

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Settlement proposal for possible
overearnings by Southlake Utilities, Inc. in
Lake County.

DOCKET NO. 150069-WS
ORDER NO. PSC-15-0173-PAA-WS
ISSUED: May 5, 2015

The following Commissioners participated in the disposition of this matter:

ART GRAHAM, Chairman
LISA POLAK EDGAR
RONALD A. BRISÉ
JULIE I. BROWN
JIMMY PATRONIS

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING SETTLEMENT PROPOSAL FOR POSSIBLE OVERTURNINGS BY
SOUTHLAKE UTILITIES, INC.

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code (F.A.C.).

Background

Southlake Utilities, Inc. (Southlake or Utility) is a Class B utility providing water and wastewater service to approximately 2,800 water and 2,664 wastewater customers in Lake County. Water and wastewater rates were last established for this utility in 2008.¹

Commission staff's review of the 2012 Annual Report for Southlake, filed April 25, 2013, revealed possible overearnings. On November 1, 2013, we approved a pass-through and 4-year rate reduction adjustment, which represented a \$34,497-revenue decrease for each system. Subsequently, staff engaged in discussions with the Utility regarding these possible overearnings. Since those initial discussions, staff completed its earnings analysis based on the Utility's numerous responses to data requests, as well as Southlake's 2013 Annual Report, filed April 25, 2014. During Commission staff's earnings' analysis, the Office of Public Counsel

¹ See Order No. PSC-09-0623-PAA-WS, issued September 15, 2009, in Docket No. 080597-WS, In re: Application for increase in water and wastewater rates in Lake County by Southlake Utilities, Inc.

participated in noticed informal meetings regarding the Utility's possible overearnings. In a letter dated February 25, 2015, Southlake proposed a settlement offer to address the possible overearnings. Southlake proposed to refund total possible overearnings in the amount of \$233,076 for water and \$8,387 for wastewater. Further, the Utility also proposed to reduce rates by 21.47 percent for water and 0.73 percent for wastewater.

We have jurisdiction pursuant to Sections 367.081, 367.082, and 367.121, Florida Statutes.

Decision

A review of Southlake's 2012 Annual Report, filed April 25, 2013, revealed possible overearnings. As a result, staff sent data requests to the Utility to obtain the data necessary to make a better evaluation of the Utility's financial position, to evaluate the likelihood of continued overearnings, and to examine the level of revenues necessary to support ongoing utility operations. Staff's analysis also incorporated the Utility's needs for continuing capital improvements and operating expenses.

Based on staff's analysis,² Southlake proposed a settlement to address possible overearnings by letter dated February 25, 2015. Specifically, the Utility agreed to make an across-the-board rate reduction of \$233,076 or 21.47 percent of total revenues for water and \$8,387 or 0.73 percent for wastewater. Further, the Utility stated it will make a refund of \$233,076 for water and \$8,387 for wastewater over a 6-month period in 2015.

Table 1

Determination of Rate Reduction and Refund		
	<u>Water</u>	<u>Wastewater</u>
Possible Overearnings	<u>\$233,076</u>	<u>\$8,387</u>
Proposed Rate Reduction	<u>(\$233,076)</u>	<u>(\$8,387)</u>
Proposed Rate Reduction %	<u>(21.47%)</u>	<u>(0.73%)</u>
Proposed Refund	<u>\$233,076</u>	<u>\$8,387</u>

Since the Utility's last rate case, the Utility has experienced significant customer growth which appears to have contributed to the overearnings. We find that Southlake's proposed settlement, attached to this Order as Attachment A, is a reasonable resolution because it will address the possible overearnings on a prospective basis. Further, we find that it is in the public interest for us to approve the settlement proposal because this settlement offer promotes administrative efficiency, avoiding the time and expense of a formal earnings investigation. In keeping with

² Document No. 01253-15, in Docket No. 150069-WS.

our long-standing practice of encouraging parties to settle contested proceedings,³ the settlement proposal shall be approved.

Schedule Nos. 1-A and 1-B reflect the Utility's existing rates and the rates per the Utility's settlement proposal. Commission staff shall continue to monitor the earnings of the Utility, and if any subsequent overearnings are identified, staff may open a formal earnings investigation.

Within 15 days of our vote, the Utility shall file a proposed customer notice and revised tariff sheets which are consistent with our decision. The approved rates shall be effective for service rendered on or after the stamped approval date of the tariff, pursuant to Rule 25-30.475(1), F.A.C., after staff has verified that the proposed customer notice is adequate and the notice has been provided to the customers. Southlake shall provide proof that the customers have received notice within 10 days after the date of the notice.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the settlement proposal for possible overearnings by Southlake Utilities, Inc. is hereby approved.

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that this docket shall remain open to allow staff to verify that the revised tariff sheets and customer notice have been filed by the Utility and approved by staff. Once staff has verified that the refunds have been made in accordance with Rule 25-30.360, F.A.C., the docket shall be closed administratively.

³ See Order Nos. PSC-09-0711-AS-WS, issued October 26, 2009, in Docket No. 080249-WS, In re: Application for increase in water and wastewater rates in Pasco County by Labrador Utilities, Inc.; PSC-08-0640-AS-WU, issued October 3, 2008, in Docket No. 070601-WU, In re: Application for staff-assisted rate case in Pasco County by Orangeland Water Supply; and PSC-07-0534-AS-WS, issued June 26, 2007, in Docket No. 060261-WS, In re: Application for increase in water and wastewater rates in Lake County by Utilities, Inc. of Pennbrooke.

By ORDER of the Florida Public Service Commission this 5th day of May, 2015.



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.

MFB

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 that is available under Section 120.57, 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 will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The action proposed herein is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on May 26, 2015.

In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

Any objection or protest filed in this/these docket(s) before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

Southlake Utilities, Inc.
16554 Cagan Crossings Boulevard, STE #2
Clermont, FL
34714

February 25, 2015

Ms. Carlotta Stauffer, Commission Clerk
Office of Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399

RE: Docket No. 150000-OT; Investigation into possible overearnings of Southlake Utilities, Inc.

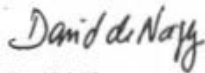
Dear Ms. Stauffer,

On July 31, 2013, Southlake Utilities, Inc (the "Utility") provided in its correspondence to the Florida Public Service Commission (the "Commission") that the Commission has the authority to determine and dispose of prospective overearnings. Again on February 2, 2014 the Utility confirmed to the Commission the same information and continued working with Commission Staff to settle the above referenced matter.

To that end, the Utility would agree to a customer refund as is more fully outlined in an EXCEL spreadsheet e-mailed January 22, 2015 by Commission Staff member Ms. Amber Norris to my attention. In addition, the Utility would agree to revised rates as provided in an e-mail dated January 29, 2015 again by Commission Staff member Ms. Amber Norris to my attention and included as part of this correspondence. The Utility requests to provide the refund over a six-month period of time during 2015 at the direction of the Commission.

Should you or the Commission Staff have any questions regarding this filing, please do not hesitate to give me a call.

Respectfully,



David deNagy
Southlake Utilities, Inc.

Cc: Mr. Jeff Cagan, President Southlake Utilities, Inc.
Mr. Andrew Maurey, Division of Economic Regulation (via e-mail)
Mr. Bart Fletcher, Division of Economic Regulation (via e-mail)
Ms. Denise Vandiver, Office of Public Counsel, (via e-mail)

SOUTHLAKE UTILITIES, INC.		SCHEDULE NO. 1-A	
TEST YEAR ENDED DECEMBER 31, 2013		DOCKET NO. 150069-WS	
MONTHLY WATER RATES			
	UTILITY EXISTING RATES	COMMISSION APPROVED RATES	
<u>Residential, General, and Bulk Service</u>			
Base Facility Charge by Meter Size			
5/8" x 3/4"	\$8.72	\$6.83	
1"	\$21.81	\$17.08	
1 1/2"	\$43.63	\$34.15	
2"	\$69.81	\$54.64	
3"	\$139.63	\$109.28	
4"	\$218.16	\$170.75	
6"	\$436.31	\$341.50	
Charge per 1,000 gallons - Residential			
0-10,000 Gallons	\$0.98	\$0.77	
10,001 - 20,000 gallons	\$1.47	\$1.15	
Over 20,000 Gallons	\$1.97	\$1.54	
Charge per 1,000 gallons - General and Bulk			
	\$1.29	\$1.01	
<u>Fire Protection Service</u>			
Base Facility Charge by Meter Size			
1 1/2"	\$3.63	\$2.85	
2"	\$5.82	\$4.55	
3"	\$11.63	\$9.11	
4"	\$18.18	\$14.23	
6"	\$36.37	\$28.46	
8"	\$58.18	\$45.53	
10"	\$80.00	\$65.45	
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
3,000 Gallons	\$11.66	\$9.14	
5,000 Gallons	\$13.62	\$10.68	
10,000 Gallons	\$18.52	\$14.53	

SOUTHLAKE UTILITIES, INC.		SCHEDULE NO. 1-B	
TEST YEAR ENDED DECEMBER 31, 2013		DOCKET NO. 150069-WS	
MONTHLY WASTEWATER RATES			
	UTILITY EXISTING RATES	COMMISSION APPROVED RATES	
<u>Residential Service</u>			
Base Facility Charge - All Meter Sizes	\$14.45	\$14.34	
Charge per 1,000 gallons - Residential *10,000 gallon cap	\$1.35	\$1.34	
<u>General and Bulk Service</u>			
Base Facility Charge by Meter Size			
5/8 x 3/4"	\$14.45	\$14.34	
1"	\$36.12	\$35.85	
1 1/2"	\$72.23	\$71.70	
2"	\$115.56	\$114.72	
3"	\$231.12	\$229.44	
4"	\$361.12	\$358.50	
6"	\$722.25	\$717.00	
Charge per 1,000 Gallons - General and Bulk Service	\$1.62	\$1.61	
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
3,000 Gallons	\$18.50	\$18.36	
5,000 Gallons	\$21.20	\$21.04	
10,000 Gallons	\$27.95	\$27.74	