BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

|  |  |
| --- | --- |
| In re: Request by Florida Community Water Systems, Inc. for a revenue-neutral rate restructuring in Brevard, Lake, and Sumter Counties. | DOCKET NO. 20220201-WSORDER NO. PSC-2023-0300-PAA-WSISSUED: October 2, 2023 |

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 OVEREARNINGS REFUND, GRANTING REQUEST FOR REVENUE-NEUTRAL RATE RESTRUCTURING, AND ESTABLISHING REVENUE REQUIREMENT, RATES AND RATE STRUCTURES, AND RATE CASE EXPENSE

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

 Florida Community Water System, Inc. (FCWS or utility) owns 10 water and 4 wastewater systems in Brevard, Lake, and Sumter counties. Service is provided to approximately 2,005 water and 390 wastewater customers. According to FCWS’s 2022 Annual Report, the combined net operating revenues were $1,138,981 for water and $221,940 for wastewater. FCWS also recorded combined net operating expenses of $1,001,103 for water and $202,664 for wastewater.

 The 10 water systems are Black Bear Waterworks, Inc. (Black Bear); Brendenwood Waterworks, Inc. (Brendenwood); Brevard Waterworks (Brevard); Harbor Waterworks, Inc. (Harbor); Jumper Creek Utility Company (Jumper Creek); Lake Idlewild Utility Company (Lake Idlewild); Lakeside Waterworks, Inc. (Lakeside); Pine Harbour Waterworks, Inc. (Pine Harbour); Raintree Waterworks, Inc. (Raintree); and The Woods Utility Company (The Woods). Four of these systems also have wastewater systems: Harbor, Jumper Creek, Lakeside, and The Woods. In February of 2022, we acknowledged the corporate reorganization and name change of these systems to FCWS.[[1]](#footnote-1) The corporate reorganization resulted in no change in ownership or control of the utilities, and each FCWS system continued to charge its own Commission-approved rates and charges.

 On November 14, 2022, FCWS filed an application for a revenue-neutral rate restructuring limited proceeding for the purpose of consolidating the rates of the 14 systems into uniform rates. In its application, FCWS states that there is a wide disparity in rates among the systems. The utility believes that implementing uniform rates will result in a more equitable disbursement of operating costs among the customer group. Several of the systems have had multiple rate cases before us due to increased capital requirements, increased operating expenses, and decreased consumption. The following table reflects the rate proceedings in which rates were last established for FCWS’s respective systems.

**Last Proceedings Establishing Rates for FCWS Systems**

|  |  |  |  |
| --- | --- | --- | --- |
| **County** | **Former Utility Name** | **Order** | **Issuance Date** |
| Lake | Black Bear Waterworks, Inc. | N/A | N/A |
| Lake | Brendenwood Waterworks, Inc. | PSC-2022-0043-PAA-WU | January 26, 2022 |
| Brevard | Brevard Waterworks, Inc. | PSC-2016-0421-PAA-WU | October 3, 2016 |
| Lake | Harbor Waterworks, Inc. | N/A | N/A |
| Sumter | Jumper Creek Utility Company | PSC-2019-0145-PAA-WS | April 23, 2019 |
| Lake | Lake Idlewild Utility Company | PSC-2019-0142-PAA-WU | April 22, 2019 |
| Lake | Lakeside Waterworks, Inc. | PSC-2019-0528-PAA-WU | December 17, 2019 |
| Lake | Pine Harbour Waterworks, Inc. | PSC-2018-0552-PAA-WU | November 19, 2018 |
| Lake | Raintree Waterworks, Inc. | PSC-2019-0459-PAA-WU | October 24, 2019 |
| Sumter | The Woods Utility Company | PSC-2020-0087-PAA-WS | March 25, 2020 |

 Rule 25-30.445(6), F.A.C., provides that a limited proceeding will not be allowed if the utility has not had a rate case within seven years of the date of the petition for limited proceeding is filed. Black Bear and Harbor have not had a rate case before us. Therefore, on December 5, 2022, FCWS sought a partial variance or waiver of a requirement of Rule 25-30.445, F.A.C. We approved FCWS’s petition to waive Rule 25-30.445(6), F.A.C., for the limited purpose requested.[[2]](#footnote-2) As a result, FCWS met the filing requirements of Rule 25-30.445, F.A.C.

 Subsequent to the approval of the rule waiver, on April 17, 2023, FCWS filed revised schedules using 2022 operating revenues for the purpose of the revenue-neutral rate restructuring rather than 2021 operating revenues. Based on Commission staff’s earnings surveillance review of the 2021 Annual Report and the 2022 Annual Report, it was determined that the Lakeside water system was overearning for 2021 and the Black Bear, Brevard, Lakeside, and Harbor water systems were overearning for 2022. By letter dated May 18, 2023, and revised letter dated July 31, 2023, FCWS proposed a refund for the disposition of the overearnings.[[3]](#footnote-3) Consistent with the proposed refund, the revised schedules reflected the removal of the overearnings for 2022.

 In each of the system’s last rate cases, before the consolidation into FCWS, we found the overall quality of service to be satisfactory except for The Woods and Brevard. In its 2019 rate case, we found The Woods’ overall quality of service to be unsatisfactory for noncompliance with the Department of Environmental Protection’s (DEP) lead and copper limits and ordered a penalty of a 100 basis point reduction to the authorized return on equity (ROE).[[4]](#footnote-4) The Woods was also ordered to engage with customers and the Office of Public Counsel (OPC) to work on improving the quality of its product. Additionally, The Woods was ordered to file status reports detailing the actions it took to meet the DEP’s requirements and communications until DEP rescinded its additional monitoring. The Woods filed its required status reports and on August 31, 2021, notified us that the utility was in compliance with DEP standards and was placed on triennial monitoring by DEP.[[5]](#footnote-5) While we found Brevard’s water product to be satisfactory, we found its water facilities to be marginal in its 2014 rate case due to excessive unaccounted for water.[[6]](#footnote-6) We recognized that this was a known and ongoing issue that Brevard has attempted to address and ordered Brevard to explore solutions with OPC and the County. Thereafter, the parties conducted three customer meetings and discussed Brevard’s proposed solution to replace its water distribution system. However, Brevard’s customers objected to the replacement project and its potential rate impact. We determined that the replacement project was not economically feasible.[[7]](#footnote-7) As stated above, Black Bear and Harbor have not had a rate case before us, and therefore, have not previously had a quality of service determination.

 We reviewed each system’s customer complaint record from June 2018 through May 2023. There were four complaints filed with us regarding secondary water quality standards, specifically cloudy water and low water pressure for The Woods, which were considered during its last rate case. The DEP also received one secondary water complaint for The Woods shortly after its last rate case was processed. The Woods installed several automatic flushers throughout The Woods’ distribution system and a second high service pump in an effort to resolve these issues. The Woods passed its most recent DEP secondary water standard test on March 28, 2021.

 DEP also received two secondary water complaints for Brendenwood regarding cloudy water in 2020. DEP determined that Brendenwood’s cloudy water was attributed to trapped air in the system and was not harmful. Brendenwood passed its most recent DEP secondary water standard test on March 12, 2021. All of the other systems that make up FCWS system are passing DEP’s secondary water standards.

 A customer meeting was held virtually on June 20, 2023. No customers participated in the virtual meeting. One comment was filed in the docket file pertaining to water quality, which identified the water as being brown in color and the customer also reported low water pressure regarding The Woods.

 On July 20, 2023, Commission staff filed its recommendation for this docket which included a proposed refund of 2021 overearnings for the Black Bear system. However, by email dated July 27, 2023, FCWS requested a deferral in order to reevaluate Black Bear’s overearnings for 2021.[[8]](#footnote-8) The utility noted that we had previously addressed the 2021 overearnings for the Black Bear system.

 This order addresses the utility’s proposed refunds for the disposition of overearnings and the request for a revenue-neutral uniform rate restructuring limited proceeding. We have jurisdiction to consider this matter pursuant to Sections 367.0822 and 367.0816, Florida Statutes (F.S.).

Decision

1. Refunds from Overearnings

We reviewed the 2021 Annual Reports filed in 2022 for each of the individual systems that comprise FCWS and identified systems that revealed possible overearnings. Over several months, our staff requested and obtained updated data necessary to evaluate the utility’s financial position to evaluate the likelihood of continued overearnings, and to examine the level of operating revenues necessary to support ongoing utility operations. Our analysis also incorporated the utility’s needs for continuing capital improvements and operating expenses. In consideration and timing of the instant docket, we also included the review of the 2022 Annual Reports filed in 2023 for the consolidated FCWS systems in our final analysis.

 FCWS proposed to make refunds to address possible overearnings by letter dated May 18, 2023. The utility subsequently modified its proposal by letter dated July 31, 2023.[[9]](#footnote-9) As explained in the letter, there was a previous decision regarding overearnings, based on the review of Black Bear’s 2020 Annual Report, approved by us in Order No. PSC-2021-0461-PAA-WU and applied to Black Bear’s 2021 revenues.[[10]](#footnote-10) The overearnings analysis for 2021 should have made an adjustment to reflect the refund. When this adjustment is taken into consideration, there is no refund for 2021. The utility styled its proposals as a settlement and stated that OPC had expressed its agreement with the proposed refunds, including the modified analysis for Black Bear. Specifically, the utility agreed to make the refunds outlined in Table 1.

**Table 0**

**Overearning Refunds**



 FCWS’s proposal is a reasonable resolution because it would address the possible overearnings on a prospective basis as part of the revenue neutral rate restructuring addressed in Section II of this order. Further, it is in the public interest for us to approve the refunds because it promotes administrative efficiency, avoiding the time and expense of a formal earnings investigation.

 This is consistent with our other decisions regarding possible overearnings.[[11]](#footnote-11) Our staff will continue to monitor the earnings of the utility, and if any subsequent overearnings are identified, may open a formal earnings investigation. Pursuant to Rule 25-30.360, F.A.C., the refund shall be made within 90 days of this order. During the processing of the refund, monthly reports on the status of the refund shall be made by the 20th of the following month. In addition, a preliminary report shall be made within 30 days after the date the refund is completed and again 90 days thereafter. A final report shall be made after all administrative aspects of the refund are completed.

1. Request for Revenue-Neutral Rate Restructuring

FCWS indicated that the implementation of uniform rates would result in a more equitable disbursement of operating costs among the customers. FCWS believes it would be more efficient to have a uniform rate structure that would allow it to consolidate the accounting records and financial information into one set of books. In addition, according to the utility, the water rates for the Harbor system are extremely low, and compounded with the large size of the lots, creates an excessive amount of water use. The average residential demand for the Harbor system is approximately 28,000 gallons per month. The Harbor system is exceeding the permitted withdrawal limits of its consumptive use permit. FCWS has exhausted efforts in trying to implement water conserving measures for the Harbor system. The utility, with consolidated water rates, believes it would be able to implement rates that will promote conservation for the Harbor system.

 In prior dockets, we have approved rate consolidation because it encourages large utilities to acquire small utilities; recognizes economies of scale attributable to large utilities with respect to combined operations; results in cost savings associated with regulatory filings; and produces rate stability across all systems. In evaluating consolidated rates in prior decisions, we have set a subsidy limit and evaluated the consolidated rates at the average residential demand for the individual systems.

 We set the last subsidy limit in 2017 at $14.38 for water and wastewater.[[12]](#footnote-12) To put the $14.38 subsidy limit in perspective, if the limit is indexed from 2017 through 2023, using our approved indices,[[13]](#footnote-13) it results in a subsidy limit of $17.27 for the instant docket. In determining the average residential demand in the past, we have removed an outlier that would skew the actual average residential demand.[[14]](#footnote-14) The average water residential demand, excluding Harbor, is approximately 6,000 gallons. In this case, the Harbor water system’s average residential demand is approximately 28,000 gallons per month. Therefore, it shall be removed in determining the average residential demand for the subsidy analysis and the average water residential demand of approximately 6,000 gallons, excluding Harbor, shall be used to evaluate subsidies for water. As reflected in Table 2, the Harbor system is the only system paying a subsidy for water using our approved rates. The subsidy is below the subsidy limit of $17.27.

**Table 2**

**Residential Water Bill Comparison**

**Based on 6,000 Gallons Per Month**

|  |  |  |  |
| --- | --- | --- | --- |
| **System** | **Bill at Stand Alone Rate** | **Bill at Consolidated Rate** | **Subsidy Paid (Received)** |
| Black Bear | $41.06 | $26.60 | ($14.46) |
| Brendenwood | $32.35 | $26.60 | ($5.75) |
| Brevard | $98.62 | $26.60 | ($72.02) |
| Harbor | $17.61 | $26.60 | $8.99  |
| Jumper Creek | $75.87 | $26.60 | ($49.27) |
| Lake Idlewild | $38.98 | $26.60 | ($12.38) |
| Lakeside | $56.86 | $26.60 | ($30.26) |
| Pine Harbor | $52.51 | $26.60 | ($25.91) |
| Raintree | $32.17 | $26.60 | ($5.57) |
| The Woods | $79.51 | $26.60 | ($52.91) |

 For wastewater, we have evaluated the subsidies at the gallonage cap.[[15]](#footnote-15) FCWS proposed a gallonage cap of 6,000 gallons. Our approved wastewater rate structure for FCWS includes a gallonage cap of 6,000 gallons. As reflected in Table 3, Harbor and Lakeside are both paying subsidies. Both subsidies are below the subsidy limit of $17.27.

**Table 3**

**Residential Wastewater Bill Comparison**

**Based on 6,000 Gallons Per Month**

|  |  |  |  |
| --- | --- | --- | --- |
| **System** | **Bill at Stand Alone Rate** | **Bill at Consolidated Rate** | **Subsidy Paid (Received)** |
| Harbor | $64.87 | $79.08 | $14.21  |
| Jumper Creek | $92.00 | $79.08 | ($12.92) |
| Lakeside | $77.83 | $79.08 | $1.25  |
| The Woods | $102.75 | $79.08 | ($23.67) |

 Based on the above, the consolidation of rates for both water and wastewater results in rates that are below the subsidy limit for each individual system, based on average usage. This is consistent with our methodology for similar dockets.[[16]](#footnote-16) As discussed previously, there are many benefits of rate consolidation. In addition, the consolidation would allow us to better address the high usage at the Harbor system. As a result, we approve FCWS’s request for a revenue-neutral rate restructuring limited proceeding for uniform rates.

1. Revenue Requirement

 In its application, FCWS requests the rate restructuring for uniform rates be revenue neutral. In its revised filing, the utility proposed to use the operating revenues that are currently being generated by the existing rates of each system less the 2022 operating revenues associated with overearning that were proposed for the refunds. In addition, FCWS requested rate case expense to cover the cost incurred in this proceeding.[[17]](#footnote-17)

 Subsequent to its revised filing, the utility was approved for price index rate adjustments for all 14 systems, effective June 3, 2023. In order to maintain the approved index rate adjustments, the operating revenues shall be annualized using the rates effective June 3, 2023, and the 2022 billing data from the billing analysis. FCWS billing analyses are generated based on base facility charges.[[18]](#footnote-18) Therefore, when there is a rate change in a month, the prorated base facility charge shows up as two bills with a proration of usage for each in the billing analysis. The additional bills will overstate the operating revenues. The prorated usage will understate the operating revenues for the systems with tiered rates structures because the total usage would not be reflected in the appropriate tier. FCWS had a price indexed rate change in July of 2022. We adjusted the billing analyses to correct the issues that take place when there is a rate change during the month. Annualizing the operating revenues using the rates effective June 3, 2023, and the revised billing analysis resulted in operating revenues of $1,252,002 for water and $252,987 for wastewater.

 The utility requested rate case expense to cover the filing fee, legal expenses, customer noticing, newspaper noticing, and travel expense to attend the Commission Conference. FCWS paid a filing fee of $8,900. The utility also requested recovery of $1,312 in legal expenses related to the rule waiver request. FCWS is required by Rule 25-22.0407, F.A.C., to mail notices of the case overview, final rates, and four-year rate reduction. We calculated noticing costs to be $9,306. The utility calculated travel expense to the Commission Conference and back, as well as one night of lodging to be $350. We have examined the requested expenses and supporting documentation and approve total rate case expense of $19,868 ($8,900 + $1,312 + $9,306 + $350). The approved total rate case expense shall be amortized over four years, which represents an annual expense of $4,967 ($19,868 / 4 Years). The annual expense grossed-up for regulatory assessments fees (RAFs) results in $5,201 that shall be recovered in rates. Based on the number of customers, the rate case expense shall be allocated 84 percent or $4,369 to water and 16 percent or $832 to wastewater.[[19]](#footnote-19)

 The annualized 2022 operating revenues of $1,252,002 for water and $252,987 for wastewater shall be increased by $4,369 for water and $832 for wastewater for the rate case expense. In addition, as mentioned in Section I, *supra*, the total 2022 overearnings of $40,295 for water and $5,564 for wastewater shall be removed. Based on the above, the appropriate revenue requirement for restructuring the rates is $1,216,076 ($1,252,002 + $4,369 - $40,295) for water and $248,255 ($252,987 + $832 - $5,564) for wastewater.

1. Rates and Rate Structures

For its consolidated water rates, FCWS proposed a rate structure which consists of recovering 40 percent of the operating revenues from the base facility charge (BFC) and a three-tier inclining block rate structure. The rate blocks are: (1) 0-4,000 gallons, (2) 4,001-10,000 gallons, and (3) all usage in excess of 10,000 gallons per month. The general service rate structure consists of a BFC and uniform gallonage charge. For wastewater, the utility proposed a rate structure which consists of recovering 60 percent of the operating revenues from a uniform BFC for all residential meter sizes and a gallonage charge with a 6,000 gallon cap. For general service, FCWS proposed customers be billed a BFC by meter size and a gallonage charge that is 1.2 times higher than the residential gallonage charge.

1. Water Rates

 FCWS provides water service to approximately 1,987 residential customers and 18 general service customers. A review of the consolidated billing data indicates that approximately 9 percent of the residential bills had zero gallons, which signifies a non-seasonal consolidated customer base. The average consolidated water demand, including Harbor, is 14,265 gallons per month. We analyzed the utility’s consolidated billing data in order to evaluate the appropriate rate structure for the residential water customers. The goal of the evaluation was to select the rate design parameters that: (1) produce the approved revenue requirement; (2) equitably distribute cost recovery among the utility’s customers; (3) establish the appropriate non-discretionary usage threshold for restricting repression; and (4) implement, where appropriate, water conserving rate structures consistent with our prior practice.

 Due to the water usage of Harbor, we find that 30 percent of the water revenue shall be generated from the BFC rather than the utility’s proposed 40 percent. The 30 percent BFC allocation will provide sufficient revenues to design gallonage charges that send the appropriate pricing signals to customers who are using above the non-discretionary level. The average people per household served by the water system is 2.5; therefore, based on the number of people per household, 50 gallons per day per person, and the number of days per month, the non-discretionary usage threshold shall be 4,000 gallons per month.[[20]](#footnote-20)

 We approve a BFC and a three-tier inclining block rate structure, which includes separate gallonage charges for non-discretionary and discretionary usage for residential water customers. The rate blocks are: (1) 0-4,000 gallons; (2) 4,001-10,000 gallons; and (3) all usage in excess of 10,000 gallons per month. This rate structure sends the appropriate pricing signals because it targets customers with high consumption levels and minimizes price increases for customers at non-discretionary levels. In addition, the third tier provides an additional pricing signal to customers using in excess of 10,000 gallons of water per month, which represents approximately 71 percent of the usage, which is primarily the Harbor system. General service customers shall be billed a BFC and a gallonage charge.

 For Harbor, approximately 87 percent of the total residential consumption is discretionary and, therefore, subject to the effects of repression. A repression adjustment quantifies changes in consumption patterns in response to an increase in price. Customers will typically reduce their discretionary consumption in response to price changes, while non-discretionary consumption remains relatively unresponsive to price changes. The residential consumption can be expected to decline by 86,686,000 gallons for the Harbor system resulting in an anticipated consolidated average residential demand of 10,750 gallons per month. A 25 percent reduction in test year residential gallons is proper for rate setting purposes. As a result, the corresponding reductions to the Harbor expenses are $18,576 for purchased power expense, $3,219 for chemical expense, and $1,027 for RAFs to reflect the anticipated repression, which results in a post-repression revenue requirement of $1,193,254.

1. Wastewater Rates

 FCWS provides wastewater service to approximately 385 residential customers and 5 general service customers. We reviewed the utility’s consolidated billing data to evaluate various BFC cost recovery percentages and gallonage caps for the residential customers. The goal of the evaluation was to select the rate design parameters that: (1) produce the approved revenue requirement; (2) equitably distribute cost recovery among the utility’s customers; and (3) implement a gallonage cap that considers approximately the amount of water that may return to the wastewater system.

 Consistent with our past practice, we find that 50 percent of the wastewater revenue shall be generated from the BFC due to the capital intensive nature of wastewater plants. FCWS proposed 60 percent of the wastewater revenue be generated from the BFC. A 60 percent allocation for the BFC would be more appropriate if there were seasonality. However, on a consolidated basis, there is no seasonality necessitating a need to ensure revenue stability with the higher allocation for the BFC.

 We agree with the wastewater gallonage cap of 6,000 for residential service proposed by the utility. Typically, monthly residential wastewater gallonage caps are set at 6,000, 8,000, or 10,000. The wastewater gallonage cap recognizes that not all water used by the residential customers is returned to the wastewater system. It is our practice to set the wastewater gallonage cap at approximately 80 percent of residential water sold.[[21]](#footnote-21) Based on review of the consolidated billing analysis, approximately 80 percent of the residential gallons are captured at the 24,000 gallon consumption level because of the high average water demand of the Harbor system. We find that the 6,000 gallonage cap is more appropriate as proposed by FCWS.

 For wastewater, we approve a uniform BFC for all residential meter sizes and a gallonage charge with a 6,000 gallon cap. General service shall be billed a BFC by meter size and a gallonage charge that is 1.2 times higher than the residential gallonage charge. In addition, for the Harbor system, the excessive usage is primarily irrigation and the vast majority of the customers are on a septic tank. As a result, no repression adjustment is necessary to the wastewater billing determinants for the expected reduction in water demand for the Harbor system.

 Our approved rate structures and rates for the water and wastewater systems are shown on Schedule Nos. 1-A and 1-B, attached hereto. The utility shall file revised tariff sheets and a proposed customer notice to reflect our 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 notices and the notices have been received by the customers. The utility shall provide proof of the date notices were given within 10 days of the date of the notice.

1. Rate Case Expense and Amortization

 Section 367.081(8), F.S., requires that the rates be reduced immediately following the expiration of the recovery 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, as shown on Schedule Nos. 1-A and 1-B.

 In addition, in prior dockets, The Woods and Brendenwood were allowed a four-year amortization period for rate case expense of $226 and $301, respectively. The amortization period has not expired. The amortization of prior rate case expense is set to expire on April 21, 2024, for The Woods and March 3, 2026, for Brendenwood. The dollar amount of the rate reductions at the end of the amortization period were defined in each system’s respective order. The rate reductions were calculated based on the percentage of rate case expense to the revenue requirement and was applied to the approved rates. With the consolidation, the prior amortized rate case expense is embedded in the consolidated rates. The amount of rate case expense for both The Woods and Brendenwood relative to the consolidated revenue requirement results in a lesser amount of rate reduction compared to the amount on a stand-alone basis. Using the rate reductions defined in the prior orders for The Woods and Brendenwood would result in more rate case expense being removed than appropriate. Therefore, we have recalculated the amount of the reductions based on the consolidation. The amount of the rate reductions shall be applied to the consolidated rates, which will be applicable to all systems, at the end of the respective amortization period for The Woods and Brendenwood systems, as shown on Schedule No. 2, attached hereto.

 We find that the rates shall be reduced as shown on Schedule Nos. 1-A and 1-B, to remove rate case expense grossed-up for RAFs and amortized over a four-year period. In addition, for prior unamortized rate case expense, the rates shall be reduced as shown on Schedule No. 2. The decrease in rates shall become effective immediately following the expiration of the rate case expense recovery period, pursuant to Section 367.081(8), F.S. FCWS 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, the utility shall file separate data for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense.

 Based on the foregoing, it is

 ORDERED by the Florida Public Service Commission that Florida Community Water Systems, Inc., shall make the refunds outlined above. Pursuant to Rule 25-30.360, F.A.C., the refund shall be made within 90 days of this order. During the processing of the refund, monthly reports on the status of the refund shall be made by the 20th of the following month. In addition, a preliminary report shall be made within 30 days after the date the refund is completed and again 90 days thereafter. A final report shall be made after all administrative aspects of the refund are completed. It is further

 ORDERED that FCWS’s request for a revenue-neutral rate restructuring limited proceeding for uniform rates is approved as set forth herein. It is further

 ORDERED that the appropriate revenue requirement for restructuring the rates is $1,216,076 for water and $248,255 for wastewater. It is further

 ORDERED that the utility shall file revised tariff sheets and a proposed customer notice to reflect our 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 notices and the notices have been received by the customers. The utility shall provide proof of the date notices were given within 10 days of the date of the notice. It is further

 ORDERED that the appropriate amount of rate case expense is $19,868. The total rate case expense shall be amortized over four years, resulting in an annual expense of $4,967. The rates shall be reduced as shown on Schedule Nos. 1-A and 1-B, to remove rate case expense grossed-up for RAFs and amortized over a four-year period. In addition, for prior unamortized rate case expense, the rates shall be reduced as shown on Schedule No. 2. Pursuant to Section 367.081(8), F.S., the decrease in rates shall become effective immediately following the expiration of the rate case expense recovery period. FCWS 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, the utility shall file separate data 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 provisions of this order issued as proposed agency action shall become final and effective upon the issuance of a Consummating Order if no protest to the proposed agency action is filed by a substantially affected person with the Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, within 21 days of the date of the order in the form provided by Rule 28-106.201, F.A.C. It is further

 ORDERED that this docket shall remain open to allow staff to verify completion of the refund discussed in Section I. Furthermore, the docket shall remain open for staff’s verification that the revised tariff sheets and customer notices have been filed by the utility and approved by staff. Upon staff’s approval of the tariff sheets and customer notices, along with staff’s verification of the completion of the refund discussed in Section I, this docket shall be closed administratively if no adjustments are necessary.

 By ORDER of the Florida Public Service Commission this 2nd day of October, 2023.

|  |  |
| --- | --- |
|  | /s/ Adam J. Teitzman |
|  | ADAM J. TEITZMANCommission 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.

MRT

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 October 23, 2023.

 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.































1. Order No. PSC-2022-0095-FOF-WS, issued February 21, 2022, in Docket No. 20210192-WS, *In re: Joint application for acknowledgment of corporate reorganization and approval of name changes on Certificate No. 654-W in Lake County from Black Bear Waterworks, Inc., Certificate No. 339-W in Lake County from Brendenwood Waterworks, Inc., Certificate No. 002-W in Brevard County from Brevard Waterworks, Inc., Certificate Nos. 522-W and 565-S in Lake County from Harbor Waterworks, Inc., Certificate Nos. 667-W and 507-S in Sumter County from Jumper Creek Utility Company, Certificate No. 531-W in Lake County from Lake Idlewild Utility Company, Certificate Nos. 567-W and 494-S in Lake County from Lakeside Waterworks, Inc., Certificate No. 450-W in Lake County from Pine Harbour Waterworks, Inc., Certificate No. 539-W in Lake County from Raintree Waterworks, Inc., Certificate Nos. 507-W and 441-S in Sumter County from The Woods Utility Company to Florida Community Water Systems, Inc.* [↑](#footnote-ref-1)
2. Order No. PSC-2023-0113-PAA-WS, issued March 24, 2023, in this docket. [↑](#footnote-ref-2)
3. Document No. 03279-2023, dated May 18, 2023, and Document No. 04451-2023, dated July 31, 2023. [↑](#footnote-ref-3)
4. Order No. PSC-2020-0087-PAA-WS, issued March 25, 2020, in Docket No. 20190125-WS, *In re: Application for staff-assisted rate case in Sumter County by The Woods Utility*. [↑](#footnote-ref-4)
5. Document No. 09959-2021, dated August 31, 2021. [↑](#footnote-ref-5)
6. Order No. PSC-15-0329-PAA-WU, issued August 14, 2015, in Docket No. 20140186-WU, *In re: Application for staff-assisted rate case in Brevard County by Brevard Waterworks, Inc.* [↑](#footnote-ref-6)
7. Order No. PSC-16-0421-PAA-WU, issued October 3, 2016, in Docket No. 20140186-WU, *In re: Application for staff-assisted rate case in Brevard County by Brevard Waterworks, Inc.* [↑](#footnote-ref-7)
8. Document No. 04345-2023, dated July 28, 2023. [↑](#footnote-ref-8)
9. Document Nos. 03279-2023 and 04451-2023. [↑](#footnote-ref-9)
10. Order No. PSC-2021-0461-PAA-WU, issued December 15, 2021, in Docket No. 20210174-WU, *In re: Joint motion requesting Commission approval of settlement agreement by the Office of Public Counsel and Black Bear Waterworks, Inc.* [↑](#footnote-ref-10)
11. *See* Order Nos. PSC-2015-0173-PAA-WS, issued May 5, 2015, in Docket No. 20150069, *In re: Settlement proposal for possible overearnings by Southlake Utilities, Inc. in Lake County*; PSC-11-0012-PAA-SU, issued January 4, 2011, in Docket No. 100446-SU, *In re: Settlement proposal for possible overearnings by Tierra Verde Utilities, Inc. in Pinellas County*; PSC-10-0680-PAA-SU, issued November 15, 2010 in Docket No. 100379-SU, *In re: Settlement proposal for possible overearnings by Mid-County Services, Inc. in Pinellas County*; and PSC-05-0956-PAA-SU, issued October 7, 2005, in Docket No. 050540-SU, *In re: Settlement offer for possible overearnings in Marion County by BFF Corp.* [↑](#footnote-ref-11)
12. Order No. PSC-2017-0361-FOF-WS, issued September 25, 2017, in Docket No. 20160101-WS, *In re: Application for increase in water and wastewater in Charlotte, Highlands, Lake, Lee, Marion, Orange, Pasco, Pinellas, Polk, and Seminole Counties by Utilities, Inc. of Florida,* p. 191. [↑](#footnote-ref-12)
13. Order No. PSC-2022-0438-PAA-WS, issued December 27, 2022, in Docket No. 20220005-WS, *In re: Annual reestablishment of price increase or decrease index of major categories of operating costs incurred by water and wastewater utilities pursuant to Section 367.081(4)(a), F.S.* [↑](#footnote-ref-13)
14. *Id*. [↑](#footnote-ref-14)
15. Order No. PSC-2017-0361-FOF-WS, p. 191. [↑](#footnote-ref-15)
16. *Id.* and Order Nos. PSC-09-0385-FOF-WS, issued May 29, 2009, in Docket No. 080121-WS, *In re: Application for increase in water and wastewater rates in Alachua, Brevard, DeSoto, Highlands, Lake, Lee, Marion, Orange, Palm Beach, Pasco, Polk, Putnam, Seminole, Sumter, Volusia, and Washington Counties by Aqua Utilities Florida, Inc.;* and PSC-12-0102-FOF-WS, issued March 5, 2012, in Docket No. 100330-WS, *In re: Application for increase in water/wastewater rates in Alachua, Brevard, DeSoto, Hardee, Highlands, Lake, Lee, Marion, Orange, Palm Beach, Pasco, Polk, Putnam, Seminole, Sumter, Volusia, and Washington Counties by Aqua Utilities Florida, Inc.* [↑](#footnote-ref-16)
17. Document No. 03373-2073, dated May 25, 2023. [↑](#footnote-ref-17)
18. Document No. 03077-2023, dated May 4, 2023. [↑](#footnote-ref-18)
19. There are 2,005 water customers and 390 wastewater customers for total of 2,395 customers. (water 2,005/2,395 = 84%; wastewater 390/2,395 = 16%). [↑](#footnote-ref-19)
20. The overall average people per household was obtained from the average of the counties at the following websites:

<https://www.census.gov/quickfacts/fact/table/brevardcountyflorida/PST045222>; <https://www.census.gov/quickfacts/fact/table/lakecountyflorida/PST045222>; <https://www.census.gov/quickfacts/fact/table/sumtercountyflorida/PST045222>. [↑](#footnote-ref-20)
21. Order No. PSC-2020-0088-PAA-SU, issued March 25, 2020, in Docket No. 20190116-SU, *In re: Application for staff-assisted rate case in Brevard County, and request for interim rate increase by Merritt Island Utility Company*.; Order No. PSC-2017-0361-FOF-WS, issued September 25, 2017, in Docket No. 20160101-WS, *In re: Application for increase in water and wastewater in Charlotte, Highlands, Lake, Lee, Marion, Orange, Pasco, Pinellas, Polk, and Seminole Counties by Utilities, Inc. of Florida,* p. 204. [↑](#footnote-ref-21)