

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: October 26, 2017

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Engineering (Hill, Graves, King) *Handwritten initials: m, H, BOB, CROB, ALM, TB*
Division of Accounting and Finance (Fletcher, Frank, Norris) *Handwritten initials: P, O, G, S, J, F, M, C, A, J*
Division of Economics (Hudson, Johnson) *Handwritten initials: P, O, G, S, J, F, M, C, A, J*
Office of the General Counsel (DuVal, Crawford) *Handwritten initials: M, D, J, C*

RE: Docket No. 20160065-WU – Application for increase in water rates in Charlotte County by Bocilla Utilities, Inc.

AGENDA: 11/07/17 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Polmann

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Case Background

Bocilla Utilities, Inc. (Bocilla or Utility) is a Class B utility providing water service to approximately 400 water customers in Charlotte County. Effective February 12, 2013, Bocilla was granted water Certificate No. 662-W.¹ Bocilla's current rates were established by the Florida Public Service Commission (Commission or PSC) in May of 2017.² At that time, the Commission found that Bocilla's overall quality of service was unsatisfactory. The Commission

¹Order No. PSC-13-0228-PAA-WU, issued May 29, 2013, in Docket No. 130067-WU, *In re: Application for grandfather certificate to operate water utility in Charlotte County by Bocilla Utilities, Inc.*

²Order No. PSC-17-0209-PAA-WU, issued May 30, 2017, in Docket No. 20160065-WU, *In re: Application for increase in water rates in Charlotte County by Bocilla Utilities, Inc.*

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ordered a 50 basis point reduction to the Utility's return on equity (ROE). The reduction would be effective until the Utility returned to the Commission and demonstrated that specific improvements in customer service had been made.

On August 4, 2017, Bocilla filed a letter and documentation demonstrating that it had made the Commission's ordered improvements. The Utility requested that the matter be brought before the Commission to consider restoring the 50 basis point reduction to its ROE. Staff found several of the attached documents illegible, and on August 8, 2017, Bocilla filed legible copies of these documents. On August 24, 2017, Bocilla filed an index application which will increase rates on November 1, 2017. Therefore, the rate impact of removing the 50 basis point reduction to ROE would be applied to the indexed rates. The Commission has jurisdiction pursuant to Section 367.081, Florida Statutes (F.S.).

Discussion of Issues

Issue 1: Should the Utility's quality of service be considered satisfactory and should its request to remove the 50 basis point reduction to its ROE be granted?

Recommendation: Yes. The 50 basis point reduction to Bocilla's ROE should be removed and the Utility's quality of service should be considered satisfactory at this time. Bocilla's rates, which would include the November 1, 2017 index, should be increased by 0.16 percent as shown on Schedule No. 1. The Utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475(1), Florida Administrative Code (F.A.C.). In addition, the approved rates should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The Utility should provide proof of the date notice was given within 10 days of the date of the notice. (Hill, Frank, Johnson)

Staff Analysis: At the May 4, 2017 Agenda Conference, after considering written and oral comments by customers and the Office of Public Counsel, the Commission found Bocilla's quality of service to be unsatisfactory and imposed a 50 basis point reduction to the Utility's ROE based on the customer complaints regarding water quality and customer service. Order No. PSC-17-0209-PAA-WU, issued May 30, 2017, states that the 50 basis point reduction shall be effective until the Utility demonstrates that: (1) the Utility meets the Department of Environmental Protection's (DEP) secondary water quality standards as evidenced by results gathered from the six current testing points specified in that order; (2) the Utility has posted its office hours on its customers' bills and the side of its office building; (3) the Utility has notified its customers that complaints regarding service may be made to the Commission's Office of Consumer Assistance and Outreach at the following toll-free number: 1(800) 342-3552; and (4) the Utility is monitoring its voicemail and is ensuring that it is meeting the standards for tracking complaints in accordance with Chapter 25-30, F.A.C.

On August 4, 2017, Bocilla filed a letter requesting removal of the 50 basis point reduction. The Utility's filing also included: (1) the results of secondary water quality tests performed on June 28, 2017, demonstrating that the Utility is passing secondary standards; (2) a sample customer bill showing its office hours along with a statement that it posted these hours on the side of its office building; (3) a copy of the notification it sent to its customers in accordance with the specifications made in the order; and (4) the customer complaint logs for June 1, 2017, through August 4, 2017, as well as the voicemail message customers hear when calling the Utility.

In addition to the documentation provided by the Utility, staff requested photographs showing that the office hours were clearly posted on the outside of its office building, which Bocilla provided on August 11, 2017. Staff also confirmed that the office was staffed and responding to phone calls at two of the published available times, and that outside of these hours customers would hear the appropriate voicemail message.

It appears that the Utility has complied with Order No. PSC-17-0209-PAA-WU, and therefore staff recommends that the 50 basis point reduction to Bocilla's ROE should be removed. This

results in an increase to Bocilla's annual revenue requirement of \$821 (\$497,726 - \$496,905). On August 24, 2017, the Utility filed an index application, which will increase rates effective November 1, 2017. Therefore, staff recommends a 0.16 percent increase be applied to the indexed rates, as shown on Schedule No. 1. The Utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rates should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The Utility should provide proof of the date notice was given within 10 days of the date of the notice.

Last, staff recommends that a commensurate adjustment should be made to Bocilla's quality of service rating. Pursuant to Order No. PSC-17-0209-PAA-WU, the Commission determined that Bocilla's quality of service was unsatisfactory. Based on the corrective actions taken by the Utility, the quality of service should be considered satisfactory at this time.

Issue 2: Should this docket be closed?

Recommendation: Yes. If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, a consummating order should be issued and the docket should be closed administratively. (DuVal)

Staff Analysis: If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, a consummating order should be issued and the docket should be closed administratively.

Bocilla Utilities, Inc.		Schedule No. 1	
Monthly Water Rates		Docket No. 20160065-WU	
	Current Rates	Index Rates Effective 11/1/2017	Staff Recommended Rates
<u>Residential and General Service</u>			
Base Facility Charge by Meter Size			
5/8"X 3/4"	\$56.34	\$56.83	\$56.92
3/4"	\$84.51	\$85.25	\$85.38
1"	\$140.85	\$142.08	\$142.30
1-1/2"	\$281.70	\$284.15	\$284.60
2"	\$450.72	\$454.64	\$455.36
3"	\$901.44	\$909.28	\$910.72
4"	\$1,408.50	\$1,420.75	\$1,423.00
6"	\$2,817.00	\$2,841.50	\$2,846.00
8"	\$4,507.20	\$4,546.40	\$4,553.60
Charge per 1,000 gallons - Residential			
0 - 3,000 gallons	\$6.35	\$6.41	\$6.42
3,001 - 12,000 gallons	\$7.94	\$8.01	\$8.02
Over 12,000 gallons	\$15.87	\$16.01	\$16.04
Charge per 1,000 gallons - General Service			
	\$9.27	\$9.35	\$9.36
<u>Private Fire Protection Service</u>			
5/8"X 3/4"	\$4.70	\$4.74	\$4.74
3/4"	\$7.04	\$7.10	\$7.12
1"	\$11.74	\$11.84	\$11.86
1-1/2"	\$23.48	\$23.68	\$23.72
2"	\$37.56	\$37.89	\$37.95
3"	\$75.12	\$75.77	\$75.89
4"	\$117.38	\$118.40	\$118.58
6"	\$234.75	\$236.79	\$237.17
8"	\$375.60	\$378.87	\$379.47
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
3,000 Gallons	\$75.39	\$76.06	\$76.18
6,000 Gallons	\$99.21	\$100.09	\$100.24
12,000 Gallons	\$146.85	\$148.15	\$148.36