

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for staff-assisted rate case in
Sumter County by Jumper Creek Utility
Company.

DOCKET NO. 140147-WS
ORDER NO. PSC-14-0596-PCO-WS
ISSUED: October 22, 2014

The following Commissioners participated in the disposition of this matter:

ART GRAHAM, Chairman
LISA POLAK EDGAR
RONALD A. BRISÉ
EDUARDO E. BALBIS
JULIE I. BROWN

ORDER APPROVING INTERIM RATE INCREASE FOR WATER AND WASTEWATER

BY THE COMMISSION:

BACKGROUND

Jumper Creek Utility Company (Jumper Creek or Utility) is a Class C utility providing water and wastewater service to approximately 43 water and wastewater customers in Sumter County. Effective June 5, 2014, Jumper Creek was granted water Certificate No. 667-W and wastewater Certificate No. 570-S.¹ Jumper Creek's rates have never been established for ratemaking purposes.

On August 6, 2014, Jumper Creek filed its application for a staff-assisted rate increase. In its application, the Utility requested a test year ended June 30, 2014 for purposes of interim and final rates purposes.

This Order addresses the Utility's interim rates. We have jurisdiction pursuant to Sections 367.081 and 367.082, Florida Statutes (F.S.).

INTERIM RELIEF

On August 6, 2014, Jumper Creek filed rate base, cost of capital, and operating statements to support an interim increase in water and wastewater rates. While Jumper Creek provided this financial data, it is not required for a Class C utility seeking interim relief. Pursuant to Section 367.082(1), F.S., in order to establish a prima facie entitlement for interim relief, the utility shall demonstrate that it is earning outside the range of reasonableness on its rate of return. Pursuant to Section 367.081(2)(a), F.S., in a proceeding for an interim increase in rates, we shall authorize, within 60 days of the filing for such relief, the collection of rates sufficient to earn the minimum of the range of rate of return. Based on the Utility's filing,

¹ See Order No. PSC-14-0299-PAA-WS, issued June 11, 2014, in Docket No. 130176-WS, In re: Application for approval of transfer of certain water and wastewater facilities and Certificate Nos. 507-W and 441-S of Aqua Utilities Florida, Inc. to Jumper Creek Utility Company in Sumter County.

Jumper Creek has demonstrated a prima facie entitlement in accordance with Section 367.082(1), F.S.

Pursuant to Section 367.082(5)(b)1, F.S., the achieved rate of return for interim purposes must be calculated by applying appropriate adjustments consistent with those made in a utility's most recent rate proceeding. As mentioned in the case background, we have never established Jumper Creek's rates. The Utility's reported rate bases are negative for both water and wastewater. Accounting schedules are attached to illustrate the calculated rate bases, capital structure, and test year operating income amounts. Rate bases for water and wastewater are labeled as Schedule Nos. 1-A and 1-B, and capital structure is labeled as Schedule No. 2. Operating incomes for water and wastewater are labeled as Schedule Nos. 3-A and 3-B.

In a proceeding for an interim increase in rates, we shall authorize, within 60 days of the filing for such relief, the collection of rates sufficient to earn the minimum of the range of rate of return calculated in accordance with Section 367.082(5)(b)2, F.S. The Utility requested the use of the operating ratio methodology. Due to the negative rate bases, the increase in interim rates shall result in an increase of revenues only to cover the operating expenses incurred. Thus, the appropriate interim revenue requirement shall be \$24,020 for water and \$18,998 for wastewater. This represents an interim increase in revenues of \$10,942 (or 83.67 percent) for water and \$374 (or 2.01 percent) for wastewater. This increase will allow the Utility the opportunity to recover its operating expenses.

INCREASE OF RATES

The interim service rates for Jumper Creek shall be designed to allow the utility the opportunity to generate annual operating revenues of \$24,020 for water and \$18,998 for wastewater. Before removal of miscellaneous revenues, this would result in an increase of \$10,942 (83.67 percent) for water and \$374 (2.01 percent) for wastewater. To determine the appropriate increase to apply to the service rates, miscellaneous revenues shall be removed from the test year revenues. There are no miscellaneous revenues for wastewater. The calculation is as follows:

Table 3-1

	<u>Water</u>	<u>Wastewater</u>
1 Total Test Year Revenues	\$13,078	\$18,624
2 Less: Miscellaneous Revenues	<u>\$1,332</u>	<u>\$0</u>
3 Test Year Revenues from Service Rates	\$11,746	\$18,624
4 Revenue Increase	<u>\$10,942</u>	<u>\$374</u>
5 % Service Rate Increase (Line 4/Line 3)	93.16%	2.01%

The interim rate increase of 93.16 percent for water and 2.01 percent for wastewater shall be applied as an across-the-board increase to the existing rates. The approved rates shall be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), F.A.C. The Utility shall file revised tariff sheets and a proposed customer notice to reflect the Commission-approved interim rates. In addition, the approved rates shall not be implemented until the required security has been filed, our staff has approved the proposed customer notice, and the notice has been received by the customers. The Utility shall provide proof of the date notice was given within 10 days of the date of the notice.

SECURITY TO GUARANTEE INTERIM INCREASE

Pursuant to Section 367.082, F.S., revenues collected under interim rates shall be placed under bond, escrow, letter of credit, or corporate undertaking subject to refund with interest at a rate ordered. The interim increase for water and wastewater is \$11,316. In accordance with Rule 25-30.360, F.A.C., our staff calculated the potential refund of revenues and interest collected under interim conditions to be \$7,546. This amount is based on an estimated eight months of revenue being collected under the approved interim rates shown on Schedule No. 4.

The criteria for a corporate undertaking include sufficient liquidity, ownership equity, profitability, and interest coverage to guarantee any potential refund. Jumper Creek was purchased in 2013,² and the Utility only has one year of financial statements. We require three years of financial statements for determining if the Utility has the financial capability to support a corporate undertaking. Jumper Creek shall be required to secure a surety bond, letter of credit, or escrow agreement to guarantee any potential refunds of water and wastewater revenues.

If the security provided is an escrow account, said account shall be established between the Utility and an independent financial institution or the Division of Treasury for the Florida Department of Financial Services pursuant to a written escrow agreement. We shall be a party to the written escrow agreement and a signatory to the escrow account. The written escrow agreement shall state the following: the account is established at the direction of the Commission for the purpose set forth above; no withdrawals of funds shall occur without the prior approval of the Commission through the Commission Clerk, Office of Commission Clerk; the account shall be interest bearing; information concerning that escrow account shall be available from the institution to the Commission or its representative at all times; the amount of revenue subject to refund shall be deposited in the escrow account within seven days of receipt; and, pursuant to Cosentino v. Elson, 263 So. 2d 253 (Fla 3d DCA 1972), escrow accounts are not subject to garnishments.

If the security provided is an escrow account, the Utility shall deposit \$944 into the escrow account each month. The escrow agreement shall also state that if a refund to the

² See Order No. PSC-14-299-PAA-WS, issued June 11, 2014, in Docket No. 130176-WS, In re: Application for approval of Transfer of certain water and wastewater facilities and Certificate Nos. 507-W and 441-S of Aqua Utilities Florida, Inc. to Jumper Creek Utility Company in Sumter County.

customers is required, all interest earned on the escrow account shall be distributed to the customers, and if a refund to the customers is not required, the interest earned on the escrow account shall revert to the Utility.

If the security provided is a surety bond or a letter of credit, said instrument shall be in the amount of \$7,546. If the Utility chooses a surety bond as security, the surety bond shall state that it will be released or terminated only upon subsequent order of this Commission. If the Utility chooses to provide a letter of credit as security, the letter of credit shall state that it is irrevocable for the period it is in effect and that it will be in effect until a final Commission order is rendered releasing the funds to the Utility or requiring a refund.

Regardless of the type of security provided, the Utility shall keep an accurate and detailed account of all monies it receives. Pursuant to Rule 25-30.360(6), F.A.C., the Utility shall provide a report by the 20th day of each month indicating the monthly and total revenue collected subject to refund. Should a refund be required, the refund shall be with interest and undertaken in accordance with Rule 25-30.360, F.A.C.

In no instance shall maintenance and administrative costs associated with any refund be borne by the customers. Such costs are the responsibility of, and shall be borne by, the Utility.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Jumper Creek Utility Company's request for interim rates is granted as set forth in the body of this order, effective on or after the stamped approval date on the tariff sheets. It is further

ORDERED that all matters contained in the schedules and attachments to this order are incorporated herein by reference. It is further

ORDERED that Jumper Creek Utility Company shall file revised tariff sheets to reflect our decision herein. It is further

ORDERED that Jumper Creek Utility Company shall be required to give appropriate notice to customers commencing with the first bill for service that reflects the approved interim increase explaining the nature, purpose, and effect of the increase. A copy of the notice shall be submitted to our staff for approval prior to its issuance. It is further

ORDERED that the Utility shall open an escrow account or secure a surety bond or letter of credit to guarantee any potential refund of revenues collected under interim conditions. Pursuant to Rule 25-30.360(6), F.A.C., the Utility shall provide a report by the 20th of each month indicating the monthly and total revenue collected subject to refund. It is further

ORDERED that this docket shall remain open pending our final decision on Jumper Creek Utility Company's requested rate increase.

By ORDER of the Florida Public Service Commission this 22nd day of October, 2014.



CARLOTTA S. STAUFFER
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399
(850) 413-6770
www.floridapsc.com

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

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Any party adversely affected by this order, which is non-final in nature, may request (1) reconsideration within 10 days pursuant to Rule 25-22.0376, Florida Administrative Code, or (2) judicial review by the Florida Supreme Court, in the case of an electric, gas or telephone utility, or the First District Court of Appeal, in the case of a water or wastewater utility. A motion for reconsideration shall be filed with the Office of Commission Clerk, in the form prescribed by Rule 25-22.0376, Florida Administrative Code. Citizens of the State of Florida v. Mayo, 316 So.2d 262 (Fla. 1975), states that an order on interim rates is not final or reviewable until a final order is issued. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.

JUMPER CREEK UTILITY COMPANY		SCHEDULE NO. 1-A	
TEST YEAR ENDED 06/30/2014		DOCKET NO. 140147-WS	
SCHEDULE OF WATER RATE BASE			
DESCRIPTION	BALANCE PER UTILITY	COMMISSION ADJUSTMENTS TO UTIL. BAL.	BALANCE PER COMMISSION
UTILITY PLANT IN SERVICE	\$511,881	\$0	\$511,881
LAND & LAND RIGHTS	2,272	0	2,272
NON-USED AND USEFUL COMPONENTS	(59,655)	0	(59,655)
ACCUMULATED DEPRECIATION	(151,208)	0	(151,208)
CIAC	(157,236)	0	(157,236)
AMORTIZATION OF CIAC	38,790	0	38,790
ACQUISITION ADJUSTMENT	(208,895)	0	(208,895)
ACCUMULATED DEPRECIATION - AA	20,066	0	20,066
WORKING CAPITAL ALLOWANCE	<u>2,436</u>	<u>(17)</u>	<u>2,419</u>
WATER RATE BASE	<u>(\$1,549)</u>	<u>(\$17)</u>	<u>(\$1,566)</u>

JUMPER CREEK UTILITY COMPANY		SCHEDULE NO. 1-B	
TEST YEAR ENDED 06/30/2014		DOCKET NO. 140147-WS	
SCHEDULE OF WASTEWATER RATE BASE			
DESCRIPTION	BALANCE PER UTILITY	COMMISSION ADJUSTMENTS TO UTIL. BAL.	BALANCE PER COMMISSION
UTILITY PLANT IN SERVICE	\$389,284	\$0	\$389,284
LAND & LAND RIGHTS	18,722	0	18,722
NON-USED AND USEFUL COMPONENTS	(128,851)	0	(128,851)
ACCUMULATED DEPRECIATION	(126,101)	0	(126,101)
CIAC	(221,828)	0	(221,828)
AMORTIZATION OF CIAC	54,724	0	54,724
ACQUISITION ADJUSTMENT	(104,855)	0	(104,855)
ACCUMULATED DEPRECIATION - AA	1,139	9,376	10,515
WORKING CAPITAL ALLOWANCE	<u>3,055</u>	<u>(17)</u>	<u>3,038</u>
WASTEWATER RATE BASE	<u>(\$105,335)</u>	<u>(\$17)</u>	<u>(\$105,352)</u>

JUMPER CREEK UTILITY COMPANY		SCHEDULE NO. 1-C	
ADJUSTMENTS TO RATE BASE		DOCKET NO. 140147-WU	
TEST YEAR ENDED 06/30/2014			
Explanation	Water	Wastewater	
<u>Amortization of Acquisition Adjustment</u> To reflect appropriate amount of amortization.	<u>\$0</u>	<u>\$9,376</u>	
<u>Working Capital Allowance</u> To reflect 1/8 of test year O&M expenses.	<u>(\$17)</u>	<u>(\$17)</u>	

JUMPER CREEK UTILITY COMPANY SCHEDULE OF CAPITAL STRUCTURE TEST YEAR ENDED 6/30/2014							SCHEDULE NO. 2 DOCKET NO. 140147-WS			
Description	Total Capital	Specific Adjustments	Subtotal Adjusted Capital	Prorata Adjustments	Capital Reconciled to Rate Base	Ratio	Cost Rate	Weighted Cost		
Per Utility										
1	Long-term Debt	\$0	\$0	\$0	\$0	\$0	0.00%	0.00%	0.00%	
2	Short-term Debt	0	0	0	0	0	0.00%	0.00%	0.00%	
3	Preferred Stock	0	0	0	0	0	0.00%	0.00%	0.00%	
4	Common Equity	22,379	0	22,379	(125,751)	(103,372)	96.72%	8.74%	8.45%	
5	Customer Deposits	760	0	760	(4,271)	(3,511)	3.28%	2.00%	0.07%	
6	Deferred Income Taxes	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>	0.00%	<u>0.00%</u>	
7	Total Capital	<u>\$23,139</u>	<u>\$0</u>	<u>\$23,139</u>	<u>(\$130,022)</u>	<u>(\$106,883)</u>	<u>100.00%</u>		<u>8.52%</u>	
Per Commission										
8	Long-term Debt	\$0	\$0	\$0	\$0	\$0	0.00%	0.00%	0.00%	
9	Short-term Debt	0	0	0	0	0	0.00%	0.00%	0.00%	
10	Preferred Stock	0	0	0	0	0	0.00%	0.00%	0.00%	
11	Common Equity	22,379	0	22,379	(125,784)	(103,405)	96.71%	8.74%	8.45%	
12	Customer Deposits	760	0	760	(4,273)	(3,513)	3.29%	2.00%	0.07%	
13	Deferred Income Taxes	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>	0.00%	<u>0.00%</u>	
14	Total Capital	<u>\$23,139</u>	<u>\$0</u>	<u>\$23,139</u>	<u>(\$130,057)</u>	<u>(\$106,918)</u>	<u>100.00%</u>		<u>8.52%</u>	
							LOW	HIGH		
RETURN ON EQUITY							<u>7.74%</u>	<u>9.74%</u>		
OVERALL RATE OF RETURN							<u>7.55%</u>	<u>9.49%</u>		

JUMPER CREEK UTILITY COMPANY				SCHEDULE NO. 3-A	
SCHEDULE OF WATER OPERATING INCOME				DOCKET NO. 140147-WS	
TEST YEAR ENDED 6/30/2014					
Description	Test Year Per Utility	Commission Adjust- ments	Commission Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	<u>\$13,078</u>	<u>\$0</u>	<u>\$13,078</u>	<u>\$10,942</u> 83.67%	<u>\$24,020</u>
Operating Expenses					
2 Operation & Maintenance	\$19,353	\$0	\$19,353	\$0	\$19,353
3 Depreciation	27,094	0	27,094	0	27,094
4 Amortization	(27,447)	0	(27,447)	0	(27,447)
5 Taxes Other Than Income	4,528	0	4,528	492	5,020
6 Income Taxes	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
7 Total Operating Expense	<u>\$23,528</u>	<u>\$0</u>	<u>\$23,528</u>	<u>\$492</u>	<u>\$24,020</u>
8 Operating Income	<u>(\$10,450)</u>		<u>(\$10,450)</u>		<u>\$0</u>
9 Rate Base	<u>(\$1,566)</u>		<u>(\$1,566)</u>		<u>(\$1,566)</u>
10 Operating Ratio					<u>0.00%</u>

JUMPER CREEK UTILITY COMPANY				SCHEDULE NO. 3-B	
SCHEDULE OF WASTEWATER OPERATING INCOME				DOCKET NO. 140147-WS	
TEST YEAR ENDED 6/30/2014					
Description	Test Year Per Utility	Commission Adjust- ments	Commission Adjusted Test Year	Revenue Increase	Revenue Requirement
1 Operating Revenues:	<u>\$18,624</u>	<u>\$0</u>	<u>\$18,624</u>	<u>\$374</u> 2.01%	<u>\$18,998</u>
Operating Expenses					
2 Operation & Maintenance	\$24,302	\$0	\$24,302	\$0	\$24,302
3 Depreciation	12,467	0	12,467	0	12,467
4 Amortization	(21,843)	0	(21,843)	0	(21,843)
5 Taxes Other Than Income	4,055	0	4,055	17	4,072
6 Income Taxes	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
7 Total Operating Expense	<u>\$18,981</u>	<u>\$0</u>	<u>\$18,981</u>	<u>\$17</u>	<u>\$18,998</u>
8 Operating Income	<u>(\$357)</u>		<u>(\$357)</u>		<u>\$0</u>
9 Rate Base	<u>(\$105,352)</u>		<u>(\$105,352)</u>		<u>(\$105,352)</u>
10 Operating Ratio					<u>0.00%</u>

JUMPER CREEK UTILITY COMPANY TEST YEAR ENDED JUNE 30, 2014 MONTHLY WATER RATES		SCHEDULE NO. 4-A DOCKET NO. 140147-WS	
	UTILITY EXISTING RATES	COMMISSION APPROVED INTERIM	
<u>Residential and General Service</u>			
Base Facility Charge - All Meter Sizes	\$25.25	\$48.77	
Charge per 1,000 Gallons - Residential and General Service			
0-10,000 Gallons	\$0.00	\$0.00	
Over 10,000 Gallons	\$2.52	\$4.87	
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
3,000 Gallons	\$25.25	\$48.77	
5,000 Gallons	\$25.25	\$48.77	
10,000 Gallons	\$25.25	\$48.77	

JUMPER CREEK UTILITY COMPANY TEST YEAR ENDED JUNE 30, 2014 MONTHLY WASTEWATER RATES		SCHEDULE NO. 4-B DOCKET NO. 140147-WS	
	UTILITY EXISTING RATES	COMMISSION APPROVED INTERIM	
<u>Residential and General Service</u>			
Flat Rate	\$40.44	\$41.25	
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
3,000 Gallons	\$40.44	\$41.25	
5,000 Gallons	\$40.44	\$41.25	
10,000 Gallons	\$40.44	\$41.25	