

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: September 22, 2014

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Economics (Bruce) *SHD*
Office of the General Counsel (Mapp) *J.W.D. PD*

RE: Docket No. 140157-WS – Request to establish initial customer deposits in Highlands County by Country Club Utilities, Inc.

COMMISSION
CLERK

14 SEP 22 AM 9:26

RECEIVED - FPSC

AGENDA: 10/02/14 – Regular Agenda – Tariff Filing - Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 10/13/14 (60-Day Suspension Date)

SPECIAL INSTRUCTIONS: None

Case Background

Country Club Utilities, Inc. (County Club or Utility) is a Class C water and wastewater utility serving 404 water customers and 396 wastewater customers in Highlands County. According to the Utility's 2013 annual report, total gross revenues were \$144,079 for water and \$98,167 for wastewater. Operating expenses were \$151,167 for water and \$88,037 for wastewater.

On August 13, 2014, Country Club filed an application for initial customer deposits. This recommendation addresses County Club's requested initial customer deposits. The Commission has jurisdiction over this matter pursuant to Section 367.091, Florida Statutes (F.S.).

Discussion of Issues

Issue 1: What are the appropriate initial customer deposits for Country Club?

Recommendation: Staff recommends that the initial customer deposits shown on Schedule No. 1 be approved. The Utility should file revised tariff sheets consistent with the Commission's vote. The initial customer deposits should become effective for connections made on or after the stamped approval date of the revised tariff sheets. (Bruce)

Staff Analysis: Rule 25-30.311, Florida Administrative Code (F.A.C.), contains criteria for collecting, administering, and refunding customer deposits. Rule 25-30.311(1), F.A.C., requires that each company's tariff shall contain its specific criteria for determining the amount of initial deposits. Country Club's current tariff does not authorize the Utility to collect initial customer deposits.

Customer deposits are designed to minimize the exposure of bad debt expense for the Utility and, ultimately, the general body of rate payers. In addition, collection of customer deposits is consistent with one of the fundamental principles of ratemaking - ensuring that the cost of providing service is recovered from the cost causer. In its application, the Utility indicated that its inability to collect initial customer deposits created a loss in revenues and in essence increased its exposure to bad debt. The Utility's requested initial customer deposits are \$69.65 for residential customers, \$98.29 for general service, and \$37.35 for multi-family. The requested initial customer deposits were calculated using the average consumption per customer class from its July 2014 billing register.

Rule 25-30.311(7), F.A.C., authorizes utilities to collect new or additional deposits from existing customers not to exceed an amount equal to the average actual charge for water and/or wastewater service for two billing periods for the 12-month period immediately prior to the date of notice. The two billing periods reflect the lag time between the customer's usage and the Utility's collection of the revenues associated with that usage.

Commission practice has been to set initial customer deposits equal to two monthly bills based on the average consumption for a 12-month period for each class of customers. Staff reviewed the customer usage data from the Utility's pending staff-assisted rate case¹ and developed initial customer deposits for new residential and general service customers based on two times the average consumption for various meter sizes. The Utility's multi-family customers are billed based on the residential rates for 5/8" x 3/4" meters. Therefore, new multi-family customers should pay the appropriate residential customer deposit based on their meter size.

Staff recommends that the initial customer deposits shown on Schedule No. 1 be approved. The Utility should file a revised tariff sheet consistent with the Commission's vote. The initial customer deposits should become effective for connections made on or after the stamped approval date of the revised tariff sheet.

¹ See Audit Control No. 12-208-2-1, issued January 7, 2013, in Docket No. 120172-WS. In re: Application for staff-assisted rate case in Highlands County by Country Club Utilities, Inc.

Issue 2: Should this docket be closed?

Recommendation: No. If no protest is filed by a person whose interest are substantially affected within 21 days of the issuance of the Order, the Tariff Order will become final upon the issuance of a Consummating Order and the docket should be closed. If a protest is filed within 21 days of the issuance of the Order, the tariff should remain in effect subject to refund pending the resolution of the protest, and the docket should remain open. (Mapp, Bruce)

Staff Analysis: If no protest is filed by a person whose interest are substantially affected within 21 days of the issuance of the Order, the Tariff Order will become final upon the issuance of a Consummating Order and the docket should be closed. If a protest is filed within 21 days of the issuance of the Order, the tariff should remain in effect subject to refund pending the resolution of the protest, and the docket should remain open.

Country Club Utilities, Inc.
Initial Customer Deposits

Residential Service	Water	Wastewater
All Meter Sizes	N/A	\$50.00
5/8"	\$ 22.00	N/A
3/4"	\$ 33.00	N/A
1"	\$ 65.00	N/A
 General Service		
5/8"	\$28.00	\$60.00
1"	\$ 49.00	\$105.00
2"	\$ 210.00	\$456.00