

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for limited proceeding in  
Highlands County by HC Waterworks, Inc.

DOCKET NO. 20210184-WS  
ORDER NO. PSC-2022-0192-PAA-WS  
ISSUED: May 23, 2022

The following Commissioners participated in the disposition of this matter:

ANDREW GILES FAY, Chairman  
ART GRAHAM  
GARY F. CLARK  
MIKE LA ROSA  
GABRIELLA PASSIDOMO

NOTICE OF PROPOSED AGENCY ACTION  
ORDER APPROVING A WATER AND WASTEWATER RATE INCREASE  
AND  
ORDER APPROVING FOUR-YEAR RATE REDUCTION AND  
TEMPORARY RATES IN THE EVENT OF A PROTEST

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein, except for approval of a four-year rate reduction and temporary rates in the event of a protest, 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

HC Waterworks, Inc. (HCWW or Utility) is a Class B utility providing water service to approximately 967 residential customers, 12 general service customers, and 1 private fire protection customer in the Leisure Lakes, Lake Josephine, and Sebring Lakes subdivisions in Highlands County. The Utility also provides wastewater service to 317 residential wastewater customers in the Leisure Lakes subdivision. The service area is in the Southwest Florida Water Management District and is in a water use caution area. According to the Utility's 2021 Annual Report, operating revenues were \$770,063 for water and \$88,191 for wastewater. Operating expenses were \$559,035 for water and \$108,950 for wastewater.

By Order No. PSC-2014-0314-PAA-WS, we approved the transfer of Certificate Nos. 422-W and 359-S from Aqua Utilities Florida, Inc. to HCWW.<sup>1</sup> As part of the transfer, we approved a negative acquisition adjustment, recognizing that HCWW's purchase of the system was less than 80 percent of the system's net book value. Per the transfer order, 50 percent of the negative acquisition adjustment (\$424,720 for the water system and \$10,539 for the wastewater system) was to be amortized over a seven-year period, and the remaining 50 percent amortized over the remaining life of the assets. At the time of the transfer, HCWW estimated the remaining life of the applicable water assets as 24 years, and 12 years for the wastewater assets. Water rates were last established for the Utility in 2020.<sup>2</sup> Subsequently, water rates were increased by a price index rate adjustment in 2021. Wastewater rates were last established in 2015 and had subsequent price index rate adjustments in 2018 and 2021.<sup>3</sup> On November 18, 2021, HCWW filed its application for a limited proceeding to increase its water and wastewater rates.<sup>4</sup> Accompanying the Utility's application were minimum filing requirement (MFR) schedules required by Section 367.081, Florida Statutes (F.S.), and Rule 25-30.445, F.A.C. The Utility was notified of deficiencies in the MFRs on December 14, 2021.<sup>5</sup> The deficiencies were cured on December 22, 2021, which was established as the official filing date.<sup>6</sup>

The Utility is requesting an increase due to the significant financial impact of HCWW's earning levels beginning in April 2021, when the amortization period for 50 percent of the acquisition adjustment approved in the transfer order ended.<sup>7</sup> Based on the Utility's filing, the negative offset of amortization will cause increases to net depreciation expense that will not be recovered through current rates, causing existing rates to no longer be compensatory.

A solicitation of customer comments was mailed to HCWW's customers on February 14, 2022.<sup>8</sup> Twenty comments were received.

We have jurisdiction pursuant to Sections 367.081 and 367.0822, F.S.

### Decision

#### **I. The Utility's Request For A Limited Proceeding**

Limited proceedings generally address specific or significant changes that would adversely affect the normal operating income of the Utility and are usually narrow in scope.

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<sup>1</sup>Order No. PSC-2014-0314-PAA-WS, issued June 13, 2014, in Docket No. 20130175-WS, *In re: Application for approval of transfer of certain water and wastewater facilities and Certificate Nos. 422-W and 359-S of Aqua Utilities Florida, Inc. to HC Waterworks, Inc. in Highlands County.*

<sup>2</sup>Order No. PSC-2020-0168-PAA-WS, issued May 22, 2020, in Docket No. 20190166-WS, *In re: Application for increase in water rates in Highlands County by HC Waterworks, Inc.*

<sup>3</sup>Order No. PSC-2015-0282-PAA-WS, issued July 8, 2015, in Docket No. 20140158-WS, *In re: Application for increase in water/wastewater rates in Highlands County by HC Waterworks, Inc.*

<sup>4</sup>Document No. 12849-2021, filed on November 18, 2021.

<sup>5</sup>Document No. 13057-2021, filed on December 14, 2021.

<sup>6</sup>Document No. 13148-2021, filed on December 22, 2021.

<sup>7</sup>Order No. PSC-2014-0314-PAA-WS.

<sup>8</sup>Document No. 01139-2022, filed on February 9, 2022.

HCWW's case as filed is sufficiently narrow in scope to qualify for a limited proceeding. HCWW has also met all the minimum filing requirements as set forth in Rule 25-30.445, F.A.C.

### **Secondary Water Quality Standards**

Pursuant to Rule 25-30.445(4)(o), F.A.C., HCWW provided a copy of all customer complaints received during the past five years regarding Florida Department of Environmental Protection (DEP) secondary water quality standards, as well as a copy of the Utility's most recent secondary water quality standards test results. The test results dated October 2018, indicate that the Utility is currently passing DEP secondary water quality standards.

In its last rate case, we concluded that the Utility's quality of service unsatisfactory due to the number of customer complaints and reduced the Utility's return on equity by 50 basis points.<sup>9</sup> We also directed the Utility to engage with its customers and the Office of Public Counsel (OPC) to address the customer service issues. OPC protested our decision and later entered into a settlement agreement with the Utility. In Order No. PSC-2021-0089-S-WS, we approved the settlement agreement, which required the Utility to file quarterly reports regarding customer complaints and correspondence.<sup>10</sup> The quarterly reports indicate a declining trend in overall customer complaints as well as complaints regarding secondary water quality issues.<sup>11</sup>

As part of the instant Docket, we received 20 customer comments opposing the rate increase. Additionally, one group of customers filed a complaint with our Customer Assistance and Outreach (CAO) division concerning the wastewater treatment plant. Of the 20 customer comments specifically related to the instant docket, 16 of the customers also commented on poor water quality; specifically, chlorine smell, cloudy water, discolored clothes from water, unacceptable water pressure, and bad taste.

As previously discussed, the Utility has provided the necessary information to comply with Rule 25-30.445(4)(o), F.A.C., and Order No. PSC-2021-0089-S-WS. Therefore, based on a review of the information provided by the Utility, as well as supplemental information gathered throughout the course of this docket, we find that no action need to be taken at this time with respect to secondary water quality standards.

### **Rate Base**

In its application, the Utility recorded total rate base of \$3,392,108 for water and \$17,235 for wastewater. When calculating working capital allowance, the Utility included anticipated rate case expense for the current docket. Pursuant to Section 367.081(9), F.S., we removed the unamortized balance of rate case expense when calculating working capital. The removal of rate case expense resulted in a decrease of \$47 for water and \$94 for wastewater. Therefore, we order

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<sup>9</sup>Order No. PSC-2020-0168-PAA-WS.

<sup>10</sup>Order No. PSC-2021-0089-S-WS, issued February 22, 2021, in Docket No. 20190166-WS, *In re: Application for increase in water rates in Highlands County by HC Waterworks, Inc.*

<sup>11</sup>With its application, HCWW included copies of three quarterly reports, detailing customer complaints and all other communications following its last rate case as required by the Commission for one year after the Final Order was issued. The Utility met the requirements set forth in Order No. PSC-2021-0089-S-WS; therefore, the docket was closed.

a total rate base of \$3,392,061 (\$3,392,108 – \$47) for water and \$17,141 (\$17,235 – \$94) for wastewater.

### **Rate of Return**

Rule 25-30.445(4)(e), F.A.C., requires that the weighted average cost of capital be calculated based on the most recent 12-month period and include all of the appropriate capital structure components. In its filing, HCWW provided a weighted average cost of capital (rate of return) of 6.87 percent, based on a capital structure consisting of long-term debt, common equity and customer deposits.

The Utility's capital structure has been reconciled with our approved rate base. In its application, the Utility reported a return on equity (ROE) of 9.72 percent. However, in its last rate case, we set the ROE for HCWW at 9.17 percent, with a range of 8.17 percent to 10.17 percent.<sup>12</sup> With ROE set at our ordered 9.17 percent, we order an overall rate of return of 6.61 percent.

### **Operating Expense**

In its application, HCWW requested an increase to operating expenses of \$35,056 for water and \$1,114 for wastewater. The components for the operating expense were operations and maintenance (O&M) expense, depreciation, net amortization expense and taxes other than income (TOTI). Our adjustments to operating expenses are detailed below.

#### **a) Operations and Maintenance Expense**

In its application, the Utility recorded O&M expense of \$374,550 and \$92,729 for water and wastewater, respectively. These amounts included \$375 for amortization of rate case expense for both water and wastewater. We find it is more appropriate to follow our practice and allocate noticing costs based on the number of customers for water (980), or 75.56 percent; and wastewater (317), or 24.44 percent. In its application, the Utility is requesting recovery of the required filing fee, required noticing costs, and travel expense to attend the May 3, 2022 Commission Conference. Recalculated rate case expense is shown in Table 1.

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<sup>12</sup>Order No. PSC-2020-0168-PAA-WS.

**Table 1**  
**Calculation of Rate Case Expense**

<u>Expense</u>	<u>Water Allocation</u>	<u>Wastewater Allocation</u>
Filing Fee	\$1,000	\$200
Noticing Costs	2,214	716
Travel Expense	<u>189</u>	<u>61</u>
Total Rate Case Expense	<u>\$3,403</u>	<u>\$977</u>
Amortized Amount	<u>\$851</u>	<u>\$244</u>

Source: Staff calculations.

Based on the above, we have determined the appropriate amount of rate case expense amortized over four years is \$851 ( $(\$1,000 + \$2,214 + \$189) \div 4$ ) for water, and \$244 ( $(\$200 + \$716 + \$61) \div 4$ ) for wastewater. These amounts represent an increase of \$476 ( $\$851 - \$375$ ) for water and a decrease of \$131 ( $\$244 - \$375$ ) for wastewater. Therefore, we find a total O&M expense of \$375,026 ( $\$374,550 + \$476$ ) for water and \$92,598 ( $\$92,729 - \$131$ ) for wastewater.

**b) Net Amortization Expense**

In its application, the Utility recorded net amortization expense of \$39,346 for water and \$6,146 for wastewater. In HCWW's 2014 Transfer Order, we found:

Pursuant to Rule 25-30.0371, F.A.C., a negative acquisition adjustment of \$849,440 for the water system and \$21,078 for the wastewater system shall be recognized for rate-making purposes as of March 28, 2013. Beginning with the date of the issuance of this Order, 50 percent of the negative acquisition adjustment, which is \$424,720 for the water system and \$10,539 for the wastewater system, shall be amortized over a seven-year period and the remaining 50 percent shall be amortized over the remaining life of the assets as discussed above.<sup>13</sup>

In the Utility's application, the remaining life of the assets were calculated at 12 years for both water and wastewater. At 12 years, the amortized amount of the remaining negative acquisition adjustment is \$35,393 ( $\$424,720 \div 12$  years) for water and \$878 ( $\$10,539 \div 12$  years) for wastewater. In response to our staff's data request, the Utility corrected these amounts to \$404,520 with a remaining life of 23.59 years for water and \$7,497 with a remaining life of 11.63 years for wastewater.<sup>14</sup>

Using the updated amounts, we calculated the appropriate amortization of the negative acquisition adjustment to be \$17,148 ( $\$404,520 \div 23.59$  years) for water and \$645 ( $\$7,497 \div$

<sup>13</sup>Order No. PSC-2014-0314-PAA-WS.

<sup>14</sup>Document No. 01553-2022, filed on March 2, 2022.

11.63 years) for wastewater. This represents an increase of \$1,685 (\$41,031 – \$39,346) for water and an increase of \$254 (\$6,400 – \$6,146) for wastewater.

**c) Taxes Other Than Income**

In its application, the Utility recorded TOTI of \$35,033 for water and \$4,010 for wastewater. These amounts included \$329 in property taxes and \$34,705 in regulatory assessment fees (RAFs) for water, and \$197 in property taxes and \$3,813 in RAFs for wastewater.

We calculated annualized revenues of \$758,659 for water and \$84,737 for wastewater. Based on these amounts, we determined RAFs of \$34,140 (\$758,659 x 4.5 percent) for water and \$3,813 (\$84,737 x 4.5 percent) for wastewater. Based on these calculations, we reduced RAFs by \$564 (\$34,705 – \$34,140) for water and made no adjustment to RAFs for wastewater. We make no adjustments to property taxes. Therefore, we find TOTI of \$34,469 (\$35,033 – \$564) for water and \$4,010 for wastewater.

**d) Operating Expense Summary**

Based on the above, we order a decrease to operating expense of \$1,774 for water and a decrease of \$385 for wastewater. A summary of our adjustments are shown in Tables 2 and 3 for water and wastewater, respectively.

**Table 2**  
**Adjustments to Water Operating Expense**

<b><u>Expense</u></b>	<b><u>Per Utility</u></b>	<b><u>Comm. Adjustment</u></b>	<b><u>Per Comm.</u></b>
Operating and Maintenance	\$374,550	\$476	\$375,026
Depreciation	199,770	0	199,770
Net Amortization Expense	(39,346)	(1,685)	(41,031)
Taxes Other than Income	<u>35,033</u>	<u>(564)</u>	<u>34,469</u>
Total	<u>\$570,007</u>	<u>(\$1,774)</u>	<u>\$568,233</u>

Source: Utility's application and Commission calculations.

**Table 3**  
**Adjustments to Wastewater Operating Expense**

<u>Expense</u>	<u>Per Utility</u>	<u>Comm. Adjustment</u>	<u>Per Comm.</u>
Operating and Maintenance	\$92,729	(\$131)	\$92,598
Depreciation	8,544	0	8,544
Net Amortization Expense	(6,146)	(254)	(6,400)
Taxes Other than Income	4,010	0	4,010
Total	<u>\$99,137</u>	<u>(\$385)</u>	<u>\$98,752</u>

Source: Utility's application and Commission calculations.

### Conclusion

We approve the Utility's request for a limited proceeding rate increase as modified herein. As outlined in Table 4, we approve a revenue requirement increase of \$35,220 for water and an increase of \$15,862 for wastewater. These amounts represent a 4.64 percent increase for water and an 18.72 percent increase for wastewater. The approved revenue requirement calculations are shown on Schedule Nos. 1-A and 1-B.

**Table 4**  
**Commission Approved Increases**

	<u>Water</u>	<u>Wastewater</u>
Rate Base	\$3,392,061	\$17,141
Rate of Return	<u>6.61%</u>	<u>6.61%</u>
Return on Rate Base	<u>\$224,061</u>	<u>\$1,132</u>
Add Total Operating Expenses	<u>568,233</u>	<u>98,752</u>
Approved Revenues	<u>\$792,294</u>	<u>\$99,885</u>
Less Annualized Revenues	<u>758,659</u>	<u>84,737</u>
Approved Increase	<u>\$33,635</u>	<u>\$15,148</u>
4.5% RAFs on Increase	<u>1,585</u>	<u>714</u>
Total Approved Increase	<u>\$35,220</u>	<u>\$15,862</u>
Percent Increase	<u>4.64%</u>	<u>18.72%</u>

Source: Commission calculations.

## **II. Water and Wastewater Rates**

As discussed previously, we are authorizing HCWW to generate additional annual service revenues of \$35,220 for water and \$15,862 for wastewater. This represents a 4.64 percent increase for the Utility's water service revenues and an 18.72 percent increase for the Utility's wastewater service revenues. The corresponding percentage increases shall be applied as an across-the-board increase to the existing water and wastewater rates.

### **Conclusion**

Based on the above, the monthly water and wastewater rates approved herein are shown on Schedule Nos. 2-A and 2-B. The rates are designed to produce additional revenues of \$35,220 (4.64 percent increase) for water and \$15,862 (18.72 percent increase) for wastewater. The percent increases shall be applied as an across-the-board increase to the existing service rates. The Utility shall file revised tariff sheets and a proposed customer notice to reflect the Commission-approved 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. In addition, the approved rates shall not be implemented until 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.

## **III. Initial Customer Deposits**

Rule 25-30.311, F.A.C., provides the criteria for collecting, administering, and refunding customer deposits. Customer deposits are designed to minimize the exposure of bad debt expense for the Utility and, ultimately, the general body of ratepayers. An initial customer deposit ensures that the cost of providing service is recovered from the cost causer. Historically, we have set initial customer deposits equal to two times the average estimated bill.<sup>15</sup> Currently, the Utility's initial customer deposit for single family residential water customers is \$108 for the 5/8 inch x 3/4 inch meter size. For wastewater, the Utility's initial customer deposit for single family residential service is \$50 for the 5/8 inch x 3/4 inch meter size. However, these amounts do not cover two months' average bill based on our ordered rates. The average monthly bills based on our approved rates are \$62.30 for water and \$42.17 for wastewater.<sup>16</sup>

### **Conclusion**

Based on the above, the appropriate initial customer deposits for the residential 5/8 inch x 3/4 inch meter size are \$125 for water and \$84 for wastewater. The initial customer deposit for all other residential meter sizes and all general service meter sizes shall be two times the average estimated monthly bill for water and wastewater. The approved initial customer deposits shall be effective for connections made on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475, F.A.C. The Utility shall be required to collect the approved initial customer deposits until authorized to change them by us in a subsequent proceeding.

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<sup>15</sup>Order No. PSC-2022-0043-PAA-WU, issued January 26, 2022, in Docket No. 20210055-WU, *In re: Application for staff-assisted rate case in Lake County by Brendenwood Waterworks, Inc.*

<sup>16</sup>The average consumption from the 2020 Annual Report is 2,850 gallons.



**IV. Miscellaneous Service Charges**

Effective June 24, 2021, Rule 25-30.460, F.A.C., was amended to remove initial connection and normal reconnection charges.<sup>17</sup> The definitions for initial connection charges and normal reconnection charges were subsumed in the definition of the premises visit charge. It was envisioned that utility tariffs would be reviewed by us on a prospective basis to ensure conformance with the amended rule. The Utility's miscellaneous service charges consist of initial connection and normal reconnection charges. These charges are the same as the premises visit charge. Therefore, we believe it is appropriate at this time to remove the initial connection and normal reconnection charges and update the definition for the premises visit charge to comply with amended Rule 25-30.460, F.A.C. The existing and new miscellaneous service charges are reflected in Tables 5 and 6.

**Table 5**  
**Existing Miscellaneous Service Charges**

<b><u>Miscellaneous Service Charge</u></b>	<b><u>Normal Hours</u></b>	<b><u>After Hours</u></b>
Initial Connection Charge	\$22.84	\$34.25
Normal Reconnection Charge	\$22.84	\$34.25
Violation Reconnection Charge (Water)	\$36.33	\$57.09
Violation Reconnection Charge (Wastewater)	Actual Cost	Actual Cost
Premises Visit Charge (in lieu of disconnection)	\$22.84	\$34.25
Late Payment Charge	\$5.19	\$5.19
NSF Charges	Pursuant to Section 68.065, F.S.	
Convenience Charge	\$2.70	\$2.70

Source: Utility tariffs.

<sup>17</sup>Order No. PSC-2021-0201-FOF-WS, issued June 4, 2020, in Docket No. 20200240-WS, *In re: Proposed amendment of Rule 25-30.460, F.A.C., Application for Miscellaneous Service Charges.*

**Table 6**  
**Commission Approved Miscellaneous Service Charges**

<u>Miscellaneous Service Charge</u>	<u>Normal Hours</u>	<u>After Hours</u>
Premises Visit Charge	\$22.84	\$34.25
Violation Reconnection Charge (Water)	\$36.33	\$57.09
Violation Reconnection Charge (Wastewater)	Actual Cost	Actual Cost
Late Payment Charge	\$5.19	\$5.19
NSF Charges	Pursuant to Section 68.065, F.S.	
Convenience Charge	\$2.70	\$2.70

Source: Utility tariff and Rule 25-30.460, F.A.C.

### **Conclusion**

We order that the miscellaneous service charges be revised to conform to the recent revision to Rule 25-30.460, F.A.C. The Utility shall be required to file a proposed customer notice to reflect the Commission-approved charges. The approved charges shall be effective on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved charge shall not be implemented until our staff has approved the proposed customer notice and the notice has been received by customers. The Utility shall provide proof of the date notice was given no less than 10 days after the date of the notice.

### **V. Four Year Rate Reduction**

Section 367.081(8), F.S., requires that the rates be reduced immediately following the expiration of the four-year period by the amount of the rate case expense previously included in rates. The reduction will reflect the removal of revenue associated with the amortization of rate case expense and the gross-up for RAFs. This results in a reduction of \$891 for water and \$256 for wastewater.

### **Conclusion**

The water and wastewater rates shall be reduced as shown in Schedule Nos. 2-A and 2-B, to remove rate case expense grossed up for RAFs and amortized over a four-year period. The decrease in rates should become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.081(8), F.S. HCWW shall be required to file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the reduction no later than one month prior to the actual date of the required rate reduction. If the Utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data shall be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense.

## **VI. Temporary Rates and Appropriate Security**

A timely protest might delay what may be a justified rate increase resulting in an unrecoverable loss of revenue to the Utility. Therefore, pursuant to Section 367.0814(7), F.S., in the event of a protest filed by a party other than the Utility, we approve the Utility's new rates as temporary rates. In such an event, the Utility shall file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates shall be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the temporary rates shall not be implemented until our staff has approved the proposed notice, and the notice has been received by the customers. The approved temporary rates collected by the Utility shall be subject to the refund provisions discussed below.

The Utility shall be authorized to collect the temporary rates upon our staff's approval of an appropriate security for the potential refund and the proposed customer notice. Security shall be in the form of a bond or letter of credit in the amount of \$34,134. Alternatively, the Utility may establish an escrow agreement with an independent financial institution.

If the Utility chooses a bond as security, the bond shall contain wording to the effect that it will be terminated only under the following conditions:

1. The Commission approves the rate increase; or,
2. If the Commission denies the increase, the Utility shall refund the amount collected that is attributable to the increase.

If the Utility chooses a letter of credit as a security, it shall contain the following conditions:

1. The letter of credit is irrevocable for the period it is in effect.
2. The letter of credit will be in effect until a final Commission order is rendered, either approving or denying the rate increase.

If security is provided through an escrow agreement, the following conditions shall be part of the agreement:

1. The Commission Clerk, or his or her designee, must be a signatory to the escrow agreement.
2. No monies in the escrow account may be withdrawn by the Utility without the prior written authorization of the Commission Clerk, or his or her designee.
3. The escrow account shall be an interest bearing account.
4. If a refund to the customers is required, all interest earned by the escrow account shall be distributed to the customers.
5. If a refund to the customers is not required, the interest earned by the escrow account shall revert to the Utility.
6. All information on the escrow account shall be available from the holder of the escrow account to a Commission representative at all times.
7. The amount of revenue subject to refund shall be deposited in the escrow account within seven days of receipt.
8. The escrow account is established by the direction of the Florida Public Service Commission for the purpose(s) set forth in its order requiring such account. Pursuant to

*Cosentino v. Elson*, 263 So. 2d 253 (Fla. 3d DCA 1972), escrow accounts are not subject to garnishments.

9. The account must specify by whom and on whose behalf such monies were paid.

In no instance shall the maintenance and administrative costs associated with the refund be borne by the customers. These costs are the responsibility of, and shall be borne by, the Utility. Irrespective of the form of security chosen by the Utility, an account of all monies received as a result of the rate increase shall be maintained by the Utility. If a refund is ultimately required, it shall be paid with interest calculated pursuant to Rule 25-30.360(4), F.A.C.

### **Conclusion**

The new rates shall be approved for the Utility on a temporary basis, subject to refund, in the event of a protest filed by a substantially affected person or party other than the Utility. The Utility shall file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates shall be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the temporary rates shall not be implemented until our staff has approved the proposed notice, and the notice has been received by the customers. Prior to implementation of any temporary rates, the Utility shall provide appropriate security. The rates collected by the Utility shall be subject to the refund. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., the Utility shall file reports with the Commission Clerk's office no later than the 20th of every month indicating the monthly and total amount of money subject to refund at the end of the preceding month. The report filed shall also indicate the status of the security being used to guarantee repayment of any potential refunds.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that HC Waterworks, Inc.'s request for a limited proceeding rate increase is approved as set forth herein, to reflect a revenue requirement increase of \$35,220 for water and an increase of \$15,862 for wastewater. It is further

ORDERED that the percent increases shall be applied as an across-the-board increase to the existing service rates. The Utility shall file revised tariff sheets and a proposed customer notice to reflect the Commission-approved 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. In addition, the approved rates shall not be implemented until 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. It is further

ORDERED that the initial customer deposits for the residential 5/8 inch x 3/4 inch meter size are \$125 for water and \$84 for wastewater. The initial customer deposit for all other residential meter sizes and all general service meter sizes shall be two times the average estimated monthly bill for water and wastewater. The approved initial customer deposits shall be effective for connections made on or after the stamped approval date on the tariff sheets pursuant

to Rule 25-30.475, F.A.C. The Utility shall be required to collect the approved initial customer deposits until authorized to change them by us in a subsequent proceeding. It is further

ORDERED that miscellaneous service charges be revised to conform to the recent revision to Rule 25-30.460, F.A.C. The Utility shall be required to file a proposed customer notice to reflect the Commission-approved charges. The approved charges should be effective on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved charge shall not be implemented until our staff has approved the proposed customer notice and the notice has been received by customers. The Utility shall provide proof of the date notice was given no less than 10 days after the date of the notice. It is further

ORDERED that the water and wastewater rates shall be reduced as shown in Schedule Nos. 2-A and 2-B, to remove rate case expense grossed up for RAFs and amortized over a four-year period. The decrease in rates shall become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.081(8), F.S. HCWW shall be required to file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the reduction no later than one month prior to the actual date of the required rate reduction. If the Utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data shall be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense. It is further


ORDERED that the new rates shall be approved for the Utility on a temporary basis, subject to refund, in the event of a protest filed by a substantially affected person or party other than the Utility. The Utility shall file revised tariff sheets and a proposed customer notice to reflect the temporary Commission-approved rates. The approved rates shall be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the temporary rates shall not be implemented until our staff has approved the proposed notice, and the notice has been received by the customers. Prior to implementation of any temporary rates, the Utility shall provide appropriate security. The rates collected by the Utility shall be subject to the refund. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., the Utility shall file reports with the Commission Clerk's office no later than the 20th of every month indicating the monthly and total amount of money subject to refund at the end of the preceding month. The report filed shall also indicate the status of the security being used to guarantee repayment of any potential refund. It is further

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

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ORDERED that this docket shall remain open for staff's verification that the revised tariff sheets and customer notice have been filed by the Utility and approved by our staff. Once these actions are complete, this docket should be closed administratively.

By ORDER of the Florida Public Service Commission this 23rd day of May, 2022.



ADAM J. TEITZMAN  
Commission Clerk  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399  
(850) 413-6770  
[www.floridapsc.com](http://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.

RPS

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.

As identified in the body of this order, our action herein, except for approval of a four-year rate reduction and temporary rates in the event of a protest, 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 June 13, 2022. If such a petition is filed, 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. In the absence of such a petition, this order shall become effective and final upon the issuance of a Consummating Order.

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

Any party adversely affected by the Commission's final action in this matter may request: (1) reconsideration of the decision by filing a motion for reconsideration with the Office of Commission Clerk, within fifteen (15) days of the issuance of this order in the form prescribed by 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 by filing a notice of appeal with the Office of Commission Clerk and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

<b>HC WATERWORKS, INC. WATER REVENUE REQUIREMENT</b>	<b>SCHEDULE NO. 1-A DOCKET NO. 20210184-WS</b>		
	<b><u>Per Utility</u></b>	<b><u>Comm. Adjustment</u></b>	<b><u>Comm. Approved</u></b>
UPIS	\$5,706,971	\$0	\$5,706,971
Land and Land Rights	25,450	0	25,450
Accumulated Depreciation	(1,811,851)	0	(1,811,851)
CIAC	(998,242)	0	(998,242)
Amortization of CIAC	715,511	0	715,511
Acquisition Adjustment	(809,041)	0	(809,041)
Accumulated Amortization – Acquisition Adj.	516,491	0	516,491
Working Capital Allowance	<u>46,819</u>	<u>(47)</u>	<u>46,772</u>
Total Rate Base	<u>\$3,392,108</u>	<u>(\$47)</u>	<u>\$3,392,061</u>
Weighted Cost of Capital	6.87%		6.61%
Return on Rate Base	\$233,038		\$224,061
Operation and Maintenance	\$374,550	\$476	\$375,026
Depreciation	199,770	0	199,770
Net Amortization Expense	(39,346)	(1,685)	(41,031)
TOTI	<u>35,033</u>	<u>(564)</u>	<u>34,469</u>
Total Operating Expense	<u>\$570,007</u>	<u>(\$1,774)</u>	<u>\$568,233</u>
Revenue Increase Requested / Approved	\$42,242		<u>\$33,635</u>
4.5% RAFs on Increase	<u>\$1,506</u>		<u>\$1,585</u>
Total Increase	<u>\$43,748</u>		<u>\$35,220</u>
Annualized Revenue	\$760,803		\$758,659
Percent Increase	5.75%		4.64%



<b>HC WATERWORKS, INC. WASTEWATER REVENUE REQUIREMENT</b>	<b>SCHEDULE NO. 1-B DOCKET NO. 20210184-WS</b>		
	<b><u>Per Utility</u></b>	<b><u>Comm. Adjustment</u></b>	<b><u>Comm. Approved</u></b>
UPIS	\$459,712	\$0	\$459,712
Land and Land Rights	2,200	0	2,200
Accumulated Depreciation	(350,029)	0	(350,029)
CIAC	(400,810)	0	(400,810)
Amortization of CIAC	297,590	0	297,590
Acquisition Adjustment	(14,994)	0	(14,994)
Accumulated Amortization – Acquisition Adj.	11,928	0	11,928
Working Capital Allowance	<u>11,638</u>	<u>(94)</u>	<u>11,544</u>
Total Rate Base	<u>\$17,235</u>	<u>(\$94)</u>	<u>\$17,141</u>
Weighted Cost of Capital	6.87%		6.61%
Return on Rate Base	\$1,184		\$1,132
Operation and Maintenance	\$92,729	(\$131)	\$92,598
Depreciation	8,544	0	8,544
Net Amortization Expense	(6,146)	(254)	(6,400)
TOTI	<u>4,010</u>	<u>0</u>	<u>4,010</u>
Total Operating Expense	<u>\$99,137</u>	<u>(\$385)</u>	<u>\$98,752</u>
Revenue Increase Requested / Approved	\$15,584		<u>\$15,148</u>
4.5% RAFs on Increase	<u>\$752</u>		<u>\$714</u>
Total Increase	<u>\$16,336</u>		<u>\$15,862</u>
Annualized Revenue	\$84,737		\$84,737
Percent Increase	19.28%		<u>18.72%</u>

<b>HC WATERWORKS, INC. MONTHLY WATER RATES</b>		<b>SCHEDULE NO. 2-A DOCKET NO. 20210184-WS</b>		
	<b>Utility Current Rates</b>	<b>Utility Requested Rates</b>	<b>Commission Approved Rates</b>	<b>4-Year Rate Reduction</b>
<b><u>Residential and General Service</u></b>				
<b>Base Facility Charge by Meter Size</b>				
5/8"X 3/4"	\$26.56	\$27.71	\$27.79	\$0.03
3/4"	\$39.84	\$41.57	\$41.69	\$0.05
1"	\$66.40	\$69.28	\$69.48	\$0.08
1-1/2"	\$132.80	\$138.56	\$138.95	\$0.15
2"	\$212.48	\$221.70	\$222.32	\$0.24
3"	\$424.96	\$443.40	\$444.64	\$0.48
4"	\$664.00	\$692.82	\$694.75	\$0.75
6"	\$1,328.00	\$1,385.64	\$1,389.50	\$1.50
8"	\$2,124.80	\$2,217.02	\$2,223.20	\$2.40
10"	\$3,054.40	\$3,186.97	\$3,195.85	\$3.45
<b>General Service (GS2) (127 ERCs)</b>	\$3,373.12	\$3,519.52	\$3,529.33	\$3.81
<b>Charge per 1,000 gallons - Residential Service</b>				
0 - 4,000 gallons	\$11.57	\$12.07	\$12.11	\$0.01
Over 4,000 gallons	\$14.46	\$15.09	\$15.13	\$0.02
<b>Charge per 1,000 gallons - General Service</b>	\$12.14	\$12.67	\$12.70	\$0.01
<b>Private Fire Protection</b>				
2"	\$17.71	\$18.48	\$18.53	\$0.02
3"	\$35.41	\$36.95	\$37.05	\$0.04
4"	\$55.33	\$57.74	\$57.90	\$0.06
6"	\$110.67	\$115.47	\$115.79	\$0.13
8"	\$177.07	\$184.75	\$185.27	\$0.20
10"	\$254.53	\$265.58	\$266.32	\$0.29
<b><u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u></b>				
3,000 Gallons	\$61.27	\$63.92	\$64.12	
5,000 Gallons	\$87.30	\$91.08	\$91.36	
10,000 Gallons	\$159.60	\$166.53	\$167.01	

<b>HC WATERWORKS, INC.</b>		<b>SCHEDULE NO. 2-B</b>		
<b>MONTHLY WASTEWATER RATES</b>		<b>DOCKET NO. 20210184-WS</b>		
	<b>Utility Current Rates</b>	<b>Utility Requested Rates</b>	<b>Commission Approved Rates</b>	<b>4-Year Rate Reduction</b>
<b><u>Residential Service</u></b>	\$12.23	\$14.64	\$14.52	\$0.04
Base Facility Charge – All Meter Sizes				
Charge per 1,000 gallons				
6,000 gallon cap	\$8.17	\$9.78	\$9.70	\$0.02
Flat Rate (Wastewater only customers)	\$25.01	\$29.94	\$29.69	\$0.07
<b><u>General Service</u></b>				
Base Facility Charge by Meter Size				
5/8"X3/4"	\$12.23	\$14.64	\$14.52	\$0.04
3/4"	\$18.35	\$21.97	\$21.78	\$0.06
1"	\$30.58	\$36.61	\$36.30	\$0.10
1-1/2"	\$61.15	\$73.21	\$72.60	\$0.20
2"	\$97.84	\$117.14	\$116.16	\$0.32
3"	\$195.68	\$234.27	\$232.32	\$0.64
4"	\$305.75	\$366.05	\$363.00	\$1.00
6"	\$611.50	\$732.10	\$726.00	\$2.00
8"	\$978.40	\$1,171.37	\$1,161.60	\$3.20
10"	\$1,406.45	\$1,683.84	\$1,669.80	\$4.60
<b>Charge per 1,000 gallons - General Service</b>	\$9.81	\$11.74	\$11.65	\$0.03
<b><u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u></b>				
3,000 Gallons	\$36.74	\$43.98	\$43.62	
5,000 Gallons	\$53.08	\$63.54	\$63.02	
10,000 Gallons	\$61.25	\$73.32	\$72.72	