

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for staff-assisted rate case in
Highlands County by Utility Corporation of
Florida, Inc.

DOCKET NO. 110165-SU
ORDER NO. PSC-14-0296-PAA-SU
ISSUED: June 10, 2014

The following Commissioners participated in the disposition of this matter:

ART GRAHAM, Chairman
LISA POLAK EDGAR
RONALD A. BRISÉ
EDUARDO E. BALBIS
JULIE I. BROWN

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING REQUEST AND CLOSING DOCKET

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission (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 a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

Case Background

Utility Corporation of Florida, Inc. (Utility Corporation or Utility) is a Class C utility providing wastewater service to approximately 317 customers in Highlands County. The water service is provided by the Spring Lake Improvement District. According to its 2013 annual report, Utility Corporation reported operating revenues of \$151,742 and operating expenses of \$152,797.

On May 17, 2011, Utility Corporation filed an application for a staff-assisted rate case (SARC). By Order No. PSC-12-0410-PAA-SU, this Commission approved Phase I and Phase II rates.¹ The Phase I rate increase of 21.33 percent was implemented effective November 30, 2012. The Phase II rates were to be implemented once the Utility completed pro forma plant additions of \$3,577. The Utility was given 12 months from the effective date of the Consummating Order to complete the plant additions. The 12-month period ended on September 9, 2013.

¹ See Order No. PSC-12-0410-PAA-SU, issued August 13, 2012, in Docket No. 110165-SU, *Application for staff-assisted rate case in Highlands County by Utility Corporation of Florida, Inc.*

On September 6, 2013, the Utility filed a letter indicating that the pro forma plant additions had not been completed and enclosed a copy of the Florida Department of Environmental Protection (DEP) Compliance Order issued April 25, 2013, requiring that a surge tank to be replaced, not refurbished. By letter dated April 21, 2014, the Utility indicated it will forgo the Phase II rate increase at this time. Utility Corporation is working with DEP on a long-term goal of shifting its processing to another surge tank.

This Order addresses the Utility's request to not implement Phase II rates. We have authority to consider this matter pursuant to Section 367.0814, Florida Statutes (F.S.).

Review and Decision

By Order No. PSC-12-0410-PAA-SU, we approved Phase I rates, which became effective on November 30, 2012. The Phase II rates for the Utility were pending completion of two pro forma improvements by September 9, 2013: 1) replacement of a pump at the transfer pond; and 2) refurbishment of a surge tank. On September 6, 2013, the Utility filed a letter indicating that the pro forma items had not been completed. In addition, the Utility provided a copy of a DEP Compliance Order issued April 25, 2013, which required the replacement rather than refurbishment of the surge tank, by May 1, 2018. By its letter, the Utility indicated that it has taken the surge tank offline and shifted processing to a second surge tank. Subsequent to the letter, the Utility installed the pump at the transfer pond on November 15, 2013.

The Utility's rate increase, including the Phase II rate increase, was approved using the operating ratio method whereby the operating income included in the revenue requirement was a percentage of the Utility's operation and maintenance expense and not a return on the Utility's rate base. Using this method, the Phase II revenue requirement included depreciation expense of \$203 associated with replacement of the pump and \$3,213 in additional contractual services expense based on the three-year amortization of the cost of repairing the surge tank. The Utility completed the replacement of the pump at the transfer pond on November 15, 2013. However, the increase associated with the cost of the pump, grossed-up for regulatory assessment fees, would only be a .14 percent increase and we find that it is not cost effective to adjust the rates for an increase of less than 1 percent.

Utility Corporation is working with DEP to shift processing to another surge tank. As a temporary measure, the Utility is using an existing surge tank on the west end of its facilities for processing. Utility Corporation plans to redesign its plant to allow processing at an existing surge tank on the east side of its facilities. The cost of refurbishing the original surge tank is different from the cost needed to redesign the Utility's plant. Therefore, the Utility has asked to forgo the Phase II rate increase with the understanding that it will file a rate case proceeding seeking to recover the full cost of the plant redesign at a future date. Upon review, we find that the Utility's request is appropriate since the cost associated with redesigning the plant is unknown at this time. Once Utility Corporation completes the redesign of the plant, it can either file for a limited proceeding or staff-assisted rate case to have reasonable and prudent costs considered.

Based on the foregoing, we shall approve the Utility's request to not implement Phase II rates.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Utility Corporation of Florida, Inc.'s request to not implement Phase II rates is hereby approved. It is further,

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, F.A.C., is received by the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that, if no timely protest is filed and this Order becomes final, then this docket shall be closed upon the issuance of a Consummating Order.

By ORDER of the Florida Public Service Commission this 10th day of June, 2014.



CARLOTTA S. STAUFFER
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399
(850) 413-6770
www.floridapsc.com

Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

CWM

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing that is available under Section 120.57, 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 will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The action proposed herein is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on July 1, 2014.

In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

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