

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

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

DATE: January 23, 2014

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Accounting and Finance (Maurey, Springer)
 Division of Economics (Hudson, Roberts) *HL*
 Division of Engineering (Lewis, Rieger, Vickery) *CKL JVS*
 Office of the General Counsel (Murphy) *cm*

RE: Docket No. 100471-SU – Application for staff-assisted rate case in Marion County by S & L Utilities, Inc.

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14 JAN 23 AM 10:09
COMMISSION CLERK

AGENDA: 02/04/14 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Brisé

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Case Background

S & L Utilities, Inc., (S & L or Utility) is a Class C utility providing wastewater service to approximately 76 customers in Marion County. The Utility is located in the Southwest Florida Water Management District (SWFWMD). In its 2012 Annual Report, S & L reported operating revenues of \$53,456 and operating expenses of \$58,042.

On December 22, 2010, S & L filed an application for a staff-assisted rate case. By Order No. PSC-11-0444-PAA-SU, the Commission approved Phase I and Phase II rates.¹ The

¹ See Order No. PSC-11-0444-PAA-SU, in Docket No. 100471-SU, issued October 7, 2011, In re: Application for staff-assisted rate case in Marion County by S & L Utilities, Inc.

Phase II rates were to be implemented once the Utility had completed pro forma plant additions of \$55,997 for the replacement of two air blowers, videography of the lines in the collection system, and percolation pond cleaning. The Utility was given 12 months from the effective date of the Consummating Order to complete the plant additions. The 12-month period ended on November 1, 2012.

On January 8, 2013, the Utility indicated it had completed the videography of the lines and the percolation pond cleaning. However, the Utility had not replaced the two air blowers and requested an extension until November 1, 2013. By Order No. PSC-13-0137-PAA-SU,² the Commission approved the Utility's extension request, revised the Phase II rates to reflect the pro forma plant additions that were completed, and approved Phase III rates that would become effective once the two air blowers were replaced.

By letter dated January 21, 2014, S & L indicated that it does not intend to replace the two air blowers and requested to not implement Phase III rates and close the docket. This recommendation addresses the Utility's request to not implement Phase III rates and close the docket. The Commission has the authority to consider this matter pursuant to Section 367.0814, Florida Statutes (F.S.).

² See Order No. PSC-13-0137-PAA-SU, in Docket No. 100471-SU, issued March 22, 2013, In re: Application for staff-assisted rate case in Marion County by S & L Utilities, Inc.

Discussion of Issues

Issue 1: Should the Utility's request to not implement Phase III rates and close the docket be approved?

Recommendation: Yes. The Utility's request to not implement Phase III rates and close the docket should be granted. If no timely protest is filed by a substantially affected person, this docket should be closed upon the issuance of a Consummating Order. (Rieger, Roberts)

Staff Analysis: As discussed in the case background, by Order No. PSC-13-0137-PAA-SU, the Commission approved a revised Phase II flat rate of \$67.31, which became effective on May 1, 2013. This Phase II flat rate included the costs associated with the completion of the percolation pond cleaning. Also, the Utility had completed the videography of the collection lines. However, there was no cost associated with the videography of the collection lines to the Utility because funding was provided by the Florida Rural Water Association. The Order also granted the Utility an extension of time until November 1, 2013, to replace the two air blowers. A Phase III rate of \$69.07 was approved based on the expected costs of \$16,654 to replace the air blowers.

Prior to November 1, 2013, staff contacted the Utility to get a status report on the replacement of the two air blowers. By letter dated December 23, 2013, the Utility indicated that it is still unable to replace the two air blowers due to its current financial position and requested an extension of time to November 1, 2014, to replace the blowers. Also, the Utility indicated that the existing air blowers have been serviced and are performing at their proper function.

Staff subsequently contacted the Utility to discuss the Utility's plans for financing the replacement of the air blowers and the expected completion date for replacing the air blowers. The Utility responded that one of the air blowers was completely rebuilt and the other is old but in proper working condition. The Utility filed a letter on January 21, 2014, indicating it does not intend to replace the air blowers at this time and requesting that the Phase III rates not be implemented and the docket be closed. The Utility also provided an email from its plant operator stating that both air blowers are working properly and do not need to be replaced at this time. According to the Florida Department of Environmental Protection (DEP), the replacement of the two blowers was not a requirement and the Utility is currently in compliance.

Based on the above, staff recommends that the Utility's request to not implement Phase III rates and close the docket be granted. If no timely protest is filed by a substantially affected person, this docket should be closed upon the issuance of a Consummating Order.