

State of Florida



## Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD  
TALLAHASSEE, FLORIDA 32399-0850

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

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**DATE:** May 2, 2019

**TO:** Office of Commission Clerk (Teitzman)

**FROM:** Division of Economics (Bruce) SH MB EAD PBN  
Office of the General Counsel (Crawford) JSC

**RE:** Docket No. 20190075-SU – Revision of wastewater service availability charges for Ni Florida in Pasco County.

**AGENDA:** 05/14/19 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

**COMMISSIONERS ASSIGNED:** All Commissioners

**PREHEARING OFFICER:** Administrative

**CRITICAL DATES:** None

**SPECIAL INSTRUCTIONS:** None

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### Case Background

Ni Florida, LLC (Ni Florida or utility) is a Class A utility serving approximately 752 water connections in Lee County and 2,785 wastewater connections in Pasco County. The utility reported operating revenues of \$272,880 for water and \$237,778 for wastewater in its 2018 annual report.

As a result of an inquiry into Ni Florida's service availability charges, staff discovered an error in the charges that were approved in the utility's last rate case.<sup>1</sup> Therefore, on March 29, 2019, staff established the instant docket to revise the utility's wastewater service availability charges. This recommendation addresses revised wastewater service availability charges for Ni Florida. The Commission has jurisdiction pursuant to Sections 367.091 and 367.101, Florida Statutes (F.S.).

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<sup>1</sup> Order No. PSC-16-0525-PAA-WS, issued November 21, 2016, in Docket No. 20160030-WS, *In re: Application for increase in water rates in Lee County and wastewater rates in Pasco County by Ni Florida, LLC.*

## Discussion of Issues

**Issue 1:** Should Ni Florida's existing wastewater service availability charges be revised, and if so, what are the appropriate charges?

**Recommendation:** Yes. Ni Florida's existing wastewater service availability charges should be revised. Staff recommends a main extension charge of \$1,710 per equivalent residential connection (ERC) be approved because it is reasonable and within the guidelines of Rule 25-30.580, Florida Administrative Code (F.A.C.). The existing plant capacity charge should be discontinued. The recommended main extension charge should be based on an estimated 173 gallons per day per ERC of treated wastewater demand.<sup>2</sup> The utility should file a revised tariff sheet and a proposed notice to reflect the Commission-approved main extension charge. Ni Florida should provide notice to property owners who have requested service beginning 12 months prior to the establishment of this docket. The approved charge should be effective for connections made on or after the stamped approval date on the tariff sheet. The utility should provide proof of noticing within 10 days of rendering the approved notice. (Bruce)

**Staff Analysis:** Pursuant to Section 367.101, F.S., the Commission shall set just and reasonable charges and conditions for service availability. As mentioned in the case background, staff discovered an error in the development of the utility's existing wastewater service availability charges, which are a main extension charge of \$1,405 and a plant capacity charge of \$2,500. Rule 25-30.580, F.A.C., establishes guidelines for designing service availability charges. Pursuant to the rule, the maximum amount of contributions-in-aid-of construction (CIAC), 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 capacity. The minimum amount of CIAC should not be less than the percentage of such facilities and plant that is represented by the water transmission and distribution system and sewage collection systems.

### Main Extension Charge

The main extension charge is designed to allow customers to pay their pro rata share of the cost of the wastewater collection system, which is installed by the utility. In order to determine the appropriate main extension charge, the total cost in the Collection Sewers – Force (360), Collection Sewers – Gravity (361), and Services to Customers (363) plant accounts are added and divided by the design capacity of the lines. In developing the utility's existing main extension charge, staff inadvertently did not include the Services to Customers (363) account of \$1,156,689 in the total cost of the wastewater collection system. By correcting the error, the cost of the wastewater collection system increases from \$5,339,566 to \$6,496,255. The lines have a design capacity of 3,800 ERCs. Based on the cost approved in the last rate case of the existing wastewater collection system, staff recommends the main extension charge be revised to \$1,710 ( $\$6,496,255/3,800$ ) per ERC for the wastewater system.

Staff's recommended main extension charge for wastewater is consistent with the guidelines in Rule 25-30.580, F.A.C., which require that, at a minimum, the cost of the utility's lines should be contributed. Staff's recommended main extension charge for wastewater will allow the utility to

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<sup>2</sup> Id.

recover a portion of its investment in the wastewater collection system from future connections consistent with Rule 25-30.580 (2), F.A.C.

### **Plant Capacity Charge**

Staff reviewed the contribution level of the utility with the revised main extension charge at design capacity. Staff determined the contribution level would be approximately 67.15 percent at design capacity and within the guidelines of Rule 25-30.580, F.A.C. As a result of correcting the main extension charge, the existing plant capacity charge would cause the utility to be over contributed at design capacity. Therefore, staff recommends that the existing plant capacity charge be discontinued. The utility represented to staff that it agrees with staff's revised calculations.

### **Conclusion**

Staff recommends that Ni Florida's existing wastewater service availability charges should be revised. Staff recommends a main extension charge of \$1,710 per ERC be approved because it is reasonable and within the guidelines of Rule 25-30.580, F.A.C. The existing plant capacity charge should be discontinued. The recommended main extension charge should be based on an estimated 173 gallons per day per ERC of treated wastewater demand. The utility should file a revised tariff sheet and a proposed notice to reflect the Commission-approved main extension charge. Ni Florida should provide the notice to property owners who have requested service beginning 12 months prior to the establishment of this docket. The approved charge should be effective for connections made on or after the stamped approval date on the tariff sheet. The utility should provide proof of noticing within 10 days of rendering the approved notice.

**Issue 2:** Should Ni Florida be required to refund service availability charges collected in excess of the revised main extension charge?

**Recommendation:** Yes. Ni Florida should be required to refund service availability charges collected in excess of the revised main extension charge because it would allow customers to pay only their pro rata share of the wastewater collection system. The refund should be made with interest in accordance with Rule 25-30.360, F.A.C. The utility should be required to file monthly reports on the status of the refund by the twentieth of the following month pursuant to Rule 25-30.311(7), F.A.C. (Bruce)

**Staff Analysis:** As discussed in Issue 1, staff discovered an error in the development of the utility's existing main extension charge wherein staff inadvertently did not include the plant account of Services to Customers (363) in the total cost of the wastewater collection system. Staff also designed a plant capacity charge based on the contribution level at that time. However, based on the contribution level with the revised main extension charge at design capacity, staff is recommending the plant capacity charge be discontinued and a main extension charge of \$1,710. As a result, staff believes the utility should refund the service availability charges in excess of the revised main extension charge in order for customers to pay only their pro rata share of the wastewater collection system.

Although, the utility's existing service availability charges are a main extension charge of \$1,405 and a plant capacity charge of \$2,500, the utility indicated to staff that it only collected \$2,500 per ERC not including the CIAC gross-up tax. For this reason, the incremental difference between the \$2,500 and the revised main extension charge is \$790. Since January 2, 2017, the effective date of the existing service availability charges, the utility collected service availability charges from 17 customers (16 residential customers [16 ERCs] and 1 general service customer [5.3 ERCs]). Based on staff's calculation of what was collected from customers for service availability and staff's recommended revised main extension charge, the utility collected a total of \$16,827 (residential \$12,640 + \$4,187 general service<sup>3</sup>). This amount does not include the approved CIAC gross up tax.<sup>4</sup> Furthermore, the utility should make refunds to any additional customers who paid excess service availability and have not been identified herein. Therefore, staff recommends the utility refund those customers' service availability charges, including the CIAC gross-up tax, collected in excess of the revised main extension charge.

Based on the above, Ni Florida should be required to refund service availability charges collected in excess of the revised service availability charges. The refund should be made with interest in accordance with Rule 25-30.360, F.A.C. The utility should be required to file monthly reports on the status of the refund by the twentieth of the following month pursuant to Rule 25-30.311(7), F.A.C.

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<sup>3</sup>  $(16 \times \$790) + (5.3 \times \$790)$

<sup>4</sup> Order No. PSC-2018-0269-TRF-WS, issued May 30, 2018, in Docket No. 20180100-WS, *In re: Application for approval of tariff for the gross-up of CIAC for water rates in Lee County and wastewater rates in Pasco County, by Ni Florida, LLC.*

**Issue 3:** Should this docket be closed?

**Recommendation:** The docket should remain open pending staff's verification that the revised tariff sheet and notice have been filed by Ni Florida and approved by staff. If a protest is filed within 21 days of the issuance date of the Order, the tariff should remain in effect with the charge held subject to refund pending resolution of the protest. Also, the docket should remain open to allow staff to verify that the utility has properly refunded the service availability charges collected in excess of the revised service availability charges. If no timely protest is filed, a consummating order should be issued and, once staff verifies that the notice of the charge has been given to customers and the completion of the refund, the docket should be administratively closed. (Crawford)

**Staff Analysis:** The docket should remain open pending staff's verification that the revised tariff sheet and notice have been filed by Ni Florida and approved by staff. If a protest is filed within 21 days of the issuance date of the Order, the tariff should remain in effect with the charge held subject to refund pending resolution of the protest. Also, the docket should remain open to allow staff to verify that the utility has properly refunded the service availability charges collected in excess of the revised service availability charges. If no timely protest is filed, a consummating order should be issued and, once staff verifies that the notice of the charge has been given to customers and the completion of the refund, the docket should be administratively closed.