State of Florida

Public Service Commission

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COMMISSION CLERK

DATE: March 28, 2013

TO: Office of Commission Clerk (Cole)

FROM: Division of Economics (Lingo) FXL JWD
Office of the General Counsel (Crawford)

RE: Docket No. 070414-WS – Application for staff-assisted rate case in Polk County by Hidden Cove, Ltd.

AGENDA: 04/09/13 – Regular Agenda – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Edgar

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\ECO\WP\070414.RCM.DOC

Case Background

Hidden Cove, Ltd. (Hidden Cove or Utility) is a Class C water and wastewater utility currently providing service to approximately 122 mobile home sites and several general service customers in the Hidden Cove Mobile Home Park. The park is built out. Hidden Cove was granted Certificate Nos. 607-W and 523-S in 1999.

Hidden Cove is located in the Highlands Ridge Water Use Caution Area in the Southwest Florida Water Management District. By Order No. PSC-08-0262-PAA-WS (PAA Order), issued April 28, 2008, Hidden Cove was granted an increase in rates, along with a change in rate structure from flat to metered rates. The PAA Order required in part for the Utility to complete meter installations before January 1, 2009, and for staff to review 12 months of subsequent billing data to determine the propriety of a revenue-neutral rate restructuring. The PAA Order became final and effective on May 20, 2008.

The Utility's 2011 annual report shows combined water and wastewater operating revenues of $48,991 and operating expenses of $66,178. The Utility reported a 2011 net operating loss of $17,187. The Commission has jurisdiction to consider this case pursuant to Section 367.0814, Florida Statutes.

Discussion of Issues

Issue 1: Has the Utility complied with the metering and billing reports requirements as discussed in the PAA Order, and, if so, is a revenue-neutral rate restructuring appropriate?

Recommendation: The Utility has complied with the metering and billing reports requirements of the PAA Order. A revenue-neutral rate restructuring is not appropriate. (Lingo)

Staff Analysis: The Utility supplied staff with the required metering and billing reports. An analysis of the reports indicates that the meter installations were completed in 2010, rather than prior to January 2009. In any given year since rates were established, there is no evidence that customers have been overcharged or that the Utility has overearned. To the contrary, a review of both the required metering and billing reports and the Utility's annual reports for the interim period since the 2006 test year shows that it is more likely that the Utility has been underearning.

There are many variables that may have depressed the Utility's revenues since the 2006 test year, including but not limited to the economy, inflationary pressures, and the number of customers served. However, staff notes that the Utility has not taken advantage of the Commission's price index and/or pass-through rate adjustment provisions as a means of increasing its revenues during the intervening period since rates were established. Therefore, staff believes the rates established in the case were sufficient at the time they were implemented. Furthermore, on March 12, 2013, counsel for the Utility filed a letter with the Commission, stating his belief that the docket can be closed. For these reasons, staff does not believe that a revenue-neutral rate restructuring is appropriate.

Based on the foregoing, staff recommends that the Utility has complied with the metering and billing reports requirements of the PAA Order, and that a revenue-neutral rate restructuring is not appropriate.

Issue 2: Should this docket be closed?

Recommendation: Yes. (Lingo, Crawford)

Staff Analysis: As discussed in Issue 1, staff recommends that the Utility has complied with the metering and billing reports requirements of the PAA Order, and that a revenue-neutral rate restructuring is not appropriate. Therefore, this docket should be closed.