

FLORIDA PUBLIC SERVICE COMMISSION

Item 6

VOTE SHEET

May 6, 2025

FILED 5/6/2025

DOCUMENT NO. 03422-2025

FPSC - COMMISSION CLERK

Docket No. 20240068-WS – Application for increase in water and wastewater rates in Charlotte, Highlands, Lake, Lee, Marion, Orange, Pasco, Pinellas, Polk, and Seminole Counties, by Sunshine Water Services Company.

Issue 1: 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: Yes, staff recommends that Sunshine's overall quality of service is satisfactory. However, the quality of service for the Sanlando and Mid-County wastewater systems should be deemed unsatisfactory and the current 15 basis point reduction to Sunshine's overall Return on Equity (ROE) should continue to be applied. Staff also recommends that Sunshine be required to file an annual report that details any Department of Environmental Protection (DEP) compliance issues for both the Sanlando and Mid-County wastewater systems. Sunshine should file its first report one year after the final Order in this docket is issued. Additionally, staff recommends the reporting requirements established for the Pasco-Summertree system in the last rate case be discontinued.

APPROVED *as modified.*

The reduction to the Utility's overall ROE is increased to 30 basis points.

Staff given administrative authority to make fall-out adjustments.

COMMISSIONERS ASSIGNED: All Commissioners

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

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REMARKS/DISSENTING COMMENTS:

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Issue 1A: Is the overall value to a customer provided by the Utility satisfactory, and, if not, what systems have value issues and what action should be taken by the Commission?

Recommendation: The Commission must consider value of service when fixing rates which are just, reasonable, compensatory, and not unfairly discriminatory. Value of service is an objective measure. There is no reason for the Commission to depart from this interpretation where there was unpersuasive argument that value of service should encompass each customer's subjective calculations. Therefore, as set forth in Section 367.081, F.S., value of service should be interpreted as meaning the objective value of the utility. Consistent with this interpretation, the Commission should measure the value of the Utility's service as the plant investment and the costs to provide service as calculated in other issues of this recommendation.

APPROVED

Issue 2: Are the infrastructure and operating conditions of the Utility's water and wastewater systems in compliance with Florida Department of Environmental Protection regulations?

Recommendation: Yes. The Utility's water and wastewater treatment facilities are currently in compliance with DEP regulations, with the exception of the Sanlando (Wekiva Hunt Club) and Mid-County wastewater systems.

APPROVED

Issue 3: Should any adjustments be made to test year plant-in-service balances?

Recommendation: Yes. Staff recommends decreases of \$29,570 and \$27,486 to the land balances for water and wastewater, respectively. Staff also recommends increases of \$3,918,720 and \$8,285,365 to the test year plant-in-service balances for water and wastewater, respectively to reflect corresponding adjustments to annualization addressed in Issue 13. Adjustments to pro forma plant (additions and retirements) should be made as set forth and discussed in Issues 4 and 5.

APPROVED

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Issue 4: Should any adjustments be made to the Utility's pro forma plant additions?

Recommendation: Yes. Pro forma plant additions should be decreased by \$1,310,997 for water and increased by \$1,600,372 for wastewater, which includes the recommended adjustment for the proposed advanced metering infrastructure (AMI) project discussed in Issue 4A. Corresponding adjustments should also be made to decrease accumulated depreciation and depreciation expense by \$116,370 for water and to increase accumulated depreciation and depreciation expense by \$42,319 for wastewater. Adjustments to pro forma plant retirements and taxes other than income (TOTI) should be made as set forth in Issues 5 and 29.

APPROVED

Issue 4A: Should the Commission approve the Utility's Advanced Metering Infrastructure (AMI) project?

Recommendation: Yes. Staff recognizes a need for the meter replacement due to the age of the current meters and the additional functionality of AMI meters to address system leaks. Based on the documentation provided by the Utility, staff recommends an adjustment to decrease the cost of this project by \$2,638,800. The resultant operational savings are discussed in detail in Issue 26.

APPROVED

Issue 5: What are the appropriate plant retirements to be made in this docket?

Recommendation: Staff recommended pro forma plant retirements and the associated accumulated depreciation amounts are \$2,317,753 for water and \$1,964,052 for wastewater. As such, plant and accumulated depreciation should be decreased by \$361,118 for water and \$320,367 for wastewater, along with the following corresponding adjustments. Contributions in aid of construction (CIAC) and accumulated amortization of CIAC should be increased by \$183,827 for water and decreased by \$29,511 for wastewater. Depreciation expense should be decreased by \$14,496 for water and \$10,613 for wastewater. CIAC amortization should be decreased by \$5,390 for water and \$966 for wastewater.

APPROVED

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Issue 6: Do any water systems have excessive unaccounted for water and, if so, what adjustments are necessary, if any?

Approved Type 2 Stipulation: Yes, as follows: Lake Placid, 9.3 percent; LUSI (Four Lakes), 11.2 percent; Golden Hills, 0.9 percent; Labrador, 3.3 percent; Summertree, 4.5 percent; Orangewood, 8.7 percent; Bear Lake, 5.3 percent; Little Wekiva, 1.4 percent. Adjustments should be made to purchased power, chemicals and purchased water as appropriate.

APPROVED

Issue 7: Do any wastewater systems have excessive infiltration and/or inflow and, if so, what adjustments are necessary, if any?

Approved Type 2 Stipulation: Yes, as follows: Ravenna Park, 41.27 percent. Adjustments should be made to purchased power, chemicals, and purchased wastewater as appropriate.

APPROVED

Issue 8: What are the appropriate used and useful percentages for the water treatment and related facilities of each water system?

Approved Type 2 Stipulation: All water treatment and related facilities are 100 percent used and useful.

APPROVED

Issue 9: What are the appropriate used and useful percentages for the water storage and related facilities of each water system?

Approved Type 2 Stipulation: All water storage and related facilities are 100 percent used and useful.

APPROVED

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Issue 10: What are the appropriate used and useful percentages for the water distribution and related facilities of each water system?

Approved Type 2 Stipulation: All water distribution and related facilities are 100 percent used and useful.

APPROVED

Issue 11: What are the appropriate used and useful percentages for the wastewater treatment and related facilities of each wastewater system?

Approved Type 2 Stipulation: All wastewater treatment and related facilities are 100 percent used and useful except as follows: Crownwood, 74.78 percent. In Sandalhaven, the used and useful percentage of purchased capacity should be 42.24 percent, the force main, master lift station structure, and the pumping equipment should be 100 percent.

APPROVED

Issue 12: What are the appropriate used and useful percentages for the collection and related facilities of each wastewater system?

Approved Type 2 Stipulation: All collection lines are 100 percent used and useful.

APPROVED

Issue 13: Should any adjustments be made to test year accumulated depreciation?

Recommendation: Staff recommends decreases to the test year accumulated depreciation of \$35,830 for water and \$53,639 for wastewater. All necessary adjustments to accumulated depreciation associated with pro forma additions and retirements should be made as set forth and discussed in Issues 4 and 5.

APPROVED

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Issue 14: Should any adjustments be made to test year contributions-in-aid-of-construction (CIAC) balances?

Recommendation: Yes. Adjustments should be made to increase the adjusted test year CIAC balances in the amount of \$10,050 for water and in the amount of \$9,345 for wastewater. All necessary adjustments to CIAC associated with pro forma retirements should be made as set forth and discussed in Issue 5.

APPROVED

Issue 15: Should any adjustments be made to test year accumulated amortization of CIAC?

Recommendation: Yes. Accumulated amortization of CIAC should be increased by \$251 for water and \$234 for wastewater. All necessary adjustments to accumulated amortization of CIAC associated with pro forma retirements should be made as set forth and discussed in Issue 5.

APPROVED

Issue 16: What is the appropriate working capital allowance?

Recommendation: The appropriate working capital allowance is \$1,740,635 for water and \$2,624,006 for wastewater. As such, working capital allowance should be decreased by \$6,017 for water and increased by \$6,017 for wastewater.

APPROVED

Issue 17: What is the appropriate rate base for the December 31, 2023 test year?

Recommendation: Consistent with recommended adjustments, the appropriate rate base is \$85,959,204 for water and \$111,439,518 for wastewater.

APPROVED

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Issue 18: What is the appropriate amount of accumulated deferred taxes to include in the capital structure?

Recommendation: The appropriate amount of accumulated deferred income taxes (ADITs) to include in the capital structure is \$5,841,592, plus \$4,969,273 in Tax Cut and Jobs Act (TCJA) related liability. This reflects an increase of \$13,508 related to pro forma plant additions and a decrease of \$5,218 for a corresponding adjustment related to U&U, for a net increase of \$7,640.

APPROVED

Issue 19: What is the appropriate amount of customer deposits to include in the capital structure?

Approved Type 2 Stipulation: \$319,453.

APPROVED

Issue 20: What is the appropriate cost rate for short-term debt for the test year?

Approved Type 2 Stipulation: 8.25%.

APPROVED

Issue 21: What is the appropriate cost rate for long-term debt for the test year?

Approved Type 2 Stipulation: Fixed: 4.92%, Variable: 7.51%.

APPROVED

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Issue 22: What is the appropriate return on equity (ROE) for the test year?

Approved Type 2 Stipulation: 10.35%.

APPROVED

Issue 23: 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 13-month average test year ended December 31, 2023, as discussed in Issues 18 through 22, the appropriate weighted average cost of capital for Sunshine for purposes of setting rates in this proceeding is 7.77 percent, as reflected in Schedule No. 2 of staff's memorandum dated April 24, 2025.

APPROVED

Issue 24: What are the appropriate test year revenues?

Recommendation: The appropriate test year revenues for Sunshine's water and wastewater systems are \$22,918,285 and \$29,617,031, respectively. Therefore, the Utility's adjusted test year revenues should be decreased by \$2,234 for water and decreased by \$2,045 for wastewater.

APPROVED

Issue 25: What is the appropriate amount of rate case expense?

Recommendation: The appropriate amount of rate case expense is \$570,877. This expense should be amortized over four years for an annual expense of \$73,952 for water and \$68,767 for wastewater. Based on the Utility's original filing, the annual amortization of rate case expense should be decreased by \$13,622 for water and \$12,667 for wastewater.

APPROVED

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Issue 26: Should any adjustment be made to the Utility's proposed pro forma expenses?

Recommendation: Yes. Pro forma expenses should be decreased by \$467,149 for water and \$203,524 for wastewater.

APPROVED

Issue 27: Should any adjustment be made to the Utility's proposed management expenses?

Recommendation: Staff recommends test year management fees (Contractual Services – Management/Corporate/Regional Allocation) should be decreased by \$33,768 for water and \$31,393 for wastewater.

APPROVED

Issue 28: Should any further adjustments be made to the Utility's test year (O&M) expenses?

Recommendation: Yes. Test year O&M expense should be reduced by \$247,752 for water and \$606,196 for wastewater.

APPROVED

Issue 29: Should any adjustments be made to test year taxes other than income?

Recommendation: Yes. TOTI should be decreased by \$226,574 for water and \$193,229 for wastewater.

APPROVED

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Issue 30: Should any adjustments be made to test year depreciation expense?

Recommendation: In addition to the depreciation expense adjustments recommended in Issues 4 and 5, depreciation expense should be reduced by \$35,830 and \$44,458 for water and wastewater, respectively.

APPROVED

Issue 31: Should any adjustments be made to test year amortization of CIAC expense?

Recommendation: Staff recommends an adjustment to increase test year CIAC amortization for water and wastewater by \$251 and \$234, respectively. All necessary adjustments to CIAC amortization should be made as set forth in Issue 5.

APPROVED

Issue 32: What is the appropriate amount of test year income taxes?

Recommendation: The appropriate amount of test year income taxes is \$362,100 for water and \$718,759 for wastewater. Income taxes should be increased by \$1,104,551 for water and \$1,138,438 for wastewater to reflect the change in revenues, resulting in total income tax expense of \$1,466,652 for water and \$1,857,197 for wastewater.

APPROVED

Issue 33: What is the appropriate revenue requirement for the December 31, 2023 test year?

Recommendation: The appropriate revenue requirement is \$27,481,702 for water and \$34,320,450 for wastewater.

APPROVED

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Issue 34: What are the appropriate rate structures and rates for the water systems?

Recommendation: The recommended rate structures and monthly water rates are shown in Schedule No. 4-A of staff's memorandum dated April 24, 2025. 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.

APPROVED

Issue 35: What are the appropriate private fire protection charges?

Approved Type 1 Stipulation: The fire protection rate should be established pursuant to Rule 25-30.465, F.A.C.

APPROVED

Issue 36: What are the appropriate rate structures and rates for the wastewater systems?

Recommendation: The recommended rate structures and monthly wastewater rates are shown on Schedule No. 4-B of staff's memorandum dated April 24, 2025. 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. 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.

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Issue 37: What are the appropriate reuse rates?

Recommendation: The appropriate reuse rates for wastewater is shown on Schedule No. 2 of staff's memorandum dated April 24, 2025. The Utility should file a revised tariff sheet and a proposed customer notice to reflect the Commission-approved rate. The approved reuse rate should be effective for services rendered on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475, F.A.C. In addition, the approved rates should not be implemented until staff has approved the proposed customer notice 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.

APPROVED

Issue 38: What are the appropriate customer deposits?

Approved Type 1 Stipulation: The amount of customer deposits should be established pursuant to Rule 25-30.311, F.A.C.

APPROVED

Issue 39: What are the appropriate miscellaneous service charges?

Recommendation: The appropriate miscellaneous service charges should reflect the removal of the initial connection and normal reconnection charges. The premises visit charge definition should be updated consistent with Rule 25-30.460 F.A.C. The Utility should be required to file a proposed customer notice to reflect the Commission-approved charges. The approved charges should be effective for service rendered or connections made on or after the stamped approval date on the tariff sheet 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 and the notice has been received by customers. The Utility should provide proof of the date notice was given no less than 10 days after the date of the notice.

APPROVED

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Issue 40: What are the appropriate guaranteed revenue charges?

Recommendation: The appropriate guaranteed revenue charge is the existing charge of \$25.35. Therefore, the guaranteed revenue charge should remain unchanged.

APPROVED

Issue 41: What are the appropriate meter installation charges?

Recommendation: Staff recommends that a meter installation charge of \$591.83 for a 5/8 inch x 3/4 inch meter size and actual costs for all other meter sizes be approved. The Utility should be required to file a proposed customer notice to reflect the Commission-approved charges. The approved charges should be effective for service rendered or connections made on or after the stamped approval date on the tariff sheet 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 and the notice has been received by customers. The Utility should provide proof of the date notice was given no less than 10 days after the date of the notice.

APPROVED

Issue 41A: Are the resulting rates affordable within the meaning of fair, just, and reasonable pursuant to Sections 367.081 and 367.121 Florida Statutes?

Recommendation: The Commission has broad discretion to carry out its legislative mandate of ensuring rates are just, reasonable, compensatory, and not unfairly discriminatory. However, there exists no statutory authority to infer a specific definition of affordability absent express legislative authorization. To the extent the Commission can consider the “affordability” of customer bills, it must do so within the context of its governing statutes in Chapter 367, F.S.

APPROVED

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Issue 42: Should the Utility's request to establish deferral accounts related to the Corix Infrastructure Inc. and SW Merger Acquisition Corp. merger be approved?

Recommendation: Yes. The Commission should approve the Utility's request to establish deferral accounts for recording benefits that result from integration efforts and costs related to achieving the integration benefits directly related to the merger. The approval to establish the deferral accounts, for accounting purposes, does not limit the Commission's ability to review the amounts, recovery method, recovery period, and other related matters for reasonableness in a future proceeding in which the deferral accounts are included.

Sunshine should be required to record and maintain the deferral accounts in a detailed manner that will allow costs and benefits to be readily identifiable in a future proceeding. In addition, Sunshine should be prepared to explain what actions and efforts it has undertaken to reduce or minimize these costs and to maximize any available benefits.

APPROVED

Issue 43: What is the appropriate amount by which rates should be reduced after the established effective date to reflect the removal of the amortized rate case expense?

Recommendation: Sunshine's water and wastewater rates should be reduced as shown on Schedule Nos. 4-A and 4-B of staff's memorandum dated April 24, 2025, 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 \$77,437 for water and \$72,007 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. Sunshine 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 of the lower rates and the reason for the reduction. If Sunshine 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.

APPROVED

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Issue 44: 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. Sunshine should submit a letter within 90 days of the final order in this docket confirming that the adjustments to all applicable NARUC USOA accounts have been made to the Utility's books and records. In the event that the Utility needs additional time to complete the adjustments, notice should be provided within seven days prior to the deadline. Upon providing good cause, staff should be given administrative authority to grant an extension of up to 60 days.

APPROVED

Issue 45: Should this docket be closed?

Recommendation: No. This docket should remain open for staff's verification that the Utility has filed the revised tariff sheets, customer notices have been filed, and that the Utility has notified the Commission in writing that the adjustments set forth herein have been made. Once these actions are complete, this docket should be closed administratively.

APPROVED