

Gator Waterworks, Inc.

DATE DEPOSIT

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CK# 1031
\$ 1,000.00

May 7, 2019

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

DKT #: 20190114

Re: Staff Assisted Rate Case Application and Request for Interim Rate Increase

Dear Commission Clerk:

Gator Waterworks, Inc. (Gator Waterworks) submits the attached Staff Assisted Rate Case (SARC) application for consideration. By Order No. PSC-2018-0587-PAA-WU, issued December 17, 2018, (Transfer Order) the Commission approved the transfer of Kincaid Hill Water Company to Gator Waterworks.

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COMMISSION CLERK

Need for Rate Relief

As stated in the Transfer Order, the Utility's rates, charges, and customer deposits were approved in the original grandfather certificate in 1993. The rates were subsequently amended through three price index increases; however the water rates are extremely low. This utility has never had a SARC before the Commission. 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 \$56,351 and the Operation and Maintenance expenses were \$76,491. Total Operating Expenses were \$89,966 with a net operating loss of (\$33,615).

Subsequent to the acquisition of the utility, Gator Waterworks has made substantial improvements to the water system. There were immediate needs to repair numerous water main breaks over the past year totaling over \$67,000 to date. In addition, during 2018 Gator Waterworks replaced over 250 meters that were inoperable at a cost of over \$40,000. The major capital cost involved replacing the entire water treatment plant. The existing water plant, prior to acquisition, was in total disrepair. Gator Waterworks recently completed an entire rehabilitation and replacement project to replace inoperable and broken water producing, treatment, and storage component of the existing plant. This complete rehabilitation project was in the amount of \$158,790.48. Gator Waterworks is requesting pro forma consideration of this water treatment plant rehabilitation.

Year End Water Rate Base

Gator Waterworks is requesting a test year for the SARC for the twelve month ending March 31, 2109. This represents a full year of operations from April 2018 through March 2019 under the new ownership. In addition, Gator Waterworks 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 water plant in service. If an average rate base were utilized, Gator Waterworks 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 Water Utility Plant in Service in the amount of \$92,804, and total Rate Base of \$63,321. In the recent 2018 Annual Report, Gator Waterworks reported total Plant in Service of \$466,889 and net plant of \$205,755. This represents an increase in net Plant in Service of 121.17%.

Pro forma Plant Item

As previously stated, Gator Waterworks is requesting pro forma plant for the water treatment plant rehabilitation in the amount of \$158,790.48. This includes a new hydro-pneumatic tank, generator, well pump, disinfection, storage unit, disinfection shed, and supply mains. These were required due to the age and deteriorated condition of the existing plant at the time of acquisition. The invoice, as well as an additional quote is attached hereto.

Interim Rate Request

In addition, Gator Waterworks 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 \$51,833 and the Operation and Maintenance expenses were \$76,491. Therefore the interim increase being requested is 48.44% increase.

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

Gator Waterworks, Inc.
Staff Assisted Rate Case

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 written in a cursive style with a large, stylized initial "T".

Troy Rendell

Vice President

Investor Owned Utilities

// for Gator Waterworks, Inc.