

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-

DATE: August 22, 2019

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Accounting and Finance (D. Andrews, Norris) *DA*
Division of Economics (Bruce, Hudson) *SH*
Division of Engineering (Knoblauch, Salvador) *EK PS*
Office of the General Counsel (Simmons, Crawford) *KS*

RE: Docket No. 20190118-WU – Application for increase in water rates in Gulf County by Lighthouse Utilities Company, Inc. *ALM*

AGENDA: 9/5/19 – Regular Agenda – Decision on Suspension of Rates – Interested Persons May Participate.

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Clark

CRITICAL DATES: 9/10/19 (60-Day Suspension Date)

SPECIAL INSTRUCTIONS: None

Case Background

Lighthouse Utilities Company, Inc. (Lighthouse or Utility) is a Class B utility serving approximately 1,851 customers in Gulf County. Rates were last established for this Utility in 2011.¹ In 2018, Lighthouse recorded total operating revenues of \$728,696 and operating expenses of \$648,650.

On September 26, 2018, Lighthouse filed an application for a limited proceeding rate increase in Docket No. 20180179-WU to recover the costs of capital projects. On October 10, 2018, Hurricane Michael destroyed or damaged substantial portions of the Utility's water distribution

¹ Order No. PSC-2011-0368-PAA-WU, issued September 1, 2011, in Docket No. 20100128-WU, *In re: Application for increase in water rates in Gulf County by Lighthouse Utilities Company, Inc.*

system. Lighthouse and the Office of Public Counsel (OPC) were not able to reach an agreement on whether a limited proceeding was the appropriate procedure for seeking rate relief under those circumstances. In a letter dated May 17, 2019, the Utility withdrew its application for a limited proceeding rate increase and conveyed its desire to file an application for general rate relief.

On July 12, 2019, Lighthouse filed its application for approval of interim and final water rate increases. On August 9, 2019, staff sent the Utility a letter indicating deficiencies in the filing of its minimum filing requirements and the Utility's response to staff's deficiency letter is due on September 9, 2019. In a letter dated August 13, 2019, Lighthouse withdrew its request for interim rate relief.

In its application, Lighthouse requested a test year ended December 31, 2018, for purposes of final rates and requested that the application be processed using the Proposed Agency Action procedure. A substantial portion of the expenses, costs, and investment that are part of this application for rate relief are related to capital projects for improved system reliability. Another substantial portion of the rate relief is related to storm restoration and repair costs that the Utility has incurred and will continue to incur as a result of Hurricane Michael.

OPC's intervention in this docket was acknowledged by Order No. PSC-2019-0236-PCO-WU, issued June 18, 2019.

The 60-day statutory deadline for the Commission to suspend Lighthouse's requested final rates is September 10, 2019. This recommendation addresses the suspension of Lighthouse's requested final rates. The Commission has jurisdiction pursuant to Section 367.081, Florida Statutes (F.S.).

Discussion of Issues

Issue 1: Should the Utility's proposed final water rates be suspended?

Recommendation: Yes. Lighthouse's proposed final water rates should be suspended. (D. Andrews)

Staff Analysis: Section 367.081(6), F.S., provides that the rates proposed by a utility shall become effective within sixty days after filing unless the Commission votes, for good cause, to withhold consent of implementation of the requested rates. Further, Section 367.081(10), F.S., permits the proposed final rates to go into effect under bond, escrow, or corporate undertaking five months after the official filing date unless final action has been taken by the Commission or the Commission's action is protested by the Utility.

Staff has reviewed the filing and has considered the proposed rates, the revenues thereby generated, and the information filed in support of the rate application. Staff believes that it is reasonable and necessary to require further amplification and explanation regarding this data, and to require production of additional and/or corroborative data. To date, staff has initiated an audit of Lighthouse's books and records. The audit report is tentatively due on October 4, 2019. In addition, staff sent a data request to Lighthouse on August 21, 2019, and the response is due by September 23, 2019. Further, staff believes additional requests will be necessary to process this case. Based on the foregoing, staff recommends that the Utility's proposed final rates be suspended.

Issue 2: Should this docket be closed?

Recommendation: This docket should remain open pending the Commission's final action on the Utility's requested rate increase. (Simmons)

Staff Analysis: This docket should remain open pending the Commission's final action on the Utility's requested rate increase.