

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Notice by PLACID LAKES)	DOCKET NO. 890934-WS
UTILITIES, INC. of offer to reduce)	ORDER NO. 21851
rates in Highlands County.)	ISSUED: 9-7-89
)	

The following Commissioners participated in the disposition of this matter:

MICHAEL McK. WILSON, Chairman
 THOMAS M. BEARD
 GERALD L. GUNTER
 JOHN T. HERNDON

NOTICE OF PROPOSED AGENCY ACTION

ORDER ACCEPTING OFFER TO REDUCE RATES AND
REFUND EXCESS EARNINGS

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for formal proceeding pursuant to Rule 25-22.029, Florida Administrative Code.

BACKGROUND

On July 18, 1989, Placid Lakes Utilities, Inc. (Placid Lakes) filed a Notice of Offer to Reduce Rates (Notice). The Notice followed an informal investigation by the Commission of the earnings of Placid Lakes' water system to determine whether Placid Lakes was earning in excess of its authorized rate of return.

Since coming under our jurisdiction in 1972, Placid Lakes has received one rate adjustment by application of the 1984 price index and one rate increase through a staff-assisted proceeding (7.7%).

Following review of the utility's 1987 annual report, it appeared that the utility was overearning. As a result, we

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performed an audit in mid-1988. Following that, an informal investigation was conducted in early 1989 using the company's most recent financial data. The audit and the informal investigation indicated overearnings of about \$12,000 for the period ending June 30, 1988. Upon being contacted, the utility's controller indicated that he believed that the 1988 annual report would show that the utility was no longer overearning. Contrary to that statement, the 1988 annual report, along with the preliminary analysis, shows that the utility is still overearning in the area of \$12,000 to \$13,000 per year, based solely on operating expenses, since the utility's rate base is still negative.

NOTICE OF OFFER TO REDUCE RATES

Based upon our audit for the test year ended June 30, 1988 and our preliminary investigation of the 1988 annual report, we believe that Placid Lakes is overearning by approximately \$12,000 to \$13,000 annually. The audit report which confirmed overearnings for the period ending June 30, 1988 was received late in 1988. The earliest we reasonably could have expected the utility to reduce rates (based on the audit results) would have been for service rendered on or after January 1, 1989. Based on current findings, the earliest Placid Lakes will be able to reduce rates is for August, 1989 consumption, which will be billed in September, 1989. Based on these factors, the utility has offered to refund estimated overearnings, with simple interest at 8 percent, for the period January 1, 1989 through July 31, 1989, calculated as follows:

Estimated annual overearnings	\$13,000
Number of months in year	<u>./.</u> 12
Estimated monthly overearnings	\$ 1,083
Number of months from January 1, 1989 to July 31, 1989	<u>x</u> 7

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Refund offer before rounding	\$ 7,583
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Refund offer (rounded and before eight percent simple interest)	\$ 7,500
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Because the utility's offer is based on the estimated overearnings from that point in time at which it reasonably could have been expected to reduce rates to the point in time at which it will refund the estimated overearnings and put the reduced rates into effect, we believe that the \$7,500 refund offer is reasonable.

The utility shall make the refund on a pro rata basis to customers who receive the September, 1989 bills, based on meter size.

The utility's 1988 annual report lists revenues of \$134,140. Based on estimated annual excess earnings of \$13,000, we agree with the utility that it should reduce its rates to generate annual revenues of \$121,140 (\$134,140 - \$13,000). We believe that this is reasonable and consistent with the refund calculation addressed above. Based on the number of customers at December 31, 1988 and average 1988 consumption, annualized revenues of the utility are \$137,194. Therefore, in order to reduce revenues to \$121,140 annually on a pro rata basis, the rates must be reduced to 88.3% of their current levels (\$121,140 / \$137,194), or by 11.7%.

The existing rates and the reduced rates, which we find to be reasonable, are as follows:

RESIDENTIAL, MULTI-RESIDENTIAL,
AND GENERAL SERVICE

<u>Base Facility Charge</u> <u>Meter Size</u>	<u>Existing</u> <u>Rates</u>	<u>Approved</u> <u>Rates</u>
5/8" x 3/4"	\$ 6.85	\$ 6.05
1"	17.13	15.13
1-1/2"	34.25	30.24

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2"	54.80	48.39
3"	102.75	90.73
4"	171.25	151.21
6"	342.50	302.43
8"	428.13	378.04
10"	787.75	695.58
12"	1,472.75	1,300.44

Gallonge Charge per		
1,000 gallons	\$.85	\$.75

The refund by the utility of \$7,500 in estimated excess earnings is based upon the utility billing its customers for August, 1989 consumption at the reduced rates. Since the utility bills in arrears, the reduction of rates effective with the water bills rendered the 1st of September is consistent with the refund calculation above. Accordingly, the reduced rates will be effective for August, 1989 consumption, and reflected in the water bills rendered on the 1st of September, 1989.

In order to be assured that the customers have received the correct credits, this docket shall be closed after we have verified that the credits have been properly calculated and applied to each customers' bill as necessary and after the protest period has expired.

Based upon the discussion above, it is

ORDERED by the Florida Public Service Commission that Placid Lakes' offer to refund \$7,500 plus eight percent simple interest, to customers who receive the September, 1989 bills, is herein accepted. It is further

ORDERED that Placid Lakes reduce its rates to 88.3% of their current levels, or by 11.7%, effective for August 1989 consumption. It is further

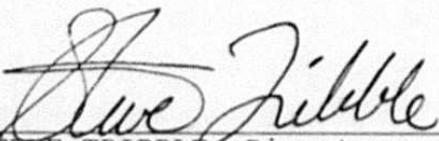
ORDERED that Docket No. 890934-WU be closed after verification that the refunds have been calculated properly and applied to the September 1, 1989 billing. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final unless an appropriate petition in form provided by Rule 25-22.036,

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Florida Administrative Code, is received by the Director, Division of Records and Reporting, 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on the date set forth in the "Notice of Further Proceedings or Judicial Review" attached hereto.

By ORDER of the Florida Public Service Commission,
this 7th day of SEPTEMBER, 1989.



STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

MHZ

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

The action proposed herein is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on September 28, 1989. In the absence of such a petition, this order shall become effective the next

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day as provided by Rule 25-22.029(6), Florida Administrative Code, and as reflected in a subsequent order.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

If this order becomes final and effective any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or sewer utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the effective date of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.