analysis:

PARTIES' ARGUMENTS

UIF

UIF argued that the $10,000 charge for the Labrador water quality analysis should have been charged only to the water system and, because it is a non-recurring cost, should be deferred and amortized over five years. (EXH 249, P 3; TR 1430; UIF BR 38) In regard to Eagle Ridge, Utility witness Flynn argued that the test year level of materials and supplies expense reflects the trend of increasing expenses, the aging of the infrastructure, and price increases. (TR 1231-1232; UIF BR 38) Witness Flynn testified that a linear regression analysis is a more accurate method to determine the appropriateness of the test year level materials and supplies expense, and would result in an amount in excess of the actual test year amount of $74,992.

OPC

OPC stated that schedule B-8 of the MFRs for the Eagle Ridge system showed a 145.80 percent variance above the prior test year benchmark. (EXH 172, BSP 337; OPC BR 69) OPC witness Ramas testified that, given the large variance between the test year expense and expenses incurred in prior years, coupled with UIF's failure to demonstrate that the significant increase realized in the test year is reflective of on-going cost expectations, the test year materials and supplies expense should be adjusted to appropriately reflect the most recent three-year average expense level. (TR 750-751; OPC BR 69) The Utility provided the expense levels for the years 2011-2015. (EXH 177, BSP 499; OPC BR 69) Applying these amounts, witness Ramas calculated a three-year average of $58,475. Witness Ramas argued that materials and supplies expense should be reduced by $16,517 to reflect the $58,475 from the three year average. (TR 751; OPC BR 69)

In regard to Sandalhaven, OPC stated that UIF indicated that a series of invoices totaling $6,074 are not recurring costs. (EXH 192, BSP 654; OPC BR 70) Utility witness Deason also agreed that the $6,074 should be removed from the test year's materials and supplies expense. (TR 1089; OPC BR 70) OPC argued that Sandalhaven's materials and supplies expense should be reduced by $6,074. (OPC BR 70)

In regard to Mid-County, OPC stated that UIF provided an invoice for $32,404 related to the removal of grit and sediment from the Equalization Tank. (EXH 179, BSP 537) The Utility further agreed that this expense should be deferred and amortized over three years as that is the frequency with which this maintenance activity occurs. (EXH 192, BSP 657) Therefore, OPC argued that the materials and supplies expense for Mid-County should be reduced by $21,603 to reflect one year of amortization. (OPC BR 70)

Summertree

In its brief, Summertree referenced Section 3 of the Operations Management System Project Brief entitled, "Project Justification" in order to demonstrate that using the Operations Management System could produce year-over-year cost savings of five to ten percent. (EXH 247, P 12-14; Summertree BR 24) Summertree argued that UIF neglected to reflect any such savings in its request for rate relief, yet its cost-benefit analysis of whether or not to utilize the Operations Management System likely included these potential savings. (Summertree BR 24) Summertree stated that UIF should not only record savings it experiences for future rate proceedings, but should also remove those savings from its 2015 test year revenue requirement, as those costs will be avoided as a result of implementing the new systems. (Summertree BR 24) Summertree argued that the Commission should reject UIF's assertion that it is unable to quantify the savings associated with the Operations Management System, and should reduce UIF's operating costs by ten percent. (Summertree BR 24)

ANALYSIS

Based on its review of materials and supplies expense, staff recommends several adjustments to UIF's materials and supplies expense as summarized below.

Eagle Ridge

In its Eagle Ridge MFRs, the Utility reflected an expense of $74,992 for test year materials and supplies. UIF recorded test year materials and supplies expense of $51,659 in 2014, $48,774 in 2013, $42,784 in 2012, and $47,876 in 2011. (EXH 177, BSP 499) Because there has been a low variance in materials and supplies expense in the previous four years, staff believes the 2015 expense to be an anomaly and recommends a three year average using 2013-2015 to normalize the test year. A three-year average using the 2013-2015 expenses results in $58,475 ($74,992 + $51,659 + $48,774 / 3). Therefore, staff recommends reducing materials and supplies expense by $16,517 ($74,992 - $58,475).

Mid-County

In its Mid-County MFRs, UIF included a payment of $32,404 for removal of grit and sediment from the Equalization Tank. (EXH 142, BSP 126) The Utility stated that this expense should be deferred and amortized over three years as that is the frequency with which this maintenance activity occurs. (EXH 192, BSP 657) Staff agrees and recommends amortizing this over three years. As such, materials and supplies expense should be reduced by $21,602 ($32,404 / 3 x 2).

Pennbrooke

In its Pennbrooke MFRs, UIF included a payment of $3,000 related to the WWTP permit renewal. (EXH 192, BSP 656-657) The Utility stated that the permit renewal was for ten years. Staff recommends amortizing this over the life of the permit. Thus, staff recommends materials and supplies expense be reduced by $2,700.

Sandalhaven

In its Sandalhaven MFRs, UIF included several invoices for non-recurring services totaling $6,074 ($2,890 + $460 + $544 + $1,380 + $800) in its test year materials and supplies expense. (EXH 192, BSP 654) Witness Deason agreed that these expenses will be discontinued because, "The ponds are gone." (TR 1089) Therefore, staff recommends reducing materials and supplies expense by $6,074.

Sanlando

In its Sanlando MFRs, the Utility included a journal entry for $2,318 that was incorrectly accrued in its materials and supplies expense. (EXH 192, BSP 665) The invoice was included only in water and has a 2016 order date. Witness Deason agreed that this expense should be removed from test year materials and supplies expense. (TR 1099) In response to discovery and UIF witness Swain's rebuttal testimony, the Utility indicated that $12,999 was included in test year materials and supplies expense for wastewater associated with the demolition and removal of a steel tank. (EXH 142, BSP 126; TR 1436) Witness Swain testified that, as an extraordinary expense, it should be deferred and amortized over five years. Staff agrees with witness Swain in accordance with Rule 25-30.433(8), F.A.C. and recommends reducing materials and supplies expense by $10,399. In total, staff recommends a reduction of $12,717 ($2,318 for water and $10,399 for wastewater).

Summertree stated in its brief that the Commission should reduce the Utility's operating expenses by ten percent based on the Project Justification section of the Operations Management System Project Brief. (EXH 247, P 12-14; Summertree BR 24) As detailed in Issue 53, staff recommends that no other adjustments be made to O&M expense based on the Operations Management System Project Brief.

CONCLUSION

Staff recommends reducing rate case expense by $59,610 as shown in Table 42-1 below.

Table 42-1
Materials and Supplies Adjustments

System	Water	Wastewater
Eagle Ridge	$0	($16,517)
Mid-County	0	(21,602)
Pennbrooke	0	(2,700)
Sandalhaven	0	(6,074)
Sanlando	(2,318)	(10,399
Total	**($2,318)**	**($46,893)**

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

Recommendation: Yes. As agreed to by UIF and OPC, reductions of $1,920 to water and $1,549 to wastewater should be made to Lake Placid to remove and amortize the cost of permit renewal. Reductions of $1,904 should be made to Mid-County to remove and amortize costs related to permit renewal. Decreases of $3,321 to Sandalhaven and $6,000 ($3,325 for water and $2,675 for wastewater) to Sanlando should be made due to the inclusion of the costs for pro forma expense. (Ellis, Frank, Andrews)

Position of the Parties

UIF: $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.

OPC: Yes, contractual services – engineering expense should be decreased by $5,245 for water and $9,448 for wastewater to reflect the adjustment to sludge removal for Sandalhaven as made in the prior Commission Order, to remove an out of period expense for Mid-County, and to reflect the annual cost savings associated with the pro forma project at LUSI.

Summertree: Yes, in light of UIF's refusal to identify and reflect in its MFRs the potential 5% to 10% reduction in operating expenses, annually, which can be anticipated from implementation of the implementation of the asset management, geographic information system, predictive and preventive maintenance programs and policies (see HE 247), this operating expense should be reduced by 10% in addition to the adjustments indicated by Public Counsel.

Staff Analysis:

PARTIES' ARGUMENTS

UIF

UIF witness Deason agreed that $3,321 should be removed from the test year expenses for contractual services – engineering for the Sandalhaven system, and that the amount should be capitalized. (UIF BR 39; TR 1090; EXH 298) Witness Deason stated in testimony that the costs for consulting work related to the wastewater permit renewal at Lake Placid should be charged to wastewater and not split between water and wastewater. (UIF BR 39; TR 1094-1095) Witness Deason testified that the cost should be recorded as expense; however, only the amortized portion of the permit renewal is included in expense rather than the entire amount. (TR 1095-1096) Witness Deason also agreed in testimony that $6,000 in engineering expense booked to Sanlando associated with the Myrtle Lake project should in fact be capitalized. (UIF BR 39; TR 1100-1101; EXH 305) The amount is split between the Sanlando water and wastewater operations with $3,324 to water and $2,676 to wastewater.

OPC

OPC stated that an adjustment of $2,380 should be made to Mid County and amortized over five years. (OPC BR 71) For Sandalhaven, OPC stated that two invoices from CPH Engineering for $504 and $2,817 should be removed from expense and capitalized. (OPC BR 71) For Lake

Placid, OPC argued that two invoices from Excel Engineering for $2,979 and $875 should be amortized over a ten-year period in order to properly represent the cost of permitting. (OPC BR 71) OPC also stated that an invoice for $6,000 from Kimley Horn for the Myrtle Lake project should be capitalized. (OPC BR 71)

Summertree

Summertree stated that UIF and Corix participated in the decision to implement the Operations Management System at a cost of $4 million. Because Corix's utility operation at the University of Oklahoma experienced a year-over-year O&M cost savings of five to ten percent, Summertree stated that UIF should reduce its operating costs by ten percent as a result of the implementation of the Operations Management System. (Summertree BR 25)

ANALYSIS

Staff believes that OPC's recommended adjustments are reasonable to reflect the frequency of permitting. The adjustments were also deemed appropriate by UIF witness Deason. For Lake Placid, the permit related expense should be amortized and apply to wastewater only. For Sandalhaven and Sanlando, these expenses, $3,321 and $6,000 respectively, should be removed as they are included in pro forma.

For Mid-County contractual services – engineering, the Utility in response to discovery indicated that $2,380 was from Excel Engineering for WWTP permit renewal. (EXH 179, BSP 536) In response to additional discovery, UIF indicated that the WWTP permit for Mid-County has a five-year renewal period. (EXH 192, BSP 656) Staff recommends amortizing this expense over the life of the permit. Therefore, contractual services – engineering expense for Mid-County should be reduced by $1,904.

Summertree stated in its brief that the Commission should reduce the Utility's operating expenses by ten percent based on the Project Justification section of the Operations Management System Project Brief. (EXH 247, P 12-14; Summertree BR 25) As detailed in Issue 53, staff recommends that no other adjustments be made to O&M expense based on the Operations Management System Project Brief.

CONCLUSION

Staff recommends that, as agreed to by the UIF and OPC, reductions of $1,920 to water and $1,549 to wastewater should be made to Lake Placid to remove and amortize the cost of permit renewal. Reductions of $1,904 should be made to Mid-County to remove and amortize costs related to permit renewal. Decreases of $3,321 to Sandalhaven and $6,000 ($3,325 for water and $2,675 for wastewater) to Sanlando should be made due to the inclusion of the costs for pro forma expenses.

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

Approved 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.

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

Recommendation: Yes. An adjustment to reduce this expense for the LUSI water system by $1,425 should be made due to invoices being outside the established test year. (Ellis, Frank, Andrews)

Position of the Parties

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

OPC: Yes, contractual services – testing expense for LUSI and Sanlando should be decreased by $905 for water and $3,364 for wastewater to remove invoices for work performed in 2014.

Summertree: Summertree agrees with Public Counsel.

Staff Analysis:

PARTIES' ARGUMENTS

UIF
UIF agreed that the LUSI system was billed $905 for testing expenses incurred in 2014, which is outside the established test year, and should therefore be removed from expense. UIF stated that $2,280.25 in testing expenses for Cypress Lakes also occurred in 2014 and should be removed from test year expense. (UIF BR 39)

OPC
OPC argued that testing expense for LUSI included $905 for work performed in 2014. In addition, OPC stated that Sanlando testing expense included four invoices totaling $3,364 for work performed in 2014 that should be removed from test year expense. (OPC BR 72)

Summertree
Summertree agreed with OPC's position. (Summertree BR 26)

ANALYSIS

In its MFRs for LUSI, the Utility included several invoices for services provided by Eurofins Eaton Analytical that were outside the test year totaling $905 in its contractual services - testing expenses for water. (EXH 301) UIF also included several invoices from Tri-Tech Labs, Inc. for services provided outside the test year totaling $520 in its contractual services – testing expenses for water. (EXH 143, BSP 129) Therefore, staff recommends removing $1,425 ($905 + $520) from contractual services – testing expense for the LUSI water system.

Summertree stated in its brief that the Commission should reduce the Utility's operating expenses by ten percent based on the Project Justification section of the Operations Management System Project Brief. (EXH 247, P 12-14; Summertree BR 27) As detailed in Issue 53, staff recommends that no other adjustments be made to O&M expense based on the Operations Management System Project Brief.

CONCLUSION

An adjustment to reduce the LUSI water system by $1,425 should be made due to invoices being outside the established test year.

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

Recommendation: Yes. Contractual services – other expense should be decreased by $3,020 for Labrador's water system, by $4,980 for Labrador's wastewater system, by $4,700 for Mid-County, by $864 for Sandalhaven, and by $2,827 for UIF-Marion's water system. (Frank, Andrews)

Position of the Parties

UIF: 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.

OPC: Yes, contractual services – other expense should be decreased by $5,847 for water and $10,544 for wastewater to reflect the amortization of a water system alternatives analysis performed for Labrador, to amortize non-recurring expenses for Mid-County and UIF-Marion, and to remove an out of period invoice for Sandalhaven.

Summertree: Yes, in light of UIF's refusal to identify and reflect in its MFRs the potential 5% to 10% reduction in operating expenses, annually, which can be anticipated from implementation of the implementation of the asset management, geographic information system, predictive and preventive maintenance programs and policies (see HE 247), this operating expense should be reduced by 10% in addition to the adjustments indicated by Public Counsel.

Staff Analysis:

PARTIES' ARGUMENTS

UIF

UIF argued that in the test year, the Labrador system incurred $10,000 for a water quality analysis performed by Gaydos Hydro Services, LLC. (EXH 142, BSP 126; EXH 182, BSP 572) Because this is a non-recurring expense, the Utility argued it should be amortized over five years in accordance with Rule 25-30.433(8), F.A.C. (UIF BR 40)

OPC

OPC argued that the Utility recorded $10,000 to the Labrador system to perform a water system alternatives analysis which OPC witness Ramas testified should be amortized over five years. (TR 753-754; EXH 309) UIF witness Swain testified that she agreed with this adjustment. (TR 1430) OPC argued that this expense should be reduced by $8,000 to reflect the amortization over five years. (OPC BR 73)

In regards to Sandalhaven, OPC argued that a December 1, 2015 journal entry to accrue $864 should be removed. (OPC BR 73) The invoice for the $864 payment is dated January 5, 2016, and is a 13th payment in the test year. (EXH 299) Utility witness Deason agreed that this should be removed from the test year expense. (TR 1092) Therefore, OPC argued that this amount should be removed from test year expenses. (OPC BR 73)

OPC argued that test year contractual services – other expense for Mid-County should be reduced by $4,700 to amortize a non-recurring cost over five years pursuant to Rule 25-30.433(8), F.A.C. (OPC BR 73) OPC stated that contractual services - other included an invoice from Pinellas Tree Service for $5,875. (EXH 179, BSP 538; EXH 308) This tree trimming activity is performed approximately every five years. (EXH 179, BSP 538) UIF witness Deason testified that this is a non-recurring expense, and that non-recurring expenses should be amortized over three to five years. (TR 1175-1176)

OPC argued that test year contractual services – other expense for UIF-Marion should be reduced by $2,827 to amortize a non-recurring cost over five years pursuant to Rule 25-30.433(8), F.A.C. (OPC BR 73) OPC stated that contractual services – other included an invoice from Utility Services Associates for $3,533. (EXH 192, BSP 658) The Utility stated that the vendor has provided this service in 2015, 2016, and 2017. (EXH 192, BSP 658-659) However, OPC argued that UIF did not provide any documentation to support that this is a recurring expense for this system. Furthermore, OPC argued that the UIF-Marion general ledger did not include any expenses from this vendor for the years 2013 and 2014. (EXH 160, BSP 239) The 2012 general ledger includes an invoice for $1,678; however, there is no description for the services provided. Since UIF provided conflicting statements and the documentation did not support the statement that this service was a recurring cost, OPC argued that the Utility failed to meet its burden for this expense. (OPC BR 73)

Summertree

In its brief, Summertree referenced Section 3 of the Operations Management System Project Brief entitled, “Project Justification” in order to demonstrate that using the Operations Management System could produce year-over-year cost savings of five to ten percent. (EXH 247, P 12-14; Summertree BR 26) Summertree argued that UIF neglected to reflect any such savings in its request for rate relief, yet its cost-benefit analysis of whether or not to utilize the Operations Management System likely included these potential savings. (Summertree BR 26) Summertree stated that UIF should not only record savings it experiences for future rate proceedings, but should also remove those savings from its 2015 test year revenue requirement, as those costs will be avoided as a result of implementing the new systems. (Summertree BR 26) Summertree argued that the Commission should reject UIF’s assertion that it is unable to quantify the savings associated with the Operations Management System, and should reduce UIF’s operating costs by ten percent. (Summertree BR 26)

ANALYSIS

Based on its review of contractual services – other expense, staff recommends several adjustments to UIF’s contractual services – other expense as summarized below.

Labrador

In its MFRs for Labrador, the Utility included $10,000 for a water quality analysis that is non-recurring in its test year contractual services - other expenses. (EXH 142, BSP 126; TR 753) In its MFRs, this expense was allocated to water and wastewater based on ERCs ($5,020 to water and $4,980 to wastewater). Because this expense is a water quality analysis, staff recommends allocating it entirely to water. Staff also recommends amortizing this expense over five years in accordance with Rule 25-30.433(8), F.A.C. Therefore, staff recommends reducing Labrador contractual services - other expense by $8,000 ($3,020 for water and $4,980 for wastewater).

Mid-County

In its MFRs for Mid-County, UIF included a payment of $5,875 for tree trimming and removal services. (EXH 179, BSP 538) In response to discovery, the Utility stated that this activity occurs approximately every five years. Staff recommends amortizing this over five years. Therefore, contractual services - other expense should be reduced by $4,700.

Sandalhaven

In its MFRs for Sandalhaven, UIF included an invoice for $864 dated January 5, 2016, that was a 13th payment in test year contractual services - other expense. (EXH 299) Witness Deason agreed that this invoice was outside the test year and should be removed. (TR 1091-1092) Therefore, staff recommends reducing contractual services - other expense by $864.

UIF-Marion

The Utility included an invoice for $3,534 for UIF Marion in test year contractual services – other expense which included the description "survey for an pinpoint leaks in the water distribution system." (EXH 192, BSP 658) In response to discovery, UIF stated that "this is not an annually scheduled service, but usually occurs every year. This vendor has provided this service in 2015, 2016 and 2017." (EXH 192, BSP 658-659) However, staff agrees with OPC that the Utility did not provide any documentation to support that the vendor provided services in 2016 or 2017. Further, the general ledger does not include any expense from this vendor for 2013 and 2014. (EXH 160, BSP 239) There is an invoice from this vendor for $1,678 in 2012; however, there is no description for the services provided. Staff recommends that UIF did not meet its burden of proof that this is an annually recurring expense and, therefore, this expense should be amortized over five years. This results in a reduction of $2,827 to miscellaneous expense for UIF-Marion's water system.

Summertree stated in its brief that the Commission should reduce the Utility's operating expenses by ten percent based on the Project Justification section of the Operations Management System Project Brief. (EXH 247, P 12-14; Summertree BR 26) As detailed in Issue 53, staff recommends that no other adjustments be made to O&M expense based on the Operations Management System Project Brief.

CONCLUSION

Based on the above, staff recommends that contractual services, other expense be reduced by $3,020 for Labrador's water system, by $4,980 for Labrador's wastewater system, by $4,700 for Mid-County, by $864 for Sandalhaven, and by $2,827 for UIF-Marion's water system.

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

Recommendation: Yes. Equipment rental expense should be reduced by $5,593 for the Sanlando wastewater system. (Mick)

Position of the Parties

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

OPC: Yes, The Utility reflected invoices for the Sanlando system totaling $5,593 for equipment that was rented during 2014. These invoices should be removed from test year expenses, which results in a decrease to wastewater expenses of $5,593.

Summertree: Yes, in light of UIF's refusal to identify and reflect in its MFRs the potential 5% to 10% reduction in operating expenses, annually, which can be anticipated from implementation of the implementation of the asset management, geographic information system, predictive and preventive maintenance programs and policies (see HE 247), this operating expense should be reduced by 10% in addition to the adjustments indicated by Public Counsel.

Staff Analysis:

PARTIES' ARGUMENTS

UIF

UIF stated in its brief that its witness Swain disagreed with OPC's recommendation to remove $5,593 in equipment rental expense. (TR 1436; UIF BR 40)

OPC

In its brief, OPC stated that the amount of equipment rental expense reported by UIF in Schedule B-8 of the MFRs for Sanlando is considerably larger than the prior test year benchmark. (OPC BR 74) OPC witness Ramas testified that the $5,593 recorded for equipment rental expense in January 2015 was for equipment rented in 2014 and should be removed as it is outside the test year. (TR 785; OPC BR 74) OPC argued that, while UIF's witness Swain disagreed with the removal of this amount, she gave no support for her opinion. (TR 1436; OPC BR 74) OPC stated that witness Ramas had originally split the amount between water and wastewater, but further review found the entire amount should be removed solely from wastewater. (TR 785; OPC BR 74)

Summertree

In its brief, Summertree referenced Section 3 of the Operations Management System Project Brief entitled, "Project Justification" in order to demonstrate that using the Operations Management System could produce year-over-year cost savings of five to ten percent. (EXH 247, P 12-14; Summertree BR 27) Summertree argued that UIF neglected to reflect any such savings in its request for rate relief, yet its cost-benefit analysis of whether or not to utilize the Operations Management System likely included these potential savings. (Summertree BR 27) Summertree stated that UIF should not only record savings it experiences for future rate proceedings, but should also remove those savings from its 2015 test year revenue requirement, as those costs will be avoided as a result of implementing the new systems. (Summertree BR 27) Summertree argued that the Commission should reject UIF's assertion that it is unable to quantify the savings associated with the Operations Management System, and should reduce UIF's operating costs by ten percent. (Summertree BR 27)

ANALYSIS

UIF reported equipment rental expense of $5,593 in Schedules B-6 and B-7 of the Utility's minimum filing requirements (MFRs) for the Sanlando wastewater system. (EXH 86, P 910-911) OPC witness Ramas testified that UIF provided invoices from Walker Miller Equipment Co., Inc. in response to staff's request. (TR 785; EXH 143, BSP 133) Witness Ramas stated that the invoices provided by the Utility for January 2015, were for equipment rented in 2014, and recommended a reduction to equipment rental expense of $3,100 for water and $2,493 for wastewater. (TR 785) Upon further review of the Utility's MFRs, witness Ramas amended her recommendation to reduce equipment rental expense by $5,593 for wastewater only. (TR 785; OPC BR 74; EXH 86, P 910-911) While UIF witness Swain stated in her rebuttal testimony that she disagreed with the removal of the equipment rental expense for January 2015, no support was provided by the Utility. (TR 1436)

Staff reviewed the invoices provided by the Utility and determined that two of the invoices from Walker Miller Equipment Co., Inc. were included in the amounts listed in the MFRs but were for equipment rented prior to the 2015 test year. (TR 785; EXH 143, BSP 133) While the two invoices from Walker Miller that were prior to the test year totaled $6,393, UIF only reported $5,593 in its MFRs for January 2015. (TR 785; EXH 143, BSP 133; EXH 86, P 910-911) Therefore, staff believes the reduction of equipment rental expense for the Sanlando wastewater system should be limited to $5,593 for the amount reflected in the Utility's MFRs. (TR 785; EXH 143, BSP 133; EXH 86, P 910-911)

Summertree stated in its brief that the Commission should reduce the Utility's operating expenses by ten percent based on the Project Justification section of the Operations Management System Project Brief. (EXH 247, P 12-14; Summertree BR 27) As detailed in Issue 53, staff recommends that no other adjustments be made to O&M expense based on the Operations Management System Project Brief.

CONCLUSION

Based on the above, equipment rental expense for the Sanlando wastewater system should be reduced by $5,593.

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

Approved 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.

Table 48-1
Transportation Adjustments

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 – Watsewater	104
Sandalhaven – Wastewater	103
Sanlando – Water	1,164
Sanlando – Wastewater	936
Tierra Verde - Wastewater	($5,723)

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

Recommendation: The appropriate amount of rate case expense is $1,040,038. This expense should be amortized over four years for an annual expense of $260,010. Based on the Utility's original filing, the annual amortization of rate case expense should be decreased by $78,064. The specific system adjustments are reflected on the respective 3-C schedules. (Frank, Andrews)

Position of the Parties

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

OPC: Rate case expense should be reduced by $330,295 to remove imprudently incurred rate case expenditures, to allow only those expenses actually incurred, to remove all costs related to the correction of deficiencies and annual reports, to remove unusual, to excessive revisions to discovery responses, and to remove expenses associated with UIF's public relations and image enhancing which are below-the-line expenses and are not fair or reasonable for ratepayers to bear.

Summertree: Summertree agrees with Public Counsel.

Staff Analysis:

PARTIES' ARGUMENTS

UIF

UIF stated that rate case expense excludes the time incurred to correct deficiencies. (UIF BR 41) UIF also stated that witness Deason testified that when he prepared EXH 168, he excluded the time the consultants spent in correcting deficiencies. (TR 1122-1123; UIF BR 41)

UIF witness Hoy testified that neither UIF nor WSC has full-time media relations/communications personnel in-house. (TR 1522, 1523, 1526; UIF BR 41-42) Witness Hoy stated that because this is a complex case and after learning that there would be eight service hearings, it was important that UIF engage a firm specializing in communications. (TR 1521; UIF BR 41-42) Witness Hoy stated that one of the purposes of engaging Tucker/Hall was to assist UIF in putting together an informative cover letter to accompany the more formal Commission notices. (TR 1523; UIF BR 41-42) UIF asserted that in lieu of hiring full-time communications personnel, UIF retains communication specialists on an as needed basis, as it does for legal services. (UIF BR 41-42) UIF argued that 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. (TR 1525; UIF BR 41-42) Lastly, UIF stated that the $35,874 in rate case expense for Tucker/Hall is only about three percent of the total rate case expense. (UIF BR 42)

OPC

OPC argued that the updated rate case expense is $271,937 less than the rate case expense in the MFRs; therefore, the MFR expense should be reduced to the amount of the updated rate expense, along with further adjustments. (OPC BR 75)

OPC stated that UIF identified costs related to Mr. Seidman ($4,537) and Mr. Friedman ($1,404) related to deficiency correction, and these were not removed from JD-4. Thus, an additional $5,941 should be removed from rate case expense. (EXH 142; OPC BR 75)

OPC asserted that due to the unusual and excessive levels of revisions and supplementation required by UIF to make its responses complete, any costs incurred by the Utility to revise, complete, or supplement responses should also be disallowed. (TR 738-739; OPC BR 77) OPC stated that a review of the billing information for Attorney Friedman showed 12 days where there was an e-mail and/or Notice of Filing referencing revised or supplemental discovery and while the specific tasks each day were not detailed by time spent, taking the total amount and dividing it by the number of tasks results in an approximate reduction of $3,969. (EXH 168, P.25; EXH 206; OPC BR 76) OPC suggested that in the alternative, an extremely conservative reduction based on an estimated .2 hours for each notice plus .4 hours to review revisions would result in a $2,592 (12 x (.4 + .2) x $360) reduction. (OPC BR 77)

OPC contended several adjustments related to travel should be made, such as, removing unnecessary hearing travel for Mr. Friedman who resides in Tallahassee and removing deposition travel for Mr. Flynn and Mr. Hoy because the depositions were telephonic. (OPC BR 76) In addition, the hearing concluded two days early. (OPC BR 76) Therefore, only half of the Utility’s travel should be allowed. (OPC BR 76) OPC asserted that costs for WSC employees should be disallowed; otherwise, UIF customers are paying these employees twice for their work. (TR 1128; OPC BR 76)

Finally, OPC argued that the Commission has a general policy that “advertising” considered to be institutional, goodwill, promotional or image-enhancing is not allowed for revenue requirement purposes, while informational or instructional materials related to health and safety have been allowed. (OPC BR 77) OPC argued that witness Hoy could not articulate a benefit that customers received from the use of this public relations/crisis management firm for customer communications. (TR 1521-1522; OPC BR 77) OPC asserted that the description of the letter included with the customer notices appears to be an attempt to “promote” UIF’s rate request, not explain the impact. (OPC BR) Thus, it is readily apparent that Tucker/Hall was engaged more specifically for the purpose of enhancing and/or managing UIF’s image during and after this rate case. (OPC BR 77) OPC argued that all of the Tucker/Hall costs of $24,541 should be disallowed. (OPC BR 77) OPC stated that these adjustments total $58,358 and should serve to further reduce the rate case expense included in the MFRs. (OPC BR 77)

Summertree

In its brief, Summertree agreed with OPC. (Summertree BR 28)

ANALYSIS

In its MFRs, UIF requested $1,352,294 for current rate case expense. (EXH 172, BSP 337) The Utility also included $420,105 in unamortized rate case expense which will be discussed in Issue 50. (EXH 172, BSP 337) Staff requested updates of actual rate case expense incurred, with supporting documentation, as well as the estimated amounts to complete the case. The Utility’s last revised update of actual and estimated rate case expense, through completion of the hearing process, totaled $1,122,308. (EXH 168, BSP 298) A breakdown of the Utility's requested rate case expense is as follows:

Table 49-1
UIF's Revised Rate Case Expense Request

	Actual	**Additional Estimated**	**Revised Total**
Friedman & Friedman P.A.	$121,393	$104,370	$225,763
Milian, Swain, & Associates	419,943	52,800	427,743
M&R Consultants	88,226	25,650	113,876
Guastella Associates, LLC	108,379	8,930	117,309
Tucker Hall	23,499	12,375	35,874
PSC Filing Fee	9,000	0	9,000
WSC Employees	16,774	0	16,774
WSC Travel	1,068	13,500	14,568
Consultant Travel	0	0	0
Noticing & Supplies	76,797	39,606	116,403
Total	**$865,077**	**$257,231**	**$1,122,308**

Source: (EXH 168, BSP 298)

Pursuant to Section 367.081(7), F.S., the Commission shall determine the reasonableness of rate case expense and shall disallow all rate case expense determined to be unreasonable. Staff has examined the requested actual expenses, supporting documentation, and estimated expenses as listed above for the current rate case.

Friedman & Friedman, P.A.

UIF witness Deason provided documentation detailing rate case expense for the law firm Friedman & Friedman, P.A. (Mr. Friedman). (EXH 168, BSP 298) The actual fees and costs totaled $121,393 with an estimated additional $104,370 to complete the rate case, totaling $225,762 ($121,393 + $104,370). (EXH 168, BSP 298)

Mr. Friedman's expenses included $9,000 for the rate case filing fee. (EXH 142, "No. 1") UIF also included a line item for the $9,000 filing fee in its MFRs. (EXH 172, BSP 337) However, the Utility did not include the $9,000 filing fee in its requested legal costs. Therefore, there was no duplicative filing fee expense.

According to invoices, the law firm of Mr. Friedman identified and billed the Utility $1,404 related to the correction of MFR deficiencies. (EXH 168, BSP 298) The $1,404 for deficiency related work was not included in the Utility's updated request for rate case expense. However, staff further identified $216 in expense that contained legal work related to the correction of deficiencies. (EXH 142, BSP 125) The Commission has previously disallowed rate case expense associated with correcting MFR deficiencies because of duplicate filing costs.[83] Consequently, staff recommends an adjustment to reduce Mr. Friedman's legal fees by $216.

Mr. Friedman's last estimate to complete the rate case included fees for 283.5 hours at $360/hr. and additional costs for photocopies and attending the August 3, 2017 Agenda Conference, totaling $2,310. (EXH 168, BSP 298) Mr. Friedman's fees included 128 hours to travel to and from Tallahassee for Final Hearing, and five days of Final Hearing preparation. Based on hearing transcripts, staff calculated the length of the hearing to be 36 hours. In addition, staff calculated five full working days of hearing preparation to be 40 hours (5 days x 8 hours). In total, staff calculated 76 hours (36 hours + 40 hours) for hearing preparation and hearing attendance. As mentioned in OPC's briefs, Mr. Friedman resides in Tallahassee; therefore, staff did not include any time for travel. (OPC BR 76) Similarly, staff removed $1,760 in estimated costs for hearing travel (i.e. meals and hotel). Accordingly, staff recommends that Mr. Friedman's legal fees be reduced by $20,696 ($216 + $18,720 + $1,760).

Milian, Swain & Associates

UIF witness Deason provided documentation detailing rate case expense for the accounting firm Milian, Swain, & Associates (MSA). The actual fees and costs totaled $419,943 with an estimated $52,800 to complete the rate case, totaling $472,743 ($419,943 + $52,800). (EXH 168, BSP 298)

In regard to MSA's actual expenses, staff reviewed the supporting documentation and verified that there were no hours related to correcting deficiencies or amending annual reports included in the Utility's requested recovery of accounting fees.

MSA's last estimate to complete the rate case included fees related to discovery and preparation for the hearing totaling $49,800 and travel costs totaling $3,000. (EXH 168, BSP 298) The estimated hours to complete include 186 hours for Ms. Swain and 84 hours for Ms. Yapp. Staff believes the estimated hours for Ms. Swain are reasonable because in addition to responding to discovery, she is a witness providing testimony in this case. However, staff believes the estimated time for Ms. Yapp to respond to discovery is excessive. Staff recommends that the estimated time for Ms. Yapp to respond to discovery should be reduced to reflect the average monthly hours spent responding to discovery. Based on the invoices provided by witness Deason, Ms. Yapp's average monthly hours related to discovery responses since the filing of the MFRs is 35.5 hours. Therefore, staff reduced MSA's estimated hours by 48.5 hours (84 hours - 35.5 hours) to reflect the average time in a month spent responding to discovery. This results in a reduction of $7,276 (48 hours x $150).

UIF also estimated $3,000 in travel costs for witness Swain to attend the technical hearing. (EXH 168, BSP 298) However, no support for the $3,000 in travel costs was provided. Staff believes it is reasonable to include travel for Ms. Swain, therefore, staff allowed $1,268, consistent with half of the combined hearing travel costs for witnesses Hoy and Flynn discussed below. This

[83] Order Nos. PSC-05-0624-PAA-WS, issued June 7, 2005, in Docket No. 040450-WS, *In re: Application for rate increase in Martin County by Indiantown Company, Inc.;* and PSC-01-0326-FOF-SU, issued February 6, 2001, in Docket No. 991643-SU, *In re: Application for increase in wastewater rates in Seven Springs System in Pasco County by Aloha Utilities, Inc.*

results in a reduction of $1,732 ($3,000 - $1,268) to MSA's estimate to complete. In summary, staff recommends reducing MSA rate case expense by $9,008 ($7,276 + $1,732).

M&R Consultants

UIF witness Deason provided documentation detailing rate case expense for the engineering firm M&R Consultants (M&R). (EXH 168, BSP 298) The actual fees and costs totaled $88,226 with an estimated $25,650 to complete the rate case, totaling $113,876 ($88,226 + $25,650). (EXH 155, BSP 205) The invoices included consulting services for reviewing engineering-related schedules, responding to staff's data requests, reviewing staff recommendations, responding to discovery, and preparing testimony. (EXH 155, BSP 205) Staff identified $1,425 for work related to amending UIF's annual reports. (EXH 155, BSP 205) Staff believes that this should be treated as deficiency-related work. Therefore, staff reduced M&R fees by $1,425.

M&R's last estimate to complete the rate case included fees related to discovery and preparation for the hearing totaling $23,250 and travel costs totaling $1,650. (EXH 155, BSP 205) M&R's estimated hours included 35 hours for responding to discovery and 120 hours for hearing-related rebuttal preparation and to attend the hearing. Staff believes the estimated time for M&R to respond to discovery is excessive. Similar to staff's adjustment for Ms. Yapp's estimate to complete discussed above, staff calculated an average of hours per month for responding to discovery. Staff calculated an average of 12 hours per month. (EXH 155, BSP 205) Staff reduced M&R's estimated hours by 23 hours (35 hours - 12 hours) to reflect this average. This results in a reduction of $3,431 (23 hours x $150) In addition, staff reduced M&R's estimate to complete by 5 hours, $750, to reflect the difference between the invoice from M&R and witness Deason's schedule. (EXH 155, BSP 205-206; EXH 168, BSP 298) In total, staff recommends reducing M&R rate case expense by $5,606 ($1,425 + $3,431 + $750).

Guastella Associates, LLC

UIF witness Deason provided documentation detailing rate case expense for the consulting firm Guastella Associates, LLC (Guastella). The actual fees and costs totaled $108,379 with an estimated $8,930 to complete the rate case, totaling $117,309 ($108,379 + $8,930). (EXH 168, BSP 298) Guastella's actual fees did not include any time for work related to the correction of deficiencies. Staff reviewed the invoices provided and believes the actual fees are reasonable and therefore recommends no adjustment.

Guastella's last estimate to complete the rate case was included in witness Deason's updated schedule of rate case expense. (EXH 168, BSP 298) The estimate included fees related to discovery and preparation for the hearing totaling $8,330 and travel costs totaling $600. (EXH 168, BSP 298) Staff believes Guastella's estimate to complete is reasonable and therefore recommends no adjustment.

Tucker Hall

UIF witness Deason provided documentation detailing rate case expense for communications firm Tucker Hall totaling $35,874. When witness Hoy was asked to explain the benefit or value of the firm's services, he explained that this is a large case with a lot of moving parts and a lot of communication issues. (TR 1521) When asked to further elaborate in his response, he described a letter from Tucker Hall included with UIF's formal customer notice that explained the rate impact of this rate case. (TR 1521-1522) However, this letter was not entered into the record for staff to review or verify the nature of its contents. Further, UIF did not provide any additional support of the work performed by Tucker Hall for the purpose of this proceeding. Staff notes that the burden of proof in a Commission proceeding is always on a utility seeking a rate change.[84]

In addition, witness Hoy acknowledged that the Commission has routinely disallowed expenses related to public relations and image enhancing. (TR 94-95) Staff was unable to determine that the services performed by Tucker Hall were strictly for communications and not for the purpose of enhancing and/or managing UIF's image during and after this rate case.

In conclusion, staff believes the Utility did not provide sufficient justification that services provided by Tucker Hall were reasonable and prudent. Therefore, staff reduced rate case expense by $35,874.

Filing Fee

The Utility included $9,000 in its MFR Schedule B-10 for the filing fee. (EXH 172, BSP 337) Staff has verified that this is the correct amount for the filing fee. Staff recommends no adjustment.

WSC Employees

UIF witness Deason provided documentation detailing rate case expense for WSC employees totaling $16,774. (EXH 142, BSP 126) UIF did not provide any estimate to complete. The provided documentation detailed work related to the rate case for three WSC employees. Staff reviewed the documentation and believes $16,774 is a reasonable amount when compared to the total requested rate case expense and that it is reasonable for WSC employees to assist UIF considering the number of consultants and magnitude of work involved to process the case. (EXH 168, BSP 298) Therefore, staff recommends no adjustment.

WSC Travel

UIF witness Deason provided documentation detailing rate case expense for WSC employee travel. The actual travel costs totaled $1,068 with an estimated $13,500 to complete the rate case, totaling $14,568 ($1,068 + $13,500). (EXH 168, BSP 298) Actual costs included $1,068 for WSC employee travel for the customer service hearings. (EXH 166, BSP 264) Staff has reviewed the invoices and believes these costs are reasonable and therefore recommends no adjustment.

UIF's estimate for WSC travel costs totaled $13,500. This included $720 for witness Hoy to attend a settlement meeting in Tallahassee and $2,536 for witnesses Hoy and Flynn to attend the final hearing. (EXH 155, BSP 205) Staff reviewed the estimate breakdown for travel, lodging, meals, and miscellaneous and believes these costs are reasonable. However, a total of $10,244 in estimated costs were not supported. (EXH 168, BSP 298) As mentioned above, the utility seeking a rate increase always bears the burden of proof in a Commission proceeding. Therefore, staff reduced WSC travel by $10,244.

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[84] Florida Power Corp. v. Cresse, 413 So. 2d 1187, 1191 (Fla. 1982).

Consultant Travel

In its MFRs, UIF included $13,501 for consultant travel. (EXH 172, BSP 337) UIF witness Deason provided documentation detailing estimated consultant travel for Mr. Friedman, witness Guastella, witness Seidman, and witness Swain. (EXH 168, BSP 298) Each consultant listed has included travel costs in their respective invoices or estimates to complete, which staff addressed above. (EXH 168, BSP 298) As such, staff did not include any consultant travel costs to avoid double recovery.

Noticing & Supplies

UIF witness Deason provided documentation detailing rate case expense for noticing and MFR copies totaling $116,403. This includes $71,735 for actual noticing costs. Staff reviewed the supporting documentation for noticing and found that $777 in total costs occurred before the UIF test year letter was filed. UIF did not provide any documentation to support that the $777 that occurred prior to the test year letter being filed was related to the current rate proceeding. Therefore, staff reduced noticing by $777. UIF provided an estimate to complete for technical hearing notices and final notices totaling $39,606. This estimate included a breakdown of the costs per notice page totaling $0.50 per two page notice. (EXH 171, BSP 331) UIF serves 39,606 premises that require noticing. (EXH 171, BSP 331) Therefore, staff believes the estimated noticing costs of $39,606 (39,606 premises x $0.50 x 2 notices) is reasonable and recommends no adjustment. (EXH 171, BSP 331)

UIF also provided invoices and a breakdown of costs for MFR copies totaling $5,062. (EXH 171, BSP 331) Staff verified the breakdown of costs with supporting invoices and removed $65 due to lack of support. In total, staff recommends reducing noticing by $842 ($777 + $65).

CONCLUSION

Based upon the adjustments discussed above, staff recommends that UIF's revised rate case expense of $1,122,308 be decreased by $82,270 to reflect staff's adjustments, for a total of $1,040,038. A breakdown of staff's recommended rate case expense is in Table 49-2 below.

Table 49-2
Staff Recommended Rate Case Expense

Description	**Utility Revised Act. & Est.**	**Staff Adjustments**	**Recom. Total**
Legal Consulting Fees	$225,762	($20,696)	$205,067
Accounting Consulting Fees	472,743	9,008	463,734
Engineering Consulting Fees	113,876	5,606	108,269
Rate Consulting Fees	117,309	0	117,309
Tucker Hall	35,874	(35,874)	0
Filing Fee	9,000	0	9,000
WSC Fees & WSC Travel	31,342	(10,244)	21,098
Travel	0	0	0
Noticing & Supplies	116,403	(842)	115,562
Total	**$1,122,308**	**($82,270)**	**$1,040,038**

Source: (EXH 168, BSP 298)

The recommended total rate case expense is $1,040,038. 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. A longer period was neither requested by the Utility, nor was it proposed by any of the intervenors. As such, this represents an annual expense of $260,010. As stated previously, in its updated filing, the Utility requested $1,352,294 for current rate case expense, with an annual amortization amount of $338,074. (EXH 172, BSP 337) Based on the Utility's original filing, the annual amortization of rate case expense should be decreased by $78,064 ($260,010 - $338,074). The specific system adjustments are reflected on the respective 3-C schedules.

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

Recommendation: Unamortized rate case expense should be removed for all prior dockets for each respective system, with the exception of unamortized rate case expense associated with the UI Generic Docket that has yet to commence recovery. As such, the unamortized rate case expense reflected in UIF's original filing should be decreased by $997,991 (-$993,504 + $513) and $1,037,543 (-$1,044,872 + $7,329) for water and wastewater, respectively. A corresponding adjustment should be made to decrease the amortization of rate case expense by $248,259 and $259,390 for water and wastewater, respectively. (Frank, Andrews)

Position of the Parties

UIF: Add unamortized balance to current RCE.

OPC: Prior unamortized rate case expense that has been fully amortized before new rates become effective should be removed from the test year. For the systems where rate case expense is not fully amortized prior to rates becoming effective, the balance should be removed from the test year and addressed as a surcharge for each system until fully recovered. The Commission previously determined that a four-year recovery period was appropriate for these systems.

Summertree: Summertree agrees with Public Counsel.

Staff Analysis:

PARTIES' ARGUMENTS

UIF

UIF witness Swain testified that the unamortized portion of rate case expense from prior rate cases should be included in the rate case expense for the current rate case to be amortized over four years. (TR 1425) Witness Swain argued that extending the amortization period from prior cases over a period longer than four years is a benefit to the customers in lower rates and, therefore, it should be allowed to waive the four year amortization period. (UIF BR 42; TR 1425)

OPC

OPC witness Ramas outlined several problems with the Utility's proposed treatment of the unamortized rate case expense from prior rate cases. (OPC BR 77; TR 731) OPC argued that if a rate case is filed before the expiration of the amortization period and this prior rate case expense is included as part of test year expenses, nothing further would need to be adjusted. (OPC BR 78)

Witness Ramas asserted that UIF included unamortized balances as of the end of the December 31, 2015, test year. (TR 731) She argued that assuming new rates will take effect August 1, 2017, UIF will have collected an additional 19 months for this unamortized rate case expense, resulting in double counting over this period. (TR 731)

Witness Ramas also argued that the Utility's proposed methodology would result in an amortization period of more than four years. (TR 732) OPC argued that "Prior to 2016, Section

367.0816, Florida Statues (F.S.), addressed recovery of rate case expense and provided only a four-year recovery period with no discretion for the Commission to approve a longer period." (OPC BR 78-79) OPC went on to argue that all rate case expense was approved pursuant to Section 367.0816, F.S., as opposed to Section 367.081(8), F.S., which witness Swain used to defend extending the amortization period. (TR 1425; BR 78-79)

Lastly, witness Ramas argued that UIF did not remove the amortization expense that was recorded during the test year when it added in the new amortization expense, resulting in double counting. (TR 732)

Summertree

In its brief, Summertree agreed with OPC. (Summertree BR 28)

ANALYSIS

In its original filing, UIF reflected amortization of rate case expense in the test year for nearly all systems with unamortized rate case expense from prior dockets, including the UI Generic Docket for systems that have begun recovery.[85] (EXH 172, BSP 337) The only exceptions were LUSI, UIF-Orange, UIF-Pasco, and UIF-Pinellas. Each of these systems reflected no amortization of rate case expense in the test year despite still recovering rate case expense from prior dockets. (EXH 172, BSP 337) The error in the latter three systems is the result of UIF not allocating the total annual amortization of rate case expense from Docket No. 120209-WS and including it only in UIF-Seminole.[86] (EXH 172, BSP 337)

UIF's original filing also included a pro forma adjustment to include additional amortization of rate case expense for each system. (EXH 172, BSP 337) The Utility's adjustments, detailed on MFR Schedule B-10 of each system, were calculated by combining the unamortized balance of rate case expense from prior rate cases, as of the end of the test year, with the estimated total rate case expense from the current docket and amortizing the combined total over four years. (EXH 172, BSP 337; TR 731) As noted by OPC witness Ramas, UIF's adjustments result in the inclusion of additional amortization of rate case expense for prior cases already reflecting recovery in the test year. (TR 732)

As discussed in Issue 76, staff is recommending surcharges to recover unamortized rate case expense. and remove unamortized rate case expense associated with prior dockets. Therefore, the systems with unamortized rate case expense should not recover the annual amortization through O&M expense, as the surcharge is designed to recover the annual amortization of rate case expense embedded in rates for each respective system. Therefore, staff believes that unamortized rate case expense and any corresponding amortization of the expense should be removed from the Utility's filing. The only exception to this adjustment is applicable to systems that have not begun recovery of unamortized rate case expense associated with the UI Generic Docket, as the expense has not been previously embedded in rates.

[85] Order No. PSC-14-0521-FOF-WS.
[86] Order No. PSC-14-0025-PAA-WS.

Staff notes that the surcharge recommended by staff in Issue 76 is based on the annual four-year rate reduction amount set by prior Commission orders and not calculated as a corresponding adjustment to the removal of unamortized rate case expense and corresponding amortization of the expense. As previously discussed, the Utility's filing included errors in the test year and in its adjustments to rate case expense. However, these concerns are rendered moot by the removal of all unamortized rate case expense, except for amounts associated with the UI Generic Docket that have yet to commence being recovered. As such, unamortized rate case expense reflected in the Utility's filing should be decreased by $993,504 and $1,044,872 for water and wastewater, respectively. A corresponding adjustment is necessary to decrease amortization of rate case expense by $248,376 and $261,218 for water and wastewater, respectively. The adjustments for each specific system are detailed in Table 50-1.

Table 50-1
Adjustments to UIF's Pro Forma Rate Case Expense

System	Unamortized Rate Case Expense		Amortization of Rate Case Expense	
	Water	Wastewater	Water	Wastewater
Cypress Lakes	($92,048)	($87,444)	($23,012)	($21,861)
Eagle Ridge	0	(44,172)	0	(11,043)
Labrador	(110,228)	(109,352)	(27,557)	(27,338)
Lake Placid	(14,388)	(14,524)	(3,597)	(3,631)
Pennbrooke	(34,056)	(28,376)	(8,514)	(7,094)
Sandalhaven	0	(309,932)	0	(77,483)
Sanlando	(294,088)	(236,564)	(73,522)	(59,141)
UIF-Marion	(19,348)	(1,756)	(4,837)	(439)
UIF-Orange	(7,136)	0	(1,784)	0
UIF-Pasco	(65,952)	(28,616)	(16,488)	(7,154)
UIF-Pinellas	(9,884)	0	(2,471)	0
UIF-Seminole	(346,376)	(184,136)	(86,594)	(46,034)
Total	**($993,504)**	**($1,044,872)**	**($248,376)**	**($261,218)**

As previously discussed, the unamortized rate case expense associated with the UI Generic Docket is appropriate to include in the annual amortization of rate case expense for systems that have not begun recovery, as reflected in UIF's adjustments. However, staff believes additional adjustments are necessary to reflect the correct amount of the unamortized rate case expense. Pursuant to Order No. PSC-14-0521-FOF-WS, recovery of the approved rate case expense should be included as part of each systems' next rate proceeding, and accrue interest at the 30-day commercial paper rate.[87] The Utility reflected the correct amount of approved rate case expense for all but one system, Mid-County, but it did not include accrued interest. As such, staff recommends that unamortized rate case expense be increased by $6,986 for Mid-County to correct the Commission-approved amount and include accrued interest, based on the 30-day

[87] Id., p. 20.

commercial paper rate.[88] (EXH 172, BSP 337; EXH 346) Staff also recommends adjustments to include interest in each of the other systems. All of staff's recommended adjustments to unamortized rate case expense associated with the UIF Generic Docket are detailed in Table 50-3 below, along with the corresponding adjustment to amortization of rate case expense.

Table 50-2
Adjustments to UI Generic Docket Rate Case Expense

System	Unamortized Rate Case Expense		Amortization of Rate Case Expense	
	Water	Wastewater	Water	Wastewater
Cypress Lakes	$30	$29	$8	$7
Eagle Ridge	0	61	0	15
Lake Placid	3	3	1	1
LUSI	260	80	65	20
Longwood	0	42	0	11
Mid-County	0	6,986	0	1,747
Pennbrooke	36	30	9	8
Tierra Verde	0	51	0	13
UIF-Marion	13	2	3	1
UIF-Orange	7	0	2	0
UIF-Pasco	69	0	17	0
UIF-Pinellas	30	10	8	3
UIF-Seminole	65	35	4	2
Total	**$513**	**$7,329**	**$117**	**$1,828**

CONCLUSION

Unamortized rate case expense should be removed for all prior dockets for each respective system, with the exception of unamortized rate case expense associated with the UI Generic Docket that has yet to commence recovery. As such, the unamortized rate case expense reflected in the Utility's original filing should be decreased by $997,991 (-$993,504 + $513) and $1,037,543 (-$1,044,872 + $7,329) for water and wastewater, respectively. A corresponding adjustment should be made to decrease the amortization of rate case expense by $248,259 (-$248,376 + $117) and $259,390 (-$261,218 + $1,828) for water and wastewater, respectively.

[88] Id., p. 25.

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

Recommendation: Yes. Adjustments should be made to reduce miscellaneous expense by $6,896 for Cypress Lakes, by $122 for Labrador water and $121 for Labrador wastewater, by $900 for Lake Placid wastewater, by $4,000 for Mid-County, by $10,270 for Sandalhaven, and by $2,526 for Sanlando water and $2,032 for Sanlando wastewater. (Frank, Andrews)

Position of the Parties

UIF: No adjustment should be made to the MFRs.

OPC: Yes, miscellaneous expense should be decreased by $25,196 to reflect the amortization of permit renewal fees, the removal of expenses from outside the test year, and to amortize other non-recurring expenses.

Summertree: Yes, in light of UIF's refusal to identify and reflect in its MFRs the potential 5% to 10% reduction in operating expenses, annually, which can be anticipated from implementation of the implementation of the asset management geographic information system, predictive and preventive maintenance programs and policies (see HE 247), this operating expense should be reduced by 10% in addition to the adjustments indicated by Public Counsel.

Staff Analysis:

PARTIES' ARGUMENTS

UIF

UIF argued that $5,000 should not be removed from Mid-County in connection with its sewer permit. (UIF BR 42; TR 1432) Utility witness Deason argued that costs associated with permit renewals are booked as expenses in the year in which they occur. (TR 1095) He went on to argue that if test year permit renewals are amortized, other permit renewals occurring outside the test year would need to be treated the same way. (TR 1095) During OPC's cross examination, Witness Deason was questioned about the nature of various test year expenses, and he could not affirm whether they were non-recurring. (UIF BR 42; TR 1174-1176; EXH 303, 304, 306, 308) However, if the Commission finds them to be non-recurring, UIF argued that they should be amortized over five years. (TR 1174-1175; EXH 277; UIF BR 42)

OPC

OPC argued that a cost related to a WWTP permit renewal for Lake Placid should be amortized over ten years. (OPC BR 80; EXH 191, BSP 649) OPC contended that the Utility stated that the $1,000 permit renewal was for ten years. (OPC BR 80)

OPC argued that three invoices totaling $6,816 should be removed from test year miscellaneous expense for Cypress Lakes. (OPC BR 80) Test year expense included an invoice of $2,280 received in 2014. (EXH 302) UIF witness Deason admitted that this expense was incurred outside the test year. (TR 1097-1098) Additionally, through discovery, the Utility provided two invoices for services provided outside the test year in the amounts of $1,620 and $2,916. (EXH 191, BSP 650 "No. 103")

In regard to Mid-County, OPC asserted that $4,000 should be removed from miscellaneous expense for a five-year operating permit that was booked for $5,000. (OPC BR 80; EXH 192, BSP 663)

OPC contended that Sanlando's test year miscellaneous expense should be reduced by $4,657. (OPC BR 80-81) Test year expense included two December 31, 2015, journal entries in the amounts of $603 and $417 which represent the 13th set of monthly payments for garbage removal service. (EXH 303) Witness Deason agreed that these invoices should be removed from the test year. (TR 1098) In addition, miscellaneous expense included an invoice for $4,422 for landscaping that witness Deason testified was not a recurring cost. (EXH 306; TR 1102-1103) OPC argued that this cost should be removed and amortized over five years. (OPC BR 81)

OPC argued that Labrador's test year miscellaneous expense should be reduced by $8,243. (OPC BR 81) OPC argued that miscellaneous expense included an invoice from Gaydos for $10,000. (EXH 309) OPC witness Ramas testified that this charge was not an annual recurring event and was specific to the water system. (TR 753) Therefore, witness Ramas recommended that $10,000 be amortized over five years and charged only to the water system and UIF witness Swain agreed. (TR 1430) In addition, the Utility included two invoices of $81 and $162 for services provided outside the test year in test year miscellaneous expense. (EXH 191, BSP 650) OPC argued that these should be removed. (OPC BR 81)

OPC asserted that Sandalhaven's test year miscellaneous expense should be reduced by $500. (OPC BR 81) OPC stated that miscellaneous expense included an invoice for $500 from CPH Engineering for services provided outside the test year and should, therefore, be removed. (EXH 280; TR 399-400)

Summertree

In its brief, Summertree referenced Section 3 of the Operations Management System Project Brief entitled "Project Justification," in order to demonstrate that using the Operations Management System could produce year-over-year cost savings of five to ten percent. (EXH 247, P 12-14; Summertree BR 29) Summertree argued that UIF neglected to reflect any such savings in its request for rate relief, yet its cost-benefit analysis of whether or not to utilize the Operations Management System likely included these potential savings. (Summertree BR 29) Summertree stated that UIF should not only record savings it experiences for future rate proceedings, but should also remove those savings from its 2015 test year revenue requirement, as those costs will be avoided as a result of implementing the new systems. (Summertree BR 29) Summertree argued that the Commission should reject UIF's assertion that it is unable to quantify the savings associated with the Operations Management System, and should reduce UIF's operating costs by ten percent. (Summertree BR 29)

ANALYSIS

Based on its review of miscellaneous expense, staff recommends several adjustments to UIF's miscellaneous expense as summarized below.

Cypress Lakes

In its Cypress Lakes MFRs, the Utility reflected an expense of $33,751 for water and $54,351 for wastewater. Staff recommends removing $6,816 ($2,325 from water and $4,491 from wastewater) from test year expenses related to invoices for services provided outside the test year. (EXH 302; EXH 191, BSP 650)

In its filing, UIF requested cost recovery to remove and dispose of accumulated grit and sand in the Cypress Lakes Wastewater Treatment Plant (WWTP). (EXH 38, P 8) UIF explained that the plant performance has already been impaired due to the accumulation of grit and delays in removing the material could lead to non-compliance with the treatment plant's operating permit. (EXH 38, P 9)

The project also included replacement of failed diffusers and the replacement of all Polyvinyl Chloride (PVC) connecting pipe with stainless steel connecting pipe. (EXH 38, P 8) UIF indicated that pipe failures have impaired plant performance and caused emergency repairs. The stainless steel connecting pipe will be stronger and more durable than the PVC connecting pipe and should reduce the number of failures. (EXH 145, P 147) This project was completed on August 31, 2016. (EXH 248)

Based on the information provided by the Utility, the proposed project should improve the operational reliability as well as effluent water quality of the Cypress Lakes WWTP. The WWTP provides reclaimed water to a golf course for irrigation purposes. (EXH 38, P 9)

In UIF witness Flynn's direct testimony, the requested amount for this project was $50,200. (TR 321) OPC witness Woodcock testified that the Utility provided sufficient documentation to support the $50,200 cost. (TR 623) Based on documentation provided by the Utility, as well as the testimony of witnesses Flynn and Woodcock, staff recommends $50,200 is reasonable for the proposed project.

In its MFRs, UIF requested $5,100 to amortize this project over ten years. Staff recommends reducing miscellaneous expense by $80 for wastewater to reflect $50,200 amortized over ten years ($5,100 - $80 = $5,020). In total, staff recommends a reduction of $6,896 ($6,816 + $80).

Labrador

In its filing, UIF requested cost recovery to remove and dispose of accumulated grit and sand in Labrador's WWTP. (EXH 40, P 32) UIF explained that delay in removing the material could lead to non-compliance with treatment plant's operating permit and plant performance has already been impaired due to the accumulation of grit. (EXH 40, P 33)

The project also included removing and replacing failed diffusers. Project documentation indicated that all nine tanks will be cleaned. (EXH 40, P 32) Based on the information provided by the Utility, the proposed project should improve effluent quality and also reduce the current maintenance required to clean irrigation spray heads on the spray field. (EXH 40, P 33) This project was completed on September 23, 2016. (EXH 248)

In UIF witness Flynn's direct testimony, the requested amount for this project was identified as $61,137. (TR 322) OPC witness Woodcock testified that the Utility provided sufficient documentation to support the $61,137 cost. (TR 623) Based on documentation provided by the Utility, as well as the testimony of witnesses Flynn and Woodcock, staff recommends $61,137 is reasonable for the proposed project.

The Utility included two invoices that were allocated to water and wastewater for services provided outside the test year for $81 and $162 in miscellaneous expenses. (EXH 191, BSP 650) Therefore, staff recommends reducing Labrador's miscellaneous expense by $243 ($122 for water and $121 for wastewater).

Lake Placid

In its MFRs, UIF included a payment of $1,000 related to Lake Placid's WWTP permit renewal. (EXH 192, BSP 655-656) The Utility stated that the permit renewal was for ten years. Staff recommends amortizing this over the life of the permit. Therefore, miscellaneous expense should be reduced by $900.

Mid-County

In its MFRs, UIF included a payment of $5,000 to renew Mid-County's operating permit. (EXH 192, BSP 663) The Utility stated that the permit renewal was for five years. Staff recommends amortizing this over the life of the permit. Therefore, miscellaneous expense should be reduced by $4,000.

Sandalhaven

UIF included an invoice for services provided outside the test year for $500 in Sandalhaven's test year miscellaneous expenses. (EXH 280) Witness Flynn agreed that this invoice was before the test year and should be capitalized. Therefore, staff recommends reducing miscellaneous expense by $500.

Staff also recommends removing $9,770 from miscellaneous expense for Sandalhaven for incorrectly booked amortization expense as previously discussed in Issue 10.

Sanlando

The Utility included two invoices which represent the 13th set of monthly payments ($603 and $417) in its test year miscellaneous expenses for Sanlando. (EXH 303) UIF also included an invoice for $4,422 in miscellaneous expense. (EXH 306) Witness Deason testified that this invoice was not a recurring cost. (TR 1102-1103) Therefore, staff recommends removing and amortizing this cost over five years, which reduces miscellaneous expense by $3,538. In total, staff recommends a reduction of $4,558 ($603 + $417 + $3,538). This reduction is allocated as $2,526 for water and $2,032 for wastewater.

Summertree stated in its brief that the Commission should reduce the Utility's operating expenses by ten percent based on the Project Justification section of the Operations Management System Project Brief. (EXH 247, P 12-14; Summertree BR 29) As detailed in Issue 53, staff recommends that no other adjustments be made to O&M expense based on the Operations Management System Project Brief.

CONCLUSION

Based on the above, staff recommends that miscellaneous expense be reduced by $6,896 for Cypress Lakes, by $122 for Labrador water and $121 for Labrador wastewater, by $900 for Lake Placid wastewater, by $4,000 for Mid-County, by $10,270 for Sandalhaven, and by $2,526 for Sanlando water and $2,032 for Sanlado wastewater.

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

Recommendation: Based on the evidence in the record, no adjustment should be made in the current rate proceeding. (Norris)

Position of the Parties

UIF: There are no identifiable cost savings.

OPC: Based upon the deposition of UIF Witness Flynn and UIF's response to OPC Interrogatories Nos. 285, 286, and 287 (HE 266), UIF anticipates savings associated with the proposed consolidation; however, UIF has not quantified the amount of the anticipated savings. In addition, UIF should experience significant O&M savings associated with the OMS implementation and replaced or renewed pro forma plant items.

Summertree: Summertree agrees with Public Counsel.

Staff Analysis:

PARTIES' ARGUMENTS

UIF

UIF explained in its brief that the consolidation of the multiple operating companies into one company was a "paper consolidation" that had no impact on the operations of its systems. (UIF BR 43) The Utility maintained that systems, departments, and job duties were not combined. (EXH 267; UIF BR 43) UIF acknowledged the potential for experiencing efficiencies in regulatory matters with the Commission and the Florida Secretary of State, such as filing one annual report or one filing fee, but it maintained that the effect would be considered immaterial in the instant docket. (UIF BR 43) The Utility stated that the majority of cost savings would be realized in future rate cases if the Commission approves rate consolidation, as the time and expense associated with preparing MFRs would be significantly reduced from prior cases. (EXH 267; TR 137-138; UIF BR 43)

OPC

OPC stressed the importance of taking into account anticipated cost-savings that were not included in UIF's filing. (OPC BR 81-82) Specifically, OPC argued that the Commission should include a five percent O&M savings resulting from consolidation and UIF's infrastructure replacement projects and another five percent O&M savings resulting from the implementation of the Operations Management System. (EXH 247, P 13-14; OPC BR 82) Additionally, OPC asserted that the Commission should make the other cost reduction adjustments recommended by OPC in other issues. (OPC BR 82)

Summertree

In its brief, Summertree agreed with OPC. (Summertree BR 30)

ANALYSIS

As discussed in Issue 78, staff believes the Utility should maintain separate plant and CIAC subsidiary ledgers for its individual systems for Commission purposes. Therefore, staff does not recommend adjustments in this case for cost-savings associated with the consolidation of accounting records. Based on the Utility's assessment of cost savings expected through its proposed consolidation of tariffs and accounting records, the majority of any cost savings would be realized in future rate cases, as the time and expense associated with preparing MFRs would be significantly reduced from prior cases. (EXH 267; TR 137-138) Staff agrees that cost savings from consolidation would materialize in the preparation of future rate cases. However, no further adjustments are warranted in the current rate proceeding.

In its brief, OPC argued for adjustments to represent cost savings associated with "consolidation", UIF's infrastructure replacement projects, and the implementation of the Operations Management System. Summertree agreed with OPC. (OPC BR 82; Summertree BR 30) However, neither party presented evidence specifying how any of those factors would result in cost savings directly associated with the actual consolidation of tariffs and accounting records. Further, OPC provided no evidence to support how it quantified the adjustment of five percent related to "consolidation and UIF's infrastructure replacement projects," as proposed in its brief. (OPC BR 82)

CONCLUSION

Based on evidence in the record, staff recommends no adjustment be made in the current rate proceeding.

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

Recommendation: Adjustments should be made as set forth in previous issues. No further adjustments are necessary. (P. Buys, Ellis, Frank, Andrews)

Position of the Parties

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

OPC: UIF is proposing to implement an Operations Management System which should lead to O&M savings in the range of five to ten percent per year. (EXH 247, P 13-14) As a result, UIF will experience significant cost savings in the near future. As a proxy for those anticipated cost savings, the Commission should make the other cost reduction adjustments recommended by OPC in other issues.

Summertree: Yes, in light of UIF's refusal to identify and reflect in its MFRs the potential 5% to 10% reduction in operating expenses, annually, which can be anticipated from implementation of the implementation of the asset management, geographic information system, predictive and preventive maintenance programs and policies (EXH 247, P 12-14), test year salaries and wages, and benefits, should be reduced by 10%. This reduction, as well as the 10% reduction of other operating expenses, is justified by UIF's failure to reduce operating expenses to reflect each projected cost reduction from pro forma projects indicated in the project justification documents presented by UIF in EXH 247.

Staff Analysis:

PARTIES' ARGUMENTS

UIF
UIF argued that as a result of decommissioning plants in Longwood, Sandalhaven, and UIF-Pasco, the Utility incurred losses which should be amortized over the period of time prescribed in Rule 25-30.433(9) F.A.C. (UIF BR 43)

OPC
OPC stated that UIF is proposing to implement an Operations Management System which should lead to O&M savings in the range of five to ten percent per year. (OPC BR 82) As a proxy for anticipated cost savings from this system, the Commission should make the other cost reduction adjustments recommended by OPC in other issues. (OPC BR 82)

Summertree
In its brief, Summertree referenced Section 3 of the Operations Management System Project Brief entitled, "Project Justification" in order to demonstrate that using the Operations Management System could produce year-over-year cost savings of five to ten percent. (EXH 247, P 12-14; TR 1262-1266; Summertree BR 30) Summertree argued that UIF neglected to reflect any such savings in its request for rate relief, yet its cost-benefit analysis of whether or not to utilize the Operations Management System likely included these potential savings.

(Summertree BR 30) Summertree stated that UIF should not only record savings it experiences for future rate proceedings, but should also remove those savings from its 2015 test year revenue requirement, as those costs will be avoided as a result of implementing the new systems. (Summertree BR 30) Summertree argued that the Commission should reject UIF's assertion that it is unable to quantify the savings associated with the Operations Management System, and should reduce UIF's operating costs by ten percent. (Summertree BR 30)

ANALYSIS

Both OPC and Summertree argued for adjustments to O&M expense to reflect cost savings of five to ten percent that could be realized by the Utility's implementation of the Operations Management System (OMS). (OPC BR 82; Summertree BR 30) However, neither party preferred testimony reflecting the adjustment or detailing the reasons for making it. Utility witness Flynn's rebuttal testimony detailed that a similar operations system used at the University of Oklahoma experienced year-over-year costs saving in the range of five to ten percent. (EXH 247, P 13-14) However, in reference directly to UIF, witness Flynn asserted that it would be "difficult to quantify the savings that will accrue as the asset-management program rolls out." (TR 1264)

Additionally Utility witness Hoy stressed that UIF is in the very preliminary stages of implementation, and moreover, the Utility is not seeking recovery of the costs associated with the OMS in the current rate case. (TR 1547) Based on the information above, staff recommends no adjustments related to the Operations Management System. Cost savings realized by the OMS will be addressed in future rate cases. Additionally, staff notes that cost reduction adjustments recommended by OPC in other issues are due to independent projects and are unrelated to the OMS.

CONCLUSION

Based on the above, adjustments should be made as set forth in previous issues. As such, no further adjustments are necessary.

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

Recommendation: All adjustments to test year depreciation expense are reflected as corresponding adjustments in previous issues. As such, adjustments should be made as set forth in Issues 7, 9, 10, 16, 18, 33, and 56. No further adjustments are necessary. (Norris)

Position of the Parties

UIF: 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.

OPC: Yes, depreciation expense should be increased by $139,109 for the water systems and decreased by $412,981 for the wastewater systems to reflect adjustments for the GIS system, pro forma plant adjustments, non-used and useful plant adjustments, and audit adjustments, and to remove depreciation on fully depreciated assets, and to adjust for the Summertree Decommissioning.

Summertree: Summertree agrees with Public Counsel.

Staff Analysis:

PARTIES' ARGUMENTS

UIF

UIF restated its acceptance of Audit Findings 2 and 4 which impact net depreciation expense. (TR 1079; UIF BR 45) UIF also agreed with adjustments proposed by OPC witness Ramas to remove prior period depreciation expense allocated to all systems and depreciation expense associated with plant accounts that were fully depreciated. (TR 745; TR 1428; EXH 249, P 1-12; UIF BR 44) Additionally, UIF asserted that depreciation expense should be increased to reflect limiting plant retirements and the additional cost of pro forma plant projects. (EXH 249, P 1-12; UIF BR 44-45) In total, UIF stated that depreciation expense should be increased by $309,279. (UIF BR 44)

OPC

OPC acknowledged the fall-out adjustments to depreciation expense resulting from other issues. (OPC BR 82) In total, OPC stated that depreciation expense should be increased by $139,109 for the water systems and decreased by $412,981 for the wastewater systems to reflect adjustments for the GIS system, pro forma plant adjustments, non-used and useful plant adjustments, audit adjustments, depreciation on fully depreciated assets, and to adjust for the Summertree Decommissioning. (OPC BR 82)

Summertree

In its brief, Summertree agreed with OPC. (Summertree BR 31)

ANALYSIS

All adjustments to test year depreciation expense are reflected as corresponding adjustments in previous issues. Issue 7 reflected an adjustment based on engineering expenses being capitalized in the test year. Issue 9 included adjustments to reflect staff’s recommended pro forma plant. Issue 10 included adjustments for the decommissioning of the Longwood and Sandalhaven WWTP. Issue 16 addressed the adjustments associated with non-U&U. Issue 18 reflected adjustments resulting from the correction of over-depreciated plant. Issue 33 addressed audit adjustments to depreciation expense. Issue 56 included adjustments for the decommissioning of the Summertree WTP in UIF-Pasco.

CONCLUSION

All adjustments to test year depreciation expense are reflected as corresponding adjustments in previous issues. As such, adjustments should be made as set forth in Issues 7, 9, 10, 16, 18, 33, and 56. No further adjustments are necessary.

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

Recommendation: All adjustments to test year amortization of CIAC expense are reflected as corresponding adjustments in previous issues. As such, adjustments should be made as set forth in Issues 10, 16, 20, 33, and 56. No further adjustments are necessary. (Norris)

Position of the Parties

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

OPC: Yes. The LUSI wastewater amortization of CIAC should not be reduced through the application of a non-used and useful percentage as proposed in the filing. Removal of the Company's application of a non-used and useful percentage increases amortization expense by $49,890.

Summertree: Summertree agrees with Public Counsel.

Staff Analysis:

PARTIES' ARGUMENTS

UIF

UIF restated its acceptance of Audit Findings 2 and 4 which impact net depreciation expense. (TR 1079; UIF BR 45) Specifically, the Utility identified Audit Finding 4 as an increase of $68,031 to CIAC amortization expense. (UIF BR 45)

OPC

As discussed by OPC Witness Ramas, OPC removed the Utility's application of a non-used and useful adjustment to CIAC for LUSI's wastewater system based on Commission Order PSC-11-0514-PAA-WS. (TR 769-770) OPC reflected the corresponding adjustment to remove the Utility's non-non used and useful adjustment to CIAC amortization, resulting in an increase of $49,890. (OPC BR 83)

Summertree

In its brief, Summertree agreed with OPC. (Summertree BR 31)

ANALYSIS

All adjustments to test year amortization of CIAC expense are reflected as corresponding adjustments in previous issues. Issue 10 included adjustments for the decommissioning of the Sandalhaven WWTP. Issue 16 addressed the adjustments associated with non-U&U. Issue 20 reflected adjustments resulting from the correction of over-amortized CIAC. Issue 33 addressed audit adjustments to CIAC amortization expense. Issue 56 included adjustments for the decommissioning of the Summertree WTP in UIF-Pasco.

CONCLUSION

All adjustments to test year amortization of CIAC expense are reflected as corresponding adjustments in previous issues. As such, adjustments should be made as set forth in Issues 10, 16, 20, 33, and 56. No further adjustments are necessary.

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?

Recommendation: Amortization Expense should be increased by $46,750, and O&M expense should be decreased by $68,609. Further, TOTI should be reduced by $9,933. (Sewards, P. Buys)

Position of the Parties

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

OPC: The Utility's adjusted test year operating expenses should be reduced by $1,492 to reflect the impacts of the abandonment and decommissioning of the Summertree water supply assets.

Summertree: Summertree agrees with Public Counsel

Staff Analysis:

PARTIES' ARGUMENTS

UIF

UIF witness Swain stated that amortization expense should be calculated per Order No. PSC-16-0505-PAA-WS, in Docket No. 150269-WS, with an update to the actual cost of removal. (EXH 249, P 12; TR 1437; UIF BR 45) In its brief, the Utility calculated its amortization expense by dividing the loss and the updated cost of removal (363,697+176,826=540,523) by the amortization period established in the previous order of 12.24 years. (UIF BR 45) The updated cost of removal was established by UIF witness Flynn. (EXH 233, P 4; TR 1437; UIF BR 45)

OPC

OPC argued that in UIF's initial filing, the Utility only included an increase of $20,000 to O&M expense for the amortization of $200,000. (OPC BR 83) OPC witness Ramas stated that Order No. PSC-16-0505-PAA-WS established the proper retirements and amortization for the decommissioning of the Summertree water treatment plant. (OPC BR 83) OPC continued that this Order should be used to determine proper amortization expense, O&M expense, depreciation expense, and Taxes Other than Income. (OPC BR 83)

OPC witness Woodcock testified that UIF did not provide sufficient documentation to support either the projected or updated cost of removal. (TR 630; TR 667; OPC BR 84) As such, OPC stated that the cost of removal should be disallowed for recovery. (OPC BR 84)

OPC witness Ramas discussed updating the accumulated depreciation to recognize the additional 13 months of depreciation between the time the Order was issued and when the plant was officially decommissioned. (TR 798; OPC BR 84)

Summertree

In its brief, Summertree agreed with OPC. (Summertree BR 31)

ANALYSIS

Loss on Decommissioning Amortization Expense

UIF requested recovery of costs associated with the abandonment of four water supply wells and the decommissioning of those well sites at the Summertree Water Treatment Plant (WTP). (EXH 233, P 1) This project is in response to the interconnection with Pasco County, which was approved by Commission Order No. PSC-16-0505-PAA-WS (Interconnection Order).[89] The interconnection has been completed and placed into service. (EXH 233, P 3)

UIF provided a list of tasks that will be performed for the Summertree Well Abandonment project. The tasks include, but are not limited to, the removal of all chemicals, tanks, pumps, generators, electrical equipment, buildings, fencing, and other improvements from each well site. (EXH 233, P 1) UIF indicated that a 10,000-gallon hydropneumatic tank, a prefabricated equipment shed, and SCADA equipment at the well sites would be used at other UIF systems. (EXH 233, P 4) This project is estimated to be complete by May 31, 2017. (EXH 248)

In UIF witness Flynn's direct testimony, the requested amount for this project was estimated to be $200,000. (TR 328) UIF explained that the estimated decommissioning costs are net of the three reusable items described above. (EXH 233, P 4) OPC witness Woodcock testified that the $200,000 for this project should be excluded from the current rate case because the Utility failed to provide necessary support for the reasonableness of the project at the time of its initial filing. (TR 630)

In his rebuttal testimony, UIF witness Flynn provided supporting documentation for this project. (EXH 233, P 1) The supporting documentation included two quotes for the decommissioning of the wells as well as a quote for engineering services. (EXH 233, P 6-14) The lower of the two quotes, provided by Environmental Equipment Sales, Inc., identified a total project cost of $175,226. (EXH 233, P 10-11) The higher quote identified an estimated cost of $198,438. (EXH 233, P 13-14) UIF did solicit a bid from a third company for the decommissioning of the wells, but that company chose not to submit a bid. (EXH 163, BSP 254) UIF's documentation also included a quote of $5,700 for engineering service from Excel Engineering and one quote from E & R Mechanical to remove the SCADA equipment for $800. (EXH 233, P 9, 12) Staff believes the documentation provided by witness Flynn adequately supports a project cost of $181,726 ($175,226 + $5,700 + $800) for the Summertree Well Abandonment project.

UIF indicated that it would request reimbursement of well abandonment costs from the South West Florida Water Management District (SWFWMD) per its well abandonment program. (EXH 233 P 3) The Utility did not provide an estimate of the reimbursement; however, in the Interconnection Order, $20,000 of anticipated funds from the SWFWMD was recognized and

[89] See Order No. PSC-16-0505-PAA-WS, issued October 31, 2016, in Docket No. 150269-WS, *In re: Application for limited proceeding water rate increase in Marion, Pasco, and Seminole Counties by Utilities, Inc. of Florida*, p. 7.

deducted from the cost of removal.[90] Therefore, staff recommends a total cost of removal of $161,726. ($181,726 - $20,000)

Rule 25-30.433(9), F.A.C., prescribes the calculation for determining the appropriate amortization period for forced abandonment or the prudent retirement of plant assets prior to the end of their depreciable life. Staff has recalculated the amortization period and expense as established in the Rule. Staff recommends an annual amortization expense of $46,750 over 11.24 years. Calculations from the Interconnection Order, UIF, OPC, and staff are summarized in Table 56-1 below.

Table 56-1
Loss on Decommissioning Amortization Expense

	Order No. PSC-16-0505-PAA-WS	UIF[91]	OPC	Staff
Net Book Value	$363,697	$363,697	$363,697	363,697
Tank Salvage Value	(5,000)	0	(5,000)	0
Cost of Removal	200,000	176,826	0	181,726
SWFWMD Grant Money	0	0	0	(20,000)
Additional Depreciation Expense	0	0	(23,803)	0
Total Cost	$558,697	$540,523	$334,894	$525,423
Rate of Return	7.22%	7.22%	7.22%	7.22%
Return on Net Book Value	$25,898	N/A	$24,179	$26,259
Depreciation Expense	19,735	N/A	19,735	19,735
Annual Amortization Expense	$45,633	$44,160	$43,914	$46,750
Amortization Period	12.24 Years	12.24 Years	7.63 Years	11.24 Years

Source: Order No. PSC-16-0505-PAA-WS; UIF BR 45; EXH 128 P 10

Loss on Decommissioning O&M Expense

In its initial filing, UIF incorrectly included an adjustment to O&M expense of $20,000 associated with the amortization of the removal costs. (EXH 172, BSP 337) In the Interconnection Order on page eight, the Commission determined O&M expense should be reduced by $48,609. As such, staff is recommending removal of the incorrectly booked amortization costs and a reduction in O&M expense of $48,609 in accordance with the Interconnection Order.

[90] Ibid
[91] UIF did not calculate a breakout of annual amortization expense.

Taxes Other than Income

In its filing, UIF did not make adjustments to TOTI for the decreases in property tax and salary expense. (EXH 172, BSP 337) In the Interconnection Order on page 10, a reduction to TOTI of $9,493 for property tax and $440 for salary expense was established. Staff recommends a reduction of $9,933 ($9,493 + $440) to TOTI.

CONCLUSION

Based on the above, amortization expense should be increased by $46,750, and O&M expense should be decreased by $68,609. Further, TOTI should be reduced by $9,933.

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?

Approved Stipulation: No adjustment is appropriate because no salvage value was received. The cost of removal was net of any potential salvage.

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

Recommendation: Based on staff's adjustments to test year revenues and to remove the Utility's requested increase, RAFs should be reduced by $118,486 for the water systems and $192,259 for the wastewater systems. To reflect staff's recommended total revenue increase, RAFs should be increased by $89,679 for the water systems and $158,402 for the wastewater systems. In total, TOTI should be decreased by $28,807 (-$118,486 + $89,679) for the water systems and $33,857 (-$192,259 + $158,402) for the wastewater systems. (Norris)

Position of the Parties

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

OPC: Yes. Test year taxes other than income should be reduced by $52,601 for the water systems and $198,174 for the wastewater systems.

Summertree: Summertree agrees with Public Counsel.

Staff Analysis:

ANALYSIS

Based on staff's adjustments to test year revenues and to remove the Utility's requested increase, RAFs should be reduced by $118,486 for the water systems and $192,259 for the wastewater systems. To reflect staff's recommended total revenue increase, RAFs should be increased by $89,679 for the water systems and $158,402 for the wastewater systems. In total, TOTI should be decreased by $28,807 (-$118,486 + $89,679) for the water systems and $33,857 (-$192,259 + $158,402) for the wastewater systems. Adjustments to property and payroll taxes related to pro forma plant, plant retirements, non-used and useful adjustments, and salaries and wages expense are reflected as corresponding TOTI adjustments in respective issues. Additionally, a test year adjustment to property taxes is reflected staff's recommended audit adjustments.

CONCLUSION

Based on staff's adjustments to test year revenues and to remove the Utility's requested increase, RAFs should be reduced by $118,486 for the water systems and $192,259 for the wastewater systems. To reflect staff's recommended total revenue increase, RAFs should be increased by $89,679 for the water systems and $158,402 for the wastewater systems. In total, TOTI should be decreased by $28,807 (-$118,486 + $89,679) for the water systems and $33,857 (-$192,259 + $158,402) for the wastewater systems.

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

Recommendation: Consistent with staff's recommendation of rate base, cost of capital, and net operating income adjustments, staff recommends a total revenue requirement of $15,730,457 for water and $19,072,345 for wastewater. Additionally, the revenue requirement impact associated with an ROE reduction for Summertree customers is $38,650, pending the Commission's decision on Issue 3 regarding quality of service and any other fall out issues. The revenue requirements for each of the Utility's systems are reflected in Schedule Nos. 3-A, and 3-B, as well as in Attachment A. (Norris, Trierweiler)

Position of the Parties

UIF: $36,150,770

OPC: The water revenue requirement should be $15,170,193 and the wastewater revenue requirement should be $16,360,140.

Summertree: Test year revenues should be adjusted to reflect the disallowances and rate base reductions identified in this brief and the brief of Public Counsel. Summertree, which consists of UIF customers, does not have the capacity to identify exact test year revenues.

Staff Analysis:

ANALYSIS

Consistent with staff's recommendation of rate base, cost of capital, and net operating income adjustments, staff recommends a total revenue requirement of $15,731,876 for water and $19,074,635 for wastewater. Additionally, the revenue requirement impact associated with an ROE reduction for Summertree customers is $38,669, pending the Commission's decision on Issue 3 regarding quality of service and any other fall out issues. The revenue requirements for each of the Utility's systems are reflected in Schedule Nos. 3-A, and 3-B, as well as in Attachment A.

When a utility files an application for increased rates, it must show an increase to its overall revenue requirement is necessary to be afforded an opportunity to earn a fair rate of return. The burden of proof is on the utility seeking an increase. See *South Fla. Natural Gas Co. v. FPUC*, 534 So. 2d 695, 697 (Fla. 1988) (finding that under the Commission's rate-setting authority, a utility seeking a change must demonstrate that the present rates are unreasonable and show by a preponderance of the evidence that the rates fail to compensate the utility for its prudently incurred expenses and fail to produce a reasonable return on its investment); *Florida Power Corp. v. Cresse*, 413 So. 2d 1187, 1191 (Fla.1982) (finding that the burden of proof is always on a utility seeking a rate change, and upon other parties seeking to change established rates); and *Sunshine Utils. v. FPUC*, 577 So. 2d 663, 666 (Fla. 1st DCA 1991) (finding that Section 367.081, F.S., provides that "in determining whether a rate is reasonable, the Commission must consider, among other things, a fair return on investment. To do so, the Commission must have authority to require proper evidence as to the utility's investment.").

In every rate proceeding after considering the testimony and exhibits presented, the Commission must evaluate whether any of the rate base, cost of capital, and net operating income requests require adjustments. As discussed in the previous issues, when considering the record evidence, the revenue requirements for some individual cost categories may increase, while others may decrease. The Commission's typical practice is to limit the revenue requirement increase to the total amount sought in the utility's petition. Thus, for a single system utility, the Commission does not set rates at a revenue requirement higher than initially requested by the utility.[92] When setting county-wide rates for multiple systems within a county, the Commission has not singled out the revenue requirement for each individual system, but instead grouped the systems in each county to determine revenue requirements.[93] Where warranted the Commission has also allowed the revenue requirement to exceed a utility's request when necessary to conform to mitigating circumstances.[94]

In Schedules B-1 and B-2, UIF sought an overall revenue requirement of $16,370,621 for water and $19,824,720 for wastewater. Staff's overall recommended revenue requirement is less than the total amount sought by UIF - $15,731,876 for water and $19,074,635 for wastewater. If the recommended adjustments for each system were viewed on a stand alone system basis, the recommended revenue requirement for some systems would be higher than stated in the MFRs, and for some it would be less. However, when the systems are aggregated, the overall requirement recommended by staff is consistent the Commission's practice of not exceeding the total revenue requirement requested by the utility.

When the Commission set interim rates in this case by Order No. PSC-16-0526-PCO-WS, the Commission capped each system to the revenue requirement stated in the MFRs and set interim rates for each individual system to be consistent with the prescriptive requirements of Section 367.082, F.S. Because the staff is recommending consolidated rates as requested by the Utility pursuant to Section 367.081, F.S., looking at the revenue requirements on a consolidated basis is the approach that should be followed when setting final water and wastewater rates.

If the revenue requirements were capped on an individual system basis when setting final rates, the Utility would be immediately put into an underearning posture of approximately $200,000 annually. Such an underearning scenario would run contrary to the requirement in Section 367.081(2)(a)1. to set compensatory rates. Any failure to conform each system to the

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[92] Order Nos. PSC-13-0673-FOF-WS, issued December 19, 2013, in Docket No. 130212-WS, *In re: Application for increase in water/wastewater rates in Polk County by Cypress Lakes Utilities, Inc.*; PSC-08-0761-PCO-SU, issued November 17, 2008, in Docket No. 080247-SU, *In re: Application for Wastewater Rate Increase by Utilities, Inc. of Eagle Ridge*, PSC-06-0675-PCO-SU, issued August 7, 2006, in Docket No. 060255-SU, *In re: Application for increase in wastewater rates in Pinellas County by Tierra Verde Utilities, Inc.*; and PSC-05-0287-PAA-SU, issued March 17, 2005,and in Docket No. 040972-SU, *In re: Application for rate increase in Pinellas County by Ranch Mobile WWTP, Inc.*

[93] Order No. PSC-95-0191-FOF-WS, issued February 9, 1995, in Docket No. 940917-WS, *In re: Application for rate increase for increased water and wastewater rates in Seminole, Orange, and Pasco Counties by Utilities, Inc. of Florida* (The Commission established county-wide revenue requirements for: 11 systems in Seminole County, 3 systems in Orange County, and 1 system in Pasco County).

[94] Order No. 24094, issued February 12, 1991, in Docket No. 900151-GU, *In re: Application for natural gas rate increase by FPUC* (Subsequent to utility's filing of MFRs, the Commission had approved higher O&M expenses and depreciation rates for FPUC in another document, and those changes increased the need for rate relief).

adjustments that flow from the evidentiary record would unfairly place the Utility in an underearning situation that would necessitate a new rate case and additional rate case expense.

CONCLUSION

Consistent with staff's recommended rate base, cost of capital, and net operating income adjustments, staff recommends a total revenue requirement of $15,730,457 for water and $19,072,345 for wastewater. Additionally, the revenue requirement impact associated with an ROE reduction for Summertree customers is $38,650, pending the Commission's decision on Issue 3 regarding quality of service and any other fall out issues. The revenue requirements for each of the Utility's systems are reflected in Schedule Nos. 3-A, and 3-B, as well as in Attachment A.

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?

Recommendation: Staff recommends a water subsidy limit of $14.38 at 7,000 gallons, and a wastewater subsidy limit of $19.17 at 8,000 gallons. (Johnson, Trierweiler)

Position of the Parties

UIF: None.

OPC: OPC takes no position on the level of subsidies. However, the Commission's determination of the appropriate subsidy value, if any, is a significant policy issue that directly impacts every UIF customer by either increasing or decreasing their rates. As the statutory representative of all customers, OPC submits that if stand alone rates are consolidated, it is imperative the customers know the subsidy values imposed by the Commission.

Summertree: No post hearing position or argument was provided in the brief.

Seminole County: No subsidies should be permitted. Utility rates are justified when customer classes pay their respective cost of service incurred by the utility to deliver service. The practice of subsidizing the same customer class across operationally distinct utilities through a common rate is illegal and unfairly discriminatory by penalizing customers in low-cost utilities and unjustifiably benefitting customers in high cost utilities. There should be no consolidation of water rates based upon an averaging of costs.

Staff Analysis:

PARTIES' ARGUMENTS

UIF

UIF asserted that a consolidated rate structure simply reflects an averaging of costs to accomplish the goal of customers paying the same rates for the same service. (UIF BR 46) UIF believed consolidated rates will achieve more affordable rates for all customers, mitigate the rate impact of future capital improvements, and save costs. UIF claimed that there are no subsidies in this case because the rates are not unduly discriminatory and they merely reflect an acceptable difference between consolidated rates and individually calculated rates. UIF argued that subsidy values should not play any part in the determination of consolidated rates. UIF further believed that it should 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. (UIF BR 46) UIF pointed out that staff witness Daniel testified that subsidies are inherent in rate-making even within a single system. (TR 1065) In addition, UIF further emphasized that UIF currently has water systems that are not interconnected but still have consolidated rates. (TR 1059) UIF agreed with witness Daniel that subsidies should be measured as an amount instead of a percentage because percentages can be very misleading. (TR 1048)

UIF noted that, 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.[95] (TR 974) UIF emphasized that its proposed consolidated rates, at those same consumption levels, resulted in substantially lower bills of $25.33 for water and $54.93 for wastewater. (UIF BR 47) UIF acknowledged witness Daniel's calculations that UIF's proposed consolidated rates would result in a $13.74 water subsidy from Sanlando. (EXH 140) In addition, UIF indicated that witness Daniel calculated a wastewater subsidy of $14.99 from Pennbrooke, $12.83 from Sanlando, and $9.14 from Mid-County. (EXH 141) UIF asserted that these subsidy amounts are only slightly higher than the $12.50 subsidy discussed by witness Daniel and if an inflation factor was added, they would be within the previously approved amount. (TR 1055, UIF BR 47)

UIF attested that all customers would benefit from a consolidated rate structure, so it is important that a single tariff rate is approved now. However, UIF stressed that if the Commission has any hesitation in approving a fully consolidated rate, a phase-in to fully consolidated rates should be approved. UIF explained that a phase-in result would partially reduce the decrease in rates for those systems receiving a decrease and moderately reduce the increase to those systems receiving an increase. Under a phased-in approach, UIF asserted that full consolidation should be implemented after 12 months. (UIF BR 47)

OPC
OPC submitted that if consolidated rates are approved, it is imperative that the customers know the subsidy values imposed by the Commission. (OPC BR 85)

Seminole County
Seminole County asserted that there is no evidence in the record to support any level of subsidy by any system. Seminole County believed that any subsidy must be established through cost of service studies absent a rule that establishes appropriate subsidy levels. Seminole County argued that no party has put forward any evidence establishing a cost of service for any of UIF's systems in this proceeding. Seminole County further argued that no party evaluated the parity, variability, or range of costs of service for groups of like-cost systems. (Seminole BR 2)

ANALYSIS

Seminole County takes the position in Issues 60, 61, 62, 64, and 65 that a consolidated, single tariff rate across the same customer classes in distinctly separate and operationally independent utilities creates an illegal subsidy that is based upon an averaging of the costs of service and not the actual cost of service. (Seminole BR 1-4, 9-13, 19-21) The County also contends that such a rate is unfairly discriminatory in penalizing customers in low-cost utilities and unjustifiably benefitting customers in high cost utilities, in contravention of Section 367.081(2)(a)1., F.S. In support of its position, Seminole County cites to *Southern States Utilities v. Florida Public*

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[95] See Order Nos. PSC-09-0385-FOF-WS and PSC-11-0256-PAA-WS, in Docket No. 080121-WS, *In re: Application for increase in water and wastewater rates in Alachua, Brevard, DeSoto, Highlands, Lake, Lee, Marion, Orange, Palm Beach, Pasco, Polk, Putnam, Seminole, Sumter, Volusia, and Washington Counties by Aqua utilities, Inc.*

Service Commission, 714 So. 2d 1046, 1052 [sic] (Fla. 1st DCA 1998), stating that the Court emphasized:

> Utilities should be prudent and efficient in their business operations.... The most efficient way to ensure accountability is to force a utility to look at these decisions as they relate to the cost and benefits of the particular service area rather than on a total company basis where the individual investment decisions often appear immaterial.

Id. at 1053. The quoted language however is from the Commission Order under review by the *Southern States* Court, offered for the proposition that the Commission must determine the extent of a utility's investment reasonably dedicated to providing the public service and examine carefully expenses the utility incurs in the process.

Indeed, the Court's decision in *Southern States* is quite different than represented by Seminole County, that a uniform rate is per se illegal and unfairly discriminatory. In *Southern States*, the Commission implemented a cap band rate structure for the first time.[96] "Instead of setting a different rate within each of Florida Water's service areas solely on the basis of the cost of service there, the PSC grouped service areas by cost of service, then set rates uniformly within each group." *Id.* at 1048.

In affirming the Commission's use of the cap band rate structure, the Court noted that Section 367.081, F.S., granting ratemaking authority to the Commission in water and wastewater cases, is drawn broadly to include ratemaking criteria such as "the value and quality of the service" as well as "the cost of providing the service." *Id.* at 1051. The Court noted that "the statute makes no explicit reference to a utility company's owning more than one utility system and is silent as to what bearing, if any, ownership of multiple systems should have in setting rates." *Id.* The Court found that:

> Nothing inherent in the cap band methodology runs afoul of the statute. The order under review sets rates so that no ratepayer's rates for wastewater exceed by more than seven percent what they would have been if each system's rates had been set on a stand alone, cost of service basis. This modest deviation from a pure cost of service basis for individual rates pales by comparison to the magnitude of inevitable intra-system subsidization. *Nor is a pure cost of service basis as to each individual ratepayer mandated by a statute which directs that "the commission shall consider the value and quality of service and the cost of providing service.*" § 367.081(2), Fla. Stat. (1997). . . . A shift in the direction of "affordability" takes the value of service into account. *Although using stepped rates or "cap bands" requires offsetting increases and does not spread offsets perfectly evenly among households paying less than maximum rates, such use need not lead to unfairly discriminatory rates.*

[96] As noted in FN 6 of the Court's order, in an earlier docket involving the same systems, Docket No. 920199-WS, the Commission had developed a "modified stand alone" rate structure, which it used as a starting point in the case on review. *Id.* at 1053.

Id. at 1053 (emphasis added). Finally, the Court noted that:

> [a]s the PSC itself recognizes, the use of cap bands *or uniform rates* in no way diminishes the force of the statutory requirement that rates be reasonable. Before setting rates for separate classes of customers, the utility must establish and the PSC must approve a determination of the utility's overall revenue requirements.

Id. (emphasis added).

The Commission has approved consolidated rates for water and wastewater systems in the past, based on criteria unique to those systems. For example, in a rate case for Sunshine Utilities, Inc., the Commission approved consolidated rates for 16 separate water systems. Prior to approval of the uniform rates, the utility's rates differed from system to system and included flat rates, declining block rates, and a base facility charge with a uniform gallonage charge. The Commission found that consolidated rates with a base facility charge and a uniform gallonage charge should be used uniformly throughout the company, and that the uniform rate structure would provide customers with greater control of their water bills and provide the utility with a less complicated and expensive billing procedure.[97]

As noted by staff witness Daniel, in most of those cases, the service areas were smaller and the customers less diverse than those for which UIF is currently seeking rate consolidation. (TR 972) However, the Commission has also considered consolidated rates for several large water and wastewater utilities. Cap band rates were approved for *Southern States* Utilities, Inc. in 1999 following a series of proceedings.[98] Approximately 90 water systems were grouped into eight bands and 37 wastewater systems were grouped into six bands. The Commission found that the

[97] Order No. 13014, issued February 20, 1984, in Docket No. 810386-W, *In re: Request of Sunshine Utilities, Inc. for Staff Assistance on a Rate Increase to Customers in Marion County, Florida*. See also Order Nos. PSC 97-0531-FOF-WU, issued May 9, 1997, and PSC-99-0635-FOF-WU, issued April 5, 1999, in Docket No. 960444-WU, *In re. Application for rate increase and for increase in service availability charges in Lake County by Lake Utility Services, Inc.*; Order No. PSC-03-1440-FOF-WS, issued December 22, 2003, in Docket No. 020071-WS, *In re: Application for rate increase in Marion, Orange, Pasco, Pinellas, and Seminole Counties by Utilities, Inc. of Florida*.

[98] Order Nos. PSC-93-0423-FOF-WS, issued March 22, 1993, and PSC-95-1292-FOF-WS, issued October 19, 1995, in Docket No. 920199-WS, *In re: Application for rate increase in Brevard, Charlotte/Lee, Citrus, Clay, Duval, Highlands, Lake, Marion, Martin, Nassau, Orange, Osceola, Pasco, Putnam, Seminole, Volusia, and Washington Counties by Southern States Utilities, Inc.; Collier County by Marco Shores Utilities (Deltona); Hernando County by Spring Hill Utilities (Deltona); and Volusia County by Deltona Lakes Utilities (Deltona)*; PSC-94-1123-FOF-WS, issued September 3, 1994, in Docket No. 930880-WS, *In re: Investigation into the appropriate rate structure for Southern States Utilities, Inc. for all regulated systems in Bradford, Brevard, Citrus, Clay, Collier, Duval, Hernando, Highlands, Lake, Lee/Charlotte, Marion, Martin, Nassau, Orange, Osceola, Pasco, Putnam, Seminole, St. Johns, St. Lucie, Volusia, and Washington Counties*; and PSC-96-0125-FOF-WS, issued January 25, 1996, and PSC-96-1320-FOF-WS, issued October 30, 1996, in Docket No. 950495-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*.

cap band rates represented a significant move toward a long-term goal of uniform rates and minimized the amount of subsidies paid by customers.[99]

Witness Daniel further noted that the most recent example of rate consolidation by the Commission is found in the rate increase applications by Aqua Utilities Florida, Inc., in 2008 and 2010.[100] (TR 973) In that case, the Commission ultimately approved cap band rates for approximately 57 water and 25 wastewater systems.

In the instant case, UIF witness Guastella provided the majority of testimony on the benefits of consolidated rates. He testified that: (1) all customers are entitled to a reasonably equal level of service at equal rates (TR 219), (2) rate-making is an averaging process (TR 222), (3) that consolidated rates will mitigate the rate impact of future capital improvements for each system. (TR 234), and (4) that consolidated rates will encourage the acquisition of smaller utilities by larger utilities (TR 221). In addition, witness Guastella testified that consolidated rates will produce cost savings in relation to regulatory rate proceedings. (TR 223) In cross examination, witness Guastella defined an unduly discriminatory rate as one that creates a subsidy. (TR 253) He further testified that there are no subsidies in this case because the rates are not unduly discriminatory and reflect a regulatory policy that is in the best interest of the customers. (TR 254)

Witness Daniel testified that the Commission has approved consolidated rates for water and wastewater systems in the past. (TR 972) Witness Daniel further testified that the most important benefit of consolidated rates for customers is that the cost of system upgrades or repairs could be spread over a large number of customers to mitigate the impact of those costs on customers. (TR 975) Witness Daniel also addressed concerns associated with UIF's request for consolidated rates, stating, "For customers in lower cost systems, consolidated rates will result in a disproportionate share of the revenue requirements being included in their rates in the short term, although as previously mentioned, this may be offset in the future if significant capital improvements are needed in the lower cost systems." (TR 975) However, Tables 60-1 and 60-2 show that several systems will also receive immediate benefits from rate consolidation.

In determining water and wastewater rates, the Commission shall, either upon request or upon its own motion, fix rates which are just, reasonable, compensatory, and not unfairly discriminatory pursuant to Section 367.081(2)(a)1., F.S. As witness Daniel testified, this statute has not barred the Commission from approving consolidated or cap band rates in the past. (TR 972) Witness Guastella testified that 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 regarding utility services such as electric, gas, and telecommunications. (TR 219-220) Staff agrees with witness Guastella that the concept of reasonably similar service for the same rates should also be applicable to water and wastewater services.

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[99] Order No. PSC-96-1320-FOF-WS, p. 227.

[100] Order Nos. PSC-09-0385-FOF-WS, issued May 29, 2009, in Docket No. 080121-WS, *In re: Application for increase in water and wastewater rates in Alachua, Brevard, DeSoto, Highlands, Lake, Lee, Marion, Orange, Palm Beach, Pasco, Polk, Putnam, Seminole, Sumter, Volusia, and Washington Counties by Aqua Utilities Florida, Inc.*; and PSC-12-0102-FOF-WS, issued March 5, 2012, in Docket No. 100330-WS, *In re: Application for increase in water/wastewater rates in Alachua, Brevard, DeSoto, Hardee, Highlands, Lake, Lee, Marion, Orange, Palm Beach, Pasco, Polk, Putnam, Seminole, Sumter, Volusia, and Washington Counties by Aqua Utilities Florida, Inc.*

The subject of the fairness of rate consolidation was discussed thoroughly in cross examination. On the topic of fairness, witness Guastella stated that, "In terms of just a concept, I believe if you ask the customers, do you believe it is fair to pay the same rate for the same service, I don't think you get a customer saying no. If you start to talk about price increases, well customers don't like price increases no matter what they are or where they are." (TR 234) Witness Guastella further testified that the proposed single tariff rate structure meets all the rate setting policies and it accomplishes the Utility's goal of having the customers of all the systems paying the same rates for the same service. (TR 229) On cross examination, witness Daniel testified that fairness should be measured by the question, "are you paying a fair price for the service you are receiving?" (TR 1059) Staff believes that fairness is subjective in nature and must be measured by the Commission from all perspectives. The rates that constitute fairness for one party could easily be viewed as unfairness for other parties and vice versa.

With subsidies being inherent in all utility ratemaking, the question was brought forth during the hearing of, "where do we draw the line?" (TR 1065) Witness Guastella testified that there is no regulatory requirement that rates must reflect the precise cost of providing service to each and every group of customers at different locations. (TR 223) Witness Daniel also testified that the Commission has approved consolidated rates for water and wastewater systems that were not interconnected in previous cases. (TR 1058-1059)

In Order No. PSC-09-0385-FOF-WS, in Docket No. 080121-WS, the Commission set a subsidy limit of $12.50 at 7,000 gallons for the water systems and 6,000 gallons for the wastewater systems. At the time, Aqua Utilities Florida, Inc. (AUF) had approximately 57 water and 25 wastewater systems. The water subsidy level was evaluated at 7,000 gallons because it was the average residential demand of all of AUF's water systems. The wastewater subsidy level was evaluated at 6,000 gallons based on the utility proposed wastewater cap of 6,000 gallons. To put the $12.50 Aqua subsidy limit in perspective, if it is indexed from 2009 through 2017, using the Commission approved indexes,[101] it results in a subsidy limit of $14.38.

UIF's average residential water demand is 10,000 gallons of water a month. The only system within UIF to use on average more than 10,000 gallons a month is Sanlando at 15,600 gallons a month. Sanlando is an outlier that skews the actual average residential water demand of UIF's water systems. Therefore, staff believes it is appropriate to use UIF's average residential water usage, excluding Sanlando, which is 7,000 gallons a month. Staff recommends a subsidy limit of $14.38 at 7,000 gallons of water is appropriate.

The recommended wastewater rate structure for UIF includes a gallonage cap of 8,000 gallons. Staff believes it is more appropriate to compare UIF's wastewater subsidy levels at the Utility proposed wastewater cap of 8,000 gallons instead of 6,000 gallons. Staff used the indexed subsidy limit of $14.38 (which is based on 6,000 gallons), and increased it by $4.79 to incorporate the additional 2,000 gallons. The increase of $4.79 is two times the recommended per 1,000 gallon subsidy. Therefore, staff recommends a wastewater subsidy limit of $19.17 at

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[101] See Order No. PSC-16-0552-PAA-WS, issued December 12, 2016, in Docket No. 160005-WS, *In re: Annual reestablishment of price increase or decrease index of major categories of operating costs incurred by water and wastewater utilities pursuant to Section 367.081(4)(a), F.S.*

8,000 gallons of usage is appropriate. Tables 60-1 and 60-2 show the subsidies payed and received by UIF's water and wastewater systems, respectively.

Table 60-1
Residential Water Bill Comparison
Based on 7,000 Gallons a Month

System	Bill at Stand Alone Rate	Bill at Consolidated Rate	Subsidy Paid (Received)
Sanlando	$10.61	$23.11	$12.50
Pennbrooke	$25.01	$23.11	($1.90)
LUSI	$26.28	$23.11	($3.17)
UIF – Marion	$30.27	$23.11	($7.16)
Cypress Lakes	$45.03	$23.11	($21.92)
Lake Placid	$67.63	$23.11	($44.52)
Summertree	$73.68	$23.11	($50.57)
Orangewood	$77.79	$23.11	($54.68)
Labrador	$78.38	$23.11	($55.27)
UIF – Seminole	$80.02	$23.11	($56.91)
UIF – Orange	$103.61	$23.11	($80.50)
UIF – Pinellas	$120.22	$23.11	($97.11)

* Based on pre-repression rates.
Source: Staff Calculated Stand Alone Water Rates Versus Staff Recommended Consolidated Water Rates

Table 60-2
Residential Wastewater Bill Comparison
Based on 8,000 Gallons a Month

Systems	Bill at Stand Alone Rate	Bill at Consolidated Rate	Subsidy Paid (Received)
Lake Placid	$41.18	$58.24	$17.06
Pennbrooke	$41.41	$58.24	$16.83
Longwood	$45.61	$58.24	$12.63
Mid-County	$49.05	$58.24	$9.19
Sanlando	$49.75	$58.24	$8.49
Orangewood	$51.50	$58.24	$6.74
Tierre Verde	$52.73	$58.24	$5.51
UIF – Marion	$61.93	$58.24	($3.69)
LUSI	$62.63	$58.24	($4.39)
Cypress Lakes	$65.89	$58.24	($7.65)
Eagle Ridge	$71.40	$58.24	($13.16)
Summertree	$75.93	$58.24	($17.69)
UIF – Seminole	$76.05	$58.24	($17.81)
Labrador	$112.98	$58.24	($54.74)
Sandalhaven	$149.06	$58.24	($90.82)

*Based on pre-repression rates.

Source: Staff Calculated Stand Alone Wastewater Rates Versus Staff Recommended Consolidated Wastewater Rates

CONCLUSION

In the AUF case discussed in staff's analysis, the Commission approved a subsidy limit of $12.50 at 7,000 gallons for the water systems and 6,000 gallons for the wastewater systems. Since the AUF subsidy was approved in a 2009 Commission order, staff indexed the $12.50 subsidy limit to $14.38 using the Commission approved indexes from 2009 through 2017. In addition, based on UIF's proposed wastewater cap of 8,000 gallons, staff recommends the wastewater subsidy limit should be compared at 8,000 gallons instead of 6,000 gallons. As a result, staff increased the subsidy limit by $4.79 to incorporate the additional 2,000 gallons. Therefore, staff recommends a water subsidy limit of $14.38 at 7,000 gallons, and a wastewater subsidy limit of $19.17 at 8,000 gallons.

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

Recommendation: Staff recommends all water systems be consolidated into a single rate structure. (Bruce)

Position of the Parties

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

OPC: No post hearing position or argument was provided in the brief.

Summertree: No post hearing position or argument was provided in the brief.

Seminole County: None. Each customer class within separate utilities should have its rates established based upon its utility's discrete cost of service. A consolidated single rate tariff across the same customer classes in distinctly separate and operationally independent utilities creates an illegal subsidy that is based upon an averaging of the costs of service and not the actual cost of service and is unfairly discriminatory to low-cost utility customers in contravention of Section 367.081(2)(a)l., Florida Statutes.

PARTIES' ARGUMENTS

UIF

UIF witness Guastella provided analysis in support of consolidated rates and single tariff pricing. Witness Guastella points out that the primary objective of utilities is to provide safe and adequate service, which all customers are entitled to receive, and utility regulatory agencies assure utilities are doing so, at just and reasonable rates. (TR 219; UIF BR 48) Additionally, witness Guastella argued that the Commission has recognized that single tariff pricing is appropriate for functionally integrated systems regardless of whether they are physically connected. (TR 222) Witness Guastella also testified that the water and wastewater industry is increasingly providing the opportunity for all customers of a multi-operational Utility to receive an equal level of service at equal rates. (TR 222)

Witness Guastella explained single tariff pricing as an averaging process in which all components of the revenue requirement are totaled for all operations and are applied to the total bills or units of consumption. This process, as suggested by witness Guastella, results in rates that represent an average rate per unit of service among all of the operations. (TR 222) Furthermore, witness Guastella identified when similar averaging processes are apparent in traditional rate setting principles. For example, utilities must charge the same rate to customers regardless of the location despite whether the customer is new or existing. (UIF BR 48; TR 219) In support of single tariff pricing, witness Guastella stated consolidated rates are not unduly discriminatory and are not subsidies; they represent a sound regulatory policy for the benefit of all customers. (UIF BR 48; TR 232; TR 259-260) Witness Guastella argued that economies of scale are attributable to large utilities with respect to combined operations, personnel, purchasing, and cost of capital. He argued this in conjunction with the challenges utilities face such as increasing environmental requirements and necessary capital improvements. (TR 223-224) Other benefits alleged by witness Guastella include cost savings associated with rate filings and rate case savings. (TR 232-234)

Lastly, witness Guastella testified that single tariff pricing creates rate stability. (TR 224) In addition, witness Guastella stated that eventually, all operations will require significant capital improvement either to install new plant for new environmental requirements or to replace existing lower cost assets with newer higher-cost assets. (TR 224) For this reason, witness Guastella argued that on an individual system basis, those swings in capital requirements would require significant rate changes. (TR 224) Further, witness Guastella contended customers who might object to single tariff pricing due to their rates not being low on an individual system basis may in the future appreciate single tariff pricing when the system serving them is the one requiring major capital improvements. (TR 224) In support of its argument, UIF also acknowledges staff witness Daniel's direct testimony as she points out that single tariff pricing mitigates the impact of cost increases associated with additional Utility investment in response to aging infrastructure repair or replacement, and quality of service issues. (UIF BR 47; TR 987)

OPC

If stand alone rates are consolidated, the customers should have knowledge of the subsidy values imposed by the Commission. (BR 85)

Seminole County

Seminole County argues that no water systems should be consolidated because there is no evidence in the record to support any level of subsidy. Seminole County contended that no party has put forward any testimony or evidence establishing a cost of service for any of UIF's systems in this proceeding. Additionally, Seminole County asserted none of the participating parties in this proceeding evaluated the variability or range of costs of service for groups of like-cost systems. (Seminole BR 2)

In opposition of single tariff pricing, Seminole County defended its position by pointing out three faulty suppositions. These suppositions included that a single tariff rate structure will produce additional revenue for investment, decrease the number of rate cases filed by the Utility, and result in savings in financing costs. (Seminole BR 3-4) In support of the first supposition, Seminole County brought forth that witness Daniel agreed whether the rate structure is stand alone or consolidated, both should produce the same amount of revenues. (Seminole BR 5; TR 1041) Seminole County does not believe that UIF's frequency of rate cases will decrease because rate cases are driven by market-driven costs and not by UIF's costs of providing service. (Seminole BR 5-6) Lastly, Seminole County contended that there is no evidence in the record indicating that single tariff pricing will produce savings in financing costs; in support of this argument, Seminole County argued that witness Guastella was unable to identify when this benefit may accrue. (Seminole BR 7; TR 276) In conclusion, Seminole County argued a stand alone rate structure for each system is the most appropriate option. (Seminole BR 19-21)

ANALYSIS

In its MFRs, UIF requested that the current rate structures and rates for all of its water systems be consolidated into a single rate structure and rates. The Utility is currently composed of 12 water systems with stand alone rates. Base facility charges for those systems range from $4.49 to $15.94. (TR 988) Six of the systems have a uniform gallonage charge and the remaining systems have tiered inclining block rates with various consumption levels.

Witness Guastella stated that the benefits of consolidated rates included that it would (1) encourage large utilities to acquire small utilities, (2) recognize economies of scale attributable to large utilities with respect to combined operations, (3) result in cost savings associated with regulatory rate filings and (4) produce rate stability across all systems. (TR 223-224) Witness Hoy also concurred with witness Guastella that consolidated rates will encourage and mitigate the impact of system specific investment, and may permit certain system specific improvements that would otherwise be determined to be cost prohibitive by customers of those systems. He identified the Pennbrooke water system as an example of this type of situation. Pennbrooke's customers have expressed concerns over iron in the water, but thus far, have been unwilling to bear the cost to address the issue on a stand alone basis. (TR 191-192)

Staff witness Daniel also identified benefits for both customers and UIF associated with consolidated rates or single tariff pricing. First, the costs of system upgrades can be spread over a large number of customers which would mitigate the impact of these costs to customers. (TR 234; TR 975) Witness Daniel also noted that UIF will benefit from the simplification of billing and accounting functions resulting from consolidated rates. (TR 975)

Regarding rate stability, witness Guastella testified that single tariff pricing would protect customers from the impact of severe rate shock and provide stabilized earnings and the ability to attract lower cost of capital. (TR 224) A key difference, between true stand alone rates and single tariff pricing is that single tariff pricing allows UIF, a multi-system Utility, to share corporate costs such as administrative staff, engineers, or accountants. Whereas, if the individual systems were truly stand alone, their costs would be higher and/or the adequacy of service would be at a lower standard. (TR 225) He stated that these shared costs are generating economies of scale that benefit all customers. He further elaborated that financing, in particular, is significant. He opined that internally generated funds from retained earnings are greater at the corporate level, resulting in a lesser need to borrow funds. (TR 233) However, Seminole County contended that there is no evidence in the record indicating that single tariff pricing will produce savings in financing costs; in support of this argument, Seminole County argued that witness Guastella was unable to identify when this benefit may accrue. (Seminole BR 7; TR 276)

Staff agrees with the benefits identified by witness Guastella and witness Daniel and there was no opposing testimony by any party contravening these alleged benefits. Even though no evidence quantifying the value of the alleged benefits was presented, staff agrees that intuitively it is reasonable to accept that the enumerated benefits are persuasive, especially in the areas of rate stability and finance. Staff also agrees with witness Guastella that the ability to share corporate costs is a favorable benefit for all UIF customers.

Staff has considered the concerns associated with UIF's request for consolidated rates. A primary concern is how the revenue requirement will be disproportionately shared and included in rates, especially for customers in lower cost systems. (TR 975) However, witness Daniel testified that even though in the short-term consolidated rates would result in customers of low-cost systems subsidizing the customers of high-cost systems, all customers could benefit over time; the impact of any cost increases would be spread over a greater number of customers, lowering the impact on rates. (TR 990) Additionally, witness Guastella points out that there are already averaging processes present when there are differentials in the costs of serving a customer in relation to their physical distance from the water supply or treatment facility. (UIF BR 48; TR 222; TR 232; TR 243-245) Staff agrees with witness Guastella's observation that there are already averaging processes contained within ratemaking and agrees with witness Daniel that over time the benefits will accrue to customers of all systems, including Sanlando.

Seminole County made much of the magnitude of the percentage increase that Sanlando customers would experience as a result of UIF's proposed consolidated rates. (TR 1041-1042) However, UIF witnesses Guastella and Hoy testified that while Sanlando could experience a significant rate increase under the proposed consolidated rates in the short term, in the future, improvements will be necessary for the Sanlando system that can be spread across all UIF customers, hence benefitting the Sanlando customers. (TR 179-180; TR 229) The corollary to the Sanlando situation is best represented by the UIF-Pinellas and UIF-Orange water systems. As shown on Table 61-1, the bill based on stand alone rates for these systems result in typical bills in excess of $100 per month compared to a consolidated bill for Sanlando at 16,000 gallons of $49.18. The UIF-Pinellas and UIF-Orange systems would experience increases of 113 percent and 215 percent, respectively on typical consumption of 7,000 gallons under a stand alone rate structure.

Staff also evaluated the arguments brought forth by Seminole County in its brief which opposes single tariff pricing. (Seminole BR 3-4) Seminole County argued that there is no record evidence or rule to support any level of subsidy. (Seminole BR 1-2) However, witness Guastella testified that there are differences in costs to provide service to all customers and he argued that these cost differences should not be defined as subsidies. (TR 259-260) Issue 60 further discusses the concerns of subsidies in this proceeding and recommends the maximum level at 7,000 gallons of consumption at $14.38.

In addition to reviewing the record evidence and arguments put forth by all parties, staff performed a detailed analysis in order to determine which water systems, if any, should be consolidated. The recommended consolidated revenue requirement, excluding miscellaneous revenues for all systems, was used to calculate staff's consolidated rates. As recommended in Issue 60, staff found that the highest paid monthly subsidy would be $12.50 at the 7,000 gallon consumption level by the Sanlando system. As discussed in Issue 60, staff recommends a water subsidy limit of $14.38 at the 7,000 gallon consumption level. Therefore, as shown below in Table 61-1, staff recommends consolidating the rates and rate structure of all UIF systems because the highest water subsidy provided by an individual system is less than staff's recommended subsidy limit and, in addition, staff believes the benefits identified by witnesses Guastella and Daniel are persuasive.

The Commission has been faced in the past with requests from other utilities to consolidate rates and rate structures, as mentioned by witness Daniel. (TR 972) The most recent of these requests was by Aqua Utilities Florida, Inc. in which ultimately cap band rates were approved for 57 water and 25 wastewater systems. Witness Daniel argued that although cap band rates are different from fully consolidated rates, the Commission found that cap band rates represented a significant move toward a long-term goal of uniform rates and minimized the amount of subsidies paid by customers. (TR 972-973)

In past considerations of rate consolidation, the Commission has approved other methodologies such as the cap band methodology. The cap band methodology groups similar cost systems together to minimize subsidies within the groups, and a cap is set on the maximum bill a customer will pay in each group. (TR 973) Systems are grouped consistent with the methodology used in the Aqua case adjusted for the consumption levels identified in Issue 60. As discussed in Issue 60, the 7,000 gallon consumption level represents the average consumption excluding Sanlando. Due to Sanlando's high average consumption, staff believes it distorted the overall consolidated system average. As shown in Table 61-1, staff developed three groups based on similar costs. Groupings were determined by the resulting break points in the amounts of the bills at 7,000 gallons of consumption. The highest subsidy among the groups was approximately $9.00; however, the third group contained two systems with the highest stand alone revenue requirements. The bills were significantly higher than the maximum bill of $65.24 approved in AUF's consolidated rate case. The systems in the third group would not benefit from a cap band rate structure.

Table 61-1
Consolidated Versus Banded Rates - Water

Groups	UIF Systems	Stand-Alone Rates	Consolidated Rates	Subsidy	Banded Rates	Subsidy
A	Sanlando	$10.61	$23.11	$12.50	$19.70	$9.09
	Pennbrooke	$25.01	$23.11	($1.90)	$19.70	($5.31)
	LUSI	$26.28	$23.11	($3.17)	$19.70	($5.58)
	UIF- Marion	$30.27	$23.11	($7.16)	$19.70	($10.57)
	Cypress Lakes	$45.03	$23.11	($21.92)	$19.70	($25.33)
B	Lake Placid	$67.63	$23.11	($44.52)	$62.89	($4.74)
	Pasco- Summertree	$73.68	$23.11	($50.57)	$62.89	($10.79)
	Pasco- Orangewood	$77.79	$23.11	($54.68)	$62.89	($14.90)
	Labrador	$78.38	$23.11	($55.27)	$62.89	($15.49)
	Seminole	$80.02	$23.11	($56.91)	$62.89	($17.13)
C	Orange	$103.61	$23.11	($80.50)	$108.81	$5.20
	Pinellas	$120.22	$23.11	($97.11)	$108.81	($11.41)

Source: Calculations based on staff's recommended revenue requirement

CONCLUSION

Staff agrees with the benefits of single tariff pricing as enumerated by witnesses Guastella and Daniel, including (1) encouragement of large utilities to acquire small utilities, (2) recognition of economies of scale attributable to large utilities with respect to combined operations, (3) cost savings associated with regulatory rate filings, and (4) resulting rate stability across all systems. Staff's recommends all water systems be consolidated into a single rate structure.

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

Recommendation: The recommended rate structures and monthly water rates, including the Summertree ROE penalty credit, are included in Schedule Nos. 4 and 4-A. The Utility should file revised tariff sheets and proposed customer notices to reflect the Commission-approved rates. The approved rates should 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 should not be implemented until staff has approved the proposed customer notices and the notices have been received by the customers. The Utility should provide proof of the date notice was given within 10 days of the date of the notice. (Bruce)

Position of the Parties

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

OPC: No post hearing position or argument was provided in the brief.

Summertree: No post hearing position or argument was provided in the brief.

Seminole County: The existing rates should be adjusted on a pro rata basis to reflect that portion of the increase in revenue requirements approved by the Commission consistent with the "stand alone rates" in Ms. Daniel's Exhibit 140. There should be no subsidy between utility systems. Current rates reflect the Commission's approval of rates based upon costs of service in UIF's previous rate cases.

Staff Analysis:

PARTIES' ARGUMENTS

UIF

UIF contended that its base facility charge (BFC) is designed to recover 35 percent of the water revenue requirement. (TR 227) UIF noted that staff witness Daniel testified that the requested recovery through the BFC is consistent with those approved in prior UIF rate cases; however, the Commission typically uses 40 percent. (TR 976) UIF asserted that recovery of 40 percent of the revenue requirement through the BFC is acceptable and it would provide further improvement to revenue stability. (UIF BR 49) UIF indicated that its proposed base facility charge of $11.54 for a 5/8" x 3/4" meter would increase at a 40 percent allocation, with other meter sizes calculated in accordance with Commission Rule 25-30.055, F.A.C. (UIF BR 49, EXH 28, Schedule W-1). Absent a change to the BFC allocation, UIF expressed that the appropriate gallonage charge for general service customers is $2.98 per 1,000 gallons. The gallonage charges for residential customers should include a three-tiered inclining block rate structure with usage blocks of: (1) 0-8,000 gallons; (2) 8,000-16,000 gallons; and (3) Over 16,000 gallons with gallonage charges of $1.97, $2.95, and $3.93, respectively. (UIF BR 49)

UIF recognized that customers will reduce consumption in response to an increase in price. (UIF BR 50) UIF indicated that, over the past ten years, the Commission typically estimates a reduction in water consumption at four percent of discretionary consumption for every ten percent increase in price (UIF BR 50) UIF stated that evidence in the record determined what has happened with repression over the last five years. (BR 50) UIF explained that the repression adjustment results in an increase in final rates and a lower elasticity of demand assumption that would mitigate against the rate impact. However, UIF proclaimed the result may be that the utility does not achieve its authorized rate of return. (BR 50) UIF professed that its proposed repression adjustment is significantly less than that used by the Commission, but it is advantageous to the customers. (BR 50) Although, UIF's proposed repression adjustment of two percent of discretionary consumption, UIF stated it would be acceptable for the Commission to approve a level within the range of two to four percent in order to give weight to historical findings.

Seminole County

In its briefs, Seminole County stated that water rates should be discrete to the respective water utility and not through a consolidated single tariff rate that creates a discriminatory cross-subsidy imposed upon a large number of low-cost service customers. (Seminole BR 2) Seminole County argued the rates should be designed to recover the actual cost of service and provide an opportunity to earn a reasonable return, while at the same time encouraging conservation through inclining block rates to reduce demand and the volume of water sold. (Seminole BR 2) Seminole County claimed that subsidizing high-cost utility customers' rates sends inappropriate cost signals and is contrary to encouraging conservation. (Seminole BR 2) Further, Seminole County contended that the cheapest form of extending existing capacity is through demand management. (Seminole BR 2)

ANALYSIS

The Commission has jurisdiction to set rates that are just, reasonable, compensatory, and not unfairly discriminatory, considering the value, quality, and cost of the service pursuant to Section 367.081(2)(a)1., F.S. As previously discussed in Issue 60, staff disagrees with Seminole County's contention that uniform rates are illegal or per se discriminatory.

The Utility's water system is composed of 12 systems and consists of various rate structures. For residential customers, one-half of the Utility's water systems have a uniform gallonage charge while the other systems have tiered block rate structures which contain various consumption levels included within the tiers. General service customers are billed based on a BFC and uniform gallonage charge.

Staff performed several analyses to determine the customer's current usage characteristics in the rate design for the residential water customers. Commission practice has been to select the rate design parameters that: (1) produce the recommended revenue requirement; (2) reasonably distribute cost recovery among the Utility's customers; (3) establish the appropriate non-discretionary usage threshold for restricting repression; and (4) implement, where appropriate, water conserving rate structures.[102]

[102] Order No. PSC-16-0525-PAA-WS, issued November 21, 2016, in Docket No. 160030-WS, *In re: Application for increase in water rates in Lee County and wastewater rates in Pasco County by Ni Florida, LLC.*; Order No. PSC-

BFC/Gallonage Allocation

In her testimony, staff witness Daniel testified that the Commission typically allocates approximately 40 percent of the revenue requirement of a water system to the base facility charge. (TR 976) In its brief, the Utility agreed with witness Daniel indicating that 40 percent of the revenue requirement through the BFC is acceptable and would provide further improvement to revenue stability. (UIF BR 49) However, when a customer base is seasonal in nature, the Commission typically assigns a higher allocation to the BFC, which provides greater revenue stability. Staff's analysis of the Utility's aggregated billing data illustrates a non-seasonal customer base. Staff also performed various allocations to the BFC and determined that a 35 percent revenue allocation provides sufficient revenues to design gallonage charges that will send pricing signals to customers who are using above the non-discretionary levels of consumption. Furthermore, the recommended BFC allocation is consistent with those approved in prior Commission cases. Therefore, staff agrees with witness Guastella's proposal in the MFRs and recommends 35 percent of the revenue requirement should be recovered from the base facility charge.

Residential Rate Blocks

In its brief, the Utility asserted that the rate structure should include a three-tier inclining block rate structure with usage blocks of: (1) 0-8,000 gallons; (2) 8,000-16,000 gallons; (3) over 16,000 gallons. (UIF BR 49) In addition, witness Guastella also proposed usage block rate factors of 1.00; 1.50; and 2.00 for the residential usage rate factors, and a usage rate factor of 1.50 for the general service class. (TR 228; EXH 28) In his testimony, witness Guastella asserted that the Utility's proposed rate structure is based on Sanlando's current rate structure. (TR 228) Witness Guastella further asserted that Sanlando's current rate structure was used as the basis for the proposed rate structure because it has the second highest number of customers, the highest water consumption, and will have the greatest impact by the single tariff rates. (TR 228) It should be noted that a review of the tariffs indicate that the Utility's proposed rate structure is not a reflection of Sanlando's stand alone current rate structure, but instead reflects the existing rate structure of UIF-Seminole. In her testimony, witness Daniel asserted that a three-tiered rate structure recognizes non-discretionary consumption as well as discretionary consumption, for which a modest pricing signal can be provided, and higher levels of discretionary consumption for which a more significant pricing signal is desired. (TR 978)

In designing tiered rates, for the first tier, witness Daniel states that a goal is to establish the appropriate non-discretionary usage threshold in an effort to minimize any necessary rate increases for non-discretionary usage. (TR 977) Customers' usage in the first tier is shielded from repression adjustment to rates.[103] In response to staff's interrogatory, the Utility indicated that its proposed rate structure does not account for estimates made for non-discretionary demand, including average household size for each system. (EXH 150, BSP 177) Since the Utility's proposed rate structure did not consider a non-discretionary threshold, staff does not agree with the Utility's proposed tiers.

17-0107-PAA-WS, issued March 24, 2017, in Docket No. 150257-WS, *In re: Application for staff-assisted rate case in Marion County, by East Marion Utilities, LLC.*

[103] Order No. PSC-10-0167-PAA-WU, issued March 23, 2010, in Docket No. 090346-WU, *In re Application for staff-assisted rate case in Lake County by Brendenwood Water System, Inc.*

In her testimony, witness Daniel asserted that the demarcation between discretionary and non-discretionary consumption is based on demographic characteristics. (TR 977) Witness Daniel testified that the number of gallons included in a first tier consumption threshold for residential customers is estimated at 50 gallons per person per day for each person in the household. (TR 977) Exhibit 139 illustrates customer demographics for the Utility's residential water customers, which includes the number of customers, average monthly residential consumption, average household size, and seasonality percentage. The average number of people per household served by UIF's water systems is 2.3; therefore, based on the number of people per household the non-discretionary usage threshold should be 4,000 (2.3 x 50 x 30).

As discussed previously, the Utility proposed a third threshold of 16,000 gallons. In this case, the Sanlando system had test year average consumption level of 15,600 gallons per month. (EXH 139) As witness Daniel stated, "factors used to develop the relationship in prices among the tiers can provide pricing signals to customers that are designed to encourage water conservation at higher levels of consumption." The tiers as proposed by the Utility do not result in a sufficient incentive to reduce average consumption in the Sanlando system. A third tier set at 12,000 gallons per month will capture 63 percent of Sanlando's demand and will establish a stronger pricing signal to encourage conservation.

Therefore, based on staff's analysis of usage data in the record, the Utility's proposed three tier rate blocks should be adjusted to minimize the impact on essential or non-discretionary use at 4,000 gallons or below. In addition, the proposed third tier threshold of 16,000 gallons should be reduced to 12,000 gallons to ensure that an appropriate price incentive is provided for users above that level. These adjustments produce residential usage block rate factors of 1.00; 1.50; and 2.50. Staff's recommended rate factors for the residential class promote conservation for those customers with higher levels of consumption. The resulting recommended residential rate blocks are: (1) 0-4,000 gallons; (2) 4,000-12,000 gallons; and (3) all usage in excess of 12,000 gallons per month

General Service

Witness Daniel testified that a tiered gallonage charge for the general service class is not effective in promoting water conservation because their consumption is typically inelastic. (TR 979) Staff agrees that usage tiers for the general service is not appropriate and recommends that the general service water customers be billed a BFC and uniform gallonage charge, which is based on what all gallons would be absent a tiered rate structure.

LUSI Multi-Residential Customers

In its MFRs, the LUSI water system has a multi-residential class, which consists of customers with 5/8" and 8" meter sizes. The Utility's existing rate structure for the multi-residential class is a three-tier inclining block rate structure that is the same as the residential customer class. Typically, the multi-residential customer class has the same rate structure as the general service customer class. In response to staff's interrogatory, the Utility asserted that the rates were established in the Utility's last case and Commission staff determined that it was appropriate to classify the multi-residential customers as residential customers. (EXH 143) However, in this case, the Utility indicated that the 5/8" multi-residential customers are single family homes and the 8" multi-residential customers are apartment complexes. (EXH 37; staff's 1st POD)

Therefore, it is appropriate to classify the 5/8" multi-residential customers as residential and the 8" multi-residential customers as general service on a going-forward basis. This change is reflected on Schedule No. 4-A for the LUSI water system.

Repression

A water repression adjustment quantifies changes in consumption patterns in response to an increase in price. Witness Daniel also testified that over the past ten years the Commission has estimated that the rate residential customers will reduce their water consumption in response to an increase in price, elasticity of demand, at four percent of discretionary usage for every ten percent increase in price. (TR 981) As mentioned earlier, the Commission typically restricts repression for non-discretionary consumption.

In his testimony, UIF witness Guastella asserted that LUSI and Sanlando are the larger systems and the only systems in which volumetric rates (repression adjustment) was applied. (TR 228; EXH 28) Exhibit JFG-2, Schedule W-6 illustrates an elasticity of demand at two percent of discretionary usage for every ten percent increase in price. Sanlando represented an overall reduction of 11.67 percent and LUSI represented a de minimus reduction of .83 percent. Witness Daniel testified that a lower discretionary elasticity of demand would mitigate the impact of a rate increase. (TR 982) Therefore, staff agrees with witness Guastella that discretionary elasticity of demand should reflect two percent of discretionary usage for every ten percent in price. As discussed in Issue 60, staff's subsidy analysis indicates Sanlando is the only water system that would pay a subsidy. Furthermore, it is important to consider the consumption pattern, which indicates that Sanlando's average consumption is 15,600 gallons per month. This is an indication that there is a considerable amount of discretionary or non-essential water demand. Based on staff's analysis, the residential discretionary consumption can be expected to decline by an overall reduction of 214,092,090 gallons, which results in a 12 percent reduction to Sanlando's consumption. Other corresponding reductions are $63,636 for purchased power, $23,331 for chemicals, and $4,098 for RAFs. Furthermore, the anticipated repression results in a post repression revenue requirement of $15,361,644.

Summertree ROE Penalty

In Issue 3, staff has recommended that the penalty imposed on the Utility for unsatisfactory quality of service in the Summertree system by Order No. PSC-14-0025-PAA-WS be maintained pending the outcome of further testing by the Utility. As determined in Issue 59, the penalty amount based on the stand alone revenue requirement for Summertree is $38,650 per year. Since the penalty is imposed on the basis of the Summertree system alone, it is appropriate that the credit flow back exclusively to the benefit of the customers of the Summertree system. Staff has calculated the appropriate BFC and gallonage credits based on the test year billing determinants for the Summertree system. The appropriate credits are contained in Schedule No. 4-A – UIF Pasco – Summertree.

CONCLUSION

Staff's recommended water rates, including the Summertree ROE penalty credit, are shown on Schedule Nos. 4 and 4-A. The Utility should file revised tariff sheets and proposed customer notices to reflect the Commission-approved rates. The approved rates should 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 should not be implemented until staff has approved the proposed customer notices and the notice has been received by the customers. The Utility should provide proof of the date notice was given within 10 days of the date of the notice.

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

Approved Stipulation: The fire protection rate should be established pursuant to Commission Rule 25-30.465.

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

Recommendation: Staff recommends all wastewater systems be consolidated into a single rate structure. (Friedrich)

Position of the Parties

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

OPC: No post hearing position or argument was provided in the brief.

Summertree: No post hearing position or argument was provided in the brief.

Seminole County: None. Each customer class within separate utilities should have its rates established based upon its utility's discrete cost of service. Consolidated single rate tariff across the same customer classes in distinctly separate and operationally independent utilities are illegally based upon an averaging of the costs that is inappropriate, unjust or unreasonable and is unfairly discriminatory in contravention of Section 367.081(2)(a)l., Florida Statutes

Staff Analysis:

PARTIES' ARGUMENTS

UIF

UIF witness Guastella provided analysis in support of consolidated rates and single tariff pricing. Witness Guastella points out that the primary objective of utilities is to provide safe and adequate service, which all customers are entitled to receive, and utility regulatory agencies assure utilities are doing so, at just and reasonable rates. (TR 219; UIF BR 48) Additionally, witness Guastella argued that the Commission has recognized that single tariff pricing is appropriate for functionally integrated systems regardless of whether they are physically connected. (TR 222) Witness Guastella also testified that the water and wastewater industry is increasingly providing the opportunity for all customers of a multi-operational Utility to receive an equal level of service at equal rates. (TR 222)

Witness Guastella explained single tariff pricing as an averaging process in which all components of the revenue requirement are totaled for all operations and are applied to the total bills or units of consumption. This process, as suggested by witness Guastella, results in rates that represent an average rate per unit of service among all of the operations. (TR 222-223; TR 232; TR 250) Furthermore, witness Guastella identified when similar averaging processes are apparent in traditional rate setting principles. For example, utilities must charge the same rate to customers regardless of the location despite whether the customer is new or existing. (UIF BR 48; TR 219) In support of single tariff pricing, witness Guastella stated consolidated rates are not unduly discriminatory and are not subsidies; they represent a sound regulatory policy for the benefit of all customers. (UIF BR 48; TR 232; TR 259-260) Witness Guastella argued that economies of scale are attributable to large Utilities with respect to combined operations, personnel, purchasing, and cost of capital. He argued this in conjunction with the challenges utilities face such as increasing environmental requirements and necessary capital improvements. (TR 223-224; TR 233-234; TR 241) Other benefits alleged by witness Guastella include cost savings associated with rate filings and rate case savings. (TR 232-234)

Lastly, in his testimony, Witness Guastella stated single tariff pricing creates rate stability. (TR 224) In addition, Witness Guastella stated that eventually, all operations will require significant capital improvement either to install new plant for new environmental requirements or to replace existing lower cost assets with newer higher-cost assets. (TR 224) For this reason, Witness Guastella argued that on an individual system basis, those swings in capital requirements would require significant rate changes. (TR 224) Further, witness Guastella contended customers who might object to single tariff pricing due to their rates not being low on an individual system basis, may in the future appreciate single tariff pricing when the system serving them is the one requiring major capital improvements. (TR 224) In support of its argument, UIF also acknowledged staff witness Daniel's direct testimony where she pointed out that single tariff pricing 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. (UIF BR 47; TR 987)

OPC
If stand alone rates are consolidated, the customers should have knowledge of the subsidy values imposed by the Commission. (OPC BR 85)

Seminole County
Seminole County argued that no wastewater systems should be consolidated because there is no evidence in the record to support any level of subsidy. Seminole County contended that no party has put forward any testimony or evidence establishing a cost of service for any of UIF's systems in this proceeding. Additionally, Seminole County asserted none of the participating parties in this proceeding evaluated the variability or range of costs of service for groups of like-cost systems. (Seminole BR 2) In opposition of single tariff pricing, Seminole County defended its position by pointing out three faulty suppositions. These suppositions included that a single tariff rate structure will produce additional revenue for investment, decrease the number of rate cases filed by the Utility, and result in savings in financing costs. (Seminole BR 3-4) In support of the first supposition, Seminole County brought forth that witness Daniel agreed whether the rate structure is stand alone or consolidated, both should produce the same amount of revenues. (Seminole BR 5; TR 1041) Seminole County does not believe that UIF's frequency of rate cases will decrease because rate cases are driven by market-driven costs and not by UIF's costs of providing service. (Seminole BR 5-6) Lastly, Seminole County contended that there is no evidence in the record indicating that single tariff pricing will produce savings in financing costs; in support of this argument, Seminole County argued that witness Guastella was unable to identify when this benefit may accrue. (Seminole BR 7; TR 276) In conclusion, Seminole County argued a stand alone rate structure for each system is the most appropriate option. (Seminole BR 19-21)

ANALYSIS

In its MFRs, the Utility requested its wastewater systems be consolidated into uniform rates and rate structure. (EXH 86) UIF's 15 wastewater systems have 13 residential rate schedules based on water demand and seven flat rate schedules for those customers where water demand information is not available. (TR 988; EXH 86)

Witness Guastella stated that the benefits of consolidated rates included that it would (1) encourage large utilities to acquire small utilities, (2) recognize economies of scale attributable to large utilities with respect to combined operations, (3) result in cost savings associated with regulatory rate filings, and (4) produce rate stability across all systems. (TR 223-224) Witness Hoy also concurred with witness Guastella that consolidated rates will encourage and mitigate the impact of system specific investment, and may permit certain system specific improvements that would otherwise be determined to be cost prohibitive by customers of those systems. He identified the Pennbrooke water system as an example of this type of situation. Pennbrooke’s customers have expressed concerns over iron in the water, but thus far, have been unwilling to bear the cost to address the issues on a stand alone basis. (TR 191-192) Even though this testimony relates to a water system, the rationale would be the same for a wastewater system.

Staff witness Daniel also identified benefits for both customers and UIF associated with consolidated rates or single tariff pricing. First, the costs of system upgrades can be spread over a large number of customers which would mitigate the impact of these costs to customers. (TR 234; TR 975) Witness Daniel also noted that UIF will benefit from the simplification of billing and accounting functions resulting from consolidated rates. (TR 975)

Regarding rate stability, witness Guastella testified that single tariff pricing would protect customers from the impact of severe rate shock and provide stabilized earnings and the ability to attract lower cost capital. (TR 224) A key difference, between true stand alone rates and single tariff pricing is that single tariff pricing allows UIF, a multi-system Utility, to share corporate costs such as administrative staff, engineers, or accountants. Whereas, if the individual systems were truly stand alone, their costs would be higher and/or the adequacy of service would be at a lower standard. (TR 225) He stated that these shared costs are generating economies of scale that benefit all customers. He further elaborated that financing, in particular, is significant. He opined that internally generated funds from retained earnings are greater at the corporate level, resulting in a lesser need to borrow funds. (TR 233) However, Seminole County contended that there is no evidence in the record indicating that single tariff pricing will produce savings in financing costs; in support of this argument, Seminole County argued that witness Guastella was unable to identify when this benefit may accrue. (Seminole BR 7; TR 276)

Staff agrees with the benefits identified by witness Guastella and witness Daniel and there was no opposing testimony by any party that contravened these alleged benefits. Even though no evidence quantifying the value of the alleged benefits was presented, staff agrees that intuitively it is reasonable to accept that the enumerated benefits are persuasive, especially in the area of rate stability and finance. Staff also agrees with witness Guastella that the ability to share corporate costs is a favorable benefit for all UIF customers.

Staff has considered the concerns associated with UIF’s request for consolidated rates. A primary concern is how the revenue requirement will be disproportionately shared and included in rates, especially for customers in lower cost systems. (TR 975) However, witness Daniel testified that even though in the short term consolidated rates would result in customers of low-cost systems subsidizing the customers of high-cost systems, all customers could benefit over time; the impact of any cost increases would be spread over a greater number of customers, lowering the impact on rates. (TR 990) Additionally, witness Guastella points out that there are already averaging processes present when there are differentials in the costs of serving a customer in relation to their physical distance from the water supply or treatment facility. (UIF BR 48; TR 222-223; TR 232; TR 243-245; TR 249-250) Staff agrees with witness Guastella's observation that there are already averaging processes contained within ratemaking and agrees with witness Daniel that over time, the benefits will accrue to customers of all systems, including Sanlando.

Staff also evaluated the arguments brought forth by Seminole County in its brief which oppose single tariff pricing. (Seminole BR 3-4) Seminole County argued that there is no record evidence or rule to support any level of subsidy. (Seminole BR 1-2) However, witness Guastella testified that there are differences in costs to provide service to all customers and he argues that even though there are apparent cost differences in providing service, these cost differences should not be defined as subsidies. (TR 259-260) Issue 60 further discusses the concerns of subsidies in this proceeding and recommends the maximum level at the 8,000 gallon residential wastewater cap of $18.29.

In addition to reviewing the record evidence and arguments put forth by all parties, staff performed a detailed analysis in order to determine which wastewater systems, if any, should be consolidated. The recommended consolidated revenue requirement, excluding miscellaneous and reuse revenues for all systems was used to calculate staff's consolidated rates. Staff found that the highest paid monthly subsidy would be $17.06 at the 8,000 gallon consumption level by UIF's Cypress Lakes system. As discussed in Issue 60, staff recommends a wastewater subsidy limit of $19.17 at the 8,000 gallon consumption level. Therefore, as shown below in Table 64-1, staff recommends consolidating the rates and rate structure of all UIF systems because the highest wastewater subsidy provided by an individual system is less than staff's recommended subsidy limit and staff believes the benefits identified by witnesses Guastella and Daniel are persuasive.

The Commission has been faced in the past with requests from other utilities to consolidate rates and rate structures, as mentioned by staff witness Daniel. (TR 972) The most recent of these requests was by Aqua Utilities Florida, Inc., in which cap band rates were ultimately approved for 57 water and 25 wastewater systems. Witness Daniel argued that although cap band rates are different from fully consolidated rates, the Commission found that cap band rates represented a significant move toward a long-term goal of uniform rates and minimized the amount of subsidies paid by customers. (TR 972-973)

In past considerations of rate consolidation, the Commission has approved other methodologies such as the cap band methodology. The cap band methodology groups similar cost systems together to minimize subsidies within the groups, and a cap is set on the maximum bill a customer will pay in each group. (TR 973) Staff developed three groups or bands based on similar costs in order to perform a comparison of staff's consolidated rate and banded rates at the 8,000 gallon consumption level, consistent with the methodology used in the AUF case.[104] The

[104] Order No. PSC-09-0385-FOF-WS, dated May 29, 2009, in Docket No. 080121-WS, *In re: Application for increase in water and wastewater rates in Alachua, Brevard, DeSoto, Highlands, Lake, Lee, Marion, Orange, Palm Beach, Pasco, Polk, Putnam, Seminole, Sumter, Volusia, and Washington Counties by Aqua Utilities Florida, Inc.*

breaks between the groups were determined based on breaks in the amounts of the bills at the 8,000 gallon consumption level. The results of this analysis are in Table 64-1. As discussed in Issue 60, at the 8,000 residential wastewater cap staff recommends a wastewater subsidy limit of $19.17. The highest subsidy under a consolidated rate structure is $17.06. Whereas, the highest subsidy amongst staff's banded groups is $51.04. The third group contains two systems with the highest stand alone rates. The bills in this group were significantly higher than the maximum bill of $82.25 approved in AUF's consolidated rate case. The systems in the third group would not benefit from a cap band rate structure.

Table 64-1
Consolidated vs. Banded Rates

Groups	System Name	Stand-Alone Rates	Consolidated Rate	Consolidated Rate Subsidy	Banded Rate	Banded Rate Subsidy
A	Lake Placid	$41.18	$58.24	$17.06	$52.53	$11.35
	Pennbrooke	$41.41	$58.24	$16.83	$52.53	$11.12
	Longwood	$45.61	$58.24	$12.63	$52.53	$6.92
	Mid-County	$49.05	$58.24	$9.19	$52.53	$3.48
	Sanlando	$49.75	$58.24	$8.49	$52.53	$2.78
B	UIF-Pasco (Orangewood)	$51.50	$58.24	$6.74	$67.16	$15.66
	Tierra Verde	$52.73	$58.24	$5.51	$67.16	$14.43
	UIF-Marion	$61.93	$58.24	($3.69)	$67.16	$5.23
	LUSI	$62.63	$58.24	($4.39)	$67.16	$4.53
	Cypress Lakes	$65.89	$58.24	($7.65)	$67.16	$1.27
	Eagle Ridge	$71.40	$58.24	($13.16)	$67.16	($4.24)
	UIF-Pasco (Summertree)	$75.93	$58.24	($17.69)	$67.16	($8.77)
	UIF-Seminole	$76.05	$58.24	($17.81)	$67.16	($8.89)
C	Labrador	$112.98	$58.24	($54.74)	$164.02	$51.04
	Sandalhaven	$149.06	$58.24	($90.82)	$164.02	$14.96

Source: Calculations based on staff's recommended revenue requirement

CONCLUSION

Based on the benefits of consolidated rates which include that it would (1) encourage large utilities to acquire small utilities, (2) recognize economies of scale attributable to large utilities with respect to combined operations, (3) result in cost savings associated with regulatory rate filings, and (4) produce rate stability across all systems, staff recommends all wastewater systems be consolidated into a single rate structure.

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

Recommendation: Staff's recommended wastewater rates are shown on Schedule Nos. 4 and 4-B. The Utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheets provided customers have received notice pursuant to Rule 25-30.475, F.A.C. The Utility should provide proof of noticing within 10 days of rendering its approved notice. (Friedrich)

Position of the Parties

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

OPC: No post hearing position or argument was provided in the brief.

Summertree: No post hearing position or argument was provided in the brief.

Seminole County: The existing rates should be adjusted to reflect a pro rata portion of the increased revenue requirements consistent with the "stand alone rates" in Ms. Daniel's Exhibit 141. There should be no cross-subsidies.

Staff Analysis:

PARTIES' ARGUMENTS

UIF

UIF contended that its base facility charge (BFC) is designed to recover 51.8 percent of the wastewater revenue requirement. (EX 31; TR 227) UIF noted that staff witness Daniel testified that the requested recovery through the BFC is consistent with those approved in prior UIF rate cases. (TR 227; TR 977) UIF agreed with staff witness Daniel that the wastewater gallonage cap mitigates the swing that happens when water gallonage is used to calculate wastewater rates; therefore, UIF's requested a gallonage cap of 8,000 gallons is appropriate. (TR 991-92) Additionally, UIF indicated the appropriate BFC is $25.47 for a 5/8" x 3/4" meter, a residential gallonage charge of $4.91 per thousand gallons, and a general service gallonage charge of $5.65 per thousand gallons for wastewater service. (EXH 31; EXH 86, P 12; UIF BR 50-51)

Seminole County

Seminole County argued that single tariff pricing exacerbates the discriminatory subsidy in the single tariff water rate with respect to wastewater rates being based upon water rates. Seminole County contended that the wastewater cap should be based on the gallons treated by each respective system. Additionally, wastewater rates should be constructed based on the cost of service and the opportunity to earn a reasonable return on its used and useful investment in the provision of that service. Seminole County opposed averaging costs across Utility providers or cross-Utility subsidies in determining wastewater rates. (Seminole BR 3)

ANALYSIS

The Commission has jurisdiction to set rates that are just, reasonable, compensatory, and not unfairly discriminatory, considering the value, quality, and cost of the service pursuant to Section 367.081(2)(a)1., F.S. As previously discussed in Issue 60, staff disagrees with Seminole County's contention that uniform rates are illegal or per se discriminatory.

The Commission's traditional wastewater rate structure consists of a BFC and gallonage charge for residential customers. For general service customers, the rate structure typically consists of a BFC based on meter size and a gallonage charge 1.2 times the corresponding residential gallonage charge.[105]

When designing wastewater rates, staff witness Daniel testified that it is Commission practice to allocate 50 percent of the revenue or greater to the BFC to reflect the capital intensive nature of wastewater utilities. (TR 976) Witness Guastella's argument for the appropriate allocation of revenues to the BFC is in line with witness Daniel's argument. (TR 227; TR 976) Witness Guastella argued that 51.8 percent of revenues should be allocated to the BFC. (TR 227) No other intervenors presented an argument on the appropriate percentage of revenues to be allocated to the BFC. Considering the information presented by witnesses Guastella and Daniel, staff's recommended consolidated BFC was constructed with a 51.8 percent revenue allocation.

UIF requested an 8,000 gallon cap for its consolidated residential wastewater rates. (EXH 86, P 12) Witness Daniel testified that the wastewater cap on residential bills aims to capture approximately 80 percent of the residential customers' water consumption; this recognizes that not all water consumption is returned to the wastewater system.[106] (TR 979) Currently, UIF's wastewater systems have varying caps ranging from 6,000 to 10,000 gallons. (TR 979) UIF agrees with witness Daniel's statement that if wastewater rates were consolidated and the cap was left at 8,000, it would mitigate the swing that would occur when gallons are considered to calculate the wastewater gallonage charge. (TR 991-992; UIF BR 50-51) Additionally, witness Daniel testified that a higher gallonage cap will result in more gallons included in the calculation of the residential wastewater gallonage charge (and a lower gallonage charge) than a lower gallonage cap. (TR 979) Staff agrees and recommends an 8,000 gallon cap be applied for its residential wastewater rates.

Staff's recommended volumetric and flat rates for wastewater service take into account the gallonage demand of all UIF wastewater customers. Select systems bill a flat rate for wastewater service where water demand is not easily accessible to the Utility or if there are wastewater only customers who may rely on their own private well for water. (EXH 150, BSP 179; EXH 157,

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[105]Order Nos. PSC-12-0102-FOF-WS, issued March 5, 2012, in Docket No. 100330-WS, *In re: Application for increase in water/wastewater rates in Alachua, Brevard, DeSoto, Hardee, Highlands, Lake, Lee, Marion, Orange, Palm Beach, Pasco, Polk, Putnam, Seminole, Sumter, Volusia, and Washington Counties by Aqua Utilities Florida, Inc.;* PSC-15-0233-PAA-WS, issued June 3, 2015, in Docket No. 140060-WS, *In re: Application for increase in water and wastewater rates in Seminole County by Sanlando Utilities Corporation.*

[106]Order Nos. PSC-15-0282-PAA-WS, issued July 8, 2015, in Docket No. 140158-WS, *In re: Application for increase in water/wastewater rates in Highlands County by HC Waterworks, Inc.*; PSC-16-0525-PAA-WS, issued November 21, 2016, in Docket No. 160030-WS, *In re: Application for increase in water rates in Lee County and wastewater rates in Pasco County by Ni Florida, LLC.*

BSP 217) Staff was able to approximate the average demand of these flat rate customers on an individual system basis. As suggested by witness Daniel, the rates for flat rate customers should be approximately equal to the rates of the average consumption-based customer; in other words, the flat rate should be equal to the BFC plus the average gallonage for consumption-based rates. (TR 980; TR 992) Staff utilized this methodology to determine the approximate flat rate demand if the system billed volumetric residential rates in addition to a flat rate. However, some of UIF's wastewater systems do not have volumetric residential wastewater rates. With this in mind, staff determined the approximate wastewater demand for those systems without volumetric residential rates by analyzing the engineering schedules in UIF's MFRs which display the total gallons of wastewater treated. Staff removed the amount of general service gallons displayed on the rate schedules of the MFRs from the total wastewater gallons treated, resulting in an approximate amount of wastewater gallons attributable to the residential flat rate customers.

Staff analyzed the consolidated wastewater flat rates proposed by the Utility. (EXH 29) However, the consolidated wastewater flat rates proposed on behalf of UIF by witness Guastella do not take into account any approximation of gallonage demand. (EXH 29) Witness Guastella calculated his proposed flat rates by the total number of bills and a meter factor of 1.40 for the residential and 1.75 for the general service flat rates. (EXH 29) However, staff agrees with witness Daniel that to the extent possible, the approximate wastewater demand should be incorporated when calculating wastewater flat rates. Witness Guastella did not offer any further explanation on the calculation of wastewater flat rates other than his exhibit of Sewer Rate Development. (EXH 29)

Staff averaged the gallons consumed across all UIF systems in order to determine the approximate wastewater consumption per month relative to customer class. The average demand of a residential flat rate customer is approximately 4,978 gallons per month. That is similar to the overall residential demand of all volumetric wastewater customers of approximately 4,651 gallons per month. Sanlando is the only UIF system that currently bills a general service flat rate. (EXH 86, P 955) Staff determined the average demand per general service flat rate customer is approximately 4,862 gallons per month. In order to determine this average demand unique to Sanlando, staff used the average consumption incorporated in its flat rate from Sanlando's most recent stand alone rate case.[107] Based on the above information, staff recommends a single flat rate for both residential and general service customers of UIF based on an average demand of 5,000 gallons per month as shown in Schedule No. 4-B. Furthermore, the Utility indicated that water data for its current flat rate customers was either not readily available or would cause the Utility to incur additional costs. (EXH 143, BSP 134) Therefore, staff recommends maintaining flat rates for those systems currently with one in place.

Bi-Monthly Billing Frequency

All UIF wastewater systems with the exception of Mid-County and Tierra Verde follow a monthly billing frequency. Mid-County and Tierra Verde bill their customers bi-monthly because the billing for these systems is done by Pinellas County at no additional charge. Pinellas County follows a bi-monthly billing frequency and bills Mid-County and Tierra Verde for its wastewater services in the same manor. Therefore, staff recommends that these two systems

[107]Order No. PSC-15-0233-PAA-WS, issued June 3, 2015, in Docket No. 140060-WS, *In re: Application for increase in water and wastewater rates in Seminole County by Sanlando Utilities Corporation*

should maintain a bi-monthly billing schedule since Pinellas County provides this service at no extra cost. (EXH 150, BSP 180)

Cross Creek Community Association

Eagle Ridge provides service to the Cross Creek Community Association (Cross Creek). Cross Creek is a multi-story condo building, consisting of approximately 905 residential units and is currently billed a flat rate for each unit. (EXH 150, BSP 179; EXH 157, BSP 217; EXH 86, P 191) The Cross Creek Homeowner's association is billed for these residential customers. Lee County provides the water data for the volumetric wastewater customers of Eagle Ridge. However, the Utility does not know whether Cross Creek is individually metered, billed through master meters at each building, or a combination of the two. With this in mind, staff believes that these residential customers should continue to be billed a flat rate. On a prospective basis staff recommends a unique general service flat rate for Cross Creek, which would consist of staff's recommended flat rate multiplied by Cross Creek's 905 units. The general service rate for Cross Creek is shown on Schedule No. 4.

DeeAnn Estates

Lake Placid has one bulk service customer, DeeAnn Estates Homeowners Association (DeeAnn). (EXH 150, BSP 178-179) DeeAnn consists of condominium buildings totaling approximately 72 units behind its two inch master meter. (EXH 143, BSP 134; EXH 150, BSP 178-179) In a previous rate case, a unique BFC was established based on 80 percent of DeeAnn's ERCs or approximately 58 ERCs; a 20 percent reduction was applied to account for the savings to the utility of billing, bookkeeping, and maintenance of the mains on the discharged side of the meter. Additionally, DeeAnn's gallonage charge was designed to be 80 percent of the general service gallonage charge to reflect the fact that DeeAnn pays for all costs associated with its lift station.[108] Staff recommends a BFC of $1,509.74 and a gallonage charge of $4.18 for DeeAnn to maintain these components.

Wastewater Repression

Wastewater repression adjustments are predicted on repression adjustments to the water system. Previous to a wastewater repression analysis, staff designed its consolidated rates based on a revenue requirement of $18,657,549, which excludes miscellaneous and reuse revenues, 1,146,860 residential gallons and 620,581 general service gallons. As discussed in Issue 62, staff is recommending a repression adjustment to calculate its water rates; therefore staff recommends that a repression adjustment should also be made to calculate wastewater rates. Staff recommends a reduction of 2.3 percent or 27,355,976 gallons in total residential consumption. This results in a post repression revenue requirement of $18,606,952.

In order to monitor the effects of both the changes in rate structures and revenues, the utility should prepare monthly reports for both the water and wastewater systems, detailing the number of bills rendered, the consumption billed, and the revenues billed. These reports should be provided to staff and should be prepared by customer class and meter size, on a quarterly basis for a period of two years, beginning the first billing period after the approved rates go into effect.

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[108]Order No. PSC-07-0287-PAA-WS, issued April 3, 2007, in Docket No. 060260-WS, *In re: Application for increase in water and wastewater rates in Highlands County by Lake Placid Utilities, Inc.*

CONCLUSION

Staff's recommended wastewater rates are shown on Schedule Nos. 4 and 4-B. The Utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheets provided customers have received notice pursuant to Rule 25-30.475, F.A.C. The Utility should provide proof of noticing within 10 days of rendering its approved notice.

Issue 66: What are the appropriate miscellaneous service charges?

Recommendation: Staff recommends the miscellaneous service charges shown below in Table 66-3 should be approved for all of UIF's systems. The Utility should be required to file a proposed customer notice and tariff to reflect the Commission-approved charges. The approved charges should be effective 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 charges should not be implemented until staff has approved the proposed customer notice. UIF should provide proof of the date notice was given no less than 10 days after the date of the notice. (Johnson)

Position of the Parties

UIF:

	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	

OPC: No post hearing position or argument was provided in the brief.

Summertree: No post hearing position or argument was provided in the brief.

Staff Analysis:

PARTIES' ARGUMENTS

UIF

UIF provided supporting documentation justifying its requested miscellaneous service charges. (EXH 86, P 17-19) UIF asserted that no evidence was presented to refute the requested miscellaneous service charges. (UIF BR 51)

OPC

OPC put forth no argument in their post hearing brief.

Summertree

Summertree put forth no argument in their post hearing brief.

ANALYSIS

Miscellaneous service charges are defined as initial connection, normal reconnection, violation reconnection, and premises visit charges according to Rule 25-30.460, F.A.C. The Commission is authorized to establish, increase, or change a rate or charge other than monthly rates or service availability charges pursuant to Section 367.091, F.S. The Utility's request to revise its miscellaneous charges was accompanied by its reason for requesting the charge, as well as the cost justification required by Section 367.091(6), F.S. (EXH 86, P 17-19) UIF's cost justification for all miscellaneous charges is reflected below on Table 66-1.

Table 66-1
Miscellaneous Service Charges Cost Justification

Activity	Normal Hours Cost	Activity	After Hours Cost
Administrative Labor	$7.75	Administrative Labor	$7.45
Field Labor	$16.51	Field Labor	$24.76
Transportation	$10.11	Transportation	$10.11
Paper and Ink	$0.20	Paper and Ink	$0.20
Postage	$0.49	Postage	$0.49
Total	$35.06	Total	$43.00*
Expansion Factor for RAFs	0.955	Expansion Factor for RAFs	0.955
Requested Charge	$36.71	Requested Charge	$45.03

*Total should be $43.01
Source: Exhibit 86

The purpose of miscellaneous service charges is to place the cost burden of the miscellaneous service strictly on the cost causer. Staff evaluated the costs reported in the Utility's cost justification for its requested miscellaneous service charges and found them reasonable. The Utility's requested miscellaneous service charges include expected costs for administrative labor, field labor, transportation, printing, and postage. UIF's cost justification for its miscellaneous service charges also included an expansion factor for RAFs.

Staff does not believe it is appropriate to recover paper, ink, and postage costs through miscellaneous service charges because these activities do not require a need for noticing.[109] In addition, staff found that the administrative labor for the after hours cost was miscalculated and should be the same as the normal hours cost. Furthermore, Staff believes the violation reconnection charge for wastewater should be the Utility's actual cost to administer and process the charge pursuant to Rule 25-30.460(1)(c), F.A.C. Calculations for staff's recommended miscellaneous service charges are shown below in Table 66-2. Staff rounded its calculated miscellaneous service charges to the nearest tenth.

[109] Order No. PSC-17-0091-FOF-SU, issued March 13, 2017, in Docket No. 150071-SU, *In re: Application for increase in wastewater rates in Monroe County by K W Resort Utilities Corp.*

Table 66-2
Miscellaneous Service Charges Calculation

Activity	Normal Hours Cost	Activity	After Hours Cost
Administrative Labor	$7.75	Administrative Labor	$7.75
Field Labor	$16.51	Field Labor	$24.76
Transportation	$10.11	Transportation	$10.11
Total	**$34.37**	**Total**	**$42.62**
Expansion Factor for RAFs	0.955	Expansion Factor for RAFs	0.955
Recommended Charge	$36.00	Recommended Charge	$44.60

CONCLUSION

Staff recommends the miscellaneous service charges shown below in Table 66-3 should be approved for all of UIF's systems. The Utility should be required to file a proposed customer notice and tariff to reflect the Commission-approved charges. The approved charges should be effective 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 charges should not be implemented until staff has approved the proposed customer notice. UIF should provide proof of the date notice was given no less than ten days after the date of the notice.

Table 66-3
Staff's Recommended Miscellaneous Charges

Charge	Utility's Proposed Charges		Staff's Recommended Charges	
	Normal Hours	After Hours	Normal Hours	After Hours
Initial Connection	$36.71	$45.03	$36.00	$44.60
Normal Reconnection	$36.71	$45.03	$36.00	$44.60
Violation Reconnection - Water	$36.71	$45.03	$36.00	$44.60
Violation Reconnection - Wastewater	$36.71	$45.03	Actual Cost	
Premises Visit	$36.71	$45.03	$36.00	$44.60

Issue 67: What is the appropriate late payment charge?

Recommendation: The appropriate late payment charge for UIF is $6.40. The Utility should file a revised tariff sheet and a proposed customer notice to reflect the Commission-approved late payment charge. This approved charge should be effective for service rendered on or after the stamped approval date on the tariff sheets provided customers have received notice. The tariff sheets should be approved upon staff's verification that the tariffs are consistent with the Commission's decision and that the proposed customer notice is adequate pursuant to Rule 25-30.475, F.A.C. The Utility should provide proof of its noticing within 10 days of rendering its approved notice. (Friedrich)

Position of the Parties

UIF: $8.84

OPC: The late payment charge should be determined on a reasonable allocation of labor costs and actual expenses required to process and mail the late payment notices. The revenue impact of the approved late payment charge times the 21,947 late payments experienced in the test year should be included in UIF's revenue requirement. Using the requested late payment charge results in $190,033 in additional revenues to be applied for purposes of determining the new service rates.

Summertree: No post hearing position or argument was provided in the brief.

Staff Analysis:

PARTIES' ARGUMENTS

UIF

In its MFRs, the Utility requested a late payment charge of $8.84 and provided the necessary cost justification pursuant to Section 367.091(6), F.S. (EXH 86, P 20; EXH 275) UIF's cost justification for its late payment charge requested to recover the costs of clerical and administrative labor of $7.75, computer and copier of $0.20, and postage of $0.49 associated with processing a delinquent bill. Additionally, UIF requested to recover an expansion factor for RAFs in its late payment charge as well. (EXH 86, P 20; EXH 275)

UIF witness Deason testified to the hourly salaries of the billing specialist and assistant billing manager of $18.36 and $28.16 utilized by the Utility in the labor calculations for its requested late payment charge. (TR 299-300; EXH 86, P 20; EXH 157, BSP 219; EXH 274) UIF based its late payment calculations on Docket 070377-WU, in which the labor component accounted for the work of the billing specialist and assistant billing manager while processing an average of six late payments per hour. (TR 299) Additionally, in an interrogatory response, the Utility provided the late payment occurrences for all systems in 2016. (EXH 157, BSP 220)

OPC

OPC argued that the late payment charge should be determined by the Commission based on a reasonable allocation of labor costs and actual expenses required to process and mail the late payment notices. (OPC BR 85) OPC asserted that only one person would be necessary to research or do the required "legwork" for this task if it is performed by hand. The Utility was questioned about the amount of time it should take two employees to prepare late payment charges by hand and why this labor is not performed by the billing system. (OPC BR 85; TR 299-308)

Additionally, OPC contended that test year revenues did not include any late payment charge revenues; therefore, the impact of the approved late payment charge in this proceeding should be included as a pro forma increase in test year revenues. (OPC BR 85) OPC stated that the anticipated revenues to be generated from the approved late payment charge of this proceeding should be removed from the revenues used to determine the service rates. OPC asserted that UIF's requested late payment charge of $8.84, if approved, would result in $190,033 in late payment charge revenues. (OPC BR 85)

ANALYSIS

UIF's current late payment charge of $5.25 was implemented for all of its systems in 2016 following the consolidation of the Utility's systems in Docket No. 150235-WS.[110] Prior to the Commission's approval of a statewide late payment charge for UIF, the only systems with a late payment charge were formerly known as Lake Placid Utilities, Inc. and Cypress Lakes Utilities, Inc. In its MFRs, the Utility requested a late payment charge of $8.84 and provided cost justification in support of its request as required by Section 367.091, F.S. (EXH 86, P 20; EXH 275)

The purpose of this charge is not only to provide an incentive for customers to make timely payment, thereby reducing the number of delinquent accounts, but also to place the cost burden of processing delinquent accounts solely upon those who are cost causers. UIF's requested late payment charge includes labor, computer, copier, and postage costs. UIF's cost justification for its late payment charge also included an expansion factor for RAFs. (EXH 86, P 20; EXH 275)

UIF's labor component of $7.75 was calculated by using an hourly salary of $18.36 for the billing specialist and $28.16 for the assistant billing manager. (TR 299-300; EXH 86 P 20; EXH 157, BSP 219; EXH 274) UIF witness Deason testified that he based the Utility's labor calculations on a prior docketed case, in which the Commission determined that six late payments processed each hour was appropriate.[111] (TR 299-300) The Utility indicated its billing process has been modified to automate the process as much as possible. UIF's automated billing process calculates the late payment charge if the bill was received two days past the due date and adds the late payment charge to the customer's next bill. (EXH 168, BSP 281-82) During this automated process, the billing specialist checks the accuracy of dates at which bills are received and recorded in the billing system. The role of the assistant billing manager is to review the work of the billing specialist, monitor late payment reports, and review late payment activity for trends

[110]Order No. PSC-16-0253-TRF-WS, issued June 29, 2016, in Docket No. 160104-WS, *In re: Application for NSF and late payment charges in Charlotte, Highlands, Lake, Lee, Marion, Orange, Pasco, Pinellas, Polk, and Seminole Counties by Utilities Inc. of Florida*

[111]Order No. PSC-08-0009-TRF-WU, issued January 2, 2008, in Docket No. 070377-WU, *In re: Request for approval of change in meter installation customer deposits tariff and proposed changes in miscellaneous service charges in Marion County by Windstream Utilities Company.*

and correctness. (EXH 168, BSP 281-82; EXH 274; TR 298-301) In addition to the labor component, the Utility included the cost for its computer and copier of $0.20, postage of $0.49, and an expansion factor for RAFs of $0.955. (EXH 86, P 20; EXH 275)

The Utility indicated that it processed a total of 21,810 late payments in 2016 for all UIF systems. (EXH 157, BSP 220) However, UIF expects the total amount of late payments to decrease over time since many UIF customers were not previously subject to a late payment charge even if their bill was delinquent. UIF believes the amount of late payments will go down over time as customers adapt to the intended pricing signals of the late payment charge. (EXH 168, BSP 281-282)

Summertree and Seminole County took no position on this issue. Staff agrees with the Utility's request to recover the costs for its computer, copier, postage, and expansion factor for RAFs, and believes this request is reasonable. However, staff disagrees with labor costs associated with the assistant billing manager of UIF's requested late payment charge. UIF derived the costs of the labor component based on the assertion that the Utility processes an average of six late payments per hour or approximately 10 minutes processing a single late payment. It is Commission practice to allow 10-15 minutes per account per month for clerical and administrative labor to research, review, and prepare the notice.[112] Therefore, staff agrees with UIF's cost justification for its billing specialist; staff believes the billing specialist's responsibilities as provided by the Utility are reasonable as well as the requested time spent to perform them by the Utility of 10 minutes. However, staff disagrees with UIF's request to allot the same amount of time to the assistant billing manager, when the main responsibility of this particular employee is to verify the correctness of the billing specialist. (TR 299-300; TR 306-309)

Additionally, staff questioned the amount of time it should take two employees to process a single late payment charge by hand considering the Utility additionally utilizes an automated system to assist in this process. (OPC BR 85; TR 299-308) Staff recommends reducing the labor costs of the assistant billing manager to reflect a more accurate account of this employee's responsibilities associated with late payment charges. Further, reducing the assistant billing manager's time spent reviewing a single late payment charge from 10 to 5 minutes, will reduce the allowance of labor necessary to process a delinquent account of 20 minutes to 15 minutes, which is consistent with Commission practice. The Utility's requested and staff's recommended late payment charge are shown below in Table 67-1. Staff recommends rounding its calculated late payment charge of $6.39 up to the nearest tenth; therefore, staff recommends a late payment charge of $6.40 for UIF.

In its brief, OPC stated that if the Utility's requested late payment charge of $8.82 was approved it would result in $190,033 of late payment revenues. (OPC BR 85) OPC based this calculation on 21,497 occurrences during 2015, as provided by the Utility. (EXH 157, BSP 219-220)

[112] Order Nos. PSC-11-0204-TRF-SU, issued April 25, 2011, in Docket No. 100413-SU, *In re: Request for approval of tariff amendment to include a late fee of $14.00 in Polk County by West Lakeland Wastewater*; PSC-08-0255-PAA-WS, issued April 24, 2008, in Docket No. 070391-WS, *In re: Application for certificates to provide water and wastewater service in Sumter County by Orange Blossom Utilities, Inc.*; PSC-01-2101-TRF-WS, issued October 22, 2001, in Docket No. 011122-WS, *In re: Tariff filing to establish a late payment charge in Highlands County by Damon Utilities, Inc.*

However, when calculating late payment revenues using staff's recommended late payment charge of $6.40 and 21,810 occurrences in 2016, this results in $139,584 of late payment revenues to be excluded from the revenues used in determining service rates. (EXH 157, BSP 220) Staff recommends using the amount of late payment occurrences in 2016 of 21,810 because the Utility indicated that 2016 is when the late payment charge was approved for all UIF systems. (EXH 168, BSP 281) Staff believes that the 2016 late payment data is a more accurate representation of occurrences because during 2016, the late payment charge was implemented system wide.

Table 67-1
Late Payment Charge

Activity	Utility Proposed	Staff Recommended
Clerical & Administrative Labor Billing Specialist Assistant Billing Manager	 $18.36/6 = 3.06 $28.16/6 = $4.69	 $18.36 *(10/60) = $3.06 $28.16 * (5/60) = $2.35
Computer/ Copier	$0.20	$0.20
Postage	$0.49	$0.49
Sub Total	$8.44	$6.10
Expansion Factor for RAFs	$0.955	$0.955
Total	**$8.84**	**$6.39**

Source: EXH 86

CONCLUSION

Based on the above, the appropriate late payment charge for UIF is $6.40. The Utility should file a revised tariff sheet and a proposed customer notice to reflect the Commission-approved late payment charge. This approved charge should be effective for service rendered on or after the stamped approval date on the tariff sheets provided customers have received notice. The tariff sheets should be approved upon staff's verification that the tariffs are consistent with the Commission's decision and that the proposed customer notice is adequate pursuant to Rule 25-30.475, F.A.C. The Utility should provide proof of its noticing within 10 days of rendering its approved notice.

Issue 68: What are the appropriate reuse rates?

Approved Stipulation: $7.64 BFC plus $1.45 per thousand gallons.

Issue 69: What are the appropriate customer deposits?

Approved Stipulation: The amount of customer deposits should be established pursuant to Commission Rule 25-30.311, F.A.C.

Issue 70: What are the appropriate meter installation charges?

Approved Stipulation: A uniform meter installation charge of $208 should be approved, with all other meter sizes at actual cost.

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

Recommendation: The customer connection charge should be at actual cost for all water and wastewater systems. The existing main extension and plant capacity charges should remain unchanged. The system capacity charge for Tierra Verde should be reflected as a plant capacity charge in the Utility's tariff. The connection charge for UIF-Seminole should also be reflected as a plant capacity charge in the Utility's tariff. For water and wastewater systems that will require additional facilities to serve new customers, staff recommends that developers should be required to donate or contribute the lines and facilities to the Utility consistent with the existing service availability policy. The Utility should file revised tariff sheets and a proposed customer notice. UIF should provide notice to customers who have requested service within the 12 calendar months prior to the month the application was filed to the present. The approved charges should be effective for connections made on or after the stamped approval date on the tariff sheets. The Utility should provide proof of noticing within 10 days of rendering its approved notice. (Bruce)

Position of the Parties

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

OPC: No post hearing position or argument was provided in the brief.

Summertree: No post hearing position or argument was provided in the brief.

Staff Analysis:

PARTIES' ARGUMENTS

UIF

UIF stated that it 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 charges. Thus, UIF asserted that existing customer connection, main extension, plant capacity, and system capacity charges would remain unchanged. (UIF BR 52)

ANALYSIS

In its brief, UIF did not request to change its service availability charges and the charges should remain unchanged. In her testimony, staff witness Daniel asserted that the Utility's contribution levels should be reviewed to ensure that the levels fall within the range indicated in the Commission's guidelines. (TR 983)

Service availability charges are one-time charges applicable to new connections, which allow customers to pay their pro rata share of the facilities and plant costs. Pursuant to Rule 25-30.580, F.A.C., a utility's service availability policy should be designed in accordance with the following guidelines: 1) the maximum amount of contributions-in-aid-of construction, net of amortization, should not exceed 75 percent of the total original cost, net of accumulated depreciation, of the utility's facilities and plant when the facilities and plant are at their designed capacity; and 2) the minimum amount of contributions-in-aid-of-construction should not be less than the percentage of such facilities and plant that is represented by the water transmission and distribution and sewage collection systems. Currently, UIF's tariffs contain service availability charges, which include connection, main extension, system capacity, and plant capacity charges for its water and wastewater systems. The Utility's current service availability charges and contribution levels for its water and wastewater systems are shown on table 71-1 below.

Table 71-1
Service Availability Charges and Contribution Levels For Water and Wastewater

	Connection Charges	System Capacity Charges	Main Extension Charges	Plant Capacity	Minimum Contribution Levels	Overall Contribution Levels
Systems						
Cypress Lakes Water					46%	35%
Cypress Lakes Wastewater				$1,275	34%	29%
Labrador Water				$750	27%	0%
Labrador Wastewater					15%	0%
Lake Placid Water	$383				41%	51%
Lake Placid Wastewater	$817				27%	67%
LUSI Water			$1,426	$1,157	47%	46%
LUSI Wastewater			$1,243		20%	41%
Pennbrooke Water					29%	30%
Pennbrooke Wastewater					36%	35%
Sanlando Water			$5,526	$225	40%	13%
Sanlando-Wastewater				$225	28%	8%
UIF – Marion Water	*$350				55%	7%
UIF – Marion Wastewater	$450				25%	4%
UIF – Orange	$200				94%	0%
UIF – Pasco Water	$65				62%	3%
UIF – Pasco Wastewater	$570				44%	21%
UIF – Seminole Water	$200				72%	1%
UIF – Seminole Wastewater	*$570			$2,125	65%	6%
Mid-County				$1,235	32%	15%
Sandalhaven				$3,370	46%	34%
Tierra Verde		$450			33%	18%
Eagle Ridge				$692	20%	18%
Longwood	$65				0%	5%

Source: See footnotes Nos. 113 and 114

As shown above in Table 71-1, the majority of the water and wastewater systems do not meet the minimum contribution level. Based on prior Commission orders and staff's recommendation for used and useful, the majority of the water and wastewater systems are 100 percent used and useful, built out, or distribution and collection lines have been fully contributed. Therefore, staff believes that uniform service availability charges would have minimal impact on the utility's overall CIAC level. In addition, the current service availability charges for some systems are a result of stipulated agreements and specific municipal charges, as described below. As a result, staff believes system specific service availability charges should be maintained for the main extension and plant capacity charges. Witness Daniel testified that, for systems experiencing growth, additional CIAC can help mitigate the Utility's investment in that system as new customers connect. (TR 984)

Connection Charges

A connection charge is designed to recover the cost to connect a customer's property to the utility's distribution or collection system. (TR 983) As shown in Table 71-1, several of UIF's systems have connection charges ranging from $65 to $383 for water and $65 to $570 for waterwater.[113] In UIF's existing tariff, the $2,125 reflected as a connection charge for Seminole County Ravenna Park/Lincoln Heights was approved as a plant capacity charge, which is collected and remitted to the City of Sanford in accordance with a bulk wastewater agreement.[114] UIF's tariff should be revised to reflect the $2,125 as plant capacity charge as described above.

Pursuant to Rule 25-30.515, F.A.C., a connection charge may include the meter installation cost. As indicated in Issue 70, the parties stipulated to a uniform meter installation charge of $208.21. The majority of the existing water connection charges include the meter installation cost. Staff believes the water connection charges should be revised to reflect only the cost of connecting the customer's property to the water main. In response to an interrogatory, the Utility indicated that this can vary depending on where the water main is located. UIF indicated that the installation may include, but not be limited to, boring under the road or excavating depending upon the depth of the main. (EXH 157, BSP 218) If the stipulated meter installation charge is removed from the existing connection charge, staff does not believe that the remaining amount would cover the installation of the piping as described by the Utility in its interrogatory response. (EXH 157, BSP 182) Therefore, staff recommends that the water connection charge for new connections be reflected at actual cost for all of UIF's water systems. For wastewater, the connection of the wastewater main to the customer's property includes, but is not limited to, locating all underground lines; tapping the main, and excavating the sewer main. Staff does not believe that the existing connection charges adequately reflect current cost of connecting the wastewater main to the customer's property. Therefore, staff recommends that new connection charges for UIF's wastewater systems should be at actual cost.

[113] Order No. 12447, issued September 6, 1983, in Docket No. 830141-WS, *In re: Application of Lake Placid Utilities for certificates to operate water and sewer systems in Highlands County, pursuant to Section 367.171, Florida Statutes*; Order No. 21555, issued July 17, 1989, in Docket No. 890335-WU, *In re: Application of Utilities, Inc. of Florida for amendment of Certificate No. 383-W in Lake County*; Order No. PSC-01-1655-PAA-WS, issued August 13, 2001, in Docket No. 000793-WS, *In re: Application for transfer of facilities and Certificates Nos. 484-W and 421-S in Pasco County from Bartelt Enterprises, Inc. to Utilities, Inc. of Florida, holder of Certificates Nos. 107-W and 229-S; and for cancellation of Certificates Nos. 484-W and 421-S*; Order No. 20779, issued February 20, 1989, in Docket No. 871059-SU, *In re: Application by Longwood Utilities, Inc. for rate increase in Seminole County*; Order No. 21554, Issued July 17, 1989, in Docket No. 881324-WS, *In re: Application of Crownwood of Ocala Utility Company, Inc., for staff assisted rate case in Marion County.*

[114] Order No. PSC-03-1244-TRF-SU, issued November 5, 2003, in Docket No. 030602-SU; *In re: Application for approval of pass-through service availability charge for bulk wastewater service from City of Sanford, in Seminole County, by Utilities, Inc. of Florida*.

System Capacity Charges

A system capacity charge is a single service availability charge that includes the cost of both plant (plant capacity charges) and lines (main extension charges).[115] As shown in Table 71-1, Tierra Verde is the only system that currently has a system capacity charge. This charge was established in Docket No. 810433-S.[116] Typically, staff separates the system capacity charge into a plant capacity and main extension charges. However, although the charge is specified as system capacity charge, the Order that established the system capacity charge indicated the charge was developed to recover the cost of an interconnection with City of St. Petersburg for the treatment of wastewater. Further, at that time, the Utility's collection lines were considered 100 percent used and useful and largely contributed. Therefore, staff recommends that the system capacity charge for Tierra Verde be reflected as a plant capacity charge in the Utility's tariff.

Main Extension Charges

A main extension charge is a service availability charge designed to reflect the average cost per customer of the utility's distribution or collection systems. (TR 983) Currently, LUSI's water and wastewater system and Sanlando's water systems are the only systems with main extension charges. Based on the contribution level for LUSI, staff believes the existing main extension charges for both water and wastewater should remain unchanged. For Sanlando's water system, the main extension charge is for the Myrtle Hills subdivision as a result of an extension of service due to failure of wells. This charge is exclusively for the Myrtle Hills subdivision and was not to be borne by the other customers of the Sanlando system.[117] In her testimony, staff witness Daniel testified that the UIF's systems should have main extension charges or policies wherein the Utility will recover the cost of each new customer's pro rata share of the lines. (TR 990) The Utility identified LUSI systems other than Lake Groves, Lake Groves wastewater, and Sandalhaven wastewater as systems that have distribution or collection lines that have not been fully contributed and vacant lots fronting existing mains. For water and wastewater systems that will require additional facilities to serve new customers, staff recommends that developers should be required to donate or contribute the lines and facilities to the Utility consistent with the existing service availability policy.

Plant Capacity Charges

A plant capacity charge represents a portion of the cost of the production, treatment, and disposal systems. Cypress Lakes' water and wastewater plant capacity charges are a result of a stipulated agreement.[118] As mentioned previously, the plant capacity charge for UIF-Seminole is collected from the customers of Ravenna Park/Lincoln Heights and remitted to City of Sanford. Staff believes these charges should remain unchanged. In addition, staff believes the plant capacity charges for the remaining systems should remain unchanged as well. Staff does recognize that

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[115] Order No. PSC-17-0209-PAA-WU, issued May 30, 2017, in Docket No. 160065-WU, *In re: Application for increase in water rates in Charlotte County by Bocilla Utilities, Inc.*

[116] Order No. 11949, issued May 20, 1983, in Docket No. 810453-S, *In re: Application of Seagull Utility Company for increased rates to its customers in Pinellas County, Florida*.

[117] Order No. PSC-16-0107-PAA-WU, issued March 15, 2016, in Docket No. 150230-WU, *In re: Application for amendment of Certificate of Authorization No. 247-W, to extend water service area to include land in Seminole County, by Sanlando Utilities Corporation*.

[118] Order No. PSC-07-0912-AS-WS, issued November 9, 2007, in Docket No. 060257-WS, *In re: Application for increase in water and wastewater rates in Polk County by Cypress Lake Utilities, Inc.*

maintaining the plant capacity charges will have minimal impact on the investment in the individual system and the utility as a whole because the majority of the systems are built-out or will require additional development.

CONCLUSION

The customer connection charge should be at actual cost for all water and wastewater systems. The existing main extension and plant capacity charges should remain unchanged. The system capacity charge for Tierra Verde should be reflected as a plant capacity charge in the Utility's tariff. The connection charge for UIF-Seminole should be reflected as a plant capacity charge in the Utility's tariff. For water and wastewater systems that will require additional facilities to serve new customers, staff recommends that developers should be required to donate or contribute the lines and facilities to the Utility consistent with the existing service availability policy. The Utility should file revised tariff sheets and a proposed customer notice. UIF should provide notice to customers who have requested service within the 12 calendar months prior to the month the application was filed to the present. The approved charges should be effective for connections made on or after the stamped approval date on the tariff sheets. The utility should provide proof of noticing within 10 days of rendering its approved notice.

Issue 72: What are the appropriate guaranteed revenue charges?

Approved Stipulation: The guaranteed revenue charge for the Sandalhaven system should be equal to the respective BFC for Sandalhaven.

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

Recommendation: The appropriate AFPI charges are the existing charges for each respective system, which do not exceed the number of applicable equivalent residential connections (ERCs). Staff recommends that the tariffs should be revised to reflect the number of remaining ERCs to which AFPI charges apply. For Longwood and Sandalhaven, the tariffs should be revised to reflect the remaining ERCs of 432 and 794, respectively, as of December 31, 2015. The AFPI charges for LUSI's Lake Groves' water and wastewater systems and LUSI - Others should be discontinued. Staff recommends that a new docket be opened with a full audit in order to determine the amount of overcollection of AFPI charges and the disposition of the overcollection. (Bruce)

Position of the Parties

UIF: The existing AFPI charges would remain in effect.

OPC: No post hearing position or argument was provided in the brief.

Summertree: No post hearing position or argument was provided in the brief.

Staff Analysis:

PARTIES' ARGUMENTS

UIF

UIF indicated that it 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 changes. UIF asserted that the AFPI charges currently in effect should remain unchanged. (UIF BR 52) UIF specified that the current respective water AFPI charges should apply to future connections of 491 ERCs for LUSI's Lake Groves and 1,241 ERCs for LUSI systems other than Lake Groves (LUSI – Others). In addition, the Utility stated that the current respective wastewater AFPI charges should apply to new ERCs of 3,966 for Lake Groves, 862 for Sandalhaven, and 493 for Longwood. (EX 151, BSP 188; EXH 168, BSP 285-286). UIF asserted that the number of ERCs would change if there is any change in the U&U. (UIF BR 52)

ANALYSIS

UIF did not propose to revise its AFPI charges for its water and wastewater systems; however, the charges should be clarified. Staff witness Daniel testified that some of the tariffs should be clarified as to the number of future connections to which the charges apply. (TR 985)

The Utility's tariffs include AFPI charges for the LUSI water system and the Longwood, LUSI, and Sandalhaven wastewater systems. Pursuant to Rule 25-30.434(1), F.A.C., an AFPI charge is a mechanism designed to allow a utility to earn a fair rate of return on prudently constructed plant held for future use from the future customers that will be served by that plant, in the form of a charge paid by those customers. Subparagraph 6 of the above-mentioned rule further specifies that the utility can continue to collect AFPI until all projected ERCs included in the calculation of the charge have been added. AFPI charges are typically allowed to accrue for five years from the date they are approved. The Rule further states that the Utility can continue to collect the constant charge until all ERCs projected in the calculation have been added. Therefore, staff believes if all ERCs have been met for a particular system, AFPI charges should be discontinued.

LUSI – Lake Groves

The Commission established AFPI charges in a certificate case for Lake Groves Utilities, which is now part of LUSI; the Utility was projected to serve approximately 545 ERCs at buildout.[119] In response to an interrogatory, the Utility indicated that the remaining ERCs for the Lake Groves water and wastewater systems are 491 and 3,966, respectively. In addition, the Utility indicated that, at the end of the test year, Lakes Groves' system was serving 4,362 ERCs and 3,629 ERCs for water and wastewater, respectively. (EXH 158, BSP 285-286) The Utility's water and wastewater tariffs for Lake Groves do not reflect the number of remaining ERCs to which the AFPI would apply. (EXH 168) When the AFPI charges were designed for Lake Groves, at most, the AFPI charge was intended for 545 ERCs. The Utility has exceeded the number of ERCs upon which the AFPI charged were based and should be discontinued.

LUSI - Others

AFPI charges were established, in 1997, for the LUSI – Others systems and was designed to be collected from future ERCs of 1,080 and 977 for the water treatment plant and distribution system, respectively.[120] The Utility, in response to an interrogatory, stated that the LUSI – Others system, at the end of the test year, was serving 7,378 ERCs for water and had remaining ERCs of 1,241. (EXH 151, BSP 188; EXH 168, BSP 285-286) UIF made no distinction between the water treatment plant and distribution system as to the number of remaining ERCs. Based on the above, staff believes the Utility exceeded the number of ERCs authorized for the AFPI charge for LUSI - Other's water treatment plant and distribution system. Therefore, the AFPI charge for both the water treatment plant and distribution system should be discontinued.

Longwood

Longwood's AFPI charges were approved by a stipulation in 1989.[121] The order did not specify the number of applicable ERCs. The tariff approved, at that time, had the only reference of the number ERCs, which was 2,128. In response to an interrogatory, the Utility indicated there are 493 ERCs remaining. (EXH 151, BSP 188) As of the end of the test year, Longwood was serving 1,695.5 ERCs. As a result, staff believes there are only 432 applicable ERCs remaining. Staff recommends that UIF's tariff for Longwood should reflect that the remaining number of ERCs should be 432 as of December 31, 2015.

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[119] Order No. 24283, issued March 25, 1991, in Docket No. 900957-WS, *In re: Application of Lake Groves Utilities, Inc. for water and sewer certificates in Lake County.*
[120] Order No. PSC-97-0531-FOF-WU, issued May 9, 1997, in Docket No. 960444-WU, *In re: Application for rate increase and for increase in service availability charges in Lake County by Lake Utility Services, Inc.*
[121] Order No. 20779, issued February 20, 1

Sandalhaven

For the Sandalhaven wastewater system, the Utility has maintained the AFPI charges that were in effect when the Commission obtained jurisdiction from Charlotte County.[122] In response to an interrogatory, the Utility indicated that the number of ERCs to which the AFPI charges apply for Sandalhaven is 862. (EXH 151, BSP 188) The remaining ERCs provided by the Utility include 68 ERCs for Eagles Preserve. The property owners of Eagles Preserve pay a guaranteed revenue charge. Therefore, those customers should not be required to pay the AFPI charge because the guaranteed revenue charge reimbursed the Utility for cost of operation, maintenance, depreciation, taxes, and return on investment for their share of the Utility's facilities. Therefore, staff recommends that the remaining ERCs for which the AFPI charges apply for Sandalhaven should be 794 (862-68).

Based on the above, UIF has collected AFPI charges from more ERCs than what the charges were designed for LUSI's Lake Groves water and wastewater systems and LUSI - Others. Staff believes a new docket should be opened with a full audit in order to determine the amount of overcollection of AFPI charges and the disposition of the overcollection.

CONCLUSION

The appropriate AFPI charges are the existing charges for each respective system, which have not exceeded the number of applicable ERCs. Staff recommends that the tariffs should be revised to reflect the number of remaining ERCs to which AFPI charges apply. For Longwood and Sandalhaven, the tariffs should be revised to reflect remaining ERCs of 432 and 794, respectively, as of December 31, 2015. The AFPI charges for LUSI's Lake Groves' water and wastewater systems and LUSI - Others should be discontinued. Staff recommends that a new docket be opened with a full audit in order to determine the amount of overcollection of AFPI charges and the disposition of the overcollection.

[122] Order No. PSC-16-0151-FOF-SU, issued April 18, 2016, in Docket No. 150102-SU, In re: Application for increase in wastewater rates in Charlotte County

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?

Recommendation: The appropriate refunds are as follows: (Sewards, Norris)

System	Interim Revenue Requirement	Adjusted Interim Revenue Requirement	Refund Amount	Refund Percentage
Lake Placid – Water	$79,206	$77,065	$2,140	2.70%
Lake Placid – Wastewater	$72,952	$69,239	$3,713	5.09%
UIF-Marion – Wastewater	$79,264	$61,221	$18,042	22.76%
UIF-Pasco – Wastewater	$614,260	$517,611	$96,649	15.73%
Eagle Ridge – Wastewater	($24,112)	N/A	$12,869	1.12%
Labrador – Wastewater	($134,838)	N/A	$112,578	17.75%

The refunds should be made with interest in accordance with Rule 25-30.360(4), F.A.C. The Utility should be required to submit proper refund reports pursuant to Rule 25-30.360(7), F.A.C. The Utility should treat any unclaimed refunds as Contributions in Aid of Construction pursuant to Rule 25-30.360(8), F.A.C. Further, the corporate undertaking should be released upon staff's verification that the required refunds have been made.

Position of the Parties

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

OPC: Due to the deficiencies in UIF's initial filing that took approximately three months to cure, customers should receive a refund for the period of time when the MFRs were deficient. The interim rate refund should be calculated on a system by system standalone basis. If statewide uniform rates or banded rates are implemented, those systems receiving a rate decrease should receive a refund of the difference between prior authorized rates and interim rates.

Summertree: Summertree agrees with the Public Counsel.

Staff Analysis:

PARTIES' ARGUMENTS

UIF

In its brief, UIF cited the requirements contained in Section 367.082 for calculating refunds. (UIF BR 53) However, it stated that no refund is appropriate. (UIF BR 53) It further cited Rule 25-30.360(4),(7), and (8), F.A.C., for implementing refunds, and stated that the Corporate Undertaking of UIF and the Corporate Guarantee of Utilities, Inc. should be released upon the verification of any required refunds by Commission staff, or, if no refund is required, upon the issuance of the Final Order. (UIF BR 53)

OPC

OPC acknowledged that the refund calculation should be a fall-out. However, OPC stated that all customers should receive a refund for the 3-month period of time when the MFRs were deemed deficient. (OPC BR 86) Additionally, OPC maintained that the interim rate refund should be calculated according to Commission policy and determined for each system on a standalone basis. (OPC BR 86) OPC added that if statewide or banded rates are implemented, systems receiving a rate decrease should receive a refund of the difference between prior authorized rates and interim rates. (OPC BR 86)

Summertree

In its brief, Summertree agreed with OPC. (Summertree BR 32)

ANALYSIS

The Commission authorized UIF to collect interim water and wastewater rates, subject to refund, pursuant to Section 367.082, 00F.S. The approved interim revenue requirement for water of $2,653,047 represented an increase of $348,309. The approved interim revenue requirement for wastewater of $1,828,090 represented an increase of $209,440.[123]

In its brief, OPC argued that customers should receive a refund for the time period when the MFRs were deficient. (OPC BR 86) However, in accordance with Section 367.082 F.S., if a utility makes a prima facie showing that it is earning outside the range of reasonableness on rate of return, the Commission shall authorize, within 60 days of filing, the collection of rates sufficient to earn the minimum of the rate of return. UIF made a prima facie showing that it was earning outside the range of reasonableness on rate of return, and in accordance with Section 367.082 F.S., the Commission approved interim rates for UIF. As such, UIF appropriately charged interim rates during the time period in which the MFRs were deficient, and no refunds are required.

To establish the proper refund amounts, staff calculated interim period revenue requirements by using the same data used to establish final rates. Current rate case expense and incomplete pro forma projects were removed because these items are prospective in nature and did not occur during the interim collection period. This resulted in a refund for Lake Placid, UIF-Marion (wastewater), and UIF-Pasco (wastewater) as detailed in Table 74-1 below.

In addition, staff conducted a review of all systems to identify whether any system was potentially earning above its maximum return on equity (ROE).[124] Two systems are earning above their maximum ROE, Eagle Ridge and Labrador (wastewater). As such, refunds of $12,869, or 1.12 percent for Eagle Ridge, and $112,578, or 17.75 percent for Labrador (wastewater) are due.

[123] Order No. PSC-16-0526PCO-WS, Issued November 22, 2016, in Docket No. 106101-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.*
[124] Id.

CONCLUSION

Based on the above, staff recommends the appropriate refunds are as follows:

Table 74-1
Interim Refunds

System	Interim Revenue Requirement	Adjusted Interim Revenue Requirement	Refund Amount	Refund Percentage
Lake Placid – Water	$79,206	$77,065	$2,140	2.70%
Lake Placid – Wastewater	$72,952	$69,239	$3,713	5.09%
UIF-Marion – Wastewater	$79,264	$61,221	$18,042	22.76%
UIF-Pasco – Wastewater	$614,260	$517,611	$96,649	15.73%
Eagle Ridge – Wastewater	($24,112)	N/A	$12,869	1.12%
Labrador – Wastewater	($134,838)	N/A	$112,578	17.75%

Source: Order No. PSC-16-0526-PCO-WS

The refunds should be made with interest in accordance with Rule 25-30.360(4), F.A.C. The Utility should be required to submit proper refund reports pursuant to Rule 25-30.360(7), F.A.C. The Utility should treat any unclaimed refunds as Contributions in Aid of Construction pursuant to Rule 25-30.360(8), F.A.C. Further, the corporate undertaking should be released upon staff's verification that the required refunds have been made.

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?

Recommendation: UIF's water and wastewater rates should be reduced as shown on Schedule Nos 4-A and 4-B respectively. This is to remove rate case expense, grossed up for RAFs, which is being amortized over a four-year period and will result in a reduction of $174,386 for water and $143,412 for wastewater. The decrease in rates should become effective immediately following the expiration of the four-year rate case expense recovery period pursuant to Section 367.081(8), F.S. UIF should be required to file revised tariff sheets no later than one month prior to the actual date of the required rate reduction. The Utility should also be required to file a proposed customer notice setting the lower rates and the reason for the reduction. If UIF files this reduction in conjunction with a price index or pass-through rate adjustment, separate data should be filed for the price index and/or pass-through increase, and the reduction in the rates due to the amortized rate case expense. (Johnson, Frank, Andrews)

Position of the Parties

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

OPC: Rates should be reduced pursuant to Rule 25-30.4705, F.A.C.

Summertree: Rates should be reduced pursuant to Commission Rule 25-30.4705, F.A.C.

Staff Analysis:

PARTIES' ARGUMENTS

UIF

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. UIF asserted that there was no evidence presented to warrant a variance of the four year amortization period. UIF submitted that rates should be reduced based upon the total determined rate case expense in Issues 49 and 76. (UIF BR 53)

OPC

OPC stated that rates should be reduced pursuant to Rule 25-30.4705, F.A.C. (OPC BR 86)

Summertree

Summertree agreed with and adopted the arguments put forth by OPC. (Summertree BR 32)

ANALYSIS

Section 367.081(8), F.S., requires that rates be reduced immediately following the expiration of the determined amortization period by the amount of the rate case expense previously included in rates. After weighing the evidence put forth in the record, staff believes that a four year amortization period is appropriate. The reduction should reflect the removal of revenue associated with the amortization of rate case expense, the associated return on deferred rate case expense included in working capital, and the gross up for RAFs. This results in a reduction of $174,386 for water and $143,412 for wastewater. Using staff's recommended operating revenues, expenses, capital structure, and billing determinants, the reduction in revenues will result in the rate decrease as shown on Schedule Nos. 4-A and 4-B.

CONCLUSION

UIF's water and wastewater rates should be reduced as shown on Schedule Nos 4-A and 4-B respectively. This is to remove rate case expense, grossed up for RAFs, which is being amortized over a four-year period and will result in a reduction of $174,386 for water and $143,412 for wastewater. The decrease in rates should become effective immediately following the expiration of the four-year rate case expense recovery period pursuant to Section 367.081(8), F.S. UIF should be required to file revised tariff sheets no later than one month prior to the actual date of the required rate reduction. The Utility should also be required to file a proposed customer notice setting the lower rates and the reason for the reduction. If UIF files this reduction in conjunction with a price index or pass-through rate adjustment, separate data should be filed for the price index and/or pass-through increase, and the reduction in the rates due to the amortized rate case expense.

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?

Recommendation: UIF's unamortized rate case expense as shown on Table 76-2 should be recovered through surcharges and removed at the respective systems' expiration date of the amortization period in accordance with Section 367.0816, F.S. The applicable surcharge for each system is shown on Schedule Nos. 4-A and 4-B. UIF should be required to remove the surcharge for each system immediately following the expiration of the four year rate case expense recovery period established in previous orders and shown on Table 76-2. UIF should be required to file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the reduction no later than one month prior to the actual date of the required rate reduction. If UIF files this reduction in conjunction with a price index or pass-through rate adjustment, separate data should be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense. (Johnson, Frank, Andrews)

Position of the Parties

UIF: 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.

OPC: If consolidation not approved, the individual system rates should be reduced at the end of recovery period consistent with the Commission's practice. If consolidated rates are approved, the expense associated with the amortization of prior rate cases should be separated out for each system with surcharges and removed in accordance with the recovery period from those system's prior rate case and any test year expense for prior rate case expense should be removed.

Summertree: Summertree agrees with Public Counsel.

Staff Analysis:

PARTIES' ARGUMENTS

UIF

UIF stated that the unamortized rate case expense from prior dockets and the generic docket totaled $386,766 as of July 2017. (UIF BR 54) UIF added that subsequent to the test year, the Commission determined 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. UIF asserted that total unamortized rate case expense should be $420,105. The Utility acknowledged that Section 367.081(8), F.S., requires rate case expense be apportioned for recovery over four years unless a longer period can be justified and is in the public interest. (UIF BR 54) UIF argued that if unamortized rate case expense was added to the rate case expense in this docket and amortized over four years, it would lessen impact on rates to customers than OPC's proposed separate surcharge. Further, UIF proclaimed that reducing rate impact to customers is in the public interest. (UIF BR 54)

OPC

OPC asserted that if consolidated rates are not approved, then prior unamortized rate case expense should be treated in accordance with the prior Commission orders for specific systems. However, OPC emphasized that if any form of consolidated rates were approved, then the unamortized rate case expense should be separated for each system, recovered through surcharges, and removed at the respective systems' expiration of the amortization period from prior rate cases, which is in accordance with the requirements of Section 367.081(8), F.S. (OPC BR 87; TR 734-735) Further, OPC argued that any prior rate case expense included in the test year expenses for any of UIF's specific systems should be removed to avoid customers paying for the expense twice. OPC emphasized that they do not agree with UIF witness Swain's method of combining prior rate case expense with current rate case expense and spreading it among all systems. OPC attested that witness Swain failed to address the fairness of requiring systems to pay for prior rate case expense of other systems and the requirement to comply with prior applicable statutory provisions. (OPC BR 87)

Summertree

Summertree agreed with and adopted the arguments put forth by OPC. (Summertree BR 33)

ANALYSIS

Section 367.0816, F.S., was repealed by Ch. 2016-226, Laws of Florida, effective July 1, 2016 and replaced with Section 367.081(8), F.S. Section 367.0816, F.S., was in effect when UIF's previous rate cases were filed and therefore is the applicable statute for the Utility's unamortized rate case expense. Table 76-1 lists the systems that have unamortized rate case expenses and their expected date of rate reduction.

Table 76-1
UIF's Upcoming FYRR's

System	Docket	Order	Order Issued	Tariff Effective Date	Rate Reduction
UIF	120209-WS	PSC-14-0025-PAA-WS	01/10/14	02/16/14	02/15/18
Lake Placid	130243-WS	PSC-14-0335-PAA-WS	06/30/14	07/28/14	07/27/18
Cypress Lakes	130212-WS	PSC-14-0508-AS-WS	09/24/14	10/11/14	10/10/18
Labrador	140135-WS	PSC-15-0208-PAA-WS	05/26/15	06/24/15	06/23/19
Sanlando	140060-WS	PSC-15-0233-PAA-WS	06/03/15	07/01/15	06/30/19
Sandalhaven	150102-SU	PSC-16-0013-PAA-SU	01/06/16	02/10/16	02/09/20
UIF – Marion and Seminole County	150269-WS	PSC-16-0296-PAA-WS	07/27/16	08/18/16	08/18/20
UIF – Pasco County	150269-WS	PSC-16-0505-PAA-WS	10/31/16	02/07/17	02/07/21

Source: UIF's Prior Commission Orders

As outlined above in the parties' arguments, UIF asserted that unamortized rate case expense from prior cases should be included with current rate case expense and amortized over four years. (UIF BR 54) The Utility further argued that it should be allowed to waive the four-year amortization period of the prior rate cases because it would lessen the rate impact to customers and would therefore be in the customers' best interest.

As OPC witness Ramas testified, UIF's methodology would result in an amortization period of more than four years, which is inconsistent with Section 367.0816, F.S. (TR 733) Therefore, staff agrees with OPC's methodology of creating surcharges for each system carrying unamortized rate case expense and removing the surcharge at the ordered dates in Table 76-1. Each system's rate case expense is embedded in its current rates and is currently being collected as part of its monthly rates. To ensure no rate case expense is double collected, staff believes it is appropriate to create rates based on the annual four-year rate reduction amount set by prior Commission orders. Table 76-2 shows the rate case expense associated with prior orders for each system that will be removed at the end of the ordered four-year amortization period. Using the recommended test year billing determinants and the associated unamortized rate case expense, staff calculated the surcharges for each system shown on Schedule 4-A and 4-B.

Table 76-2
Previous Rate Case Expense Amounts by System

System	Amount	Reduction date
UIF – Orange County Water	$4,385	02/15/18
UIF – Seminole County Water	$38,087	02/15/18
UIF – Seminole County Wastewater	$20,208	02/15/18
UIF – Pasco County Water	$42,354	02/15/18
UIF – Pasco County Wastewater	$16,704	02/15/18
UIF – Pinellas County Water	$6,319	02/15/18
Lake Placid Water	$1,717	07/27/18
Lake Placid Wastewater	$1,729	07/27/18
Cypress Lakes Water	$23,252	10/10/18
Labrador Water	$11,568	06/23/19
Labrador Wastewater	$11,372	06/23/19
Sanlando Water	$30,361	06/30/19
Sanlando Wastewater	$23,962	06/30/19
Sandalhaven Wastewater	$32,203	02/09/20
UIF – Marion County Water	$2,416	08/18/20
UIF – Seminole County Water	$2,278	08/18/20
UIF – Pasco County Water	$6,555	02/07/21

Source: UIF's Prior Commission Orders

CONCLUSION

UIF's unamortized rate case expense as shown on Table 76-2 should be recovered through surcharges and removed at the respective systems' expiration date of the amortization period in accordance with Section 367.0816, F.S. The applicable surcharge for each system is shown on schedule 4-A and 4-B. UIF should be required to remove the surcharge for each system immediately following the expiration of the four year rate case expense recovery period established in previous orders and shown on Table 76-2. UIF should be required to file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the reduction no later than one month prior to the actual date of the required rate reduction. If UIF files this reduction in conjunction with a price index or pass-through rate adjustment, separate data should be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense.

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

Approved 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.

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

Recommendation: If the Commission approves rate consolidation, UIF should be allowed to consolidate its in-state FPSC-regulated accounting, filing, and reporting requirements in the same manner as the consolidation is approved. For Commission purposes, UIF should maintain separate plant and CIAC subsidiary ledgers for its individual systems. (Norris)

Position of the Parties

UIF: Such filings should be made on a consolidated basis.

OPC: UIF should continue to maintain an accounting system that records rate base items on a system basis. These records will be necessary for future retirements and adjustments such as used and useful. All direct revenue and expense items should be maintained on a system basis. Costs to be allocated must be maintained in a manner that will facilitate allocation when necessary. These requirements should be maintained for every purpose for accounting, filing, and reporting requirements.

Summertree: Summertree agrees with Public Counsel.

Staff Analysis:

PARTIES' ARGUMENTS

UIF

UIF maintained that, consistent with the stipulation on Issue 77, it should file its FPSC-regulated accounting, filing, and reporting requirements in the same manner as the approved consolidation. (UIF BR 54)

OPC

OPC highlighted rate case issues such as EUW, I&I, and U&U that support the necessity of maintaining all records on a system basis for accounting, filing, and reporting requirements. (OPC BR 88) Additionally, OPC cited the importance of maintaining system records for future retirements. (OPC BR 88)

Summertree

In its brief, Summertree agreed with OPC. (Summertree BR 33)

ANALYSIS

Utility witness Deason testified that UIF keeps records to show which counties each system is associated with and the information could be used to easily aggregate the systems. (TR 1111) Additionally, witness Deason agreed that in subsequent cases, the Utility could provide staff auditors detail to support Commission-ordered adjustments in Excel, or a format that is easily sorted, (TR 1112) UIF also acknowledged that it intends to continue to maintain books and records for each individual system as it has in the past. (EXH 267)

If the Commission approves rate consolidation, UIF should be allowed to consolidate its in-state FPSC-regulated accounting, filing, and reporting requirements in the same manner as the consolidation is approved. However, the Utility should maintain the ability to ungroup accounting records in the same manner as it is easily able to aggregate information, as testified by witness Deason.

CONCLUSION

If the Commission approves rate consolidation, UIF should be allowed to consolidate its in-state FPSC-regulated accounting, filing, and reporting requirements in the same manner as the consolidation is approved. For Commission purposes, UIF should maintain separate plant and CIAC subsidiary ledgers for its individual systems.

Issue 79: Did the Utility appropriately record the Commission Ordered Adjustments to the books and records? If not, what action, should be taken?

Recommendation: Yes. The Utility booked all Commission Ordered Adjustments (COAs) prior to the submission of the MFRs for this instant rate proceeding. Audit staff made adjustments to certain applicable systems as appropriate. Thus, no additional action is necessary. (Trierweiler, Sewards, Galloway)

Position of the Parties

UIF: The Utility did substantially comply with booking Commission Ordered Adjustments.

OPC: No. UIF has failed to appropriately and timely record COAs for many systems. This has been a continuing problem. UIF should be ordered to provide a copy of the general ledger with the date the entry was actually booked, the adjusting entry in Excel so it can be sorted and analyzed to verify it equals the order, plus schedules and workpapers that reconcile the Commission order to the specific numbers in the accounting journal entries.

Summertree: Summertree agrees with Public Counsel.

Staff Analysis:

PARTIES' ARGUMENTS

UIF

The previous thirteen rate cases undertaken by the companies, now consolidated into UIF, were identified within the Audit conducted by Commission staff. UIF argued that the Audit did not identify a single instance in which the Utility had not made Commission Ordered Adjustments. (UIF BR 55) UIF did note however, that the adjustments relating to Cypress Lakes were made approximately three months late and that audit staff believed the adjustments were not correctly recorded as they were not carried forward from the test year to the time the adjustments were made. (UIF BR 55) UIF also stated that the LUSI adjustments were timely made, but according to audit staff, should have been made to different accounts. (UIF BR 55) These specific instances, the Utility argued, were mere differences of opinion as to how some of the adjustments should have been booked. (UIF BR 55) UIF stated that of the thirteen orders with Commission Ordered Adjustments, audit staff identified only three issues, and in every instance, the Commission Ordered Adjustments were in fact made. (UIF BR 55) UIF concluded by stating that it had substantially complied with the requirement to book Commission Ordered Adjustments within 90 days of the effective date of each respective order, and that no action by the Commission is necessary. (UIF BR 55)

OPC

OPC argued that there were three instances in this case, Docket Nos. 140060-WS, 120209-WS, and 040316-WS, where the Utility failed to make Commission Order Adjustments. (OPC BR 89) Specifically in Docket No. 040316-WS, OPC argued that the Utility entered a stipulation initiated after a show cause order regarding the number of accounting issues, including the making of timely adjustments to rate base to reflect Commission orders, and still failed to make the required adjustments. (OPC BR 89-90) OPC stated that staff witness Dobiac testified that UIF had failed to make adjustments to its books as required by prior Commission orders, and that Cypress Lakes either did not record or incorrectly recorded plant adjustments and depreciation and amortization to reflect the current impact of plant adjustments. (OPC BR 88)

OPC asserted that OPC witness Ramas testified that problems regarding negative plant balances and erroneous accumulated depreciation balances related to UIF's failure to appropriately make Commission Ordered Adjustments. (OPC BR 89) Additionally, OPC stated that witness Ramas also testified that that based on Commission staff's audit, the issues for the Pasco and Seminole county systems were the result of accounting errors. (OPC BR 89)

In order to ensure UIF's compliance with Commission Ordered Adjustments in the future, OPC argued that the Commission should require UIF to provide an Excel version of the adjusting entry to be sorted and analyzed by staff to verify compliance with the order, the general ledger reflecting the date that the entry was booked, and schedules and workpapers that reconcile the specific numbers in the Commission order to the specific numbers in the accounting journal entries. (OPC BR 90)

Summertree

Summertree agreed with and adopted the arguments proffered by OPC. (Summertree BR 33)

ANALYSIS

Based upon comments within the staff's audit, OPC alleged that UIF failed to make the COAs for many systems. The evidence does not support this finding. The Audit staff made adjustments to COAs applicable to UIF's original five county systems plus LUSI and Cypress Lakes. In a number of instances, UIF disagreed with the Audit staff's adjustments (TR 1079). These differences were all addressed in the rate base adjustments. Ultimately, the Utility booked all COAs prior to the submission of the MFRs for this instant rate proceeding. No additional action is necessary.

CONCLUSION

UIF booked all COAs prior to the submission of the MFRs. Audit staff made adjustments to those applicable systems as appropriate. No further action is required.

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?

Recommendation: No; however, the evidence in this docket does not support any substantive impairments for staff or any party to fully evaluate salaries and wages and transportation expenses. Accordingly, no further action is required. (Trierweiler, Frank, Andrews)

Position of the Parties

UIF: The Utility provided all documentation requested by the auditors.

OPC: No. Rules 25-3025 and 25-30.450, F.A.C., require UIF to support any schedule submitted and the data organized to enable verification of the MFR expenses in an expedient manner. In this case, UIF did not meet its burden to support the expenses included in its filing. Therefore, the Utility's expenses for salary, benefits, and transportation expense should be reduced by 3% to serve as an incentive for the utility to provide appropriate documentation in the future.

Summertree: Summertree agrees with Public Counsel.

Staff Analysis:

PARTIES' ARGUMENTS

UIF

UIF asserted the Commission's staff auditor in prior 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; UIF BR 55) The Utility argued, however, that it did provide to the auditors sufficient information from which to make the required calculation, and at no time was UIF advised that the auditors did not have the information to do so. (TR 1080-1081 & 1087; UIF BR 55) Although the auditor did not believe the salary documentation provided facilitated making proper adjustments and thus deferred that issue to the analyst, the Utility contended it provided the documentation that should have been sufficient for the auditors to make any salary adjustments. (TR 939, 1080-1081, 1087; UIF BR 55) UIF argued that in such cases where audit staff is not able to get information or complete answers by the deadline, it is routine to defer to the technical staff to follow-up, and that is particularly true of this case where audit staff was essentially completing 12 audits in the time frame of one audit. (TR 957, 964, UIF BR 55) The Utility asserted that in virtually every rate case there are audit findings in which matters are deferred to technical staff for follow-up, that this case is no different, and UIF substantially complied with the auditors' requests. (UIF BR 55)

OPC

OPC noted staff witness Dobiac testified that in prior rate cases, UIF included in its MFRs adjustments for allocating plant vehicles, the associated accumulated depreciation, depreciation expense, and transportation costs from the Utility's regional office to each Florida system as well as employees' salaries, benefits and payroll taxes from the corporate and regional offices. (TR 938 and 940) However, OPC asserted that in this case, the auditors could not determine these adjustments because the supporting documentation for UIF's current filing for vehicle transportation balances did not include the support for pool vehicles and special equipment, or the calculation for determining transportation expense per vehicle. (TR 938; OPC BR 90) In addition, OPC asserted the Utility did not provide the payroll information necessary to allow the audit staff to verify the allocated salaries. (TR 940; OPC BR 90)

OPC has also argued UIF failed to meet the requirements of Rule 25-30.450, F.A.C. (OPC BR 90-91) OPC stated that none of the documentation appears to follow the requirement that the data be organized to enable verification of the MFR expenses in an expedient manner. (OPC BR 91) OPC also contended that the documents do not trace the financial records to the amounts provided in the MFRs as required by the Rule. (OPC BR 91) OPC maintained the Utility carries the burden to support its filing and has failed to do so, and the burden should not be shifted to the staff auditors or intervenors to determine the basis for the expenses not included in the MFRs. As such, OPC asserted that UIF's expense could be disallowed in its entirety as it has not been appropriately supported by the Utility. (OPC BR 91) However, OPC does recognize that UIF has incurred expenses for salary, benefits and transportation, and thus, asserted a more reasonable option is to penalize the Utility three percent of the salary and benefits expense, as well as transportation expense. (OPC BR 91) This represents only 2.66 percent of the requested revenue increase and OPC believes it would be effective as an incentive for UIF to comply in the future. (OPC BR 91)

Summertree

Summertree adopts the arguments of OPC. (Summertree BR 33)

ANALYSIS

UIF failed to provide sufficient information concerning its transportation expenses and salaries for further adjustments to be made by the Commission's audit staff. (EXH 138, P 21, 27; TR 938-939, 955) The transportation expense documentation provided by UIF in this rate case was insufficient for audit staff to make a recommendation and the matter was deferred to technical staff. (TR 938-939, 955) The salary documentation submitted by UIF was similarly deficient and the matter was also deferred to technical staff. (TR 940) If the transportation or salary documentation would have been sufficient, audit staff would have included it and made the appropriate adjustments. In cases where audit staff does not have access to sufficient information in order to make proper adjustments and recommendations, the matters are typically deferred to technical staff for follow-up. (TR 964) OPC's witness Ramas provided testimony on UIF's proposed additional employees for Mid-County, LUSI, and Sanlando (TR 761-762, 766-767, 783-784), and did not challenge the Utility's application of the 3.75 percent increase in salaries and wages and employee benefits. (TR 761, 766, 851) The record includes six UIF responses to staff interrogatories concerning salary and wages expenses and eight Utility responses to staff interrogatories concerning transportation expenses. (EXH 1 P 16, 18-20; EXH 153, 160, 163, 168) Further, the record includes 12 UIF responses to OPC interrogatories concerning salary and wages expenses and two Utility responses to OPC interrogatories concerning transportation expenses. (EXH 1 P 22, 24-26, and 32; EXH 172, 173, 175, 177, 179, and 194) Accordingly, the record evidence in this docket does not support any substantive impairments for staff or any party to fully evaluate salaries and wages and transportation expenses. Thus, staff recommends that no further action is required.

CONCLUSION

Based on the above, the record evidence in this docket does not support any substantive impairments for staff or any party to fully evaluate salaries & wages and transportation expenses. Accordingly, no further action is required.

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?

Recommendation: Yes. The Utility should be required to notify the Commission, in writing, that it has adjusted its books in accordance with any Commission ordered adjustments. UIF should submit a letter within 90 days of the final order in this docket, confirming that the adjustments to all the applicable NARUC USOA accounts have been made to the Utility's books and records. In the event the Utility needs additional time to complete the adjustments, notice should be provided within seven days prior to deadline. Upon providing good cause, staff should be given administrative authority to grant an extension of up to 60 days. (Mick)

Position of the Parties

UIF: Yes.

OPC: Yes, the Utility should be required to notify the Commission, in writing, that it has adjusted its books, and if the Utility fails to do so, the Commission should order UIF to show cause for its failure to comply with any COAs.

Summertree: Summertree agrees with Public Counsel.

Staff Analysis:

PARTIES' ARGUMENTS

UIF

UIF stated in its brief that it should make Commission approved adjustments, and notify the Commission within 90 days of the effective date of the final order, as is consistent with Commission policy. (UIF BR 56)

OPC

In its brief, OPC stated that UIF should notify the Commission in writing that it has made the necessary adjustments to its books. (OPC BR 91) OPC argued that if UIF fails to comply with any Commission Ordered Adjustments, the Commission should require the Utility to show cause for its lack of compliance. (OPC BR 91)

Summertree

In its brief, Summertree stated that the Commission should hold UIF to the highest standard of compliance with Commission rules. (Summertree BR 34) Summertree argued that, in past instances, UIF has repeatedly failed to comply with such rules and practices. (Summertree BR 34). Summertree asserted that, as the largest regulated water and wastewater utility in Florida, UIF's lack of compliance is inexcusable. (Summertree BR 34)

ANALYSIS

The Utility should be required to notify the Commission, in writing that it has adjusted its books in accordance with any Commission Ordered Adjustments decision. UIF should submit a letter within 90 days of the final order in this docket, confirming that the adjustments to all the applicable NARUC USOA accounts have been made to the Utility's books and records. In the event the Utility needs additional time to complete the adjustments, notice should be provided within seven days prior to deadline. Upon providing good cause, staff should be given administrative authority to grant an extension of up to 60 days. This protocol is similar to Commission practice in recent cases.[125]

[125] Order Nos. PSC-16-0525-PAA-WS, issued November 21, 2016 in Docket No. 160030-WS, *In. re: Application for increase in water rates in Lee County and wastewater rates in Pasco County by Ni Florida, LLC*; and Order No. PSC-17-0209-PAA-WS, issued May 30, 2017 in Docket No. 160065-WU, *In re: Application for increase in water rates in Charlotte County by Bocilla Utilities, Inc.*

Issue 82: Should this docket be closed?

Recommendation: No. This docket should remain open for staff's verification that the Utility has completed the recommended refunds, the revised tariff sheets, and customer notices have been filed by UIF and that the Utility has notified the Commission in writing that the adjustments for all applicable NARUC USOA primary accounts have been made. Once these actions are complete, this docket should be closed administratively. (Trierweiler)

Position of the Parties

UIF: Yes.

OPC: No, the docket should remain open to ensure that the Commission Ordered Adjustments are done appropriately.

Summertree: No, the docket should remain open unless the Commission approves the opening of a separate docket for a show cause or some other investigatory proceeding.

Staff Analysis:

PARTIES' ARGUMENTS

UIF
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. (UIF BR 55)

OPC
The docket should remain open to ensure that the Commission Ordered Adjustments are done appropriately. (OPC BR 92)

Summertree
The record reflects that the utility has not complied with the compliance rules and standard accounting practices repeatedly in the past. The docket should remain open unless the Commission approves the opening of a separate docket for a show cause or some other investigatory proceeding. (Summertree BR 34)

ANALYSIS

This docket should remain open for staff's verification that the Utility has completed the recommended refunds, the revised tariff sheets, and customer notices have been filed by UIF and that the Utility has notified the Commission in writing that the adjustments for all applicable NARUC USOA primary accounts have been made. Once these actions are complete, this docket should be closed administratively.

CONCLUSION

No. This docket should remain open until staff receives verification that the recommended and ordered actions have been completed by the Utility.

UTILITIES INC. OF FLORIDA **Attachment A**

Docket No. 106101-WS

SUMMARY OF OPERATING REVENUES BY SYSTEM	Test Year Per Utility	Utility Requested $ Increase	Utility Requested % Increase	Utility Requested Rev. Req.	Staff Adjusted Test Year	Staff Recomm. $ Increase	Staff Recomm. % Increase	Staff Recomm. Rev. Req.
CYPRESS LAKES - WATER	$358,029	($5,879)	-1.64%	$352,150	$357,877	$17,133	4.79%	$375,010
LABRADOR - WATER	305,242	67,286	22.04%	372,528	305,242	17,072	5.59%	322,314
LAKE PLACID - WATER	69,370	13,745	19.81%	83,115	69,513	5,262	7.57%	74,775
LUSI - WATER	5,484,612	41,730	0.76%	5,526,342	5,484,654	(57,674)	-1.05%	5,426,980
PENNBROOKE -WATER	382,225	162,961	42.63%	545,187	376,862	124,994	33.17%	501,856
SANLANDO - WATER	4,632,114	(18,462)	-0.40%	4,613,652	4,619,340	(328,313)	-7.11%	4,291,027
UIF MARION - WATER	208,417	68,885	33.05%	277,302	208,415	45,274	21.72%	253,689
UIF ORANGE - WATER	117,092	258,990	221.19%	376,082	117,092	248,689	212.39%	365,781
UIF PASCO - WATER	902,832	329,885	36.54%	1,232,717	1,008,678	404,778	40.13%	1,413,456
UIF PINELLAS - WATER	158,115	170,080	107.57%	328,195	158,115	180,040	113.87%	338,155
UIF SEMINOLE -WATER	1,031,571	1,631,780	158.18%	2,663,351	1,031,811	1,335,603	129.44%	2,367,414
TOTAL WATER	$13,649,619	$2,721,001	19.93%	$16,370,621	$13,737,599	$1,992,858	14.51%	$15,730,457
CYPRESS LAKES - WASTEWATER	$660,639	$90,089	13.64%	$750,728	$660,447	$27,095	4.10%	$687,542
EAGLE RIDGE - WASTEWATER	1,169,230	64,787	5.54%	1,234,018	1,150,909	67,624	5.88%	1,218,533
LABRADOR - WASTEWATER	639,372	(21,075)	-3.30%	618,296	634,278	(134,841)	-21.26%	499,437
LAKE PLACID - WASTEWATER	72,690	18,926	26.04%	91,617	72,832	(6,354)	-8.72%	66,478
LONGWOOD - WASTEWATER	808,813	34,554	4.27%	843,367	808,813	182,266	22.53%	991,079
LUSI - WASTEWATER	2,305,689	542,544	23.53%	2,848,232	2,305,729	275,219	11.94%	2,580,948
MID-COUNTY - WASTEWATER	1,790,020	472,792	26.41%	2,262,812	1,789,208	259,021	14.48%	2,048,229
PENNBROOKE -WASTEWATER	518,122	(33,600)	-6.48%	484,522	512,539	(8,234)	-1.61%	504,305
SANDALHAVEN - WASTEWATER	1,196,788	362,377	30.28%	1,559,165	1,162,097	96,297	8.29%	1,258,394
SANLANDO - WASTEWATER	4,075,541	2,391,091	58.67%	6,466,632	4,058,661	2,675,541	65.92%	6,734,202
TIERRA VERDE - WASTEWATER	996,212	107,812	10.82%	1,104,024	996,213	83,507	8.38%	1,079,720
UIF MARION - WASTEWATER	48,279	38,048	78.81%	86,327	48,279	13,240	27.42%	61,519
UIF PASCO - WASTEWATER	508,738	152,640	30.00%	661,378	508,731	(3,676)	-0.72%	505,055
UIF SEMINOLE -WASTEWATER	840,136	(26,532)	-3.16%	813,604	843,563	(6,659)	-0.79%	836,904
TOTAL WASTEWATER	$15,630,269	$4,194,453	26.84%	$19,824,722	$15,552,299	$3,520,046	22.63%	$19,072,345
TOTAL WATER AND WASTEWATER	$29,279,888	$6,915,454	23.62%	$36,195,343	$29,289,898	$5,512,904	18.82%	$34,802,802

Consolidated
Capital Structure- 13 Month Average
13-Month Year Ended 12/31/2015

Schedule No. 1
Docket No. 160101-WS

Description	Total Capital	Specific Adjustments	Subtotal Adjusted Capital	Pro rata Adjustments	Capital Reconciled to Rate Base	Ratio	Cost Rate	Weighted Cost
Per Utility								
1 Long-term Debt	$180,000,000	$0	$180,000,000	$132,590,926	$47,409,074	43.07%	6.70%	2.89%
2 Short-term Debt	17,100,000	0	17,100,000	12,597,519	4,502,481	4.09%	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	141,015,451	50,417,549	45.81%	10.40%	4.76%
5 Customer Deposits	209,588	0	209,588	0	209,588	0.19%	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	7,339,011	141,854	7,480,865	0	7,480,865	6.80%	0.00%	0.00%
8 **Total Capital**	$396,127,831	$141,854	$396,269,685	$286,203,896	$110,065,789	100%		7.75%
Per Commission								
8 Long-term Debt	$180,000,000	$0	$180,000,000	($135,661,786)	$44,338,214	39.37%	6.70%	2.64%
9 Short-term Debt	17,100,000	0	17,100,000	(12,887,870)	4,212,130	3.74%	2.32%	0.09%
10 Preferred Stock	0	0	0	0	0	0.00%	0.00%	0.00%
11 Common Equity	191,433,000	0	191,433,000	(144,278,571)	47,154,429	41.87%	10.40%	4.35%
12 Customer Deposits	209,588	22,434	232,022	0	232,022	0.21%	2.00%	0.00%
13 Tax Credits- Zero Cost	46,232	0	46,232	0	46,232	0.04%	0.00%	0.00%
14 Deferred Income Tax	7,339,011	9,304,085	16,643,096	0	16,643,096	14.78%	0.00%	0.00%
15 **Total Capital**	$396,127,831	$9,326,519	$405,454,350	($292,828,226)	$112,626,123	100%		7.08%

	Low	High
RETURN ON EQUITY	9.40%	11.40%
OVERALL RATE OF RETURN	6.66%	7.50%

Cypress Lakes
Schedule of Water Rate Base
Test Year Ended 12/31/2015

Schedule No. 2-A
Docket No. 160101-WS

	Description	Test Year Per Utility	Utility Adjust-ments	Adjusted Test Year Per Utility	Staff Adjust-ments	Staff Adjusted Test Year
1	Plant in Service	$2,250,651	($229,346)	$2,021,305	($15,009)	$2,006,296
2	Land and Land Rights	1,356	0	1,356	0	1,356
3	Non-used and Useful Components	0	0	0	0	0
4	Accumulated Depreciation	(1,218,575)	(149,521)	(1,368,096)	375,382	(992,714)
5	CIAC	(578,164)	(1,351)	(579,515)	(3,625)	(583,140)
6	Amortization of CIAC	217,870	0	217,870	9,735	227,605
7	CWIP	(7,911)	7,911	0	0	0
8	Working Capital Allowance	0	(17,938)	(17,938)	24,798	6,860
9	**Rate Base**	$665,227	($390,245)	$274,982	$391,280	$666,262

Cypress Lakes **Schedule No. 2-B**
Schedule of Wastewater Rate Base **Docket No. 160101-WS**
Test Year Ended 12/31/2015

	Description	Test Year Per Utility	Utility Adjust-ments	Adjusted Test Year Per Utility	Staff Adjust-ments	Staff Adjusted Test Year
1	Plant in Service	$4,211,790	$266,003	$4,477,793	$194,617	$4,672,410
2	Land and Land Rights	2,610	0	2,610	0	2,610
3	Non-used and Useful Components	0	0	0	0	0
4	Accumulated Depreciation	(1,665,652)	206,826	(1,458,826)	(360,261)	(1,819,087)
5	CIAC	(1,319,465)	(1,674)	(1,321,139)	0	(1,321,139)
6	Amortization of CIAC	480,175	0	480,175	23,683	503,858
7	CWIP	(12,692)	12,692	0	0	0
8	Advances for Construction	0	0	0	0	0
9	Working Capital Allowance	0	62,870	62,870	22,691	85,561
10	**Rate Base**	$1,696,766	$546,717	$2,243,483	($119,270)	$2,124,213

Cypress Lakes
Adjustments to Rate Base
Test Year Ended 12/31/2015

Schedule No. 2-C
Docket No. 160101-WS

	Explanation	Water	Wastewater
	Plant In Service		
1	Audit Finding 1 & 9 (I-5)	($7,263)	$203,348
2	Pro Forma Plant Additions (I-9)	(10,144)	(15,101)
3	Pro Forma Plant Retirements (I-10)	2,398	6,370
	Total	($15,009)	$194,617
	Accumulated Depreciation		
1	Audit Finding 1 (I-5)	$23,127	($355,242)
2	Pro Forma Plant Additions (I-9)	620	994
3	Pro Forma Plant Retirements (I-10)	(2,398)	(6,370)
4	Test Year Accumulated Depreciation Adjustments (I-18)	354,032	357
	Total	$375,382	($360,261)
	CIAC		
	Audit Finding 1 (I-5)	($3,625)	$0
	Accumulated Amortization of CIAC		
	Audit Finding 1 (I-5)	$9,735	$23,683
	Working Capital		
1	Accrued Tax Adjustments (I-21)	$18,113	$17,230
2	Miscellaneous Deferred Debits Adjustments (I-21)	5,380	4,221
3	Deferred Rate Case Expense Adjustments (I-21)	1,304	1,241
	Total	$24,798	$22,691

Cypress Lakes
Statement of Water Operations
Test Year Ended 12/31/2015

Schedule No. 3-A
Docket No. 160101-WS

	Description	Test Year Per Utility	Utility Adjust-ments	Adjusted Test Year Per Utility	Staff Adjust-ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1	**Operating Revenues:**	$355,789	($3,638)	$352,151	$5,726	$357,877	$17,133	$375,010
							4.79%	
	Operating Expenses							
2	Operation & Maintenance	$220,069	$18,780	$238,849	($30,643)	$208,206		$208,206
3	Depreciation	87,382	(25,055)	62,327	9,260	71,587		71,587
4	Acquisition Adjustment	(7,537)	7,537	0	1,793	1,793		1,793
5	Taxes Other Than Income	35,728	(14,123)	21,605	6,354	27,959	771	28,730
6	Income Taxes	14,677	(6,729)	7,948	3,398	11,346	6,157	17,503
7	**Total Operating Expense**	350,319	(19,590)	330,729	(9,837)	320,892	6,928	327,820
8	**Operating Income**	$5,470	$15,952	$21,422	$15,563	$36,985	$10,205	$47,190
9	**Rate Base**	$665,227		$274,982		$666,262		$666,262
10	**Rate of Return**	0.82%		7.79%		5.55%		7.08%

Cypress Lakes
Statement of Wastewater Operations
Test Year Ended 12/31/2015

Schedule No. 3-B
Docket No. 160101-WS

	Description	Test Year Per Utility	Utility Adjust-ments	Adjusted Test Year Per Utility	Staff Adjust-ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1	**Operating Revenues:**	$658,167	$92,560	$750,727	($90,280)	$660,447	$27,095	$687,542
							4.10%	
	Operating Expenses							
2	Operation & Maintenance	$298,069	$29,625	$327,694	($31,476)	$296,218		$296,218
3	Depreciation	99,350	25,926	125,276	10,004	135,280		135,280
4	Amortization	0	0	0	1,647	1,647		1,647
5	Taxes Other Than Income	33,918	24,228	58,146	(11,227)	46,919	1,219	48,139
6	Income Taxes	13,933	50,911	64,844	(18,776)	46,068	9,737	55,805
7	**Total Operating Expense**	445,270	130,690	575,960	(49,828)	526,132	10,956	537,088
8	**Operating Income**	$212,897	($38,130)	$174,767	($40,452)	$134,315	$16,139	$150,454
9	**Rate Base**	$1,696,766		$2,243,483		$2,124,213		$2,124,213
10	**Rate of Return**	12.55%		7.79%		6.32%		7.08%

Cypress Lakes
Adjustments to Operating Income
Test Year Ended 12/31/2015

Schedule No. 3-C
Docket No. 160101-WS

	Explanation	Water	Wastewater
	Operating Revenues		
1	Remove requested final revenue increase or decrease.	$5,879	($90,089)
2	Test Year Revenues (I-32)	(153)	(191)
	Total	$5,726	($90,280)
	Operation and Maintenance Expense		
1	Audit Finding 10 (I-33)	($1,852)	($1,758)
2	Pensions & Benefits Adjustments (I-35)	(2,162)	(2,057)
3	Transportation Adjustments (I-48)	107	101
4	Rate Case Expense (I-49)	(1,406)	(1,338)
5	Unamortized Rate Case Expense (I-50)	(23,005)	(21,854)
6	Miscellaneous Expense (I-51)	(2,325)	(4,571)
	Total	($30,643)	($31,476)
	Depreciation Expense - Net		
1	Pro Forma Plant Additions (I-9)	($3,211)	($3,200)
2	Pro Forma Plant Retirements (I-10)	1,110	1,348
3	Test Year Accumulated Depreciation Adjustments (I-18)	(1,131)	0
4	Audit Finding 1 and 9 (I-33)	14,048	13,336
5	WSC Cost Allocation Adjustments (I-36)	(1,556)	(1,480)
	Total	$9,260	$10,004
	Amotization-Other Expense		
	Phoenix Project Regulatory Asset (I-6)	$1,793	$1,647
	Taxes Other Than Income		
1	To remove RAFs on revenue increase.	$258	($4,063)
2	Pro Forma Plant Additions (I-9)	6,096	(7,164)
	Total	$6,354	($11,227)

Cypress Lakes | **Schedule No. 4-A**
Test Year Ended December 31, 2015 | **Docket No. 160101-WS**
Monthly Water Rates

	Utility Current Rates	Utility Requested Final	Staff Recommended Rates	Staff Recommended Surcharge	Four Year Rate Reduction
Residential and General Service					
Base Facility Charge by Meter Size					
5/8" X 3/4"	$7.04	$11.54	$10.87	$0.44	$0.12
3/4”	$10.55	$17.31	$16.31	$0.66	$0.18
1"	$17.58	$28.84	$27.18	$1.10	$0.30
1-1/2"	$35.20	$57.69	$54.35	$2.20	$0.60
2"	$56.30	$92.30	$86.96	$3.52	$0.96
3"	$112.60	$184.59	$173.92	$7.04	$1.92
4"	$175.96	$288.43	$271.75	$11.00	$3.00
6"	$351.87	$576.86	$543.50	$22.00	$6.00
8”	N/A	$922.97	$869.60	$35.20	$9.60
10”	N/A	$1,672.89	$1,576.15	$63.80	$17.40
Charge per 1,000 gallons - Residential					
0 – 6,000 gallons	$4.84	N/A	N/A	N/A	N/A
6,001 – 12,000 gallons	$7.26	N/A	N/A	N/A	N/A
Over 12,000 gallons	$9.68	N/A	N/A	N/A	N/A
0 – 8,000 gallons	N/A	$1.97	N/A	N/A	N/A
8,001 – 16,000 gallons	N/A	$2.95	N/A	N/A	N/A
Over 16,000 gallons	N/A	$3.93	N/A	N/A	N/A
0 – 4,000 gallons	N/A	N/A	$1.52	$0.31	$0.02
4,001 – 12,000 gallons	N/A	N/A	$2.28	$0.47	$0.03
Over 12,000 gallons	N/A	N/A	$3.80	$0.78	$0.04
Charge per 1,000 gallons - General Service	$5.14	$2.98	$2.57	$0.34	$0.03
Typical Residential 5/8" x 3/4" Meter Bill Comparison					
4,000 Gallons	$26.40	$19.42	$16.95		
8,000 Gallons	$50.60	$27.30	$26.07		
12,000 Gallons	$79.64	$39.10	$35.19		

Cypress Lakes **Schedule No. 4-B**
Test Year Ended December 31, 2015 **Docket No. 160101-WS**
Monthly Wastewater Rates

	Utility Current Rates	Utility Requested Final	Staff Recommended Rates	Four Year Rate Reduction
Residential				
Base Facility Charge - All Meter Sizes	$21.00	$25.47	$25.68	$0.20
Charge per 1,000 Gallons				
6,000 gallon cap	$7.08	N/A	N/A	N/A
8,000 gallon cap	N/A	$4.91	$4.10	$0.03
General Service				
Base Facility Charge by Meter Size				
5/8" X 3/4"	$21.00	$25.47	$25.68	$0.20
3/4”	$31.49	$38.21	$38.52	$0.30
1"	$52.54	$63.68	$64.20	$0.50
1-1/2"	$105.04	$127.37	$128.40	$1.00
2"	$168.07	$203.79	$205.44	$1.60
3"	$336.15	$407.57	$410.88	$3.20
4"	$525.23	$636.83	$642.00	$5.00
6"	$1,050.45	$1,273.66	$1,284.00	$10.00
8”	N/A	$2,037.86	$2,054.40	$16.00
10”	N/A	$3,693.62	$3,723.60	$29.00
Charge per 1,000 Gallons	$8.49	$5.65	$4.92	$0.04
Typical Residential 5/8" x 3/4" Meter Bill Comparison				
4,000 Gallons	$49.32	$45.11	$42.08	
6,000 Gallons	$63.48	$54.93	$50.28	
8,000 Gallons	$63.48	$64.75	$58.48	

Eagle Ridge
Schedule of Wastewater Rate Base
Test Year Ended 12/31/2015

Schedule No. 2-A
Docket No. 160101-WS

	Description	Test Year Per Utility	Utility Adjust-ments	Adjusted Test Year Per Utility	Staff Adjust-ments	Staff Adjusted Test Year
1	Plant in Service	$7,386,629	$124,885	$7,511,514	$108,390	$7,619,904
2	Land and Land Rights	51,866	0	51,866	0	51,866
3	Non-used and Useful Components	0	0	0	0	0
4	Accumulated Depreciation	(4,188,454)	$311,458	(3,876,996)	438,486	(3,438,510)
5	CIAC	(3,810,352)	0	(3,810,352)	0	(3,810,352)
6	Amortization of CIAC	3,071,805	0	3,071,805	0	3,071,805
7	CWIP	776	($776)	0	0	0
8	Advances for Construction	0	0	0	0	0
9	Working Capital Allowance	192,625	0	192,625	(69,376)	123,249
10	**Rate Base**	$2,704,895	$435,567	$3,140,462	$477,499	$3,617,961

Eagle Ridge
Adjustments to Rate Base
Test Year Ended 12/31/2015

Schedule No. 2-B
Docket No. 160101-WS

	Explanation	Wastewater
	Plant In Service	
1	Audit Finding 9 (I-5)	($15,149)
2	Pro Forma Plant Additions (I-9)	535,755
3	Pro Forma Plant Retirements (I-10)	(412,216)
	Total	$108,390
	Accumulated Depreciation	
1	Pro Forma Plant Additions (I-9)	($38,513)
2	Pro Forma Plant Retirements (I-10)	412,216
3	Test Year Accumulated Depreciation Adjustments (I-18)	64,783
	Total	$438,486
	Working Capital	
1	Accrued Tax Adjustments (I-21)	($82,809)
2	Miscellaneous Deferred Debits Adjustments (I-21)	10,798
3	Deferred Rate Case Expense Adjustments (I-21)	2,634
	Total	($69,376)

Eagle Ridge
Statement of Wastewater Operations
Test Year Ended 12/31/2015

Schedule No. 3-A
Docket No. 160101-WS

	Description	Test Year Per Utility	Utility Adjust-ments	Adjusted Test Year Per Utility	Staff Adjust-ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1	**Operating Revenues:**	$1,163,170	$70,848	$1,234,018	($83,109)	$1,150,909	$67,624	$1,218,533
							5.88%	
	Operating Expenses							
2	Operation & Maintenance	$629,669	$32,591	$662,260	($46,065)	$616,195		$616,195
3	Depreciation	166,706	15,061	181,767	(21,088)	160,679		160,679
4	Amortization	0	0	0	855	855		855
5	Taxes Other Than Income	72,635	11,240	83,875	2,585	86,460	3,043	89,503
6	Income Taxes	4,805	78,023	82,828	(12,082)	70,746	24,302	95,047
7	**Total Operating Expense**	873,815	136,915	1,010,730	(75,795)	934,935	27,345	962,280
8	**Operating Income**	$289,355	($66,067)	$223,288	($7,314)	$215,974	$40,279	$256,253
9	**Rate Base**	$2,704,895		$3,140,462		$3,617,961		$3,617,961
10	**Rate of Return**	10.70%		7.11%		5.97%		7.08%

Eagle Ridge
Adjustments to Operating Income
Test Year Ended 12/31/2015

Schedule No. 3-B
Docket No. 160101-WS

	Explanation	Wastewater
	Operating Revenues	
1	Remove requested final revenue increase.	($64,787)
2	Test Year Revenues (I-32)	(18,322)
	Total	($83,109)
	Operation and Maintenance Expense	
1	Audit Finding 10 (I-33)	($4,345)
2	Pensions & Benefits Adjustments (I-35)	(4,316)
3	Chemicals (I-41)	(7,266)
4	Materials & Supplies (I-42)	(16,517)
5	Transportation Adjustments (I-48)	212
6	Rate Case Expense (I-49)	(2,805)
7	Unamortized Rate Case Expense (I-50)	(11,028)
	Total	($46,065)
	Depreciation Expense - Net	
1	Pro Forma Plant Additions (I-9)	$23,911
2	Pro Forma Plant Retirements (I-10)	(29,724)
3	Test Year Accumulated Depreciation Adjustments (I-18)	(9,097)
4	Audit Finding 9 (I-33)	($3,073)
5	WSC Cost Allocation Adjustments (I-36)	(3,106)
	Total	($21,088)
	Amortization-Other Expense	
	Phoenix Project Regulatory Asset (I-6)	$855
	Taxes Other Than Income	
1	To remove RAFs on revenue increase.	($3,740)
2	Pro Forma Plant Additions (I-9)	6,325
	Total	$2,585

Eagle Ridge
Test Year Ended December 31, 2015
Monthly Wastewater Rates

Schedule No. 4
Docket No. 160101-WS

	Rates Prior To Filing	Current Rates	Utility Requested Final	Staff Recommended Rates	Four Year Rate Reduction
Residential					
Base Facility Charge - All Meter Sizes	$24.25	$23.89	$25.47	$25.68	$0.20
Charge per 1,000 Gallons					
10,000 gallon cap	$5.56	$5.46	N/A	N/A	N/A
8,000 gallon cap			$4.91	$4.10	$0.03
Flat Rate	$27.00	$26.58	$35.66	$46.18	$0.36
General Service					
Base Facility Charge by Meter Size					
5/8" X 3/4"	$24.35	$23.99	$25.47	$25.68	$0.20
3/4”	N/A	N/A	$38.21	$38.52	$0.30
1"	$60.86	$59.95	$63.68	$64.20	$0.50
1-1/2"	$121.72	$119.90	$127.37	$128.40	$1.00
2"	$194.74	$191.83	$203.79	$205.44	$1.60
3"	$389.49	$383.68	$407.57	$410.88	$3.20
4"	$608.57	$599.49	$636.83	$642.00	$5.00
6"	$1,217.15	$1,198.99	$1,273.66	$1,284.00	$10.00
8”	N/A	N/A	$2,037.86	$2,054.40	$16.00
10”	N/A	N/A	$3,693.62	$3,723.60	$29.00
Cross Creek HOA	N/A	N/A	N/A	$23,557.15	$181.00
Charge per 1,000 Gallons	$6.69	$6.59	$5.65	$4.92	$0.04
Reuse Service					
Base Facility Charge	$0.00	$0.00	$0.00	$0.00	
Charge per 1,000 Gallons	$0.00	$0.00	$0.00	$0.00	
Typical Residential 5/8" x 3/4" Meter Bill Comparison					
4,000 Gallons	$46.49	$45.73	$45.11	$42.08	
6,000 Gallons	$57.61	$56.65	$54.93	$50.28	
8,000 Gallons	$68.73	$67.57	$64.75	$58.48	

Labrador
Schedule of Water Rate Base
Test Year Ended 12/31/15

Schedule No. 2-A
Docket No. 160101-WS

	Description	Test Year Per Utility	Utility Adjust-ments	Adjusted Test Year Per Utility	Staff Adjust-ments	Staff Adjusted Test Year
1	Plant in Service	$1,241,022	($122,136)	$1,118,886	$1,891	$1,120,777
2	Land and Land Rights	523	0	523	0	523
3	Non-used and Useful Components	0	0	0	0	0
4	CWIP	68,914	(68,914)	0	0	0
5	Accumulated Depreciation	(569,219)	111,890	(457,329)	(3,710)	(461,039)
6	CIAC	(342)	0	(342)	0	(342)
7	Amortization of CIAC	81	0	81	0	81
	Acquisition Adjustments	(351,387)	351,387	0	0	0
	Accum. Amort. Of Acq. Adjustments	115,331	(115,331)	0	0	0
8	Working Capital Allowance	0	26,994	26,994	15,595	42,589
9	**Rate Base**	$504,923	$183,890	$688,813	$13,776	$702,589

Labrador
Schedule of Wastewater Rate Base
Test Year Ended 12/31/15

Schedule No. 2-B
Docket No. 160101-WS

	Description	Test Year Per Utility	Utility Adjust-ments	Adjusted Test Year Per Utility	Staff Adjust-ments	Staff Adjusted Test Year
1	Plant in Service	$2,721,721	$130,353	$2,852,074	$1,877	$2,853,951
2	Land and Land Rights	0	0	0	0	0
3	Non-used and Useful Components	0	0	0	(289,404)	(289,404)
4	CWIP	223	(223)	0	0	0
5	Accumulated Depreciation	(918,148)	(112,127)	(1,030,275)	(159)	(1,030,434)
6	CIAC	0	0	0	0	0
7	Amortization of CIAC	0	0	0	0	0
8	Working Capital Allowance	0	109,937	109,937	7,536	117,473
9	**Rate Base**	$1,803,796	$127,940	$1,931,736	($280,151)	$1,651,585

Labrador
Adjustments to Rate Base
Test Year Ended 12/31/15

Schedule No. 2-C
Docket No. 160101-WS

	Explanation	Water	Wastewater
	Plant In Service		
1	Audit Finding 9 (I-5)	$3,742	$3,713
2	Pro Forma Plant Additions (I-9)	(5,885)	(5,837)
3	Pro Forma Plant Retirements (I-10)	4,034	4,001
	Total	$1,891	$1,877
	Non-used and Useful		
	Non-Used & Useful Adjustments (I-16)	$0	($289,404)
	Accumulated Depreciation		
1	Pro Forma Plant Additions (I-9)	$324	$322
2	Pro Forma Plant Retirements (I-10)	(4,034)	(4,001)
3	Test Year Accumulated Depreciation Adjustments (I-18)	0	3,520
	Total	($3,710)	($159)
	Working Capital		
1	Accrued Tax Adjustments (I-21)	$7,595	$7,536
2	Miscellaneous Deferred Debits Adjustments (I-21)	8,000	0
	Total	$15,595	$7,536

Labrador
Statement of Water Operations
Test Year Ended 12/31/15

Schedule No. 3-A
Docket No. 160101-WS

	Description	Test Year Per Utility	Utility Adjust-ments	Adjusted Test Year Per Utility	Staff Adjust-ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1	**Operating Revenues:**	$307,001	$65,527	$372,528	($67,286)	$305,242	$17,072	$322,314
							5.59%	
	Operating Expenses							
2	Operation & Maintenance	$173,249	$15,793	$189,042	($34,901)	$154,141		$154,141
3	Depreciation	74,291	(3,403)	70,888	(3,565)	67,323		67,323
4	Amortization	(11,185)	11,185	0	0	0		0
5	Taxes Other Than Income	31,837	3,231	35,068	(3,207)	31,861	768	32,629
6	Income Taxes	4,545	16,433	20,978	(8,656)	12,322	6,135	18,458
7	**Total Operating Expense**	272,737	43,239	315,976	(50,328)	265,648	6,903	272,551
8	**Operating Income**	$34,264	$22,288	$56,552	($16,958)	$39,594	$10,169	$49,763
9	**Rate Base**	$504,923		$688,813		$702,589		$702,589
10	**Rate of Return**	6.79%		8.21%		5.64%		7.08%

Labrador
Statement of Wastewater Operations
Test Year Ended 12/31/15

Schedule No. 3-B
Docket No. 160101-WS

	Description	Test Year Per Utility	Utility Adjust-ments	Adjusted Test Year Per Utility	Staff Adjust-ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1	**Operating Revenues:**	$568,873	$49,424	$618,297	$15,981	$634,278	($134,841)	$499,437
							-21.26%	
	Operating Expenses							
2	Operation & Maintenance	$226,666	$27,050	$253,716	($36,152)	$217,564		$217,564
3	Depreciation	144,529	(44,846)	99,683	(17,915)	81,768		81,768
4	Amortization	0	0	0	0	0		0
5	Taxes Other Than Income	43,432	4,012	47,444	(1,638)	45,806	(6,068)	39,738
6	Income Taxes	8,638	50,219	58,857	32,989	91,846	(48,457)	43,389
7	**Total Operating Expense**	423,265	36,435	459,700	(22,716)	436,984	(54,525)	382,459
8	**Operating Income**	$145,608	$12,989	$158,597	$38,697	$197,294	($80,316)	$116,979
9	**Rate Base**	$1,803,796		$1,931,736		$1,651,585		$1,651,585
10	**Rate of Return**	8.07%		8.21%		11.95%		7.08%

Labrador
Adjustments to Operating Income
Test Year Ended 12/31/15

Schedule No. 3-C
Docket No. 160101-WS

	Explanation	Water	Wastewater
	Operating Revenues		
1	Remove requested final revenue increase or decrease.	($67,286)	$21,075
2	Test Year Revenues (I-32)	0	(5,094)
	Total	($67,286)	$15,981
	Operation and Maintenance Expense		
1	EUW Adjustments (I-11)	($460)	$0
2	Audit Finding 10 (I-33)	(1,152)	(1,143)
3	Pensions & Benefits Adjustments (I-35)	(1,302)	(1,292)
4	Contractual Services - Legal (I-44)	(505)	(501)
5	Contractual Services - Other (I-46)	(3,020)	(4,980)
6	Transportation Adjustments (I-48)	64	64
7	Rate Case Expense (I-49)	(847)	(840)
8	Unamortized Rate Case Expense (I-50)	(27,557)	(27,338)
9	Miscellaneous Expense (I-51)	(122)	(121)
	Total	($34,901)	($36,152)
	Depreciation Expense - Net		
1	Pro Forma Plant Additions (I-9)	($1,414)	($1,403)
2	Pro Forma Plant Retirements (I-10)	854	847
3	Non-Used & Useful Adjustments (I-16)	0	(14,181)
4	Test Year Accumulated Depreciation Adjustments (I-18)	0	(198)
5	Audit Finding 9 (I-33)	(2,068)	(2,051)
6	WSC Cost Allocation Adjustments (I-36)	(937)	(930)
	Total	($3,565)	($17,915)
	Taxes Other Than Income		
1	To remove RAFs on revenue increase.	($3,028)	$719
2	Pro Forma Plant Additions (I-9)	(179)	(177)
3	Non-Used & Useful Adjustments (I-16)	0	(2,180)
	Total	($3,207)	($1,638)

Labrador
Test Year Ended December 31, 2015
Monthly Water Rates

Schedule No. 4-A
Docket No. 160101-WS

	Utility Current Rates	Utility Requested Final	Staff Recommended Rates	Staff Recommended Surcharge	Four Year Rate Reduction
Residential and General Service					
Base Facility Charge by Meter Size					
5/8" X 3/4"	$13.76	$11.54	$10.87	$0.36	$0.12
3/4”	$20.66	$17.31	$16.31	$0.54	$0.18
1"	$34.42	$28.84	$27.18	$0.90	$0.30
1-1/2"	$68.84	$57.69	$54.35	$1.80	$0.60
2"	$110.16	$92.30	$86.96	$2.88	$0.96
3"	$220.32	$184.59	$173.92	$5.76	$1.92
4"	$344.24	$288.43	$271.75	$9.00	$3.00
6"	$688.48	$576.86	$543.50	$18.00	$6.00
8”	N/A	$922.97	$869.60	$28.80	$9.60
10”	N/A	$1,672.89	$1,576.15	$52.20	$17.40
Charge per 1,000 gallons - Residential	$8.68	N/A	N/A	N/A	N/A
0 – 8,000 gallons	N/A	$1.97	N/A	N/A	N/A
8,001 – 16,000 gallons	N/A	$2.95	N/A	N/A	N/A
Over 16,000 gallons	N/A	$3.93	N/A	N/A	N/A
0 – 4,000 gallons	N/A	N/A	$1.52	$0.45	$0.02
4,001 – 12,000 gallons	N/A	N/A	$2.28	$0.68	$0.03
Over 12,000 gallons	N/A	N/A	$3.80	$1.13	$0.04
Charge per 1,000 gallons - General Service	$8.68	$2.98	$2.57	$0.46	$0.03
Irrigation Service					
Base Facility Charge by Meter Size					
2”	$110.16	$92.30	$86.96	$2.88	$0.96
Charge per 1,000 gallons	$8.68	$2.98	$2.57	$0.46	$0.03
Typical Residential 5/8" x 3/4" Meter Bill Comparison					
4,000 Gallons	$48.48	$19.42	$16.95		
8,000 Gallons	$83.20	$27.30	$26.07		
12,000 Gallons	$117.92	$39.10	$35.19		

Labrador
Test Year Ended December 31, 2015
Monthly Wastewater Rates

Schedule No. 4-B
Docket No. 160101-WS

	Utility Current Rates	Utility Requested Final	Staff Recommended Rates	Staff Recommended Surcharge	Four Year Rate Reduction
Residential Service					
Base Facility Charge - All Meter Sizes	$27.53	$25.47	$25.68	$0.51	$0.20
Charge per 1,000 Gallons					
6,000 gallon cap	$19.41	N/A	N/A		
8,000 gallon cap	N/A	$4.91	$4.10	$0.34	$0.03
General Service					
Base Facility Charge by Meter Size					
5/8" X 3/4"	$27.53	$25.47	$25.68	$0.51	$0.20
3/4"	$41.29	$38.21	$38.52	$0.77	$0.30
1"	$68.81	$63.68	$64.20	$1.28	$0.50
1-1/2"	$137.61	$127.37	$128.40	$2.55	$1.00
2"	$220.19	$203.79	$205.44	$4.08	$1.60
3"	$440.38	$407.57	$410.88	$8.16	$3.20
4"	$688.07	$636.83	$642.00	$12.75	$5.00
6"	$1,376.14	$1,273.66	$1,284.00	$25.50	$10.00
8"	$2,201.84	$2,037.86	$2,054.40	$40.80	$16.00
10"	N/A	$3,693.62	$3,723.60	$73.95	$29.00
Charge per 1,000 gallons	$23.29	$5.65	$4.92	$0.40	$0.04
Typical Residential 5/8" x 3/4" Meter Bill Comparison					
4,000 Gallons	$105.17	$45.11	$42.08		
6,000 Gallons	$143.99	$54.93	$50.28		
8,000 Gallons	$143.99	$64.75	$58.48		

Lake Placid
Schedule of Water Rate Base
Test Year Ended 12/31/15

Schedule No. 2-A
Docket No. 160101-WS

	Description	Test Year Per Utility	Utility Adjust-ments	Adjusted Test Year Per Utility	Staff Adjust-ments	Staff Adjusted Test Year
1	Plant in Service	$531,442	($19,978)	$511,464	($55)	$511,409
2	Land and Land Rights	2,799	0	2,799	0	2,799
3	Non-used and Useful Components	0	0	0	0	0
4	CWIP	2	(2)	0	0	0
5	Accumulated Depreciation	(252,869)	20,762	(232,107)	2,124	(229,983)
6	CIAC	(235,199)	0	(235,199)	0	(235,199)
7	Amortization of CIAC	92,146	0	92,146	(722)	91,424
8	Working Capital Allowance	0	6,314	6,314	1,060	7,374
9	**Rate Base**	$138,321	$7,096	$145,417	$2,407	$147,824

Lake Placid
Schedule of Wastewater Rate Base
Test Year Ended 12/31/15

Schedule No. 2-B
Docket No. 160101-WS

	Description	Test Year Per Utility	Utility Adjust-ments	Adjusted Test Year Per Utility	Staff Adjust-ments	Staff Adjusted Test Year
1	Plant in Service	$782,927	$23,619	$806,546	($57)	$806,489
2	Land and Land Rights	21,665	0	21,665	0	21,665
3	Non-used and Useful Components	0	0	0	(89,807)	(89,807)
4	CWIP	0	0	0	0	0
5	Accumulated Depreciation	(526,988)	(16,019)	(543,007)	6,568	(536,439)
6	CIAC	(335,881)	0	(335,881)	0	(335,881)
7	Amortization of CIAC	180,809	0	180,809	(25,258)	155,551
8	Working Capital Allowance	0	7,346	7,346	5,496	12,842
9	**Rate Base**	$122,532	$14,946	$137,478	($103,058)	$34,420

Lake Placid
Adjustments to Rate Base
Test Year Ended 12/31/15

Schedule No. 2-C
Docket No. 160101-WS

	Explanation	Water	Wastewater
	Plant In Service		
1	Audit Finding 9 (I-5)	$967	$980
2	Pro Forma Plant Additions (I-9)	(1,768)	(1,795)
3	Pro Forma Plant Retirements (I-10)	746	758
	Total	($55)	($57)
	Non-used and Useful		
	Non-Used & Useful Adjustments (I-16)	$0	($89,807)
	Accumulated Depreciation		
1	Pro Forma Plant Additions (I-9)	$116	$118
2	Pro Forma Plant Retirements (I-10)	(746)	(758)
3	Test Year Accumulated Depreciation Adjustments (I-18)	2,754	7,208
	Total	$2,124	$6,568
	Accumulated Amortization of CIAC		
	Test Year AA of CIAC (I-20)	($722)	($25,258)
	Working Capital		
1	Accrued Tax Adjustments (I-21)	$378	$383
2	Miscellaneous Deferred Debits Adjustments (I-21)	546	4,975
3	Deferred Rate Case Expense Adjustments (I-21)	137	139
	Total	$1,060	$5,496

Lake Placid
Statement of Water Operations
Test Year Ended 12/31/15

Schedule No. 3-A
Docket No. 160101-WS

	Description	Test Year Per Utility	Utility Adjust-ments	Adjusted Test Year Per Utility	Staff Adjust-ments	Staff Adsjusted Test Year	Revenue Increase	Revenue Requirement
1	**Operating Revenues:**	$71,165	$11,950	$83,115	($13,602)	$69,513	$5,262	$74,775
							7.57%	
	Operating Expenses							
2	Operation & Maintenance	$45,039	$1,955	$46,994	($5,969)	$41,025		$41,025
3	Depreciation	14,697	(2,519)	12,178	(68)	12,110		12,110
4	Amortization	(217)	217	0	172	172		172
5	Taxes Other Than Income	8,196	(707)	7,489	(612)	6,877	237	7,114
6	Income Taxes	(595)	4,966	4,371	(2,379)	1,992	1,891	3,883
7	**Total Operating Expense**	67,120	3,912	71,032	(8,855)	62,177	2,128	64,305
8	**Operating Income**	$4,045	$8,038	$12,083	($4,747)	$7,336	$3,134	$10,470
9	**Rate Base**	$138,321		$145,417		$147,824		$147,824
10	**Rate of Return**	2.92%		8.31%		4.96%		7.08%

Lake Placid
Statement of Wastewater Operations
Test Year Ended 12/31/15

Schedule No. 3-B
Docket No. 160101-WS

	Description	Test Year Per Utility	Utility Adjust-ments	Adjusted Test Year Per Utility	Staff Adjust-ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1	**Operating Revenues:**	$75,147	$16,470	$91,617	($18,785)	$72,832	($6,354)	$66,478
							-8.72%	
	Operating Expenses							
2	Operation & Maintenance	$47,400	$3,089	$50,489	($6,428)	$44,061		$44,061
3	Depreciation	14,786	2,608	17,394	(4,740)	12,654		12,654
4	Amortization	0	0	0	192	192		192
5	Taxes Other Than Income	7,984	193	8,177	(1,662)	6,515	(286)	6,229
6	Income Taxes	2,037	2,097	4,134	(946)	3,188	(2,283)	904
7	**Total Operating Expense**	72,207	7,987	80,194	(13,585)	66,609	(2,569)	64,040
8	**Operating Income**	$2,940	$8,483	$11,423	($5,200)	$6,223	($3,785)	$2,438
9	**Rate Base**	$122,532		$137,478		$34,420		$34,420
10	**Rate of Return**	2.40%		8.31%		18.08%		7.08%

Lake Placid
Adjustments to Operating Income
Test Year Ended 12/31/15

Schedule No. 3-C
Docket No. 160101-WS

	Explanation	Water	Wastewater
	Operating Revenues		
1	Remove requested final revenue increase or decrease.	($13,745)	($18,926)
2	Test Year Revenues (I-32)	143	141
	Total	($13,602)	($18,785)
	Operation and Maintenance Expense		
1	EUW Adjustments (I-11)	($108)	$0
2	Audit Finding 10 (I-33)	41	42
3	Pensions & Benefits Adjustments (I-35)	(241)	(244)
4	Contractual Services - Engineering (I-43)	(1,920)	(1,549)
5	Transportation Adjustments (I-48)	12	12
6	Rate Case Expense (I-49)	(157)	(159)
7	Unamortized Rate Case Expense (I-50)	(3,596)	(3,630)
8	Miscellaneous Expense (I-51)	0	(900)
	Total	($5,969)	($6,428)
	Depreciation Expense - Net		
1	Pro Forma Plant Additions (I-9)	($375)	($380)
2	Pro Forma Plant Retirements (I-10)	157	160
3	Non-Used & Useful Adjustments (I-16)	0	(7,418)
4	Test Year Accumulated Depreciation Adjustments (I-18)	(525)	1,290
5	Test Year AA of CIAC (I-20)	1,032	1,971
6	Audit Finding 9 (I-33)	(184)	(187)
7	WSC Cost Allocation Adjustments (I-36)	(173)	(176)
	Total	($68)	($4,740)
	Amortization-Other Expense		
	Phoenix Project Regulatory Asset (I-6)	$172	$192
	Taxes Other Than Income		
1	To remove RAFs on revenue increase.	($612)	($845)
2	Non-Used & Useful Adjustments (I-16)	0	(816)
	Total	($612)	($1,662)

Lake Placid | **Schedule No. 4-A**
Test Year Ended December 31, 2015 | **Docket No. 160101-WS**
Monthly Water Rates

	Rates Prior to Filing	Commission Approved Interim	Utility Requested Final	Staff Recommended Rates	Staff Recommended Surcharge	Four Year Rate Reduction
Residential and General Service						
Base Facility Charge by Meter Size						
5/8" X 3/4"	$15.94	$18.17	$11.54	$10.87	$0.25	$0.12
3/4"	$23.92	$27.26	$17.31	$16.31	$0.38	$0.18
1"	$39.84	$45.43	$28.84	$27.18	$0.63	$0.30
1-1/2"	$79.68	$90.85	$57.69	$54.35	$1.25	$0.60
2"	$127.49	$145.36	$92.30	$86.96	$2.00	$0.96
3"	$254.98	$290.72	$184.59	$184.64	$4.00	$1.92
4"	$398.40	$454.25	$288.43	$271.75	$6.25	$3.00
6"	$796.80	$908.50	$576.86	$543.50	$12.50	$6.00
8”	N/A	N/A	$922.97	$869.60	$20.00	$9.60
10”	N/A	N/A	$1,672.89	$1,576.15	$36.25	$17.40
Charge per 1,000 gallons - Residential	$6.77	$7.72	N/A	N/A		
0 – 8,000 gallons	N/A	N/A	$1.97	$1.52	$0.23	$0.02
8,001 – 16,000 gallons	N/A	N/A	$2.95	$2.28	$0.35	$0.03
Over 16,000 gallons	N/A	N/A	$3.93	$3.80	$0.58	$0.04
Charge per 1,000 gallons – General Service	$6.77	$7.72	$2.98	$2.57	$0.24	$0.03
Typical Residential 5/8" x 3/4" Meter Bill Comparison						
4,000 Gallons	$43.02	$49.05	$19.42	$16.95		
8,000 Gallons	$70.10	$79.93	$27.30	$26.07		
12,000 Gallons	$97.18	$110.81	$39.10	$35.19		

Lake Placid — **Schedule No. 4-B**
Test Year Ended December 31, 2015 — **Docket No. 160101-WS**
Monthly Wastewater Rates

	Rates Prior to Filing	Commission Approved Interim	Utility Requested Final	Staff Recommended Rates	Staff Recommended Surcharge	Four Year Rate Reduction
Residential Service						
Base Facility Charge - All Meter Sizes	$12.09	$12.09	$25.47	$25.68	$0.35	$0.20
Charge per 1,000 Gallons						
6,000 gallon cap	$5.57	$5.57	N/A	N/A		
8,000 gallon cap	N/A	N/A	$4.91	$4.10	$0.12	$0.03
Flat Rate	$22.03	$22.03	$35.66	$46.18	$0.95	$0.36
General Service						
Base Facility Charge by Meter Size						
5/8" X 3/4"	$12.09	$12.09	$25.47	$25.68	$0.35	$0.20
3/4"	$18.15	$18.15	$38.21	$38.52	$0.53	$0.30
1"	$30.24	$30.24	$63.68	$64.20	$0.88	$0.50
1-1/2"	$60.47	$60.47	$127.37	$128.40	$1.75	$1.00
2"	$96.76	$96.76	$203.79	$205.44	$2.80	$1.60
3"	$193.54	$193.54	$407.57	$410.88	$5.60	$3.20
4"	$302.40	$302.40	$636.83	$642.00	$8.75	$5.00
6"	$604.80	$604.80	$1,273.66	$1,284.00	$17.50	$10.00
8”	N/A	N/A	$2,037.86	$2,054.40	$28.00	$16.00
10”	N/A	N/A	$3,693.62	$3,723.60	$50.75	$29.00
Charge per 1,000 gallons	$6.68	$6.68	$5.65	$4.92	$0.14	$0.04
Bulk Service						
Base Facility Charge - All Meter Sizes	$405.84	$405.84	$855.90	$1,489.44	$20.30	$11.48
Charge per 1,000 gallons	$5.35	$5.35	$4.66	$4.10	$0.12	$0.03
Typical Residential 5/8" x 3/4" Meter Bill Comparison						
4,000 Gallons	$34.37	$34.37	$45.11	$42.08		
6,000 Gallons	$45.51	$45.51	$54.93	$50.28		
8,000 Gallons	$45.51	$45.51	$64.75	$58.48		

LUSI
Schedule of Water Rate Base
Test Year Ended 12/31/15

Schedule No. 2-A
Docket No. 160101-WS

	Description	Test Year Per Utility	Utility Adjust-ments	Adjusted Test Year Per Utility	Staff Adjust-ments	Staff Adjusted Test Year
1	Plant in Service	$49,554,823	($7,380,578)	$42,174,245	$307,565	$42,481,810
2	Land and Land Rights	112,871	0	112,871	0	112,871
3	Non-used and Useful Components	0	0	0	0	0
4	CWIP	453,700	(453,700)	0	0	0
5	Accumulated Depreciation	(14,746,722)	3,033,873	(11,712,849)	70,826	(11,642,023)
6	CIAC	(20,668,539)	(27,554)	(20,696,093)	(20,200)	(20,716,293)
7	Amortization of CIAC	7,706,536	(963,611)	6,742,925	(108,597)	6,634,328
8	Advances for Construction	(38,400)	0	(38,400)	0	(38,400)
9	Working Capital Allowance	0	370,572	370,572	(370,572)	0
10	**Rate Base**	$22,374,269	($5,420,998)	$16,953,271	($120,978)	$16,832,293

LUSI | **Schedule No. 2-B**
Schedule of Wastewater Rate Base | **Docket No. 160101-WS**
Test Year Ended 12/31/15

	Description	Test Year Per Utility	Utility Adjust-ments	Adjusted Test Year Per Utility	Staff Adjust-ments	Staff Adjusted Test Year
1	Plant in Service	$16,297,248	$8,909,177	$25,206,425	$163,313	$25,369,738
2	Land and Land Rights	19,459	0	19,459	0	19,459
3	Non-used and Useful Components	0	(1,222,003)	(1,222,003)	(727,208)	(1,949,211)
4	CWIP	259,767	(259,767)	0	0	0
5	Accumulated Depreciation	(5,076,780)	(875,347)	(5,952,127)	535,029	(5,417,098)
6	CIAC	(12,069,812)	(45,225)	(12,115,037)	32,579	(12,082,458)
7	Amortization of CIAC	3,678,441	137,474	3,815,915	(8,642)	3,807,273
8	Acquisition Adjustments	(80,978)	80,978	0	0	0
9	Accum. Amort. Of Acq. Adjustments	7,960	(7,960)	0	0	0
10	Working Capital Allowance	0	49,916	49,916	3,442	53,358
11	**Rate Base**	$3,035,305	$6,767,243	$9,802,548	($1,488)	$9,801,060

LUSI
Adjustments to Rate Base
Test Year Ended 12/31/15

Schedule No. 2-C
Docket No. 160101-WS

	Explanation	Water	Wastewater
	Plant In Service		
1	Audit Finding 2 & 9 (I-5)	$90,176	$22,971
2	Pro Forma Plant Additions (I-9)	183,534	700,530
3	Pro Forma Plant Retirements (I-10)	33,855	(560,189)
	Total	$307,565	$163,313
	Non-used and Useful		
	Non-Used & Useful Adjustments (I-16)	$0	($727,208)
	Accumulated Depreciation		
1	Audit Finding 2 (I-5)	$146,639	$8,499
2	Pro Forma Plant Additions (I-9)	(41,959)	(33,660)
3	Pro Forma Plant Retirements (I-10)	(33,855)	560,189
	Total	$70,826	$535,029
	CIAC		
	Audit Finding 2 (I-5)	($20,200)	$32,579
	Accumulated Amortization of CIAC		
	Audit Finding 2 (I-5)	($108,597)	($8,642)
	Working Capital		
1	Miscellaneous Deferred Debits Adjustments (I-21)	($450,000)	$0
2	Deferred Rate Case Expense Adjustments (I-21)	11,131	3,442
3	Negative Working Capital Adjustment (I-21)	68,297	0
	Total	($370,572)	$3,442

LUSI
Statement of Water Operations
Test Year Ended 12/31/15

Schedule No. 3-A
Docket No. 160101-WS

	Description	Test Year Per Utility	Utility Adjust-ments	Adjusted Test Year Per Utility	Staff Adjust-ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1	**Operating Revenues:**	$5,463,208	$63,134	$5,526,342	($41,688)	$5,484,654	($57,674)	$5,426,980
							-1.05%	
	Operating Expenses							
2	Operation & Maintenance	$2,104,172	$139,915	$2,244,087	($41,248)	$2,202,839		$2,202,839
3	Depreciation	991,893	(23,748)	968,145	(35,804)	932,341		932,341
4	Amortization	(1,545)	1,545	0	0	0		0
5	Taxes Other Than Income	628,707	(61,955)	566,752	93,245	659,997	(2,595)	657,401
6	Income Taxes	379,671	92,800	472,471	(9,545)	462,926	(20,726)	442,200
7	**Total Operating Expense**	4,102,898	148,557	4,251,455	6,648	4,258,103	(23,321)	4,234,781
8	**Operating Income**	$1,360,310	($85,423)	$1,274,887	($48,336)	$1,226,551	($34,353)	$1,192,199
9	**Rate Base**	$22,374,269		$16,953,271		$16,832,293		$16,832,293
10	**Rate of Return**	6.08%		7.52%		7.29%		7.08%

LUSI
Statement of Wastewater Operations
Test Year Ended 12/31/15

Schedule No. 3-B
Docket No. 160101-WS

	Description	Test Year Per Utility	Utility Adjust-ments	Adjusted Test Year Per Utility	Staff Adjust-ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1	**Operating Revenues:**	$2,320,097	$528,136	$2,848,233	($542,504)	$2,305,729	$275,219	$2,580,948
							11.94%	
	Operating Expenses							
2	Operation & Maintenance	$759,720	$81,265	$840,985	($44,269)	$796,716		$796,716
3	Depreciation	216,180	405,400	621,580	(52,097)	569,483		569,483
4	Amortization	0	0	0	0	0		0
5	Taxes Other Than Income	222,627	152,450	375,077	(124,386)	250,691	12,385	263,076
6	Income Taxes	191,404	82,033	273,437	(114,859)	158,578	98,905	257,483
7	**Total Operating Expense**	1,389,931	721,148	2,111,079	(335,610)	1,775,469	111,289	1,886,758
8	**Operating Income**	$930,166	($193,012)	$737,154	($206,894)	$530,260	$163,930	$694,190
9	**Rate Base**	$3,035,305		$9,802,548		$9,801,060		$9,801,060
10	**Rate of Return**	30.64%		7.52%		5.41%		7.08%

LUSI
Adjustments to Operating Income
Test Year Ended 12/31/15

Schedule No. 3-C
Docket No. 160101-WS

	Explanation	Water	Wastewater
	Operating Revenues		
1	Remove requested final revenue increase or decrease.	($41,730)	($542,544)
2	Test Year Revenues (I-32)	42	40
	Total	($41,688)	($542,504)
	Operation and Maintenance Expense		
1	Audit Finding 10 (I-33)	($10,862)	($3,359)
2	Pensions & Benefits Adjustments (I-35)	(20,045)	(6,199)
3	Sludge Removal (I-39)	0	(21,000)
4	Purchased Power (I-40)	3,631	(9,831)
5	Contractual Services - Testing (I-45)	(1,425)	0
6	Transportation Adjustments (I-48)	986	305
7	Rate Case Expense (I-49)	(13,598)	(4,205)
8	Unamortized Rate Case Expense (I-50)	65	20
	Total	($41,248)	($44,269)
	Depreciation Expense - Net		
1	Pro Forma Plant Additions (I-9)	($16,654)	$7,317
2	Pro Forma Plant Retirements (I-10)	12,442	(9,185)
3	Non-Used & Useful Adjustments (I-16)	0	(39,964)
5	Audit Findings 2 and 9 (I-33)	(17,168)	(5,804)
6	WSC Cost Allocation Adjustments (I-36)	(14,424)	(4,461)
	Total	($35,804)	($52,097)
	Taxes Other Than Income		
1	To remove RAFs on revenue increase.	($1,876)	($24,413)
2	Pro Forma Plant Additions (I-9)	95,121	(98,231)
3	Non-Used & Useful Adjustments (I-16)	0	(1,742)
	Total	$93,245	($124,386)

LUSI | **Schedule No. 4-A**
Test Year Ended December 31, 2015 | **Docket No. 160101-WS**
Monthly Water Rates

	Utility Current Rates	Utility Requested Final	Staff Recommended Rates	Four Year Rate Reduction
Residential and General Service				
Base Facility Charge by Meter Size				
5/8" X 3/4"	$9.61	$11.54	$10.87	$0.12
3/4"	N/A	$17.31	$16.31	$0.18
1"	$24.02	$28.84	$27.18	$0.30
1-1/2"	$48.05	$57.69	$54.35	$0.60
2"	$76.87	$92.30	$86.96	$0.96
3"	$153.75	$184.59	$173.92	$1.92
4"	$240.25	$288.43	$271.75	$3.00
6"	$480.47	$576.86	$543.50	$6.00
8"	$864.63	$922.97	$869.60	$9.60
10"	$1,393.36	$1,672.89	$1,576.15	$17.40
Charge per 1,000 gallons - Residential				
0 – 5,000 gallons	$2.36	N/A	N/A	N/A
5,001 – 10,000 gallons	$2.73	N/A	N/A	N/A
Over 10,000 gallons	$4.08	N/A	N/A	N/A
0 – 8,000 gallons	N/A	$1.97	N/A	N/A
8,001 – 16,000 gallons	N/A	$2.95	N/A	N/A
Over 16,000 gallons	N/A	$3.93	N/A	N/A
0 – 4,000 gallons	N/A	N/A	$1.52	$0.02
4,001 – 12,000 gallons	N/A	N/A	$2.28	$0.03
Over 12,000 gallons	N/A	N/A	$3.80	$0.04
Charge per 1,000 gallons - General Service	$3.21	$2.98	$2.57	$0.03
Private Fire Protection*				
1 ½" Private Fire Line	N/A	$2.26	$4.53	$0.05
2" Private Fire Line	N/A	$3.61	$7.25	$0.08
4" Private Fire Line	$239.25	$11.29	$14.49	$0.16
6" Private Fire Line	$478.48	$22.59	$22.65	$0.25
8" Private Fire Line	$861.24	$36.14	$45.29	$0.50
10" Private Fire Line	$1,387.58	$51.95	$72.47	$0.80
12" Private Fire Line	$2,057.64	$97.12	$131.35	$1.45
Typical Residential 5/8" x 3/4" Meter Bill Comparison				
4,000 Gallons	$19.05	$19.42	$16.95	
8,000 Gallons	$29.60	$27.30	$26.07	
12,000 Gallons	$43.22	$39.10	$35.19	

LUSI **Schedule No. 4-B**
Test Year Ended December 31, 2015 **Docket No. 160101-WS**
Monthly Wastewater Rates

	Utility Current Rates	Utility Requested Final	Staff Recommended Rates	Four Year Rate Reduction
Residential				
Base Facility Charge - All Meter Sizes	$23.27	$25.47	$25.68	$0.20
Charge per 1,000 Gallons				
10,000 gallon cap	$4.23	N/A	N/A	N/A
8,000 gallon cap	N/A	$4.91	$4.10	$0.03
General Service				
Base Facility Charge by Meter Size				
5/8" X 3/4"	$23.27	$25.47	$25.68	$0.20
3/4”	N/A	$38.21	$38.52	$0.30
1"	$58.21	$63.68	$64.20	$0.50
1-1/2"	$116.40	$127.37	$128.40	$1.00
2"	$186.25	$203.79	$205.44	$1.60
3"	$372.50	$407.57	$410.88	$3.20
4"	$582.03	$636.83	$642.00	$5.00
6"	$1,164.08	$1,273.66	$1,284.00	$10.00
8”	$2,095.32	$2,037.86	$2,054.40	$16.00
10”	$3,375.83	$3,693.62	$3,723.60	$29.00
Charge per 1,000 Gallons	$5.10	$5.65	$4.92	$0.04
Reuse Service				
Base Facility Charge	$7.38	$7.64	$7.64	N/A
Charge per 1,000 Gallons	$1.10	$1.45	$1.45	N/A
Typical Residential 5/8" x 3/4" Meter Bill Comparison				
4,000 Gallons	$40.19	$45.11	$42.08	
6,000 Gallons	$48.65	$54.93	$50.28	
8,000 Gallons	$57.11	$64.75	$58.48	

Longwood | **Schedule No. 2-A**
Schedule of Wastewater Rate Base | **Docket No. 160101-WS**
Test Year Ended 12/31/2015

	Description	Test Year Per Utility	Utility Adjust-ments	Adjusted Test Year Per Utility	Staff Adjust-ments	Staff Adjusted Test Year
1	Plant in Service	$4,241,539	($1,370,082)	$2,871,457	$45,441	$2,916,898
2	Land and Land Rights	229,155	0	229,155	0	229,155
3	Acquisition Adjustments	(369)	369	0	0	0
4	Accum. Amort. Of Acq. Adjustments	37	(37)	0	0	0
5	Accumulated Depreciation	(2,332,580)	1,973,542	(359,038)	(1,752,731)	(2,111,769)
6	CIAC	(1,675,009)	0	(1,675,009)	0	(1,675,009)
7	Amortization of CIAC	1,635,514	0	1,635,514	0	1,635,514
8	CWIP	15,656	(15,656)	0	0	0
9	Working Capital Allowance	0	13	13	1,592,788	1,592,801
10	**Rate Base**	$2,113,943	$588,149	$2,702,092	($114,502)	$2,587,590

Longwood
Adjustments to Rate Base
Test Year Ended 12/31/2015

Schedule No. 2-B
Docket No. 160101-WS

	Explanation	Wastewater
	Plant In Service	
1	Audit Finding 9 (I-5)	($12,551)
2	Pro Forma Plant Additions (I-9)	(54,675)
3	Pro Forma Plant Retirements (I-10)	112,667
	Total	$45,441
	Accumulated Depreciation	
1	Pro Forma Plant Additions (I-9)	($10,077)
2	Pro Forma Plant Retirements (I-10)	(112,667)
3	Test Year Plant Retirements (I-10)	(1,639,137)
4	Test Year Accumulated Depreciation Adjustments (I-18)	9,150
	Total	($1,752,731)
	Working Capital	
1	Accrued Tax Adjustments (I-21)	$43,703
2	Loss on Abandoned Plant Adjustments (I-21)	1,547,265
3	Deferred Rate Case Expense Adjustments (I-21)	1,820
	Total	$1,592,788

Longwood
Statement of Wastewater Operations
Test Year Ended 12/31/2015

Schedule No. 3-A
Docket No. 160101-WS

	Description	Test Year Per Utility	Utility Adjust-ments	Adjusted Test Year Per Utility	Staff Adjust-ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1	**Operating Revenues:**	$796,462	$46,905	$843,367	($34,554)	$808,813	$182,266	$991,079
							22.53%	
	Operating Expenses							
2	Operation & Maintenance	$411,722	$25,994	$437,716	($14,679)	$423,037		$423,037
3	Depreciation	112,223	(65,593)	46,630	(1,449)	45,181		45,181
4	Amortization	(7)	7	0	193,156	193,156		193,156
5	Taxes Other Than Income	89,295	11,879	101,174	(30,924)	70,250	8,202	78,452
6	Income Taxes	15,776	55,356	71,132	(68,654)	2,478	65,500	67,978
7	**Total Operating Expense**	629,009	27,643	656,652	77,451	734,103	73,702	807,805
8	**Operating Income**	$167,453	$19,262	$186,715	($112,005)	$74,710	$108,564	$183,274
9	**Rate Base**	$2,113,943		$2,702,092		$2,587,590		$2,587,590
10	**Rate of Return**	7.92%		6.91%		2.89%		7.08%

Longwood **Adjustments to Operating Income** **Test Year Ended 12/31/2015**		**Schedule No. 3-B** **Docket No. 160101-WS**
	Explanation	**Wastewater**
	Operating Revenues	
1	Remove requested final revenue increase or decrease.	($34,554)
2	Test Year Revenues (I-32)	0
	Total	($34,554)
	Operation and Maintenance Expense	
1	Audit Finding 10 (I-33)	($3,525)
2	Pensions & Benefits Adjustments (I-35)	(2,895)
3	Purchased Power (I-40)	(7,147)
4	Transportation Adjustments (I-48)	142
5	Rate Case Expense (I-49)	(1,264)
6	Unamortized Rate Case Expense (I-50)	11
	Total	($14,679)
	Depreciation Expense - Net	
1	Pro Forma Plant Additions (I-9)	($749)
2	Pro Forma Plant Retirements (I-10)	5,355
3	Test Year Accumulated Depreciation Adjustments (I-18)	(1,708)
4	Audit Finding 9 (I-33)	(2,264)
5	WSC Cost Allocation Adjustments (I-36)	(2,083)
	Total	($1,449)
	Amotization-Other Expense	
	Loss on Abandoned Plant (I-10)	$193,156
	Taxes Other Than Income	
1	To remove RAFs on revenue increase.	($1,555)
2	Pro Forma Plant Additions (I-9)	184
3	Pro Forma Plant Retirements (I-10)	(29,552)
	Total	($30,924)

Longwood Test Year Ended December 31, 2015 Monthly Wastewater Rates		Schedule No. 4 DOCKET NO. 160101-WS	
	Utility Current Rates	Staff Recommended Rates	Four Year Rate Reduction
Residential Service			
Flat Rate	$37.26	$46.18	$0.36
General Service			
Base Facility Charge by Meter Size			
5/8” X 3/4"	$16.14	$25.68	$0.20
3/4”	N/A	$38.52	$0.30
1"	$40.31	$64.20	$0.50
1-1/2"	$80.62	$128.40	$1.00
2"	$128.53	$205.44	$1.60
3"	$257.97	$410.88	$3.20
4"	N/A	$642.00	$5.00
6"	N/A	$1,284.00	$10.00
8”	N/A	$2,054.40	$16.00
10”	N/A	$3,723.60	$29.00
Charge per 1,000 Gallons	$3.01	$4.92	$0.04
Typical Residential 5/8" x 3/4" Meter Bill Comparison			
4,000 Gallons	$37.26	$46.18	
6,000 Gallons	$37.26	$46.18	
8,000 Gallons	$37.26	$46.18	

Mid-County
Schedule of Wastewater Rate Base
Test Year Ended 12/31/15

Schedule No. 2-A
Docket No. 160101-WS

	Description	Test Year Per Utility	Utility Adjust-ments	Adjusted Test Year Per Utility	Staff Adjust-ments	Staff Adjusted Test Year
1	Plant in Service	$8,181,294	1,308,809	$9,490,103	($137,419)	$9,352,684
2	Land and Land Rights	19,567	0	19,567	0	19,567
3	Non-used and Useful Components	0	0	0	(67,761)	(67,761)
4	CWIP	181,658	(181,658)	0	0	0
5	Accumulated Depreciation	(4,046,684)	789,104	(3,257,580)	(110,907)	(3,368,487)
6	CIAC	(3,144,687)	0	(3,144,687)	0	(3,144,687)
7	Amortization of CIAC	2,359,047	0	2,359,047	(123,809)	2,235,238
8	Working Capital Allowance	0	184,875	184,875	26,582	211,457
9	**Rate Base**	$3,550,195	$2,101,130	$5,651,325	($413,314)	$5,238,011

Mid-County
Adjustments to Rate Base
Test Year Ended 12/31/15

Schedule No. 2-B
Docket No. 160101-WS

	Explanation	Wastewater
	Plant In Service	
1	Audit Finding 9 (I-5)	$63,653
2	Pro Forma Plant Additions (I-9)	(353,644)
3	Pro Forma Plant Retirements (I-10)	152,572
	Total	($137,419)
	Non-used and Useful	
	Non-Used & Useful Adjustments (I-16)	($67,761)
	Accumulated Depreciation	
1	Pro Forma Plant Additions (I-9)	($40,616)
2	Pro Forma Plant Retirements (I-10)	(152,572)
3	Test Year Accumulated Depreciation Adjustments (I-18)	82,281
	Total	($110,907)
	Accumulated Amortization of CIAC	
	Test Year AA of CIAC (I-20)	($123,809)
	Working Capital	
1	Accrued Tax Adjustments (I-21)	$75,556
2	Miscellaneous Deferred Debits Adjustments (I-21)	41,739
3	Deferred Rate Case Expense Adjustments (I-21)	3,513
4	ADIT Adjustments (I-21)	(94,226)
	Total	$26,582

Mid-County
Statement of Wastewater Operations
Test Year Ended 12/31/15

Schedule No. 3-A
Docket No. 160101-WS

	Description	Test Year Per Utility	Utility Adjust-ments	Adjusted Test Year Per Utility	Staff Adjust-ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1	**Operating Revenues:**	$1,933,426	$329,386	$2,262,812	($473,604)	$1,789,208	$259,021	$2,048,229
							14.48%	
	Operating Expenses							
2	Operation & Maintenance	$1,083,855	$86,153	$1,170,008	$3,686	$1,173,694		$1,173,694
3	Depreciation	212,843	66,673	279,516	(67,344)	212,172		212,172
4	Amortization	0	0	0	0	0		0
5	Taxes Other Than Income	116,457	52,217	168,674	(26,572)	142,102	11,656	153,758
6	Income Taxes	119,898	54,526	174,424	(129,900)	44,524	93,084	137,607
7	**Total Operating Expense**	1,533,053	259,569	1,792,622	(220,130)	1,572,492	104,740	1,677,231
8	**Operating Income**	$400,373	$69,817	$470,190	($253,474)	$216,716	$154,282	$370,998
9	**Rate Base**	$3,550,195		$5,651,325		$5,238,011		$5,238,011
10	**Rate of Return**	11.28%		8.32%		4.14%		7.08%

Mid-County **Schedule No. 3-B**
Adjustments to Operating Income **Docket No. 160101-WS**
Test Year Ended 12/31/15

	Explanation	Wastewater
	Operating Revenues	
1	Remove requested final revenue increase or decrease.	($472,792)
2	Test Year Revenues (I-32)	(812)
	Total	($473,604)
	Operation and Maintenance Expense	
1	Audit Finding 10 (I-33)	$57,334
2	Pensions & Benefits Adjustments (I-35)	(9,600)
3	Sludge Removal (I-39)	(3,600)
4	Chemicals (I-41)	(4,220)
5	Materials & Supplies (I-42)	(21,602)
6	Contractual Services - Engineering (I-43)	(1,904)
7	Contractual Services - Other (I-46)	(4,700)
8	Transportation Adjustments (I-48)	472
9	Rate Case Expense (I-49)	(6,241)
10	Unamortized Rate Case Expense (I-50)	1,747
11	Miscellaneous Expense (I-51)	(4,000)
	Total	$3,686
	Depreciation Expense - Net	
1	Pro Forma Plant Additions (I-9)	($12,631)
2	Pro Forma Plant Retirements (I-10)	5,312
3	Non-Used & Useful Adjustments (I-16)	(5,926)
4	Test Year AA of CIAC (I-20)	(66,800)
5	Audit Finding 9 (I-33)	19,610
6	WSC Cost Allocation Adjustments (I-36)	(6,908)
	Total	($67,344)
	Taxes Other Than Income	
1	To remove RAFs on revenue increase.	($21,312)
2	Pro Forma Plant Additions (I-9)	(4,800)
3	Non-Used & Useful Adjustments (I-16)	(460)
	Total	($26,572)

Mid County **Schedule No. 4**
Test Year Ended December 31, 2015 **Docket No. 160101-WS**
Monthly Wastewater Rates

	Rates Prior To Filing	Current Rates	Utility Requested Final	Staff Recommended Rates	Four Year Rate Reduction
Residential					
Base Facility Charge - All Meter Sizes (Bi-monthly)	$32.48	$32.44	$50.95	$51.36	$0.40
Charge per 1,000 Gallons					
20,000 gallon cap	$3.33	$3.33	N/A	N/A	N/A
16,000 gallon cap			$4.91	$4.10	$0.03
Flat Rate (Bi-monthly)	$63.84	$63.77	$71.33	$92.36	$0.71
General Service					
Base Facility Charge by Meter Size (Bi-monthly)					
5/8" X 3/4"	$32.48	$32.44	$50.95	$51.36	$0.40
3/4”	N/A		$76.42	$77.04	$0.60
1"	$83.32	$83.23	$127.37	$128.40	$1.00
1-1/2"	$187.46	$187.25	$254.73	$256.80	$2.00
2"	$333.25	$332.87	$407.57	$410.88	$3.20
3"	$750.02	$749.16	$815.14	$821.76	$6.40
4"	$1,333.02	$1,331.50	$1,273.66	$1,284.00	$10.00
6"	$2,999.72	$2,996.30	$2,547.32	$2,568.00	$20.00
8”	N/A	N/A	$4,075.72	$4,108.80	$32.00
10”	N/A	N/A	$7,387.24	$7,447.20	$58.00
Charge per 1,000 Gallons	$4.00	$4.00	$5.65	$4.92	$0.04
Typical Residential 5/8" x 3/4" Meter Bill Comparison					
4,000 Gallons	$45.80	$45.76	$70.59	$67.76	
6,000 Gallons	$52.46	$52.42	$80.41	$75.96	
8,000 Gallons	$59.12	$59.08	$90.23	$84.16	

Pennbrooke
Schedule of Water Rate Base
Test Year Ended 12/31/2015

Schedule No. 2-A
Docket No. 160101-WS

	Description	Test Year Per Utility	Utility Adjust-ments	Adjusted Test Year Per Utility	Staff Adjust-ments	Staff Adjusted Test Year
1	Plant in Service	$2,721,642	($40,488)	$2,681,154	$133,358	$2,814,512
2	Land and Land Rights	22,058	0	22,058	0	22,058
3	Non-used and Useful Components	0	0	0	0	0
4	Accumulated Depreciation	(1,733,945)	572,990	(1,160,955)	(247,146)	(1,408,101)
5	CIAC	(899,522)	0	(899,522)	0	(899,522)
6	Amortization of CIAC	481,003	0	481,003	0	481,003
7	CWIP	23	(23)	0	0	0
8	Advances for Construction	0	0	0	0	0
9	Working Capital Allowance	24,526	0	24,526	56,073	80,599
10	**Rate Base**	$615,785	$532,479	$1,148,264	($57,715)	$1,090,549

Pennbrooke
Schedule of Wastewater Rate Base
Test Year Ended 12/31/2015

Schedule No. 2-B
Docket No. 160101-WS

	Description	Test Year Per Utility	Utility Adjust-ments	Adjusted Test Year Per Utility	Staff Adjust-ments	Staff Adjusted Test Year
1	Plant in Service	$2,899,088	$220,035	$3,119,123	($5,587)	$3,113,537
2	Land and Land Rights	57,035	0	57,035	0	57,035
3	Non-used and Useful Components	0	0	0	0	0
4	Accumulated Depreciation	(1,447,248)	(149,838)	(1,597,086)	(5,241)	(1,602,327)
5	CIAC	(1,216,759)	0	(1,216,759)	0	(1,216,759)
6	Amortization of CIAC	934,536	0	934,536	(239,460)	695,076
7	CWIP	0	0	0	0	0
8	Advances for Construction	0	0	0	0	0
9	Working Capital Allowance	38,843	0	38,843	49,455	88,298
10	**Rate Base**	$1,265,495	$70,197	$1,335,692	($200,833)	$1,134,859

Pennbrooke **Schedule No. 2-C**
Adjustments to Rate Base **Docket No. 160101-WS**
Test Year Ended 12/31/2015

	Explanation	Water	Wastewater
	Plant In Service		
1	Audit Finding 9 (I-5)	$7,002	$5,834
2	Pro Forma Plant Additions (I-9)	(114,201)	(17,979)
3	Pro Forma Plant Retirements (I-10)	240,557	6,559
	Total	$133,358	($5,587)
	Accumulated Depreciation		
1	Pro Forma Plant Additions (I-9)	($6,589)	$1,226
2	Pro Forma Plant Retirements (I-10)	(240,557)	(6,559)
3	Test Year Accumulated Depreciation Adjustments (I-18)	0	91
	Total	($247,146)	($5,241)
	Accumulated Amortization of CIAC		
	Audit Finding 4 (I-5)	$0	($239,460)
	Working Capital		
1	Accrued Tax Adjustments (I-21)	($13,881)	($11,567)
2	Miscellaneous Deferred Debits Adjustments (I-21)	68,410	59,735
3	Deferred Rate Case Expense Adjustments (I-21)	1,544	1,287
	Total	$56,073	$49,455

Pennbrooke
Statement of Water Operations
Test Year Ended 12/31/2015

Schedule No. 3-A
Docket No. 160101-WS

	Description	Test Year Per Utility	Utility Adjust-ments	Adjusted Test Year Per Utility	Staff Adjust-ments	Staff Adsjusted Test Year	Revenue Increase	Revenue Requirement
1	**Operating Revenues:**	$379,811	$165,375	$545,186	($168,324)	$376,862	$124,994	$501,856
							33.17%	
	Operating Expenses							
2	Operation & Maintenance	$256,981	$8,970	$265,951	($15,075)	$250,876		$250,876
3	Depreciation	110,417	(9,116)	101,301	(13,035)	88,266		88,266
4	Amortization	0	0	0	(278)	(278)		(278)
5	Taxes Other Than Income	46,714	15,824	62,538	(11,062)	51,476	5,625	57,101
6	Income Taxes	24,242	6,985	31,227	(47,496)	(16,269)	44,919	28,650
7	**Total Operating Expense**	438,354	22,663	461,017	(86,946)	374,071	50,543	424,614
8	**Operating Income**	($58,543)	$142,712	$84,169	($81,378)	$2,791	$74,451	$77,241
9	**Rate Base**	$615,785		$1,148,264		$1,090,549		$1,090,549
10	**Rate of Return**	-9.51%		7.33%		0.26%		7.08%

Pennbrooke
Statement of Wastewater Operations
Test Year Ended 12/31/2015

Schedule No. 3-B
Docket No. 160101-WS

	Description	Test Year Per Utility	Utility Adjust-ments	Adjusted Test Year Per Utility	Staff Adjust-ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1	**Operating Revenues:**	$514,411	($29,890)	$484,521	$28,018	$512,539	($8,234)	$504,305
							-1.61%	
	Operating Expenses							
2	Operation & Maintenance	$254,864	$23,046	$277,910	($15,261)	$262,649		$262,649
3	Depreciation	2,573	30,283	32,856	60,358	93,214		93,214
4	Amortization	0	0	0	(223)	(223)		(223)
5	Taxes Other Than Income	38,923	602	39,525	(683)	38,842	(371)	38,471
6	Income Taxes	20,199	16,125	36,324	(3,551)	32,773	(2,959)	29,814
7	**Total Operating Expense**	316,559	70,056	386,615	40,640	427,255	(3,330)	423,925
8	**Operating Income**	$197,852	($99,946)	$97,906	($12,622)	$85,284	($4,905)	$80,380
9	**Rate Base**	$1,265,495		$1,335,692		$1,134,859		$1,134,859
10	**Rate of Return**	15.63%		7.33%		7.51%		7.08%

Pennbrooke | **Schedule No. 3-C**
Adjustments to Operating Income | **Docket No. 160101-WS**
Test Year Ended 12/31/2015

	Explanation	Water	Wastewater
	Operating Revenues		
1	Remove requested final revenue increase or decrease.	($162,961)	$33,600
2	Test Year Revenues (I-32)	(5,363)	(5,582)
	Total	($168,324)	$28,018
	Operation and Maintenance Expense		
1	Audit Finding 10 (I-33)	($2,502)	($2,085)
2	Pensions & Benefits Adjustments (I-35)	(2,541)	(2,117)
3	Materials & Supplies (I-42)	0	(2,700)
4	Transportation Adjustments (I-48)	125	104
5	Rate Case Expense (I-49)	(1,652)	(1,377)
6	Unamortized Rate Case Expense (I-50)	(8,505)	(7,087)
	Total	($15,075)	($15,261)
	Depreciation Expense - Net		
1	Pro Forma Plant Additions (I-9)	($10,150)	($3,699)
2	Pro Forma Plant Retirements (I-10)	2,488	503
3	Audit Finding 4 and 9 (I-33)	(3,545)	65,078
4	WSC Cost Allocation Adjustments (I-36)	(1,828)	(1,524)
	Total	($13,035)	$60,358
	Amortization-Other Expense		
	Phoenix Project Regulatory Liability (I-6)	($278)	($223)
	Taxes Other Than Income		
1	To remove RAFs on revenue increase.	($7,575)	$1,261
2	Pro Forma Plant Additions (I-9)	(2,502)	(1,124)
3	Audit Finding 7 (I-33)	(985)	(820)
	Total	($11,062)	($683)

Pennbrooke | **Schedule No. 4-A**
Test Year Ended December 31, 2015 | **Docket No. 160101-WS**
Monthly Water Rates

	Rates Prior To Filing	Current Rates	Utility Requested Final	Staff Recommended Rates	Four Year Rate Reduction
Residential and General Service					
Base Facility Charge by Meter Size					
5/8" X 3/4"	$5.09	$5.02	$11.54	$10.87	$0.12
3/4"	$7.41	$7.30	$17.31	$16.31	$0.18
1"	$12.19	$12.02	$28.84	$27.18	$0.30
1-1/2"	$24.82	$24.47	$57.69	$54.35	$0.60
2"	$38.98	$38.42	$92.30	$86.96	$0.96
3"	$79.53	$78.39	$184.59	$173.92	$1.92
4"	$121.84	$120.10	$288.43	$271.75	$3.00
6"	$248.11	$244.57	$576.86	$543.50	$6.00
8"	N/A	N/A	$922.97	$869.60	$9.60
10"	N/A	N/A	$1,672.89	$1,576.15	$17.40
Charge per 1,000 gallons - Residential					
0 – 3,000 gallons	$1.88	$1.85	N/A	N/A	N/A
3,001 – 6,000 gallons	$1.98	$1.95	N/A	N/A	N/A
6,001 – 12,000 gallons	$2.43	$2.40	N/A	N/A	N/A
Over 12,000 gallons	$2.91	$2.87	N/A	N/A	N/A
0 – 8,000 gallons	N/A	N/A	$1.97	N/A	N/A
8,001 – 16,000 gallons	N/A	N/A	$2.95	N/A	N/A
Over 16,000 gallons	N/A	N/A	$3.93	N/A	N/A
0 – 4,000 gallons	N/A	N/A	N/A	$1.52	$0.02
4,001 – 12,000 gallons	N/A	N/A	N/A	$2.28	$0.03
Over 12,000 gallons	N/A	N/A	N/A	$3.80	$0.04
Charge per 1,000 gallons - General Service	$2.25	$2.22	$2.98	$2.57	$0.03
Typical Residential 5/8" x 3/4" Meter Bill Comparison					
4,000 Gallons	$12.71	$12.52	$19.42	$16.95	
8,000 Gallons	$21.53	$21.22	$27.30	$26.07	
12,000 Gallons	$31.25	$30.82	$39.10	$35.19	

Pennbrooke — **Schedule No. 4-B**
Test Year Ended December 31, 2015 — **Docket No. 160101-WS**
Monthly Wastewater Rates

	Rates Prior To Filing	Current Rates	Utility Requested Final	Staff Recommended Rates	Four Year Rate Reduction
Residential					
Base Facility Charge - All Meter Sizes	$14.54	$14.38	$25.47	$25.68	$0.20
Charge per 1,000 Gallons					
6,000 gallon cap	$4.69	$4.64	N/A	N/A	N/A
8,000 gallon cap	N/A	N/A	$4.91	$4.10	$0.03
General Service					
Base Facility Charge by Meter Size					
5/8" X 3/4"	$14.54	$14.38	$25.47	$25.68	$0.20
3/4"	$21.44	$21.21	$38.21	$38.52	$0.30
1"	$35.40	$35.02	$63.68	$64.20	$0.50
1-1/2"	$71.55	$70.78	$127.37	$128.40	$1.00
2"	$113.26	$112.03	$203.79	$205.44	$1.60
3"	$229.20	$226.72	$407.57	$410.88	$3.20
4"	$353.95	$350.12	$636.83	$642.00	$5.00
6"	$715.76	$708.01	$1,273.66	$1,284.00	$10.00
8"	N/A	N/A	$2,037.86	$2,054.40	$16.00
10"	N/A	N/A	$3,693.62	$3,723.60	$29.00
Charge per 1,000 Gallons	$5.63	$5.57	$5.65	$4.92	$0.04
Reuse Service					
Base Facility Charge	$0.00	$0.00	$7.64	$7.64	
Charge per 1,000 Gallons	$0.96	$0.95	$1.45	$1.45	
Typical Residential 5/8" x 3/4" Meter Bill Comparison					
4,000 Gallons	$33.30	$32.94	$45.11	$42.08	
6,000 Gallons	$42.68	$42.22	$54.93	$50.28	
8,000 Gallons	$42.68	$42.22	$64.75	$58.48	

Sandalhaven | **Schedule No. 2-A**
Schedule of Wastewater Rate Base | **Docket No. 160101-WS**
Test Year Ended 12/31/15

	Description	Test Year Per Utility	Utility Adjust-ments	Adjusted Test Year Per Utility	Staff Adjust-ments	Staff Adjusted Test Year
1	Plant in Service	$8,780,399	($1,059,950)	$7,720,449	($23,953)	$7,696,496
2	Land and Land Rights	157,484	9,993	167,477	0	167,477
3	Non-used and Useful Components	0	0	0	(17,533)	(17,533)
4	Accumulated Depreciation	(4,051,269)	1,226,034	(2,825,235)	(215,512)	(3,040,747)
5	CIAC	(3,282,449)	1,051,825	(2,230,624)	0	(2,230,624)
6	Accumulated Amortization of CIAC	1,687,927	(1,051,825)	636,102	19,273	655,375
7	CWIP	340,176	(340,176)	0	0	0
8	Acquisition Adjustment	469,619	(469,619)	0	0	0
9	Accum. Amort. Of Acq. Adjustment	(28,315)	28,315	0	0	0
9	Working Capital Allowance	0	476,681	476,681	(151,404)	325,277
10	**Rate Base**	$4,073,572	($128,722)	$3,944,850	($389,129)	$3,555,721

Sandalhaven
Adjustments to Rate Base
Test Year Ended 12/31/15

Schedule No. 2-B
Docket No. 160101-WS

	Explanation	Wastewater
	Plant In Service	
1	Audit Finding 9 (I-5)	($5,254)
2	Test Year Plant Adjustments (I-7)	3,821
3	Pro Forma Plant Additions (I-9)	(69,852)
4	Pro Forma Plant Retirements (I-10)	47,332
	Total	($23,953)
	Non-used and Useful	
	Non-Used & Useful Adjustments (I-16)	($17,533)
	Accumulated Depreciation	
1	Test Year Plant Adjustments (I-7)	($116)
2	Pro Forma Plant Additions (I-9)	(1,413)
3	Pro Forma Plant Retirements (I-10)	(47,332)
4	Test Year Plant Retirements (I-10)	(200,347)
5	Test Year Accumulated Depreciation Adjustments (I-18)	33,696
	Total	($215,512)
	Accumulated Amortization of CIAC	
	Test Year Plant Retirements (I-10)	$19,273
	Working Capital	
1	Accrued Tax Adjustments (I-21)	($389,275)
2	Miscellaneous Deferred Debits Adjustments (I-21)	237,871
	Total	($151,404)

Sandalhaven
Statement of Wastewater Operations
Test Year Ended 12/31/15

Schedule No. 3-A
Docket No. 160101-WS

	Description	Test Year Per Utility	Utility Adjust-ments	Adjusted Test Year Per Utility	Staff Adjust-ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1	**Operating Revenues:**	$720,320	$838,845	$1,559,165	($397,068)	$1,162,097	$96,297	$1,258,394
							8.29%	
	Operating Expenses							
2	Operation & Maintenance	$608,949	$138,444	$747,393	($215,247)	$532,146		$532,146
3	Depreciation	277,069	(60,680)	216,389	(12,575)	203,814		203,814
4	Amortization	0	0	0	30,496	30,496		30,496
5	Taxes Other Than Income	120,630	45,858	166,488	(24,140)	142,348	4,333	146,681
6	Income Taxes	23,639	92,430	116,069	(57,263)	58,806	34,606	93,412
7	**Total Operating Expense**	1,030,287	216,052	1,246,339	(278,729)	967,610	38,939	1,006,549
8	**Operating Income**	($309,967)	$622,793	$312,826	($118,339)	$194,487	$57,358	$251,845
9	**Rate Base**	$4,073,572		$3,944,850		$3,555,721		$3,555,721
10	**Rate of Return**	-7.61%		7.93%		5.47%		7.08%

Sandalhaven Adjustments to Operating Income Test Year Ended 12/31/15		Schedule No. 3-B Docket No. 160101-WS
	Explanation	**Wastewater**
	Operating Revenues	
1	Remove requested final revenue increase or decrease.	($362,377)
2	Test Year Revenues (I-32)	(34,691)
	Total	($397,068)
	Operation and Maintenance Expense	
1	Excess I &I (I-12)	($30,452)
2	Audit Finding 10 (I-33)	(1,908)
3	Salaries & Wages (I-34)	(47,495)
4	Pensions & Benefits (I-35)	(15,880)
5	Sludge Removal (I-39)	(13,455)
6	Purchased Power (I-40)	(3,637)
7	Chemicals (I-41)	(3,145)
8	Materials & Supplies (I-42)	(6,074)
9	Contractual Services - Engineering (I-43)	(3,321)
10	Contractual Services - Other (I-46)	(864)
11	Transportation Adjustments (I-48)	103
12	Rate Case Expense (I-49)	(1,365)
13	Unamortized Rate Case Expense (I-50)	(77,484)
14	Miscellaneous Expense (I-51)	(10,270)
	Total	($215,247)
	Depreciation Expense - Net	
1	Test Year Plant Adjustments (I-7)	$116
2	Pro Forma Plant Additions (I-9)	(5,087)
3	Pro Forma Plant Retirements (I-10)	2,742
4	Non-Used & Useful Adjustments (I-16)	(598)
5	Test Year Accumulated Depreciation Adjustments (I-18)	(6,944)
6	Audit Finding 9 (I-33)	(1,294)
7	WSC Cost Allocation Adjustments (I-36)	(1,510)
	Total	($12,575)
	Amortization-Other Expense	
	Loss on Abandoned Plant (I-57)	$30,496
	Taxes Other Than Income	
1	To remove RAFs on revenue increase.	($17,868)
2	Pro Forma Plant Additions (I-9)	1,562
3	Test Year Plant Retirements (I-10)	(3,151)
3	Non-Used & Useful Adjustments (I-16)	(1,050)
4	Salaries & Wages (I-34)	(3,633)
	Total	($24,140)

Sandalhaven — **Schedule No. 4**
Test Year Ended December 31, 2015 — **Docket No. 160101-WS**
Monthly Wastewater Rates

	Rates Prior To Filing	Current Rates	Utility Requested Final	Staff Recommended Rates	Staff Recommended Surcharge	Four Year Rate Reduction
Residential						
Base Facility Charge - All Meter Sizes	$43.60	$42.21	$25.47	$25.68	$1.19	$0.20
Charge per 1,000 Gallons						
6,000 gallon cap	$16.41	$15.98	N/A	N/A		
8,000 gallon cap	N/A	N/A	$4.91	$4.10	$0.43	$0.03
General Service						
Base Facility Charge by Meter Size						
5/8"X 3/4"	$43.60	$42.21	$25.47	$25.68	$1.19	$0.20
3/4"	N/A	N/A	$38.21	$38.52	$1.79	$0.30
1"	$109.00	$105.52	$63.68	$64.20	$2.98	$0.50
1-1/2"	$218.00	$211.05	$127.37	$128.40	$5.95	$1.00
2"	$348.80	$337.68	$203.79	$205.44	$9.52	$1.60
3"	$697.60	$675.36	$407.57	$410.88	$19.04	$3.20
4"	$1,090.00	$1,055.25	$636.83	$642.00	$29.75	$5.00
6"	$2,180.00	$2,110.50	$1,273.66	$1,284.00	$59.50	$10.00
8"	N/A	N/A	$2,037.86	$2,054.40	$95.20	$16.00
10"	N/A	N/A	$3,693.62	$3,723.60	$172.55	$29.00
Charge per 1,000 Gallons	$19.69	$19.17	$5.65	$4.92	$0.52	$0.04
Typical Residential 5/8" x 3/4" Meter Bill Comparison						
4,000 Gallons	$109.24	$106.13	$45.11	$42.08		
6,000 Gallons	$142.06	$138.09	$54.93	$50.28		
8,000 Gallons	$142.06	$138.09	$64.75	$58.48		

Sanlando
Schedule of Water Rate Base
Test Year Ended 12/31/15

Schedule No. 2-A
Docket No. 160101-WS

	Description	Test Year Per Utility	Utility Adjust-ments	Adjusted Test Year Per Utility	Staff Adjust-ments	Staff Adjusted Test Year
1	Plant in Service	$27,156,267	($641,054)	$26,515,213	($570,683)	$25,944,530
2	Land and Land Rights	97,683	0	97,683	0	97,683
3	Non-used and Useful Components	0	0	0	0	0
4	CWIP	62,507	(62,507)	0	0	0
5	Accumulated Depreciation	(16,741,026)	1,724,293	(15,016,733)	(69,183)	(15,085,916)
6	CIAC	(10,794,533)	894,832	(9,899,701)	0	(9,899,701)
7	Amortization of CIAC	8,475,822	(21,323)	8,454,499	0	8,454,499
8	Working Capital Allowance	0	171,611	171,611	150,952	322,563
9	**Rate Base**	$8,256,720	$2,065,852	$10,322,572	($488,915)	$9,833,657

Sanlando **Schedule No. 2-B**
Schedule of Wastewater Rate Base **Docket No. 160101-WS**
Test Year Ended 12/31/15

	Description	Test Year Per Utility	Utility Adjust-ments	Adjusted Test Year Per Utility	Staff Adjust-ments	Staff Adjusted Test Year
1	Plant in Service	$32,497,708	$8,530,776	$41,028,484	$5,075,193	$46,103,677
2	Land and Land Rights	186,410	0	186,410	0	186,410
3	Non-used and Useful Components	17,484	(17,484)	0	0	0
4	CWIP	2,128,281	(2,128,281)	0	0	0
5	Accumulated Depreciation	(16,773,492)	683,579	(16,089,913)	(2,355,017)	(18,444,930)
6	CIAC	(12,166,922)	(905,004)	(13,071,926)	0	(13,071,926)
7	Amortization of CIAC	10,746,463	35,725	10,782,188	(13,749)	10,768,439
8	Working Capital Allowance	0	202,063	202,063	129,181	331,244
9	**Rate Base**	$16,635,932	$6,401,374	$23,037,306	$2,835,609	$25,872,915

Sanlando
Adjustments to Rate Base
Test Year Ended 12/31/15

Schedule No. 2-C
Docket No. 160101-WS

	Explanation	Water	Wastewater
	Plant In Service		
1	Audit Finding 9 (I-5)	$128,910	$103,695
2	Pro Forma Plant Additions (I-9)	(772,505)	3,355,294
3	Pro Forma Plant Retirements (I-10)	72,912	1,616,204
	Total	($570,683)	$5,075,193
	Accumulated Depreciation		
1	Pro Forma Plant Additions (I-9)	$3,729	($792,029)
2	Pro Forma Plant Retirements (I-10)	(72,912)	(1,616,204)
3	Test Year Accumulated Depreciation Adjustments (I-18)	0	53,216
	Total	($69,183)	($2,355,017)
	Accumulated Amortization of CIAC		
	Test Year AA of CIAC (I-20)	$0	($13,749)
	Working Capital		
1	Accrued Tax Adjustments (I-21)	$121,096	$97,424
2	Miscellaneous Deferred Debits Adjustments (I-21)	29,855	31,758
	Total	$150,952	$129,181

Sanlando
Statement of Water Operations
Test Year Ended 12/31/15

Schedule No. 3-A
Docket No. 160101-WS

	Description	Test Year Per Utility	Utility Adjust-ments	Adjusted Test Year Per Utility	Staff Adjust-ments	Staff Adsjusted Test Year	Revenue Increase	Revenue Requirement
1	**Operating Revenues:**	$4,408,574	$205,078	$4,613,652	$5,688	$4,619,340	($328,313)	$4,291,027
							-7.11%	
	Operating Expenses							
2	Operation & Maintenance	$2,097,775	$219,425	$2,317,200	($93,266)	$2,223,934		$2,223,934
3	Depreciation	1,015,602	(275,907)	739,695	(48,582)	691,113		691,113
4	Amortization	0	0	0	832	832		832
5	Taxes Other Than Income	420,331	28,191	448,522	(13,437)	435,085	(14,774)	420,311
6	Income Taxes	280,174	19,802	299,976	76,348	376,324	(117,985)	258,339
7	**Total Operating Expense**	3,813,882	(8,489)	3,805,393	(78,106)	3,727,287	(132,759)	3,594,529
8	**Operating Income**	$594,692	$213,567	$808,259	$83,794	$892,053	($195,554)	$696,499
9	**Rate Base**	$8,256,720		$10,322,572		$9,833,657		$9,833,657
10	**Rate of Return**	7.20%		7.83%		9.07%		7.08%

Sanlando
Statement of Wastewater Operations
Test Year Ended 12/31/15

Schedule No. 3-B
Docket No. 160101-WS

	Description	Test Year Per Utility	Utility Adjust-ments	Adjusted Test Year Per Utility	Staff Adjust-ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1	**Operating Revenues:**	$3,964,155	$2,502,477	$6,466,632	($2,407,971)	$4,058,661	$2,675,541	$6,734,202
							65.92%	
	Operating Expenses							
2	Operation & Maintenance	$2,030,785	$178,907	$2,209,692	($71,703)	$2,137,989		$2,137,989
3	Depreciation	831,041	185,978	1,017,019	259,443	1,276,462		1,276,462
4	Amortization	0	0	0	649	649		649
5	Taxes Other Than Income	507,893	258,734	766,627	(80,158)	686,469	120,399	806,868
6	Income Taxes	225,373	444,099	669,472	(951,266)	(281,794)	961,500	679,706
7	**Total Operating Expense**	3,595,092	1,067,718	4,662,810	(843,035)	3,819,775	1,081,899	4,901,674
8	**Operating Income**	$369,063	$1,434,759	$1,803,822	($1,564,936)	$238,886	$1,593,642	$1,832,528
9	**Rate Base**	$16,635,932		$23,037,306		$25,872,915		$25,872,915
10	**Rate of Return**	2.22%		7.83%		0.92%		7.08%

Sanlando
Adjustments to Operating Income
Test Year Ended 12/31/15

Schedule No. 3-C
Docket No. 160101-WS

	Explanation	Water	Wastewater
	Operating Revenues		
1	Remove requested final revenue increase or decrease.	$18,462	($2,391,091)
2	Test Year Revenues (I-32)	(12,774)	(16,880)
	Total	$5,688	($2,407,971)
	Operation and Maintenance Expense		
1	Audit Finding 10 (I-33)	$35,968	$28,933
2	Pensions & Benefits Adjustments (I-35)	(23,655)	(19,031)
3	Purchased Power (I-40)	(9,671)	9,671
4	Materials & Supplies (I-42)	(2,318)	(10,399)
5	Contractual Services - Engineering (I-43)	(3,325)	(2,675)
6	Rental of Equipment (I-47)	0	(5,593)
7	Transportation Adjustments (I-48)	1,164	936
8	Rate Case Expense (I-49)	(15,381)	(12,372)
9	Unamortized Rate Case Expense (I-50)	(73,523)	(59,141)
10	Miscellaneous Expense (I-51)	(2,526)	(2,032)
	Total	($93,266)	($71,703)
	Depreciation Expense - Net		
1	Pro Forma Plant Additions (I-9)	($39,123)	$186,630
2	Pro Forma Plant Retirements (I-10)	15,442	74,812
3	Test Year Accumulated Depreciation Adjustments (I-18)	0	(26,258)
4	Test Year Depreciation Expense Adjustments (I-54)	(17,022)	(13,694)
5	Audit Finding 9 (I-33)	(7,879)	(6,338)
6	WSC Cost Allocation Adjustments (I-36)	0	44,291
	Total	($48,582)	$259,443
	Amortization-Other Expense		
	Phoenix Project Regulatory Asset (I-6)	$832	$649
	Taxes Other Than Income		
1	To remove RAFs on revenue increase.	$256	($108,359)
2	Pro Forma Plant Additions (I-9)	(13,693)	28,201
	Total	($13,437)	($80,158)

Sanlando
Test Year Ended December 31, 2015
Monthly Water Rates

Schedule No. 4-A
Docket No. 160101-WS

	Rates Prior To Filing	Utility Current Rates	Utility Requested Final	Staff Recommended Rates	Staff Recommended Surcharge	Four Year Rate Reduction
Residential and General Service						
Base Facility Charge by Meter Size						
5/8" X 3/4"	$4.49	$4.44	$11.54	$10.87	$0.06	$0.12
3/4"	$6.75	$6.68	$17.31	$16.31	$0.09	$0.18
1"	$11.24	$11.12	$28.84	$27.18	$0.15	$0.30
1-1/2"	$22.47	$22.23	$57.69	$54.35	$0.30	$0.60
2"	$35.95	$35.56	$92.30	$86.96	$0.48	$0.96
3"	$71.90	$71.12	$184.59	$173.92	$0.96	$1.92
4"	$112.35	$111.13	$288.43	$271.75	$1.50	$3.00
6"	$224.70	$222.25	$576.86	$543.50	$3.00	$6.00
8”	$359.52	$355.11	$922.97	$869.60	$4.80	$9.60
10”	N/A	N/A	$1,672.89	$1,576.15	$8.70	$17.40
Charge per 1,000 gallons - Residential						
0 – 6,000 gallons	$0.95	$0.94	N/A	N/A	N/A	N/A
6,001 – 15,000 gallons	$1.43	$1.41	N/A	N/A	N/A	N/A
Over 15,000 gallons	$2.37	$2.35	N/A	N/A	N/A	N/A
0 – 8,000 gallons	N/A	N/A	$1.97	N/A	N/A	N/A
8,001 – 16,000 gallons	N/A	N/A	$2.95	N/A	N/A	N/A
Over 16,000 gallons	N/A	N/A	$3.93	N/A	N/A	N/A
0 – 4,000 gallons	N/A	N/A	N/A	$1.52	$0.01	$0.02
4,001 – 12,000 gallons	N/A	N/A	N/A	$2.28	$0.02	$0.03
Over 12,000 gallons	N/A	N/A	N/A	$3.80	$0.03	$0.04
Charge per 1,000 gallons - General Service	$1.63	$1.61	$2.98	$2.57	$0.01	$0.03
Private Fire Protection						
1 ½” Private Fire Line	$1.87	$1.85	$2.26	$4.53	$0.03	$0.05
2” Private Fire Line	$3.00	$2.97	$3.61	$7.25	$0.04	$0.08
4” Private Fire Line	$9.36	$9.26	$11.29	$14.49	$0.08	$0.16
6” Private Fire Line	$18.72	$18.52	$22.59	$22.65	$0.13	$0.25
8” Private Fire Line	$29.96	$29.29	$36.14	$45.29	$0.25	$0.50
10” Private Fire Line	N/A	N/A	$51.95	$72.47	$0.40	$0.80
12” Private Fire Line	N/A	N/A	$97.12	$131.35	$0.73	$1.45
Typical Residential 5/8" x 3/4" Meter Bill Comparison						
4,000 Gallons	$8.29	$8.20	$19.42	$16.95		
8,000 Gallons	$13.05	$12.90	$27.30	$26.07		
12,000 Gallons	$18.77	$18.54	$39.10	$35.19		

Sanlando **Schedule No. 4-B**
Test Year Ended December 31, 2015 **Docket No. 160101-WS**
Monthly Wastewater Rates

	Rates Prior To Filing	Utility Current Rates	Utility Requested Final	Staff Recommended Rates	Staff Recommended Surcharge	Four Year Rate Reduction
Residential Service						
Base Facility Charge - All Meter Sizes	$15.19	$15.11	$25.47	$25.68	$0.11	$0.20
Charge per 1,000 Gallons						
10,000 gallon cap	$1.89	$1.88	N/A	N/A		
8,000 gallon cap	N/A	N/A	$4.91	$4.10	$0.02	$0.03
Flat Rate	$22.08	$21.91	$35.66	$46.18	$0.21	$0.36
General Service						
Base Facility Charge by Meter Size						
5/8" X 3/4”	$15.19	$15.11	$25.47	$25.68	$0.11	$0.20
3/4”	$22.77	$22.65	$38.21	$38.52	$0.17	$0.30
1"	$37.96	$37.76	$63.68	$64.20	$0.28	$0.50
1-1/2"	$75.92	$75.51	$127.37	$128.40	$0.55	$1.00
2"	$121.46	$120.81	$203.79	$205.44	$0.88	$1.60
3"	$242.93	$241.63	$407.57	$410.88	$1.76	$3.20
4"	$379.58	$377.54	$636.83	$642.00	$2.75	$5.00
6"	$759.15	$755.08	$1,273.66	$1,284.00	$5.50	$10.00
8”	$1,214.65	$1,207.32	$2,037.86	$2,054.40	$8.80	$16.00
10”	N/A	N/A	$3,693.62	$3,723.60	$15.95	$29.00
Charge per 1,000 gallons	$2.27	$2.25	$5.65	$4.92	$0.02	$0.04
Flat Rate	$26.22	$26.05	$44.58	$46.18	$0.21	$0.36
Reuse Service						
Base Facility Charge	$4.70	$4.67	$7.64	$7.64		
Charge per 1,000 Gallons	$0.47	$0.47	$1.45	$1.45		
Typical Residential 5/8" x 3/4" Meter Bill Comparison						
4,000 Gallons	$22.75	$22.63	$45.11	$42.08		
6,000 Gallons	$26.53	$26.39	$54.93	$50.28		
8,000 Gallons	$30.31	$30.15	$64.75	$58.48		

Tierra Verde
Schedule of Wastewater Rate Base
Test Year Ended 12/31/15

Schedule No. 2-A
Docket No. 160101-WS

	Description	Test Year Per Utility	Utility Adjust-ments	Adjusted Test Year Per Utility	Staff Adjust-ments	Staff Adjusted Test Year
1	Plant in Service	$4,599,437	$38,669	$4,638,106	($21,700)	$4,616,407
2	Land and Land Rights	727	0	727	0	727
3	Non-used and Useful Components	0	0	0	0	0
4	CWIP	18	(18)	0	0	0
5	Accumulated Depreciation	(3,329,766)	71,320	(3,258,446)	25,973	(3,232,473)
6	CIAC	(1,821,202)	0	(1,821,202)	0	(1,821,202)
7	Amortization of CIAC	1,566,010	0	1,566,010	0	1,566,010
8	Acquisition Adjustment	351,207	(351,207)	0	0	0
9	Accumulated Amort of Acq Adj	(81,247)	81,247	0	0	0
10	Working Capital Allowance	0	(29,775)	(29,775)	41,534	11,759
11	**Rate Base**	$1,285,184	($189,764)	$1,095,420	$45,807	$1,141,227

Tierra Verde Adjustments to Rate Base Test Year Ended 12/31/15		Schedule No. 2-B Docket No. 160101-WS
	Explanation	**Wastewater**
	Plant In Service	
1	Audit Finding 9 (I-5)	($15,856)
2	Pro Forma Plant Additions (I-9)	11,106
3	Pro Forma Plant Retirements (I-10)	(16,950)
	Total	($21,700)
	Accumulated Depreciation	
1	Pro Forma Plant Additions (I-9)	$374
2	Pro Forma Plant Retirements (I-10)	16,950
3	Test Year Accumulated Depreciation Adjustments (I-18)	8,649
	Total	$25,973
	Working Capital	
1	Accrued Tax Adjustments (I-21)	$39,342
2	Deferred Rate Case Expense Adjustments (I-21)	2,192
	Total	$41,534

Tierra Verde
Statement of Wastewater Operations
Test Year Ended 12/31/15

Schedule No. 3-A
Docket No. 160101-WS

	Description	Test Year Per Utility	Utility Adjust-ments	Adjusted Test Year Per Utility	Staff Adjust-ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1	**Operating Revenues:**	$983,657	$120,368	$1,104,025	($107,812)	$996,213	$83,507	$1,079,720
							8.38%	
	Operating Expenses							
2	Operation & Maintenance	$762,629	$45,956	$808,585	($15,288)	$793,297		$793,297
3	Depreciation	120,386	795	121,181	(8,295)	112,886		112,886
4	Amortization	0	0	0	0	0		0
5	Taxes Other Than Income	55,865	7,552	63,417	(4,450)	58,967	3,758	62,725
6	Income Taxes	(1,870)	31,871	30,001	(30,029)	(28)	30,010	29,981
7	**Total Operating Expense**	937,010	86,174	1,023,184	(58,062)	965,122	33,767	998,889
8	**Operating Income**	$46,647	$34,194	$80,841	($49,750)	$31,091	$49,739	$80,831
9	**Rate Base**	$1,285,184		$1,095,420		$1,141,227		$1,141,227
10	**Rate of Return**	3.63%		7.38%		2.72%		7.08%

Tierra Verde
Adjustments to Operating Income
Test Year Ended 12/31/15

Schedule No. 3-B
Docket No. 160101-WS

	Explanation	Wastewater
	Operating Revenues	
1	Remove requested final revenue increase or decrease.	($107,812)
2	Test Year Revenues (I-32)	0
	Total	($107,812)
	Operation and Maintenance Expense	
1	Audit Finding 10 (I-33)	($3,674)
2	Pensions & Benefits Adjustments (I-35)	(3,577)
3	Transportation Adjustments (I-48)	(5,723)
4	Rate Case Expense (I-49)	(2,326)
5	Unamortized Rate Case Expense (I-50)	13
	Total	($15,288)
	Depreciation Expense - Net	
1	Pro Forma Plant Additions (I-9)	($4,738)
2	Pro Forma Plant Retirements (I-10)	1,723
3	Test Year Accumulated Depreciation Adjustments (I-18)	(191)
4	Audit Finding 9 (I-33)	(2,514)
5	WSC Cost Allocation Adjustments (I-36)	(2,574)
	Total	($8,295)
	Taxes Other Than Income	
1	To remove RAFs on revenue increase	($4,852)
2	Pro Forma Plant Additions (I-9)	401
	Total	($4,450)

Tierra Verde
Test Year Ended December 31, 2015
Monthly Wastewater Rates

Schedule No. 4
Docket No. 160101-WS

	Rates Prior to Filing	Commission Approved Interim	Utility Requested Final	Staff Recommended Rates	Four Year Rate Reduction
Residential Service					
Flat Rate (Bi-monthly)	$97.29	$103.65	$71.33	$92.36	$0.71
General Service					
Base Facility Charge by Meter Size (Bi-monthly)					
5/8” X 3/4"	$62.06	$65.35	$50.95	$51.36	$0.40
3/4”	N/A	N/A	$76.42	$77.04	$0.60
1"	$155.13	$163.38	$127.37	$128.40	$1.00
1-1/2"	$310.28	$326.75	$254.73	$256.80	$2.00
2"	$496.44	$522.80	$407.57	$410.88	$3.20
3"	$992.89	$1,045.60	$815.14	$821.76	$6.40
4"	$1,551.36	$1,633.75	$1,273.66	$1,284.00	$10.00
6"	$3,102.73	$3,267.50	$2,547.32	$2,568.00	$20.00
8”	N/A	N/A	$4,075.72	$4,108.80	$32.00
10”	N/A	N/A	$7,387.24	$7,447.20	$58.00
Charge per 1,000 Gallons	$3.58	$3.82	$5.65	$4.92	$0.04
Typical Residential 5/8" x 3/4" Meter Bill Comparison					
4,000 Gallons	$97.29	$103.65	$71.33	$92.36	
6,000 Gallons	$97.29	$103.65	$71.33	$92.36	
8,000 Gallons	$97.29	$103.65	$71.33	$92.36	

UIF-Marion Schedule of Water Rate Base Test Year Ended 12/31/15						Schedule No. 2-A Docket No. 160101-WS
	Description	Test Year Per Utility	Utility Adjust-ments	Adjusted Test Year Per Utility	Staff Adjust-ments	Staff Adjusted Test Year
1	Plant in Service	$1,208,257	$7,031	$1,215,288	$75,613	$1,290,901
2	Land and Land Rights	$17,211	0	17,211	0	17,211
3	Non-used and Useful Components	0	0	0	0	0
4	CWIP	24,955	(24,955)	0	0	0
5	Accumulated Depreciation	(537,137)	9,307	(527,830)	104,481	(423,349)
6	CIAC	(184,713)	0	(184,713)	23,668	(161,045)
7	Amortization of CIAC	120,763	0	120,763	(16,529)	104,234
8	Acquisition Adjustment	5,529	(5,529)	0	0	0
9	Accumulated Amort of Acq Adj	(2,178)	2,178	0	0	0
10	Working Capital Allowance	0	15,778	15,778	1,693	17,471
11	**Rate Base**	$652,687	$3,810	$656,497	$188,925	$845,422

UIF-Marion **Schedule No. 2-B**
Schedule of Wastewater Rate Base **Docket No. 160101-WS**
Test Year Ended 12/31/15

	Description	Test Year Per Utility	Utility Adjust-ments	Adjusted Test Year Per Utility	Staff Adjust-ments	Staff Adjusted Test Year
1	Plant in Service	$210,434	$979	$211,413	$30,075	$241,488
2	Land and Land Rights	10,725	0	10,725	0	10,725
3	Non-used and Useful Components	0	0	0	(16,641)	(16,641)
4	CWIP	7	(7)	0	0	0
5	Accumulated Depreciation	(100,023)	1,568	(98,455)	(1,968)	(100,423)
6	CIAC	(7,200)	0	(7,200)	0	(7,200)
7	Amortization of CIAC	1,858	0	1,858	(59)	1,799
8	Acquisition Adjustment	0	0	0	0	0
9	Accumulated Amort of Acq Adj	0	0	0	0	0
10	Working Capital Allowance	0	2,196	2,196	(158)	2,038
11	**Rate Base**	$115,801	$4,736	$120,537	$11,249	$131,786

UIF-Marion
Adjustments to Rate Base
Test Year Ended 12/31/15

Schedule No. 2-C
Docket No. 160101-WS

	Explanation	Water	Wastewater
	Plant In Service		
1	Audit Findings 3 & 9 (I-5)	$79,590	$30,628
2	Pro Forma Plant Additions (I-9)	(6,880)	(957)
3	Pro Forma Plant Retirements (I-10)	2,903	404
	Total	$75,613	$30,075
	Non-used and Useful		
	Non-Used & Useful Adjustments (I-16)	$0	($16,641)
	Accumulated Depreciation		
1	Audit Finding 3 (I-5)	$93,584	($3,524)
2	Pro Forma Plant Additions (I-9)	183	26
3	Pro Forma Plant Retirements (I-10)	(2,903)	(404)
4	Test Year Accumulated Depreciation Adjustments (I-18)	13,617	1,934
	Total	$104,481	($1,968)
	CIAC		
	Audit Finding 3 (I-5)	$23,668	$0
	Accumulated Amortization of CIAC		
	Audit Finding 3 (I-5)	($16,529)	($59)
	Working Capital		
1	Accrued Tax Adjustments (I-21)	($1,701)	($237)
2	Miscellaneous Deferred Debits Adjustments (I-21)	2,827	0
3	Deferred Rate Case Expense Adjustments (I-21)	566	79
	Total	$1,693	($158)

UIF-Marion
Statement of Water Operations
Test Year Ended 12/31/15

Schedule No. 3-A
Docket No. 160101-WS

	Description	Test Year Per Utility	Utility Adjust-ments	Adjusted Test Year Per Utility	Staff Adjust-ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1	**Operating Revenues:**	$159,194	$118,108	$277,302	($68,887)	$208,415	$45,274	$253,689
							21.72%	
	Operating Expenses							
2	Operation & Maintenance	$135,850	($5,031)	$130,819	($10,392)	$120,427		$120,427
3	Depreciation	61,493	(211)	61,282	(27,398)	33,884		33,884
4	Amortization	0	0	0	0	0		0
5	Taxes Other Than Income	16,310	2,244	18,554	(3,303)	15,251	2,037	17,288
6	Income Taxes	69	17,958	18,027	(12,087)	5,940	16,270	22,210
7	**Total Operating Expense**	213,722	14,960	228,682	(53,180)	175,502	18,307	193,810
8	**Operating Income**	($54,528)	$103,148	$48,620	($15,707)	$32,913	$26,967	$59,880
9	**Rate Base**	$652,687		$656,497		$845,422		$845,422
10	**Rate of Return**	-8.35%		7.41%		3.89%		7.08%

UIF-Marion
Statement of Wastewater Operations
Test Year Ended 12/31/15

Schedule No. 3-B
Docket No. 160101-WS

	Description	Test Year Per Utility	Utility Adjust-ments	Adjusted Test Year Per Utility	Staff Adjust-ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1	**Operating Revenues:**	$47,187	$39,140	$86,327	($38,048)	$48,279	$13,240	$61,519
							27.42%	
	Operating Expenses							
2	Operation & Maintenance	$18,258	$18,189	$36,447	($791)	$35,656		$35,656
3	Depreciation	30,707	1,699	32,406	(23,279)	9,127		9,127
4	Amortization	0	0	0	0	0		0
5	Taxes Other Than Income	0	5,228	5,228	(1,885)	3,343	596	3,939
6	Income Taxes	10	3,303	3,313	(4,609)	(1,296)	4,758	3,462
7	**Total Operating Expense**	48,975	28,419	77,394	(30,563)	46,831	5,354	52,185
8	**Operating Income**	($1,788)	$10,721	$8,933	($7,485)	$1,448	$7,886	$9,334
9	**Rate Base**	$115,801		$120,537		$131,786		$131,786
10	**Rate of Return**	-1.54%		7.41%		1.10%		7.08%

UIF-Marion **Schedule No. 3-C**
Adjustments to Operating Income **Docket No. 160101-WS**
Test Year Ended 12/31/15

	Explanation	Water	Wastewater
	Operating Revenues		
1	Remove requested final revenue increase or decrease.	($68,885)	($38,048)
2	Test Year Revenues (I-32)	(2)	0
	Total	($68,887)	($38,048)
	Operation and Maintenance Expense		
1	EUW Adjustments (I-11)	($203)	$0
2	Audit Finding 10 (I-33)	(981)	(137)
3	Pensions & Benefits Adjustments (I-35)	(937)	(130)
4	Contractual Services - Other (I-46)	(2,827)	0
5	Rate Case Expense (I-49)	(609)	(85)
6	Unamortized Rate Case Expense (I-50)	(4,834)	(439)
	Total	($10,392)	($791)
	Depreciation Expense - Net		
1	Pro Forma Plant Additions (I-9)	($920)	($128)
2	Pro Forma Plant Retirements (I-10)	614	85
3	Non-Used & Useful Adjustments (I-16)	0	(2,011)
4	Test Year Accumulated Depreciation Adjustments (I-18)	(8,477)	(414)
5	Audit Finding 3 and 9 (I-33)	(17,941)	(20,718)
6	WSC Cost Allocation Adjustments (I-36)	(674)	(94)
	Total	($27,398)	($23,279)
	Taxes Other Than Income		
1	To remove RAFs on revenue increase.	($3,100)	($1,712)
2	Pro Forma Plant Additions (I-9)	(203)	(33)
3	Non-Used & Useful Adjustments (I-16)	0	(140)
	Total	($3,303)	($1,885)

UIF - Marion **Schedule No. 4-A**
Test Year Ended December 31, 2015 **Docket No. 160101-WS**
Monthly Water Rates

	Rates Prior to Filing	Commission Approved Interim	Utility Requested Final	Staff Recommended Rates	Staff Recommended Surcharge	Four Year Rate Reduction
Residential and General Service						
Base Facility Charge by Meter Size						
5/8" X 3/4"	$4.80	$5.58	$11.54	$10.87	$0.06	$0.12
3/4"	N/A	N/A	$17.31	$16.31	$0.09	$0.18
1"	$12.00	$13.95	$28.84	$27.18	$0.15	$0.30
1-1/2"	$24.00	$27.90	$57.69	$54.35	$0.30	$0.60
2"	$38.40	$44.64	$92.30	$86.96	$0.48	$0.96
3"	$76.80	$89.28	$184.59	$173.92	$0.96	$1.92
4"	$120.00	$139.50	$288.43	$271.75	$1.50	$3.00
6"	$240.00	$279.00	$576.86	$543.50	$3.00	$6.00
8"	N/A	N/A	$922.97	$869.60	$4.80	$9.60
10"	N/A	N/A	$1,672.89	$1,576.15	$8.70	$17.40
Charge per 1,000 gallons - Residential	$2.91	$3.38	N/A			
0 – 8,000 gallons	N/A	N/A	$1.97	N/A	N/A	N/A
8,001 – 16,000 gallons	N/A	N/A	$2.95	N/A	N/A	N/A
Over 16,000 gallons	N/A	N/A	$3.93	N/A	N/A	N/A
0 – 4,000 gallons	N/A	N/A	N/A	$1.52	$0.02	$0.02
4,001 – 12,000 gallons	N/A	N/A	N/A	$2.28	$0.03	$0.03
Over 12,000 gallons	N/A	N/A	N/A	$3.80	$0.05	$0.04
Charge per 1,000 gallons - General Service	$2.91	$3.38	$2.98	$2.57	$0.03	
Typical Residential 5/8" x 3/4" Meter Bill Comparison						
4,000 Gallons	$16.44	$19.10	$19.42	$16.95		
8,000 Gallons	$28.08	$32.62	$27.30	$26.07		
12,000 Gallons	$39.72	$46.14	$39.10	$35.19		

UIF - Marion **Schedule No. 4-B**
Test Year Ended December 31, 2015 **Docket No. 160101-WS**
Monthly Wastewater Rates

	Rates Prior to Filing	Commission Approved Interim	Utility Requested Final	Staff Recommended Rates	Four Year Rate Reduction
Residential Service					
Base Facility Charge - All Meter Sizes	$26.37	$43.40	$25.47	$25.68	$0.20
Charge per 1,000 Gallons					
10,000 gallon cap	$2.82	$4.64	N/A	N/A	N/A
8,000 gallon cap	N/A	N/A	$4.91	$4.10	$0.03
General Service					
Base Facility Charge by Meter Size					
5/8" X 3/4”	$26.37	$43.40	$25.47	$25.68	$0.20
3/4”	N/A	N/A	$38.21	$38.52	$0.30
1"	$65.95	$108.50	$63.68	$64.20	$0.50
1-1/2"	$131.88	$217.00	$127.37	$128.40	$1.00
2"	$211.02	$347.20	$203.79	$205.44	$1.60
3"	$422.03	$694.40	$407.57	$410.88	$3.20
4"	$659.44	$1,085.00	$636.83	$642.00	$5.00
6"	$1,318.88	$2,170.00	$1,273.66	$1,284.00	$10.00
8”	N/A	N/A	$2,037.86	$2,054.40	$16.00
10”	N/A	N/A	$3,693.62	$3,723.60	$29.00
Charge per 1,000 gallons	$3.37	$5.55	$5.65	$4.92	$0.04
Typical Residential 5/8" x 3/4" Meter Bill Comparison					
4,000 Gallons	$37.65	$61.96	$45.11	$42.08	
6,000 Gallons	$43.29	$71.24	$54.93	$50.28	
8,000 Gallons	$48.93	$80.52	$64.75	$58.48	

UIF - Orange County
Schedule of Water Rate Base
Test Year Ended 12/31/15

Schedule No. 2-A
Docket No. 160101-WS

	Description	Test Year Per Utility	Utility Adjust-ments	Adjusted Test Year Per Utility	Staff Adjust-ments	Staff Adjusted Test Year
1	Plant in Service	$602,973	$160,240	$763,213	$1,150,571	$1,913,784
2	Land and Land Rights	73	0	73	0	73
	Non-used and Useful Components	0	0	0	0	0
3	Accumulated Depreciation	(192,322)	1,359,101	1,166,779	(1,146,083)	20,696
4	CIAC	(9,937)	0	(9,937)	(28,844)	(38,781)
5	Amortization of CIAC	12,404	0	12,404	26,264	38,668
6	CWIP	14,118	(14,118)	0	0	0
7	Acquisition Adjustment	67	(67)	0	0	0
8	Accum. Amort. of Acq. Adjustments	(142)	142	0	0	0
9	Working Capital Allowance	0	8,927	8,927	(366)	8,561
10	**Rate Base**	$427,234	$1,514,225	$1,941,459	$1,542	$1,943,001

UIF - Orange County
Adjustments to Rate Base
Test Year Ended 12/31/15

Schedule No. 2-B
Docket No. 160101-WS

	Explanation	Water
	Plant In Service	
1	Audit Findings 3 & 9 (I-5)	$24,243
2	Pro Forma Plant Additions (I-9)	(8,624)
3	Pro Forma Plant Retirements (I-10)	1,134,952
	Total	$1,150,571
	Accumulated Depreciation	
1	Audit Finding 3 (I-5)	$681
2	Pro Forma Plant Additions (I-9)	(23,468)
3	Pro Forma Plant Retirements (I-10)	(1,134,952)
4	Test Year Accumulated Depreciation Adjustments (I-18)	11,656
	Total	($1,146,083)
	CIAC	
	Audit Finding 3 (I-5)	($28,844)
	Accumulated Amortization of CIAC	
	Audit Finding 3 (I-5)	$26,264
	Working Capital	
1	Accrued Tax Adjustments (I-21)	($962)
2	Miscellaneous Deferred Debits Adjustments (I-21)	276
3	Deferred Rate Case Expense Adjustments (I-21)	320
	Total	($366)

UIF - Orange County
Statement of Water Operations
Test Year Ended 12/31/15

Schedule No. 3-A
Docket No. 160101-WS

	Description	Test Year Per Utility	Utility Adjust-ments	Adjusted Test Year Per Utility	Staff Adjust-ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1	**Operating Revenues:**	$116,225	$259,858	$376,083	($258,991)	$117,092	$248,689	$365,781
							212.39%	
	Operating Expenses							
2	Operation & Maintenance	$80,611	$6,306	$86,917	($3,227)	$83,690		$83,690
3	Depreciation	19,465	3,360	22,825	22,663	45,488		45,488
4	Amortization	0	0	0	92	92		92
5	Taxes Other Than Income	8,016	42,823	50,839	(14,183)	36,656	11,191	47,847
6	Income Taxes	39	58,278	58,317	(96,643)	(38,326)	89,371	51,044
7	**Total Operating Expense**	108,131	110,767	218,898	(91,297)	127,601	100,562	228,162
8	**Operating Income**	$8,094	$149,091	$157,185	($167,694)	($10,509)	$148,128	$137,619
9	**Rate Base**	$427,234		$1,941,459		$1,943,001		$1,943,001
10	**Rate of Return**	1.89%		8.10%		-0.54%		7.08%

UIF - Orange County
Adjustments to Operating Income
Test Year Ended 12/31/15

Schedule No. 3-B
Docket No. 160101-WS

	Explanation	Water
	Operating Revenues	
1	Remove requested final revenue increase or decrease.	($258,990)
2	Test Year Revenues (I-32)	(1)
	Total	($258,991)
	Operation and Maintenance Expense	
1	Audit Finding 10 (I-33)	($570)
2	Pensions & Benefits Adjustments (I-35)	(530)
3	Rate Case Expense (I-49)	(345)
4	Unamortized Rate Case Expense (I-50)	(1,782)
	Total	($3,227)
	Depreciation Expense - Net	
1	Pro Forma Plant Additions (I-9)	$2,060
2	Pro Forma Plant Retirements (I-10)	26,565
3	Test Year Accumulated Depreciation Adjustments (I-18)	(2,696)
4	Audit Finding 3 and 9 (I-33)	(2,885)
5	WSC Cost Allocation Adjustments (I-36)	(381)
	Total	$22,663
	Amotization-Other Expense	
	Phoenix Project Regulatory Asset (I-6)	$92
	Taxes Other Than Income	
1	To remove RAFs on revenue increase.	($11,655)
2	Pro Forma Plant Additions (I-9)	(2,528)
	Total	($14,183)

UIF - ORANGE **SCHEDULE NO. 4**
TEST YEAR ENDED DECEMBER 31, 2015 **DOCKET NO. 160101-WS**
MONTHLY WATER RATES

	Utility Current Rates	Utility Requested Final	Staff Recommended Rates	Staff Recommended Surcharge	Four Year Rate Reduction
Residential and General Service					
Base Facility Charge by Meter Size					
5/8" X 3/4"	$8.55	$11.54	$10.87	$0.40	$0.12
3/4"	N/A	$17.31	$16.31	$0.60	$0.18
1"	$21.36	$28.84	$27.18	$1.00	$0.30
1-1/2"	$42.73	$57.69	$54.35	$2.00	$0.60
2"	$68.35	$92.30	$86.96	$3.20	$0.96
3"	$136.70	$184.59	$173.92	$6.40	$1.92
4"	$213.61	$288.43	$271.75	$10.00	$3.00
6"	$427.23	$576.86	$543.50	$20.00	$6.00
8”	N/A	$922.97	$869.60	$32.00	$9.60
10”	N/A	$1,672.89	$1,576.15	$58.00	$17.40
Charge per 1,000 gallons - Residential					
0 – 6,000 gallons	$3.46	N/A	N/A	N/A	N/A
6,001 – 8,000 gallons	$3.58	N/A	N/A	N/A	N/A
8,001 – 16,000 gallons	$5.38	N/A	N/A	N/A	N/A
Over 16,000 gallons	$6.28	N/A	N/A	N/A	N/A
0 – 8,000 gallons	N/A	$1.97	N/A	N/A	N/A
8,001 – 16,000 gallons	N/A	$2.95	N/A	N/A	N/A
Over 16,000 gallons	N/A	$3.93	N/A	N/A	N/A
0 – 4,000 gallons	N/A	N/A	$1.52	$0.10	$0.02
4,001 – 12,000 gallons	N/A	N/A	$2.28	$0.15	$0.03
Over 12,000 gallons	N/A	N/A	$3.80	$0.25	$0.04
Charge per 1,000 gallons - General Service	$3.97	$2.98	$2.57	$0.13	$0.03
Typical Residential 5/8" x 3/4" Meter Bill Comparison					
4,000 Gallons	$22.39	$19.42	$16.95		
8,000 Gallons	$36.47	$27.30	$26.07		
12,000 Gallons	$57.99	$39.10	$35.19		

UIF-Pasco
Schedule of Water Rate Base
Test Year Ended 12/31/15

Schedule No. 2-A
Docket No. 160101-WS

	Description	Test Year Per Utility	Utility Adjust-ments	Adjusted Test Year Per Utility	Staff Adjust-ments	Staff Adjusted Test Year
1	Plant in Service	$4,388,952	($1,078,544)	$3,310,408	$3,648,518	$6,958,926
2	Land and Land Rights	2,344	0	2,344	0	2,344
3	Non-used and Useful Components	0	0	0	0	0
4	CWIP	130,454	(130,454)	0	0	0
5	Accumulated Depreciation	(1,598,286)	2,935,862	1,337,576	(3,198,823)	(1,861,247)
6	CIAC	(720,510)	155,602	(564,908)	114,733	(450,175)
7	Amortization of CIAC	334,667	(156,827)	177,840	113,078	290,918
8	Acquisition Adjustment	375,485	(375,485)	0	0	0
9	Accumulated Amort of Acq Adj	(34,441)	34,441	0	0	0
10	Working Capital Allowance	0	262,498	262,498	295,290	557,788
11	**Rate Base**	$2,878,665	$1,647,093	$4,525,758	$972,796	$5,498,554

UIF-Pasco **Schedule No. 2-B**
Schedule of Wastewater Rate Base **Docket No. 160101-WS**
Test Year Ended 12/31/15

	Description	Test Year Per Utility	Utility Adjust-ments	Adjusted Test Year Per Utility	Staff Adjust-ments	Staff Adjusted Test Year
1	Plant in Service	$1,034,888	$15,954	$1,050,842	$687,814	$1,738,656
2	Land and Land Rights	7,734	0	7,734	0	7,734
3	Non-used and Useful Components	0	0	0	0	0
4	CWIP	34	(34)	0	0	0
5	Accumulated Depreciation	423,771	25,566	449,337	(1,378,741)	(929,404)
6	CIAC	(633,772)	0	(633,772)	46,517	(587,255)
7	Amortization of CIAC	396,078	0	396,078	19,216	415,294
8	Acquisition Adjustment	78,938	(78,938)	0	0	0
9	Accumulated Amort of Acq Adj	(7,255)	7,255	0	0	0
10	Working Capital Allowance	0	35,799	35,799	(1,468)	34,331
11	**Rate Base**	$1,300,416	$5,602	$1,306,018	($626,662)	$679,356

UIF-Pasco
Adjustments to Rate Base
Test Year Ended 12/31/15

Schedule No. 2-C
Docket No. 160101-WS

	Explanation	Water	Wastewater
	Plant In Service		
1	Audit Findings 3 & 9 (I-5)	$811,234	$696,840
2	Summertree Decommissioned WTP Rate Base Adjustments (I-8)	1,071,092	0
3	Pro Forma Plant Additions (I-9)	626,016	(15,612)
4	Pro Forma Plant Retirements (I-10)	1,140,176	6,586
	Total	$3,648,518	$687,814
	Accumulated Depreciation		
1	Audit Finding 3 (I-5)	($567,821)	($1,393,033)
2	Summertree Decommissioned WTP Rate Base Adjustments (I-8)	(1,511,576)	0
3	Pro Forma Plant Additions (I-9)	(31,937)	417
4	Pro Forma Plant Retirements (I-10)	(1,140,176)	(6,586)
5	Test Year Accumulated Depreciation Adjustments (I-18)	52,687	20,460
	Total	($3,198,823)	($1,378,741)
	CIAC		
1	Audit Finding 3 (I-5)	$111,100	$46,517
2	Summertree Decommissioned WTP Rate Base Adjustments (I-8)	3,633	0
	Total	$114,733	$46,517
	Accumulated Amortization of CIAC		
1	Audit Finding 3 (I-5)	$39,924	$19,216
2	Summertree Decommissioned WTP Rate Base Adjustments (I-8)	73,154	0
	Total	$113,078	$19,216
	Working Capital		
1	Accrued Tax Adjustments (I-21)	($8,893)	($3,859)
2	Miscellaneous Deferred Debits Adjustments (I-21)	2,551	1,107
3	Deferred Rate Case Expense Adjustments (I-21)	2,960	1,284
4	Loss on Abandoned Plant Adjustments (I-21)	298,672	0
	Total	$295,290	($1,468)

UIF-Pasco
Statement of Water Operations
Test Year Ended 12/31/15

Schedule No. 3-A
Docket No. 160101-WS

	Description	Test Year Per Utility	Utility Adjust-ments	Adjusted Test Year Per Utility	Staff Adjust-ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1	**Operating Revenues:**	$910,704	$322,013	$1,232,717	($224,039)	$1,008,678	$404,778	$1,413,456
							40.13%	
	Operating Expenses							
2	Operation & Maintenance	$595,947	($89,280)	$506,667	$18,387	$525,054		$525,054
3	Depreciation	195,706	(67,365)	128,341	40,219	168,560		168,560
4	Amortization	0	0	0	47,600	47,600		47,600
5	Taxes Other Than Income	148,471	(16,011)	132,460	(12,337)	120,123	18,215	138,338
6	Income Taxes	360	125,444	125,804	(126,816)	(1,012)	145,464	144,452
7	**Total Operating Expense**	940,484	(47,212)	893,272	(32,946)	860,326	163,679	1,024,004
8	**Operating Income**	($29,780)	$369,225	$339,445	($191,093)	$148,352	$241,099	$389,452
9	**Rate Base**	$2,878,665		$4,525,758		$5,498,554		$5,498,554
10	**Rate of Return**	-1.03%		7.50%		2.70%		7.08%

UIF-Pasco
Statement of Wastewater Operations
Test Year Ended 12/31/15

Schedule No. 3-B
Docket No. 160101-WS

	Description	Test Year Per Utility	Utility Adjust-ments	Adjusted Test Year Per Utility	Staff Adjust-ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1	**Operating Revenues:**	$511,442	$149,936	$661,378	($152,647)	$508,731	($3,676)	$505,055
							-0.72%	
	Operating Expenses							
2	Operation & Maintenance	$236,929	$182,682	$419,611	($59,277)	$360,334		$360,334
3	Depreciation	25,819	25,930	51,749	(21,690)	30,059		30,059
4	Amortization	0	0	0	369	369		369
5	Taxes Other Than Income	0	55,759	55,759	(7,265)	48,494	(165)	48,328
6	Income Taxes	156	36,152	36,308	(17,140)	19,168	(1,321)	17,847
7	**Total Operating Expense**	262,904	300,523	563,427	(105,003)	458,424	(1,486)	456,938
8	**Operating Income**	$248,538	($150,587)	$97,951	($47,644)	$50,307	($2,189)	$48,117
9	**Rate Base**	$1,300,416		$1,306,018		$679,356		$679,356
10	**Rate of Return**	19.11%		7.50%		7.41%		7.08%

UIF-Pasco **Schedule No. 3-C**
Adjustments to Operating Income **Docket No. 160101-WS**
Test Year Ended 12/31/15

	Explanation	Water	Wastewater
	Operating Revenues		
1	Remove requested final revenue increase or decrease.	($329,885)	($152,640)
2	Test Year Revenues (I-32)	105,846	(7)
	Total	($224,039)	($152,647)
	Operation and Maintenance Expense		
1	EUW Adjustments (I-11)	($1,234)	$0
2	I&I Adjustments (I-12)	0	(35,616)
3	Audit Finding 10 (I-33)	(4,420)	(1,918)
4	Pensions & Benefits Adjustments (I-35)	(4,900)	(2,126)
5	Purchased Water (I-37)		0
6	Purchased Sewage (I-38)	0	(11,088)
7	Rate Case Expense (I-49)	(3,185)	(1,382)
8	Unamortized Rate Case Expense (I-50)	(16,471)	(7,147)
9	Summertree Decommissioned WTP NOI Adjustments (I-56)	(68,609)	0
	Total	($98,819)	($59,277)
	Depreciation Expense - Net		
1	Pro Forma Plant Additions (I-9)	$10,614	($2,088)
2	Pro Forma Plant Retirements (I-10)	29,424	1,394
3	Test Year Accumulated Depreciation Adjustments (I-18)	(12,650)	(11,165)
4	Audit Finding 3 and 9 (I-33)	(16,961)	(8,300)
5	WSC Cost Allocation Adjustments (I-36)	(3,526)	(1,530)
6	Summertree Decommissioned WTP Rate Base Adjustments (I-56)	33,318	0
	Total	$40,219	($21,690)
	Amortization-Other Expense		
1	Phoenix Project Regulatory Asset (I-6)	$850	$369
2	Loss on Abandoned Plant (I-56)	46,750	0
	Total	$47,600	$369
	Taxes Other Than Income		
1	To remove RAFs on revenue increase	($10,082)	($6,869)
2	Pro Forma Plant Additions (I-9)	7,677	(396)
3	Loss on Abandoned Plant (I-56)	(9,933)	0
	Total	($12,337)	($7,265)

UIF - Pasco - Orangewood | **Schedule No. 4-A**
Test Year Ended December 31, 2015 | **Docket No. 160101-WS**
Monthly Water Rates

	Rates Prior to Filing	Commission Approved Interim	Current Rates	Utility Requested Final	Staff Recommended Rates	Staff Recommended Surcharge*	Staff Recommended Surcharge**	Four Year Rate Reduction
Residential and General Service								
Base Facility Charge by Meter Size								
5/8" X 3/4"	$11.81	$12.56	$13.20	$11.54	$10.87	$0.41	$0.06	$0.12
3/4"	$17.72	$18.84	$19.80	$17.31	$16.31	$0.62	$0.27	$0.18
1"	$29.53	$31.40	$33.00	$28.84	$27.18	$1.03	$0.45	$0.30
1-1/2"	$59.03	$62.80	$66.00	$57.69	$54.35	$2.05	$0.90	$0.60
2"	$94.45	$100.48	$105.60	$92.30	$86.96	$3.28	$1.44	$0.96
3"	$188.90	$200.96	$211.20	$184.59	$173.92	$6.56	$2.88	$1.92
4"	$295.17	$314.00	$330.00	$288.43	$271.75	$10.25	$4.50	$3.00
6"	$590.33	$628.00	$660.00	$576.86	$543.50	$20.50	$9.00	$6.00
8”	N/A	N/A	N/A	$922.97	$869.60	$32.80	$14.40	$9.60
10”	N/A	N/A	N/A	$1,672.89	$1,576.15	$59.45	$26.10	$17.40
Charge per 1,000 gallons - Residential	$5.45	$5.80	$6.10	N/A	N/A	N/A	N/A	N/A
0 – 8,000 gallons	N/A	N/A	N/A	$1.97	N/A	N/A	N/A	N/A
8,001 – 16,000 gallons	N/A	N/A	N/A	$2.95	N/A	N/A	N/A	N/A
Over 16,000 gallons	N/A	N/A	N/A	$3.93	N/A	N/A	N/A	N/A
0 – 4,000 gallons	N/A	N/A	N/A	N/A	$1.52	$0.27	$0.04	$0.02
4,001 – 12,000 gallons	N/A	N/A	N/A	N/A	$2.28	$0.41	$0.06	$0.03
Over 12,000 gallons	N/A	N/A	N/A	N/A	$3.80	$0.68	$0.10	$0.04
Charge per 1,000 gallons - General Service	$5.45	$5.80	$6.10	$2.98	$2.57	$0.31	$0.05	
Typical Residential 5/8" x 3/4" Meter Bill Comparison								
4,000 Gallons	$33.61	$35.76	$37.60	$19.42	$16.95			
8,000 Gallons	$55.41	$58.96	$62.00	$27.30	$26.07			
12,000 Gallons	$77.21	$82.16	$86.40	$39.10	$35.19			

UIF - Pasco - Summertree **Schedule No. 4-A**
Test Year Ended December 31, 2015 **Docket No. 160101-WS**
Monthly Water Rates

	Rates Prior to Filing	Commission Approved Interim	Current Rates	Utility Requested Final	Staff Recommended Rates	ROR Credit	Staff Recommended Surcharge*	Staff Recommended Surcharge**	Four Year Rate Reduction
Residential and General Service									
Base Facility Charge by Meter Size									
5/8" X 3/4"	$11.19	$11.90	$12.51	$11.54	$10.87	$0.38	$0.41	$0.06	$0.12
3/4"	$16.78	$17.85	$18.77	$17.31	$16.31	$0.57	$0.62	$0.09	$0.18
1"	$27.96	$29.75	$31.28	$28.84	$27.18	$0.95	$1.03	$0.15	$0.30
1-1/2"	$55.91	$59.50	$62.55	$57.69	$54.35	$1.90	$2.05	$0.30	$0.60
2"	$89.45	$95.20	$100.08	$92.30	$86.96	$3.04	$3.28	$0.48	$0.96
3"	$178.91	$190.40	$200.16	$184.59	$173.92	$6.08	$6.56	$0.96	$1.92
4"	$279.55	$297.50	$312.75	$288.43	$271.75	$9.50	$10.25	$1.50	$3.00
6"	$549.02	$595.00	$625.50	$576.86	$543.50	$19.00	$20.50	$3.00	$6.00
8”	N/A	N/A	N/A	$922.97	$869.60	$30.40	$32.80	$4.80	$9.60
10”	N/A	N/A	N/A	$1,672.89	$1,576.15	$55.10	$59.45	$8.70	$17.40
Charge per 1,000 gallons - Residential	$5.17	$5.50	$5.78	N/A	N/A	N/A	N/A	N/A	N/A
0 – 8,000 gallons	N/A	N/A	N/A	$1.97	N/A	N/A	N/A	N/A	N/A
8,001 – 16,000 gallons	N/A	N/A	N/A	$2.95	N/A	N/A	N/A	N/A	N/A
Over 16,000 gallons	N/A	N/A	N/A	$3.93	N/A	N/A	N/A	N/A	N/A
0 – 4,000 gallons	N/A	N/A	N/A	N/A	$1.52	$0.25	$0.27	$0.04	$0.02
4,001 – 12,000 gallons	N/A	N/A	N/A	N/A	$2.28	$0.38	$0.41	$0.06	$0.03
Over 12,000 gallons	N/A	N/A	N/A	N/A	$3.80	$0.63	$0.68	$0.10	$0.04
Charge per 1,000 gallons - General Service	$5.17	$5.50	$5.78	$2.98	$2.57	$0.28	$0.31	$0.05	
Typical Residential 5/8" x 3/4" Meter Bill Comparison									
4,000 Gallons	$31.87	$33.90	$35.63	$19.42	$16.95				
8,000 Gallons	$52.55	$55.90	$58.75	$27.30	$26.07				
12,000 Gallons	$73.23	$77.90	$81.87	$39.10	$35.19				

UIF - Pasco - Orangewood
Test Year Ended December 31, 2015
Monthly Wastewater Rates

Schedule No. 4-B
Docket No. 160101-WS

	Rates Prior to Filing	Commission Approved Interim	Utility Requested Final	Staff Recommended Rates	Staff Recommended Surcharge	Four Year Rate Reduction
Residential - Orangewood						
Base Facility Charge - All Meter Sizes	$9.72	$11.76	$25.47	$25.68	$0.52	$0.20
Charge per 1,000 gallons						
6,000 gallon cap	$7.21	$8.67	N/A	N/A	N/A	N/A
8,000 gallon cap	N/A	N/A	$4.91	$4.10	$0.28	$0.03
Flat Rate	$24.32	$29.41	$35.66	$46.18	$1.92	$0.36
General Service - Orangewood						
Base Facility Charge by Meter Size						
5/8" X 3/4"	N/A	N/A	$25.47	$25.68	$0.52	$0.20
3/4"	N/A	N/A	$38.21	$38.52	$0.78	$0.30
1"	N/A	N/A	$63.68	$64.20	$1.30	$0.50
1-1/2"	N/A	N/A	$127.37	$128.40	$2.60	$1.00
2"	N/A	N/A	$203.79	$205.44	$4.16	$1.60
3"	N/A	N/A	$407.57	$410.88	$8.32	$3.20
4"	N/A	N/A	$636.83	$642.00	$13.00	$5.00
6"	N/A	N/A	$1,273.66	$1,284.00	$26.00	$10.00
8”	N/A	N/A	$2,037.86	$2,054.40	$41.60	$16.00
10”	N/A	N/A	$3,693.62	$3,723.60	$75.40	$29.00
Charge per 1,000 gallons	N/A	N/A	$5.65	$4.92	$0.34	$0.04
Typical Residential 5/8" x 3/4" Meter Bill Comparison						
4,000 Gallons	$38.56	$46.44	$45.11	$42.08		
6,000 Gallons	$52.98	$63.78	$54.93	$50.28		
8,000 Gallons	$52.98	$63.78	$64.75	$58.48		

UIF - Pasco - Summertree | **Schedule No. 4-B**
Test Year Ended December 31, 2015 | **Docket No. 160101-WS**
Monthly Wastewater Rates

	Rates Prior to Filing	Commission Approved Interim	Utility Requested Final	Staff Recommended Rates	Staff Recommended Surcharge	Four Year Rate Reduction
Residential - Summertree						
Base Facility Charge - All Meter Sizes	$12.63	$15.27	$25.47	$25.68	$0.52	$0.20
Charge per 1,000 gallons						
6,000 gallon cap	$10.73	$12.98	N/A	N/A	N/A	N/A
8,000 gallon cap	N/A	N/A	$4.91	$4.10	$0.28	$0.03
General Service - Summertree						
Base Facility Charge by Meter Size						
5/8" X 3/4"	$12.63	$15.27	$25.47	$25.68	$0.52	$0.20
3/4"	$18.92	$22.91	$38.21	$38.52	$0.78	$0.30
1"	$31.54	$38.18	$63.68	$64.20	$1.30	$0.49
1-1/2"	$63.08	$76.35	$127.37	$128.40	$2.60	$0.99
2"	$100.92	$122.16	$203.79	$205.44	$4.16	$1.58
3"	$201.83	$244.32	$407.57	$410.88	$8.32	$3.16
4"	$315.38	$381.75	$636.83	$642.00	$13.00	$4.94
6"	$630.77	$763.50	$1,273.66	$1,284.00	$26.00	$9.89
8”	N/A	N/A	$2,037.86	$2,054.40	$41.60	$15.82
10”	N/A	N/A	$3,693.62	$3,723.60	$75.40	$28.67
Charge per 1,000 gallons	$14.22	$17.20	$5.65	$4.92	$0.34	$0.04
Typical Residential 5/8" x 3/4" Meter Bill Comparison						
4,000 Gallons	$55.55	$67.19	$45.11	$42.08		
6,000 Gallons	$77.01	$93.15	$54.93	$50.28		
8,000 Gallons	$77.01	$93.15	$64.75	$58.48		

UIF-Pinellas Co.
Schedule of Water Rate Base
Test Year Ended 12/31/15

Schedule No. 2-A
Docket No. 160101-WS

	Description	Test Year Per Utility	Utility Adjust-ments	Adjusted Test Year Per Utility	Staff Adjust-ments	Staff Adjusted Test Year
1	Plant in Service	$901,630	$255,511	$1,157,141	$1,076,985	$2,234,126
2	Land and Land Rights	6,207	0	6,207	0	6,207
3	Non-used and Useful Components	0	0	0	0	0
	CWIP	19,561	(19,561)	0	0	0
4	Accumulated Depreciation	(175,392)	747,180	571,788	(835,847)	(264,059)
5	CIAC	(157,394)	0	(157,394)	18,546	(138,848)
6	Amortization of CIAC	106,775	0	106,775	(37,418)	69,357
7	Acquisition Adjustment	95,378	(95,378)	0	0	0
8	Accumulated Amort of Acq Adj	(25,082)	25,082	0	0	0
9	Working Capital Allowance		16,289	16,289	(4,431)	11,858
11	**Rate Base**	$771,683	$929,123	$1,700,806	$217,835	$1,918,641

UIF-Pinellas Co. **Schedule No. 2-B**
Adjustments to Rate Base **Docket No. 160101-WS**
Test Year Ended 12/31/15

	Explanation	Water
	Plant In Service	
1	Audit Findings 3 & 9 (I-5)	$111,957
2	Pro Forma Plant Additions (I-9)	212,753
3	Pro Forma Plant Retirements (I-10)	752,275
	Total	$1,076,985
	Accumulated Depreciation	
1	Audit Finding 3 (I-5)	($72,884)
2	Pro Forma Plant Additions (I-9)	(16,588)
3	Pro Forma Plant Retirements (I-10)	(752,275)
4	Test Year Accumulated Depreciation Adjustments (I-18)	5,900
	Total	($835,847)
	CIAC	
	Audit Finding 3 (I-5)	$18,546
	Accumulated Amortization of CIAC	
	Audit Finding 3 (I-5)	($37,418)
	Working Capital	
1	Accrued Tax Adjustments (I-21)	($8,442)
2	Miscellaneous Deferred Debits Adjustments (I-21)	3,568
3	Deferred Rate Case Expense Adjustments (I-21)	444
	Total	($4,431)

UIF-Pinellas Co.
Statement of Water Operations
Test Year Ended 12/31/15

Schedule No. 3-A
Docket No. 160101-WS

	Description	Test Year Per Utility	Utility Adjust-ments	Adjusted Test Year Per Utility	Staff Adjust-ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1	**Operating Revenues:**	$155,393	$172,802	$328,195	($170,080)	$158,115	$180,040	$338,155
							113.87%	
	Operating Expenses							
2	Operation & Maintenance	$64,154	$7,360	$71,514	($4,827)	$66,687		$66,687
3	Depreciation	29,500	5,498	34,998	13,766	48,764		48,764
4	Amortization	0	0	0	127	127		127
5	Taxes Other Than Income	2,778	32,174	34,952	(5,718)	29,234	8,102	37,336
6	Income Taxes	54	50,475	50,529	(65,883)	(15,354)	64,700	49,347
7	**Total Operating Expense**	96,486	95,507	191,993	(62,534)	129,459	72,802	202,261
8	**Operating Income**	$58,907	$77,295	$136,202	($107,546)	$28,656	$107,238	$135,894
9	**Rate Base**	$771,683		$1,700,806		$1,918,641		$1,918,641
10	**Rate of Return**	7.63%		8.01%		1.49%		7.08%

UIF-Pinellas Co.
Adjustments to Operating Income
Test Year Ended 12/31/15

Schedule No. 3-B
Docket No. 160101-WS

	Explanation	Water
	Operating Revenues	
1	Remove requested final revenue increase or decrease.	($170,080)
2	Test Year Revenues (I-32)	0
	Total	($170,080)
	Operation and Maintenance Expense	
1	EUW (I-11)	($415)
2	Audit Finding 10 (I-33)	(732)
3	Pensions & Benefits Adjustments (I-35)	(734)
4	Rate Case Expense (I-49)	(477)
5	Unamortized Rate Case Expense (I-50)	(2,469)
	Total	($4,827)
	Depreciation Expense - Net	
1	Pro Forma Plant Additions (I-9)	$4,362
2	Pro Forma Plant Retirements (I-10)	17,957
3	Test Year Accumulated Depreciation Adjustments (I-18)	(3,945)
4	Audit Finding 3 and 9 (I-33)	(4,079)
5	WSC Cost Allocation Adjustments (I-36)	(528)
	Total	$13,766
	Amotization-Other Expense	
	Phoenix Project Regulatory Asset (I-6)	$127
	Taxes Other Than Income	
1	To remove RAFS with revenue increase	($7,654)
2	Pro Forma Plant Additions (I-9)	1,936
	Total	($5,718)

UIF - Pinellas | **Schedule No. 4**
Test Year Ended December 31, 2015 | **Docket No. 160101-WS**
Monthly Water Rates

	Rates Prior to Filing	Commission Approved Interim	Utility Requested Final	Staff Recommended Rates	Staff Recommended Surcharge	Four Year Rate Reduction
Residential and General Service						
Base Facility Charge by Meter Size						
5/8 X 3/4"	$11.37	$12.33	$11.54	$10.87	$0.34	$0.12
3/4”	N/A	N/A	$17.31	$16.31	$0.51	$0.19
1"	$28.41	$30.83	$28.84	$27.18	$0.85	$0.31
1-1/2"	$56.81	$61.65	$57.69	$54.35	$1.70	$0.62
2"	$90.90	$98.64	$92.30	$86.96	$2.72	$0.99
3"	$181.90	$197.28	$184.59	$173.92	$5.44	$1.98
4"	$284.07	$308.25	$288.43	$271.75	$8.50	$3.10
6"	$568.13	$616.50	$576.86	$543.50	$17.00	$6.20
8”	N/A	N/A	$922.97	$869.60	$27.20	$9.91
10”	N/A	N/A	$1,672.89	$1,576.15	$49.30	$17.97
Charge per 1,000 Gallons - Residential Service	$6.43	$6.97	N/A	N/A	N/A	N/A
0 – 8,000 gallons	N/A	N/A	$1.97	N/A	N/A	N/A
8,001 – 16,000 gallons	N/A	N/A	$2.95	N/A	N/A	N/A
Over 16,000 gallons	N/A	N/A	$3.93	N/A	N/A	N/A
0 – 4,000 gallons	N/A	N/A	N/A	$1.52	$0.29	$0.02
4,001 – 12,000 gallons	N/A	N/A	N/A	$2.28	$0.44	$0.03
Over 12,000 gallons	N/A	N/A	N/A	$3.80	$0.73	$0.04
Charge per 1,000 Gallons - General Service	$6.42	$6.96	$2.98	N/A	N/A	N/A
Typical Residential 5/8" x 3/4" Meter Bill Comparison						
4,000 Gallons	$37.09	$40.21	$19.42	$16.95		
8,000 Gallons	$62.81	$68.09	$27.30	$26.07		
12,000 Gallons	$88.53	$95.97	$39.10	$35.19		

UIF-Seminole Co. **Schedule No. 2-A**
Schedule of Water Rate Base **Docket No. 160101-WS**
Test Year Ended 12/31/15

	Description	Test Year Per Utility	Utility Adjust-ments	Adjusted Test Year Per Utility	Staff Adjust-ments	Staff Adjusted Test Year
1	Plant in Service	$5,092,390	$2,944,961	$8,037,351	$6,189,888	$14,227,239
2	Land and Land Rights	(788)	0	(788)	0	(788)
3	Non-used and Useful Components	0	0	0	0	0
4	CWIP	123,235	(123,235)	0	0	0
5	Accumulated Depreciation	(1,006,120)	6,481,232	5,475,112	(6,763,250)	(1,288,138)
6	CIAC	(1,088,263)	(115)	(1,088,378)	158,502	(929,876)
7	Amortization of CIAC	1,010,698	0	1,010,698	(177,314)	833,384
8	Acquisition Adjustment	(56,601)	56,601	0	0	0
9	Accumulated Amort of Acq Adj	4,927	(4,927)	0	0	0
10	Advances for Construction	644	0	644	0	644
11	Working Capital Allowance	0	77,955	77,955	(3,196)	74,759
12	**Rate Base**	$4,080,122	$9,432,472	$13,512,594	($595,370)	$12,917,224

UIF-Seminole Co. | **Schedule No. 2-B**
Schedule of Wastewater Rate Base | **Docket No. 160101-WS**
Test Year Ended 12/31/15

	Description	Test Year Per Utility	Utility Adjust-ments	Adjusted Test Year Per Utility	Staff Adjust-ments	Staff Adjusted Test Year
1	Plant in Service	$2,257,726	$93,862	$2,351,588	$1,747,773	$4,099,361
2	Land and Land Rights	1,295	0	1,295	0	1,295
3	Non-used and Useful Components	0	0	0	0	0
4	CWIP	32	(32)	0	0	0
5	Accumulated Depreciation	(384,628)	250,279	(134,349)	(1,185,509)	(1,319,858)
6	CIAC	(1,043,254)	0	(1,043,254)	226,651	(816,603)
7	Amortization of CIAC	633,143	0	633,143	21,410	654,553
8	Acquisition Adjustment	0	0	0	0	0
9	Accumulated Amort of Acq Adj	0	0	0	0	0
10	Working Capital Allowance	0	42,392	42,392	(1,738)	40,654
11	**Rate Base**	$1,464,314	$386,501	$1,850,815	$808,587	$2,659,402

UIF-Seminole Co. **Schedule No. 2-C**
Adjustments to Rate Base **Docket No. 160101-WS**
Test Year Ended 12/31/15

	Explanation	Water	Wastewater
	Plant In Service		
1	Audit Findings 3 & 9 (I-5)	$625,202	$1,229,811
2	Pro Forma Plant Additions (I-9)	27,480	370,144
3	Pro Forma Plant Retirements (I-10)	5,537,206	147,818
	Total	$6,189,888	$1,747,773
	Accumulated Depreciation		
1	Audit Finding 3 (I-5)	($1,603,482)	($1,070,493)
2	Pro Forma Plant Additions (I-9)	(113,641)	(17,443)
3	Pro Forma Plant Retirements (I-10)	(5,537,206)	(147,788)
4	Test Year Accumulated Depreciation Adjustments (I-18)	491,079	50,215
	Total	($6,763,250)	($1,185,509)
	CIAC		
	Audit Finding 3 (I-5)	$158,502	$226,651
	Accumulated Amortization of CIAC		
	Audit Finding 3 (I-5)	($177,314)	$21,410
	Working Capital		
1	Accrued Tax Adjustments (I-21)	($8,403)	($4,570)
2	Miscellaneous Deferred Debits Adjustments (I-21)	2,410	1,311
3	Deferred Rate Case Expense Adjustments (I-21)	2,797	1,521
	Total	($3,196)	($1,738)

UIF-Seminole Co.
Statement of Water Operations
Test Year Ended 12/31/15

Schedule No. 3-A
Docket No. 160101-WS

	Description	Test Year Per Utility	Utility Adjust-ments	Adjusted Test Year Per Utility	Staff Adjust-ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1	**Operating Revenues:**	$1,009,309	$1,654,042	$2,663,351	($1,631,540)	$1,031,811	$1,335,603	$2,367,414
							129.44%	
	Operating Expenses							
2	Operation & Maintenance	$793,180	(162,803)	$630,377	($158,837)	$471,540		$471,540
3	Depreciation	175,550	38,961	214,511	109,512	324,023		324,023
4	Amortization	0	0	0	803	803		803
5	Taxes Other Than Income	190,282	149,904	340,186	(83,489)	256,697	60,102	316,799
6	Income Taxes	91,067	308,854	399,921	(540,544)	(140,623)	479,971	339,348
7	**Total Operating Expense**	1,250,079	334,916	1,584,995	(672,556)	912,439	540,073	1,452,512
8	**Operating Income**	($240,770)	$1,319,126	$1,078,356	($958,984)	$119,372	$795,530	$914,902
9	**Rate Base**	$4,080,122		$13,512,594		$12,917,224		$12,917,224
10	**Rate of Return**	-5.90%		7.98%		0.92%		7.08%

UIF-Seminole Co.
Statement of Wastewater Operations
Test Year Ended 12/31/15

Schedule No. 3-B
Docket No. 160101-WS

	Description	Test Year Per Utility	Utility Adjust-ments	Adjusted Test Year Per Utility	Staff Adjust-ments	Staff Adjusted Test Year	Revenue Increase	Revenue Requirement
1	**Operating Revenues:**	$837,784	($24,180)	$813,604	$29,959	$843,563	($6,659)	$836,904
							-0.79%	
	Operating Expenses							
2	Operation & Maintenance	$284,892	$237,700	$522,592	($112,563)	$410,029	$0	$410,029
3	Depreciation	(19,882)	31,649	11,767	73,929	85,696	0	85,696
4	Amortization	0	0	0	437	437	0	437
5	Taxes Other Than Income	0	76,767	76,767	6,050	82,817	(300)	82,518
6	Income Taxes	49,522	5,249	54,771	17,487	72,258	(2,393)	69,865
7	**Total Operating Expense**	314,532	351,365	665,897	(14,661)	651,236	(2,693)	648,544
8	**Operating Income**	$523,252	($375,545)	$147,707	$44,620	$192,327	($3,966)	$188,360
9	**Rate Base**	$1,464,314		$1,850,815		$2,659,402		$2,659,402
10	**Rate of Return**	35.73%		7.98%		7.23%		7.08%

UIF-Seminole Co.
Adjustments to Operating Income
Test Year Ended 12/31/15

Schedule No. 3-C
Docket No. 160101-WS

	Explanation	Water	Wastewater
	Operating Revenues		
1	Remove requested final revenue increase or decrease.	($1,631,780)	$26,532
2	Test Year Revenues (I-32)	240	3,427
	Total	($1,631,540)	$29,959
	Operation and Maintenance Expense		
1	EUW (I-11)	($714)	$0
2	I&I (I-12)	0	(61,068)
3	Audit Finding 10 (I-33)	(2,421)	(1,316)
4	Pensions & Benefits Adjustments (I-35)	(4,630)	(2,518)
5	Purchased Water (I-37)	(61,485)	0
6	Rate Case Expense (I-49)	(3,010)	(1,637)
7	Unamortized Rate Case Expense (I-50)	(86,578)	(46,025)
	Total	($158,837)	($112,563)
	Depreciation Expense - Net		
1	Pro Forma Plant Additions (I-9)	($1,721)	$10,469
2	Pro Forma Plant Retirements (I-10)	130,898	6,312
3	Test Year Accumulated Depreciation Adjustments (I-18)	(42,196)	(12,985)
4	Audit Finding 3 and 9 (I-33)	25,862	71,944
5	WSC Cost Allocation Adjustments (I-36)	(3,332)	(1,812)
	Total	$109,512	$73,929
	Amotization-Other Expense		
	Phoenix Project Regulatory Asset (I-6)	$803	$437
	Taxes Other Than Income		
1	To remove RAFs on revenue increase.	($73,419)	$1,348
2	Pro Forma Plant Additions (I-9)	(10,070)	4,702
	Total	($83,489)	$6,050

UIF - Seminole
Test Year Ended December 31, 2015
Monthly Water Rates

Schedule No. 4-A
Docket No. 160101-WS

	Rates Prior to Filing	Commission Approved Interim	Utility Requested Final	Staff Recommended Rates	Staff Recommended Surcharge*	Staff Recommended Surcharge**	Four Year Rate Reduction
Residential and General Service							
Base Facility Charge by Meter Size							
5/8" X 3/4"	$8.46	$9.87	$11.54	$10.87	$0.41	$0.02	$0.12
3/4”	N/A	N/A	$17.31	$16.31	$0.62	$0.03	$0.18
1"	$21.15	$24.68	$28.84	$27.18	$1.03	$0.05	$0.30
1-1/2"	$42.30	$49.35	$57.69	$54.35	$2.05	$0.10	$0.60
2"	$67.68	$78.96	$92.30	$86.96	$3.28	$0.16	$0.96
3"	$135.36	$157.92	$184.59	$173.92	$6.56	$0.32	$1.92
4"	$211.50	$246.75	$288.43	$271.75	$10.25	$0.50	$3.00
6"	$423.00	$493.50	$576.86	$543.50	$20.50	$1.00	$6.00
8”	N/A	N/A	$922.97	$869.60	$32.80	$1.60	$9.60
10”	N/A	N/A	$1,672.89	$1,576.15	$59.45	$2.90	$17.40
Charge per 1,000 gallons - Residential							
0 – 8,000 gallons	$3.76	$4.39	$1.97	N/A	N/A	N/A	N/A
8,001 – 16,000 gallons	$6.57	$7.66	$2.95	N/A	N/A	N/A	N/A
Over 16,000 gallons	$8.45	$9.86	$3.93	N/A	N/A	N/A	N/A
0 – 4,000 gallons	N/A	N/A	N/A	$1.52	$0.11	$0.01	$0.02
4,001 – 12,000 gallons	N/A	N/A	N/A	$2.28	$0.17	$0.02	$0.03
Over 12,000 gallons	N/A	N/A	N/A	$3.80	$0.28	$0.03	$0.04
Charge per 1,000 gallons - General Service	$4.41	$5.15	$2.98	$2.57	$0.14	$0.01	
Typical Residential 5/8" x 3/4" Meter Bill Comparison							
4,000 Gallons	$23.50	$27.43	$19.42	$16.95			
8,000 Gallons	$38.54	$44.99	$27.30	$26.07			
12,000 Gallons	$64.82	$75.63	$39.10	$35.19			

UIF - Seminole | **Schedule No. 4-B**
Test Year Ended December 31, 2015 | **Docket No. 160101-WS**
Monthly Wastewater Rates

	Utility Current Rates	Utility Requested Final	Staff Recommended Rates	Staff Recommended Surcharge	Four Year Rate Reduction
Residential					
Base Facility Charge - All Meter Sizes	$13.09	$25.47	$25.68	$0.59	$0.20
Charge per 1,000 Gallons					
8,000 gallon cap	$8.11	$4.91	$4.10	$0.14	$0.03
General Service					
Base Facility Charge by Meter Size					
5/8" X 3/4"	$13.09	$25.47	$25.68	$0.59	$0.20
3/4"	$32.72	$38.21	$38.52	$0.89	$0.30
1"	$65.46	$63.68	$64.20	$1.48	$0.50
1-1/2"	$104.74	$127.37	$128.40	$2.95	$1.00
2"	$209.48	$203.79	$205.44	$4.72	$1.60
3"	$327.31	$407.57	$410.88	$9.44	$3.20
4"	$654.61	$636.83	$642.00	$14.75	$5.00
6"	N/A	$1,273.66	$1,284.00	$29.50	$10.00
8"	N/A	$2,037.86	$2,054.40	$47.20	$16.00
10"	N/A	$3,693.62	$3,723.60	$85.55	$29.00
Charge per 1,000 Gallons	$9.74	$5.65	$4.92	$0.16	
Typical Residential 5/8" x 3/4" Meter Bill Comparison					
4,000 Gallons	$45.53	$45.11	$42.08		
6,000 Gallons	$61.75	$54.93	$50.28		
8,000 Gallons	$77.97	$64.75	$58.48		