

State of Florida



# Public Service Commission

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COMMISSION CLERK

**DATE:** November 9, 2011

**TO:** Office of Commission Clerk (Cole)

**FROM:** Division of Economic Regulation (Fletcher, Maurey)  
Office of the General Counsel (Jaeger)

**RE:** Docket No. 100337-WS – Application for increase in water and wastewater rates in Pasco County by Mad Hatter Utility, Inc.

**AGENDA:** 11/22/11 – Regular Agenda – Participation is at the Commission’s discretion

**COMMISSIONERS ASSIGNED:** All Commissioners

**PREHEARING OFFICER:** Graham

**CRITICAL DATES:** 12/25/11 (60-Day Suspension Date)

**SPECIAL INSTRUCTIONS:** None

**FILE NAME AND LOCATION:** S:\PSC\ECR\WP\100337.RCM.DOC

### Case Background

Mad Hatter Utility, Inc. (Mad Hatter or Utility) is a Class A utility providing water and wastewater service to approximately 3,570 water and 3,012 wastewater customers in Pasco County. Water and wastewater rates were last established for this Utility in its 1993 rate case.<sup>1</sup>

On October 26, 2011, Mad Hatter filed its application for a rate increase at issue in the instant docket. As of the filing of this recommendation, staff is in the process of reviewing the minimum filing requirements (MFRs) for any possible deficiencies. The Utility requested that the application be processed using the Proposed Agency Action (PAA) procedure. The test year established for final rates is the 13-month average period ended December 31, 2010. The Utility

<sup>1</sup> See Order No. PSC-93-0295-FOF-WS, issued February 24, 1993, in Docket No. 910637-WS, In re: Application for Rate Increase in Pasco County by Mad Hatter Utility, Inc.

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requested final revenue increases of \$1,750,375 (233.24 percent) for water and \$513,919 (42.05 percent) for wastewater. Mad Hatter has not requested interim rates.

This recommendation addresses the suspension of Mad Hatter's requested final rates. The Commission has jurisdiction pursuant to Section 367.081, Florida Statutes (F.S.).

**Discussion of Issues**

**Issue 1:** Should the Utility's proposed final water and wastewater rates be suspended?

**Recommendation:** Yes. Mad Hatter's proposed final water and wastewater rates should be suspended. (Fletcher)

**Staff Analysis:** Section 367.081(6), F.S., provides that the Commission may, for good cause, withhold consent to the implementation of the requested rates within 60 days after the date the rate request is filed. Further, Section 367.081(8), F.S., permits the proposed rates to go into effect (secured and subject to refund) at the expiration of five months from the official date of filing if: (1) the Commission has not acted upon the requested rate increase; or (2) if the Commission's PAA action is protested by a party other than the Utility.

Staff has reviewed the filing and has considered the information filed in support of the rate application and the proposed final rates. Staff believes that it is necessary to require further investigation of this information, including on-site investigations by staff accountants and engineers. To date, staff has initiated an audit of Mad Hatter's books and records. The audit is tentatively due on November 28, 2011. In addition, staff sent its first data request on October 31, 2011. The Utility's response to the data request is due on November 30, 2011. Further, staff believes additional requests will be necessary to process this case. Based on the foregoing, staff recommends suspension of the Utility's proposed rate increase.

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**Issue 2:** Should the docket be closed?

**Recommendation:** No. The docket should remain open pending the Commission's PAA decision on the Utility's requested rate increase. (Jaeger, Fletcher)

**Staff Analysis:** The docket should remain open pending the Commission's PAA decision on the Utility's requested rate increase.