

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:** November 13, 2014

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

**FROM:** Division of Economics (Bruce Daniel, Hudson)  
Office of the General Counsel (Crawford, Mapp)

**RE:** Docket No. 140158-WS – Application for increase in water/wastewater rates in Highlands County by HC Waterworks, Inc.

**AGENDA:** 11/25/14 – Regular Agenda – Suspension of Rates – Participation is at the Discretion of the Commission

**COMMISSIONERS ASSIGNED:** All Commissioners

**PREHEARING OFFICER:** Brisé

**CRITICAL DATES:** 12/02/2014 (60-Day Suspension Date)

**SPECIAL INSTRUCTIONS:** None

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COMMISSION CLERK

### Case Background

HC Waterworks, Inc. (HC or Utility) is a Class B utility serving approximately 924 water customers in three subdivisions known as Leisure Lakes, Lake Josephine, and Sebring Lakes and 295 wastewater customers in Leisure Lakes in Highlands County. According to the Utility's 2013 Annual Report, HC reported total operating revenues of \$371,263 and total operating expenses of \$411,335. By Order dated June 13, 2014, the Commission approved the transfer of Certificate Nos. 422-W and 359-S from Aqua to HC.<sup>1</sup>

On October 2, 2014, HC 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

<sup>1</sup> See Order No. PSC-14-0314-PAA-WS, issued June 13, 2014, in Docket No. 130175-WS, In re: Application for approval of transfer of certain water and wastewater facilities and Certificate Nos. 422-W and 359-S of Aqua Utilities Florida, Inc. to HC Waterworks, Inc. in Highlands County.

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Requirements (MFRs). The Utility requested that the application be processed using the Proposed Agency Action (PAA) procedure. HC 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. HC requested final rates designed to generate annual revenues of \$595,702 for water and \$146,685 for wastewater. This represents a revenue increase of \$184,202 (44.76 percent) for water and \$27,007 (22.57 percent) for wastewater.

The 60-day statutory deadline for the Commission to suspend the Utility's requested final rates is December 2, 2014. 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 HC's proposed final water and wastewater rates be suspended?

**Recommendation:** Yes. HC's proposed final water and wastewater rates should be suspended.  
(Bruce)

**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 on December 1, 2014.

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 an on-site investigation, is needed. Staff initiated an audit of the Utility's books and records. This audit is tentatively due on December 17, 2014. In addition, staff sent its first data request to the Utility on November 12, 2014. The Utility's response to the data request is due on December 12, 2014. Based on the foregoing, staff recommends HC's proposed final water and wastewater rates be suspended.

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

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

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