

State of Florida



# Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

**-M-E-M-O-R-A-N-D-U-M-**

**DATE:** June 13, 2013

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

**FROM:** Division of Economics (Hudson, Roberts) *SH*  
Office of the General Counsel (Gilcher) *PA J.W.P.*

**RE:** Docket No. 130025-WU – Application for increase in water rates in Highlands County by Placid Lakes Utilities, Inc.

**AGENDA:** 06/25/13 – Regular Agenda – Suspension of Rates – Participation is at the Discretion of the Commission

**COMMISSIONERS ASSIGNED:** All Commissioners

**PREHEARING OFFICER:** Brown

**CRITICAL DATES:** 60-Day Suspension Date Waived Through 6/25/2013

**SPECIAL INSTRUCTIONS:** None

**FILE NAME AND LOCATION:** S:\PSC\AFD\WP\130025.RCM.DOC

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### Case Background

Placid Lakes Utilities, Inc (Placid Lakes or Utility) is a Class B utility serving approximately 1,948 water customers in Highlands County. For the year ended December 31, 2012, the Utility reported operating revenues of \$634,468 and a net operating loss of \$12,668. The Utility's last rate case was in 2009.<sup>1</sup>

On April 24, 2013, Placid Lakes filed its application for the rate increase at issue in the instant docket. As of the date of this recommendation, there are deficiencies in the Minimum Filing Requirements (MFRs). The Utility requested that the application be processed using the

<sup>1</sup> See Order No. PSC-09-0632-PAA-WU, issued September 17, 2009, in Docket No. 080353-WU, In re: Application for increase in water rates in Highlands County by Placid Lakes Utilities, Inc.

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Proposed Agency Action (PAA) procedure. The test year established for final rates is the simple average period ended December 31, 2012. Placid Lakes contends that its earnings are outside its range of reasonable returns. The Utility is requesting an increase to recover all expenses it will incur in order to generate a fair rate of return on its investment, including the requested pro forma plant improvements. Placid Lakes requested final rates designed to generate annual revenues of \$777,146. This represents a revenue increase of \$142,678 (22.49 percent). The Utility did not request interim rates in this proceeding.

The 60-day statutory deadline for the Commission to suspend the Utility's requested final rates is June 23, 2013. By letter dated April 30, 2013, the Utility extended this 60-day deadline through June 25, 2013. This recommendation addresses the suspension of the Utility's requested final rates. The Commission has jurisdiction pursuant to Sections 367.081 and 367.082, Florida Statutes (F.S.).

**Discussion of Issues**

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

**Recommendation:** Yes. Placid Lakes' proposed final water rates should be suspended. (Roberts, Hudson)

**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. It should be noted that because the Utility's MFRs in this docket are deficient, an official date of filing has not yet been established. The MFR corrections are due June 19, 2013.

Staff reviewed the filing and considered the information filed in support of the rate application and the proposed final rates. Staff believes that further investigation of this information, including on-site investigations, is needed. Staff initiated an audit of Placid Lakes' books and records, as well as an audit of the Utility's proposed allocation of parent company investment and operating expenses. Both of these audits are tentatively due on July 5, 2013. In addition, staff sent its first data request to the Utility on June 12, 2013. The Utility's response to the data request is due on July 12, 2013. Based on the foregoing, staff recommends Placid Lakes' proposed final water rates be suspended.

Docket No. 130025-WU

Date: June 13, 2013

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

**Recommendation:** No. This docket should remain open pending the Commission's final action on Placid Lakes' application for increase in rates and charges. (Gilcher)

**Staff Analysis:** This docket should remain open pending the Commission's final action on Placid Lakes' application for increase in rates and charges.