

BEFORE THE PUBLIC SERVICE COMMISSION

In re: Application for staff-assisted rate case in Polk County by Crooked Lake Park Sewerage Company. | DOCKET NO. 060406-SU  
ORDER NO. PSC-06-0654-PCO-SU  
ISSUED: August 4, 2006

The following Commissioners participated in the disposition of this matter:

LISA POLAK EDGAR, Chairman  
J. TERRY DEASON  
ISILIO ARRIAGA  
MATTHEW M. CARTER II  
KATRINA J. TEW

ORDER APPROVING INTERIM RATES

BY THE COMMISSION:

Background

Crooked Lake Park Sewerage Company (Crooked Lake or the utility) is a Class C wastewater utility serving 423 wastewater customers in Polk County. According to the utility's 2005 Annual Report, total gross revenue was \$104,313 and total operating expenses were \$167,266.

The utility previously filed for a staff-assisted rate case (SARC) on September 6, 2005. However, due to the health of the utility owner, the utility's books and records had not been updated through the end of the test year. By Order No. PSC-06-0337-PAA-SU, issued April 24, 2006, in Docket No. 050586-SU, In re: Application for staff-assisted rate case in Polk County by Crooked Lake Park Sewerage Company, the docket was closed. The order also indicated that once the utility owner was prepared to assist staff with the processing of subsequent rate case requests, he may resubmit an application for a new staff assisted rate case.

In the instant docket, the utility has filed for another staff-assisted rate case. The application was received by the Commission on May 19, 2006. Along with its request for a SARC, the utility has requested interim rates.

This Order addresses the utility's request for interim rates. We have the authority to consider this rate case and interim rates under Section 367.0814, Florida Statutes (F.S.).

Interim Rates

As stated above, we have received a second application for a staff-assisted rate case from Crooked Lake. In its application, the utility requested interim rates. Section 367.0814(4), F.S., provides that:

DOCUMENT NUMBER-DATE

06975 AUG-4 8

FPS-COMMISSION CLERK

[t]o establish interim relief, there must be a demonstration that the operation and maintenance expenses exceed the revenues of the regulated utility, and interim rates shall not exceed the level necessary to cover operation and maintenance expenses as defined by the Uniform System of Accounts for Class C Water and Wastewater Utilities (1996) of the National Association of Regulatory Utility Commissioners.

We have reviewed the utility's operation and maintenance (O & M) expenses in relation to its revenues. Based on the utility's 2005 Annual Report and SARC filing, we have determined that the utility's operation and maintenance expenses exceed its revenues.

The utility recorded \$149,606 for O & M expenses in its 2005 annual report. We have analyzed O & M expenses reported on the 2005 annual report, compared them to expenses this Commission has allowed in past cases for like-sized utilities, and found them to be reasonable. By Order No. PSC-04-1264-PAA-SU, issued December 21, 2004, in Docket No. 040300-SU, In re: Application for staff-assisted rate case in Volusia County by Tymber Creek Utilities, Tymber Creek had 415 customers and we approved O & M expenses of \$148,384. Therefore, the utility shall be allowed an interim revenue increase that will cover the cost of its O & M expenses of \$149,606.

Further, the interim increase shall be grossed up to include regulatory assessment fees (RAFs) as well. By Order No. PSC-01-1654-FOF-WS, issued August 13, 2001, in Docket No. 010396-WS, In re: Application for staff-assisted rate case in Brevard County by Burkim Enterprises, Inc., this Commission found that it would be inappropriate to approve an increase in a utility's rates to cover operating expenses, and deny that same utility the funds to pay RAFs. Only by allowing for an interim rate that allows for the payment of RAFs will the utility be able to cover its O & M expenses. The RAFs for interim are \$7,050.

Based on the above, Crooked Lake's interim rates should be designed to produce revenues of \$156,656 (\$149,606 + \$7,050) to cover its O & M expenses and RAFs. This is a 50.18% increase above the utility's 2005 revenues of \$104,313. It is our practice to apply the interim percentage increase to existing rates. If the utility submits revised tariffs reflecting our decision on interim rates, our staff shall have administrative authority to approve the submitted tariffs. The approved rates shall be effective for service rendered as of the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), Florida Administrative Code, provided customers have received notice. The rates shall not be implemented until our staff verifies that the tariff sheets are consistent with our decision, the proposed customer notice is adequate, and the required security has been filed. The utility shall provide proof of the date notice was given within ten days after the date of the notice.

The approved interim rates are shown on Schedule No. 1.

Appropriate Security to Guarantee the Interim Rate Increase

In order to protect the customers in event that the final rates are less than those authorized as a result of the interim increase, the utility shall provide security by placing in escrow the

difference in revenues between the interim rates and the previously authorized rates, or by providing a bond or letter of credit. We find that the percentage amount of potential refunds associated with the interim revenue increase is 33.39% of interim rate revenue for wastewater. This amount was calculated pursuant to Section 367.0814(5), F.S., which specifies that,

The Commission may require that the difference between the interim rates and the previously authorized rates be collected under a bond, escrow, letter of credit, or corporate undertaking subject to refund with interest at a rate ordered by the Commission.

If the security provided is an escrow account, said account shall be established between the utility and an independent financial institution pursuant to a written escrow agreement. The Commission shall be a party to the written escrow agreement and a signatory to the escrow account. The written escrow agreement shall state the following: That the account is established at the direction of this Commission for the purpose set forth above; that no withdrawals of funds shall occur without the prior approval of the Commission through the Director of the Division of Commission Clerk and Administrative Services; that the account shall be interest bearing, that information concerning the escrow account shall be available from the institution to the Commission or its representative at all times; and that pursuant to Cosentino v. Elson, 263 So. 2d 253 (Fla. 3d. DCA 1972), escrow accounts are not subject to garnishments.

The utility shall deposit the funds to be escrowed, 33.39% of interim rate revenue, into the escrow account each month, pending the completion of the rate case proceeding. If a refund to the customers is required, all interest earned by the escrow account shall be distributed to the customers. If a refund to the customers is not required, the interest earned by the escrow account shall revert to the utility.

If the security provided is a bond or a letter of credit, said instrument shall be in the amount of \$21,797. If the utility chooses a bond as security, the bond shall state that it will be released or shall terminate upon subsequent order of the Commission addressing the requirement of a refund. 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 addressing the requirement of a refund.

Irrespective 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), Florida Administrative Code, the utility shall provide a report by the 20th 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, Florida Administrative Code.

In no instance should maintenance and administrative costs associated with any refund be borne by the customers. The 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 the application of Crooked Lake Park Sewerage Company for interim rates is approved as set forth in the body of this Order. It is further

ORDERED that the existing rates shall be increased by 50.18% so as to produce revenues of \$156,656. It is further

ORDERED that the approved rates are as set forth in Schedule No. 1 attached to and made a part of this Order. It is further

ORDERED that the approved rates shall be effective for service rendered as of the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), Florida Administrative Code, provided customers have received notice. It is further

ORDERED that the rates shall not be implemented until our staff verifies that the tariff sheets are consistent with our decision, the proposed customer notice is adequate, and the required security has been filed. It is further

ORDERED that the utility shall provide proof of the date notice was given within ten days after the date of the notice. It is further

ORDERED that Crooked Lake Park Sewerage Company shall file as set forth in the body of this Order a bond, letter of credit, or escrow agreement as security to guarantee any potential refunds of revenues collected under interim conditions. It is further

ORDERED that pursuant to Rule 25-30.360(6), Florida Administrative Code, 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 irrespective of the type of security provided, the utility shall keep an accurate and detailed account of all monies it receives. It is further

ORDERED that should a refund be required, the refund shall be with interest and undertaken in accordance with Rule 25-30.360, Florida Administrative Code. It is further

ORDERED that this docket shall remain open pending the final resolution of the utility's staff-assisted rate case.

By ORDER of the Florida Public Service Commission this 4th day of August, 2006.

BLANCA S. BAYÓ, Director  
Division of the Commission Clerk  
and Administrative Services

By: Kay Flynn  
Kay Flynn, Chief  
Bureau of Records

( S E A L )

RRJ

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 15 days pursuant to Rule 25-22.060, 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 Director, Division of the Commission Clerk and Administrative Services, in the form prescribed by Rule 25-22.060, 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.

Schedule No. 1

MONTHLY WASTEWATER RATES

	UTILITY'S EXISTING RATES	COMMISSION APPROVED INTERIM RATES
<b><u>Residential</u></b>		
All Meter Sizes	\$11.10	\$16.67
<b><u>General Service</u></b>		
<b><u>Base Facility Charge by Meter Size:</u></b>		
5/8"X3/4"	\$11.10	\$16.67
3/4"	\$16.65	\$25.00
1"	\$27.75	\$41.67
1-1/2"	\$55.49	\$83.33
2"	\$88.79	\$133.34
3"	\$177.57	\$266.67
4"	\$277.46	\$416.69
6"	\$554.94	\$833.41
<b><u>Residential Service Gallonage Charge</u></b>		
Per 1,000 gallons (8,000 gals. Max)	\$2.56	\$3.84
<b><u>General Service Gallonage Charge</u></b>		
Per 1,000 Gallons	\$3.07	\$4.61
<b><u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u></b>		
3,000 Gallons	\$18.78	\$28.20
5,000 Gallons	\$23.90	\$35.89
8,000 Gallons	\$31.58	\$47.43