BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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| In re: Joint motion requesting Commission approval of settlement agreement by the Office of Public Counsel, Black Bear Waterworks, Inc., Brendenwood Waterworks, Inc., Brevard Waterworks, Inc., Country Walk Utilities, Inc., Harbor Waterworks, Inc., Lake Idlewild Utility Company, Raintree Waterworks, Inc., and Sunny Hills Utility Company. | DOCKET NO. 20170247-WU  ORDER NO. PSC-2017-0481-PAA-WU  ISSUED: December 21, 2017 |

The following Commissioners participated in the disposition of this matter:

JULIE I. BROWN, Chairman

ART GRAHAM

RONALD A. BRISÉ

DONALD J. POLMANN

GARY F. CLARK

NOTICE OF PROPOSED AGENCY ACTION

ORDER APPROVING SETTLEMENT PROPOSAL FOR POSSIBLE OVEREARNINGS BY THE OFFICE OF PUBLIC COUNSEL, BLACK BEAR WATERWORKS, INC., BRENDENWOOD WATERWORKS, INC., BREVARD WATERWORKS, INC., COUNTRY WALK UTILITIES, INC., HARBOR WATERWORKS, INC., LAKE IDLEWILD UTILITY COMPANY, RAINTREE WATERWORKS, INC., AND SUNNY HILLS UTILITY COMPANY

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 a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code (F.A.C.).

Background

Black Bear Waterworks, Inc., Brendenwood Waterworks, Inc., Brevard Waterworks, Inc., Country Walk Utilities, Inc., Harbor Waterworks, Inc., Lake Idlewild Utility Company, Raintree Waterworks, Inc., and Sunny Hills Utility Company (hereafter referred to as Utilities) are all jurisdictional water and/or wastewater utilities. These Utilities all share a common majority ownership.

In April 2017, as part of its ongoing earnings surveillance activities, Commission staff identified possible overearnings based upon a review of the Utilities’ respective 2016 Annual Reports. By letter dated May 5, 2017, the Utilities consented to holding subject to refund any earned return on equity (ROE) which exceeded the maximum of the allowed ROE for the year ended December 31, 2016. Multiple meetings between Commission staff and the Utilities took place during the summer to discuss the Utilities’ level of earnings.

On October 3, 2017, an informal meeting between Commission staff, the Utilities, and the Office of Public Counsel (OPC) was held to discuss the potential disposition of any portion of such earned return above the maximum allowed ROE. Subsequent to that meeting, the Utilities and OPC (collectively referred to as Parties) held further discussions regarding additional data provided by the Utilities to OPC.

On November 17, 2017, the Parties filed a Joint Motion Requesting Commission Approval of Settlement Agreement (Agreement) to resolve the disposition of 2017 overearnings, and address any possible overearnings for 2018. This Agreement is attached to this Order as Attachment A.

We have jurisdiction pursuant to Sections 367.081, 367.082, and 367.121, Florida Statutes.

Decision

In April 2017, as part of its ongoing earnings surveillance activities, Commission staff identified possible overearnings based upon a review of the Utilities respective 2016 Annual Reports. On November 17, 2017, the Parties filed a Joint Motion Requesting Commission Approval of Settlement Agreement to resolve the disposition of 2017 overearnings, and address any possible overearnings for 2018. With respect to overearnings for 2017, customers of Black Bear Waterworks, Inc. would receive bill credits representing 10.44 percent of water revenues, Brendenwood Waterworks, Inc. customers would receive bill credits representing 14.20 percent of water revenues, Lake Idlewild Utility Company customers would receive bill credits representing 9.67 percent of water revenues, and customers of Raintree Waterworks, Inc. would receive credits for 2.88 percent of water revenues. All refunds would be made in accordance with Rule 25-30.360(3), F.A.C.

In addition, Brendenwood Waterworks, Inc., has agreed to reduce water rates by 11.38 percent on a prospective basis effective with the first billing cycle in January 2018. For Harbor Waterworks, Inc., a credit adjustment to Contributions in Aid of Construction in the amount of $39,160 would be made along with an offsetting adjustment to Retained Earnings.

The Agreement also provides protections for customers for possible overearnings of Black Bear Waterworks, Inc., Harbor Waterworks, Inc., Lake Idlewild Utility Company, and Raintree Waterworks, Inc. in 2018. These utilities have agreed to hold subject to refund all revenues received during the calendar year 2018 that are above their respective authorized ROE range until final review of the 2018 Annual Reports.

The Parties agree that no further actions are needed with respect to Brevard Waterworks, Inc., Country Walk Utility Company, or Sunny Hills Utility Company.

The Parties stated that this Agreement resolves the issues raised in this proceeding so as to maintain a degree of stability and predictability with respect to customer bills. We find that the Agreement is a reasonable resolution for the possible overearnings on a prospective basis. Further, we find that it is in the public interest for the Commission to approve the Agreement because it promotes administrative efficiency, avoiding the time and expense of a formal earnings investigation.

In keeping with our long-standing practice of encouraging parties to settle contested proceedings, we approve the Joint Motion and Settlement Agreement by the Parties. The proposed Settlement Agreement adequately addresses the potential overearnings Commission staff had previously identified during its ongoing earnings surveillance activities. Schedule No. 1 reflects the approved rates per the Settlement Agreement.

We also find that Brendenwood Waterworks, Inc. shall file a proposed customer notice reflecting our decision approving a permanent reduction in water rates within 15 days of our vote. The approved rates shall be effective for service rendered on or after the stamped approval date of the tariff pursuant to Rule 25-30.475(1), F.A.C., after staff has verified that the proposed customer notice is adequate and this notice has been provided to the customer. The Agreement specifies that this rate reduction will be effective the first billing cycle in January 2018. Brendenwood Waterworks, Inc. shall provide proof that the customers have received notice within 10 days after the date of the notice.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the proposed settlement agreement by the Office of Public Counsel, Black Bear Waterworks, Inc., Brendenwood Waterworks, Inc., Brevard Waterworks, Inc., Country Walk Utilities, Inc., Harbor Waterworks, Inc., Lake Idlewild Utility Company, Raintree Waterworks, Inc., and Sunny Hills Utility Company is approved. It is further

ORDERED the Utilities shall make refunds, credit CIAC, and reduce rates as outlined in the Settlement Agreement and approved herein. It is further

ORDERED that Brendenwood Waterworks, Inc., shall file a proposed customer notice reflecting this Commission's decision within 15 days of our vote. The approved rates shall be effective for service rendered on or after the stamped approval date of the tariff pursuant to Rule 25-30.475(1), Florida Administrative Code (F.A.C.), after Commission staff has verified that the proposed customer notice is adequate and this notice has been provided to the customer. The approved rates shall be effective the first billing cycle in January 2018. Brendonwood Waterworks, Inc., shall provide proof that the customers have received notice within 10 days after the date of the notice. 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, Florida Administrative Code, is received by the 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 this docket shall remain open to allow our staff to verify completion of the refunds discussed herein and to verify that the revised tariff sheets and customer notice have been filed and approved by our staff. It is further

ORDERED that in the event this Order becomes final and staff has verified that the notice has been provided and refunds have been made in accordance with Rule 25-30.360, F.A.C., the docket shall be closed administratively.

By ORDER of the Florida Public Service Commission this 21st day of December, 2017.

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|  | /s/ Carlotta S. Stauffer |
|  | CARLOTTA S. STAUFFER  Commission Clerk |

Florida Public Service Commission

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

WDT

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 January 11, 2018.

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.



