

# Merritt Island Utility Company

CK# 1070  
\$ 1,000.00

DATE DEPOSIT  
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May 13, 2019

Office of Commission Clerk  
Florida Public Service Commission  
2540 Shumard Oak Blvd.  
Tallahassee, FL 32399-0850

DKT #:  
20190116

**Re:** Staff Assisted Rate Case Application and Request for Interim Rate Increase by Merritt Island Utility Company in Brevard County

Dear Commission Clerk:

Merritt Island Utility Company (Merritt Island) submits the attached Staff Assisted Rate Case (SARC) application for consideration. By Order No. PSC-2017-0366-PAA-SU, issued September 27, 2017, (Transfer Order) the Commission approved the transfer of Colony Park Development Utilities, LLC to Merritt Island.

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COMMISSION CLERK

**Need for Rate Relief**

As stated in the Transfer Order, the Utility's The Utility's rates and charges were last evaluated in 2003 and 2008.<sup>1</sup> This utility has historically operated at an operating loss, and continues to do so today. The revenues do not even cover the Operation & Maintenance expenses. For the requested test year discussed below, the Operating Revenues were \$ 66,595.49 and the Operation and Maintenance expenses were \$ 70,018.36. Total Operating Expenses were \$ 80,353.17 with a net operating loss of (\$13,757.68).

Subsequent to the acquisition of the utility, Merritt Island has made substantial improvements to the wastewater system, which were required by the Florida Department of Environmental Protection (FDEP). The existing wastewater plant and lift station, prior to acquisition, was in disrepair. Subsequent to the acquisition, Merritt Island applied for a permit transfer with the FDEP. Pursuant to the final permit issued by FDEP on March 28, 2017, the utility was required to:

“The following improvement actions shall be completed according to the following schedule:

<sup>1</sup>Order Nos. PSC-08-0760-PAA-SU, issued November 17, 2008, in Docket No. 080104-SU, In re: Application for staff-assisted rate case in Brevard County by Colony Park Utility, Inc. and PSC-03-0320-FOF-SU, issued March 6, 2003, in Docket No. 020930-SU, In re: Application for transfer of majority organizational control of Colony Park Utilities, Inc. holder of Certificate No. 137-S in Brevard County, from Robert Warren, and Carol Kendall to Eileen Rogow, Arthur Rogow, and Philip Young.

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<u>Improvement Action</u>	<u>Completion Date</u>
1. Replace missing pump and discharge piping for Pump Station #2	5/31/2017
2. Install two new Chlorine Contact Chambers and convert split tank to Digester Tank	3/31/2018
3. Replace corroded safety rails	5/31/2017

Merritt Island recently completed the FDEP required improvements to the wastewater treatment plant and lift station.

**Year End Water Rate Base**

Merritt Island is requesting a test year for the SARC for the twelve month ending March 31, 2109. In addition, Merritt Island is also requesting a Year End rate base for its water system to include the additional capital costs made after the acquisition. These improvements represent a significant portion of the wastewater plant in service. If an average rate base were utilized, Merritt Island would not be afforded the opportunity to recover its allowed rate of return on the new investment and would be put in the position of requesting a subsequent SARC at a later date.

This is consistent with past Commission practice. (See: PSC-2018-0553-PAA-WU, issued November 19, 2018; Order Nos. PSC-2017-0428-PAA-WS, issued November 7, 2017; PSC-98-0763-FOF-SU, issued June 3, 1998; PSC-02-1449-PAA-WS, issued October 21, 2002; PSC-00-1774-PAA-WU, issued September 27, 2000; and PSC-01-0323-PAA-SU, issued February 5, 2001) In the Transfer Order, the Commission approved net book value of the Wastewater Utility Plant in Service was \$43,969. During the requested test year, Merritt Island made investments of \$95,881.17.

**Interim Rate Request**

In addition, Merritt Island is also requesting an Interim Rate Increase request in order to recover its Operations & Maintenance expenses. This is consistent with past Commission practice. (See: Order No. PSC-14-0596-PCO-WS, issued October 22, 2014; Order No. PSC-14-0683-PCO-WS, issued December 10, 2014)

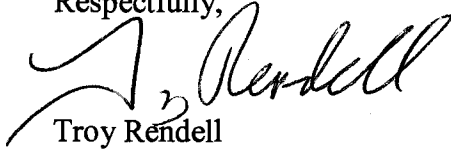
For the requested test year, the Water Service Revenues were \$66,595.49 and the Operation and Maintenance expenses were \$70,018.36. Therefore the interim increase being requested is 5.38% increase.

The filing fee of \$1,000 has been attached hereto for the SARC application.

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If you have any questions, please do not hesitate to contact me at (727) 848-8292, ext. 245.

Respectfully,

A handwritten signature in black ink, appearing to read "Troy Rendell". The signature is fluid and cursive, with a large initial "T" and "R".

Troy Rendell

Vice President

Investor Owned Utilities

*// for Merritt Island Utility Company*