

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: July 6, 2006

TO: Director, Division of the Commission Clerk & Administrative Services (Bayó)

FROM: Division of Economic Regulation (Biggins, Rendell)
Office of the General Counsel (Brown)

RE: Docket No. 060285-SU – Application for increase in wastewater rates in Charlotte County by Utilities, Inc. of Sandalhaven.

AGENDA: 07/18/06 – Regular Agenda – Decision on Suspension of Rates – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Carter

CRITICAL DATES: 07/18/06 (60-Day Suspension Date)

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\ECR\WP\060285.RCM.DOC

Case Background

Utilities, Inc. of Sandalhaven (Sandalhaven or utility) is a class B wastewater utility providing service to approximately 910 customers in Charlotte County. Sandalhaven is a wholly-owned subsidiary of Utilities, Inc. In its 2005 Annual Report, the utility reported operating revenues of \$270,518 and a net operating loss of \$45,037.

On May 15, 2006, Sandalhaven filed the Application for Rate Increase at issue in the instant docket. After review of the Minimum Filing Requirements (MFRs), staff determined that the MFRs contained a number of deficiencies that will require revisions by the utility. These revisions will not be received by staff until after the statutory 60-day limit to suspend the requested rate increase; therefore, the official filing date has not been established. The utility

Docket No. 060285-SU

Date: July 6, 2006

requested that the application be processed using the Proposed Agency Action (PAA) procedure and did not request interim rates. The test year established for final rates is the historical twelve-month period ended December 31, 2005.

The utility requested final rates designed to generate annual wastewater revenues of \$1,257,628. This represents a revenue increase of \$981,066 (364.90%).

This recommendation addresses the suspension of Utilities Inc. of Sandalhaven's requested rate increase. The Commission has jurisdiction pursuant to Section 367.081, Florida Statutes (F.S.).

Discussion of Issues

Issue 1: Should the Commission suspend Utilities Inc. of Sandalhaven's proposed wastewater rate increase?

Recommendation: Yes. The Commission should suspend the proposed rate increase. (Biggins)

Staff Analysis: Section 367.081(6), Florida Statutes, provides that the Commission may, for good cause, withhold consent to the implementation of the requested rates by a vote to that effect 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.

Staff has reviewed the filing and has considered the information filed in support of the rate application and the proposed final rates. Staff recommends that it is necessary to require further investigation of this information, including on-site investigations by staff accountants and engineers. Based on the foregoing, staff recommends that it is appropriate to suspend the utility's proposed rate increase.

Docket No. 060285-SU

Date: July 6, 2006

Issue 2: Should this docket be closed?

Recommendation: No. The docket should remain open pending the Commission's final action on the utility's requested rate increase. (Biggins, Brown)

Staff Analysis: The docket should remain open pending the Commission's final action on the utility's requested rate increase.