

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for limited proceeding in
Highlands County by HC Waterworks, Inc.

DOCKET NO. 20210184-WS
ORDER NO. PSC-2022-0330-FOF-WS
ISSUED: September 27, 2022

The following Commissioners participated in the disposition of this matter:

ANDREW GILES FAY, Chairman
ART GRAHAM
GARY F. CLARK
MIKE LA ROSA
GABRIELLA PASSIDOMO

ORDER AMENDING PAA ORDER NO. PSC-2022-0192-PAA-WS
AND CLOSING DOCKET

BY THE COMMISSION:

Background

HC Waterworks, Inc. (HCWW or Utility) is a Class B utility providing water service to approximately 967 residential customers, 12 general service customers, and 1 private fire protection customer in the Leisure Lakes, Lake Josephine, and Sebring Lakes subdivisions in Highlands County. The Utility also provides wastewater service to 317 residential wastewater customers in the Leisure Lakes subdivision. The service area is in the Southwest Florida Water Management District and is in a water use caution area. According to the Utility's 2021 Annual Report, operating revenues were \$770,063 for water and \$88,191 for wastewater. Operating expenses were \$559,035 for water and \$108,950 for wastewater.

Water rates were last established for the Utility in 2020 in Docket No. 20190166-WS.¹ In determining the quality of service provided by HCWW, we evaluated the quality of the Utility's product (water) and the Utility's attempt to address customer satisfaction (water and wastewater). We determined that HCWW's overall quality of service was unsatisfactory due to the volume of customer complaints and reduced HCWW's return on equity by 50 basis points. We also required HCWW to engage with its customers and the Office of Public Counsel (OPC) in an ongoing effort to address the Utility's service quality and communication issues. Subsequently, water rates were increased by a price index rate adjustment in 2021. Wastewater

¹ Order No. PSC-2020-0168-PAA-WS, issued May 22, 2020, in Docket No. 20190166-WS, *In re: Application for increase in water rates in Highlands County by HC Waterworks, Inc.*

rates were last established in 2015 and had subsequent price index rate adjustments in 2018 and 2021.²

On November 18, 2021, HCWW filed its application in this docket for a limited proceeding to increase its water and wastewater rates.³ The main issue in the limited proceeding was to address the significant financial impact of HCWW's earning levels beginning in April 2021, when the amortization period for 50 percent of a negative acquisition adjustment approved in 2014 ended.⁴ Based on the Utility's filing, the negative offset of amortization would cause increases to net depreciation expense that would not be recovered through current rates, causing existing rates to no longer be compensatory. Accompanying the Utility's application were minimum filing requirement (MFR) schedules required by Section 367.081, Florida Statutes (F.S.), and Rule 25-30.445, Florida Administrative Code (F.A.C.). The Utility was notified of deficiencies in the MFRs on December 14, 2021.⁵ The deficiencies were cured on December 22, 2021, which was established as the official filing date.⁶

On May 3, 2022, at a Commission Conference that members of OPC attended, our staff presented HCWW's application for a limited proceeding in Highlands County. During its introduction of the item, our staff stated the following:

Subsequent to the filing of this recommendation, staff is aware that a group of customers have filed a complaint with the Office of Consumer Affairs concerning the wastewater treatment plant. It's staff's understanding that Consumer Affairs has been in contact with the utility and that the utility is working with customers to resolve their concerns.

On May 23, 2022, we issued PAA Order No. PSC-2022-0192-PAA-WS (PAA Order) approving the limited proceeding increase.⁷ In the PAA Order, we approved an increase for water rates of \$35,220, or 4.64 percent, and an increase for wastewater rates of \$15,862, or 18.72 percent. We made no adjustment to a previously-ordered 9.17 percent return on equity, which reflected a 50 basis point reduction related to quality of service matters in a previous docket.⁸ Section 367.0812, F.S., requires that in fixing rates, we shall consider the extent to which the utility provides water service that meets secondary water quality standards as established by the Department of Environmental Protection. At page 3 of the PAA Order, we addressed HCWW's compliance with this statute, including the following:

² Order No. PSC-2015-0282-PAA-WS, issued July 8, 2015, in Docket No. 20140158-WS, *In re: Application for increase in water/wastewater rates in Highlands County by HC Waterworks, Inc.*

³ Document No. 12849-2021, filed on November 18, 2021.

⁴ Order No. PSC-2014-0314-PAA-WS, issued June 13, 2014, in Docket No. 20130175-WS, *In re: Application for approval of transfer of certain water and wastewater facilities and Certificate Nos. 422-W and 359-S of Aqua Utilities Florida, Inc. to HC Waterworks, Inc. in Highlands County.*

⁵ Document No. 13057-2021, filed on December 14, 2021.

⁶ Document No. 13148-2021, filed on December 22, 2021.

⁷ The PAA Order also addresses the approval of initial customer deposits and revision to HCWW's miscellaneous service charges.

⁸ Order No. PSC-2020-0168-PAA-WS, issued May 22, 2020, in Docket No. 20190166-WS, *In re: Application for increase in water rates in Highlands County by HC Waterworks, Inc.*

As part of the instant Docket, we received 20 customer comments opposing the rate increase. *Additionally, one group of customers filed a complaint with our Customer Assistance and Outreach (CAO) division concerning the wastewater treatment plant.*

(Emphasis added.)

On June 13, 2022, OPC filed a timely petition protesting the PAA Order.⁹ In its petition, OPC limits its protest to the portion of the order addressing the quality of service provided by HCWW. OPC contends that certain customer service and due process issues were not appropriately addressed by us at the time of issuing the PAA Order; in particular, the exclusion of a specific reference to a petition signed by 143 customers of HCWW.¹⁰

On July 1, 2022, HCWW and OPC filed a Joint Motion for Approval of a Stipulation and Settlement Agreement (Agreement). The Agreement details steps HCWW has taken and will continue to take to address concerns raised by its customers. The Utility and OPC agree a final order should be issued in this docket and should reference, with specificity, the petition signed by the 143 customers, as well as the Utility's subsequent communications with customers and OPC regarding plans to work toward addressing the customers' complaints.

At our September 8, 2022, Commission Conference, we considered our staff's recommendation that OPC's petition protesting the PAA order should be denied, thereby rendering the proposed Agreement moot. After further discussion with the parties and staff at the Commission Conference, OPC proposed withdrawing its protest of the PAA Order and the joint Agreement, if we instead amended the PAA Order to include a specific reference to the 143 customers of HCWW who complained about the wastewater treatment plant.

We have jurisdiction pursuant to Sections 367.081 and 367.0812, F.S.

Decision

OPC's proposal to withdraw its protest of the PAA order and the proposed Agreement upon our amendment of the PAA Order appears to be a reasonable resolution of this matter. Therefore, page 3 of Order No. PSC-2022-0192-PAA-WS shall be amended to read as follows:

Additionally, one group of 143 customers filed a complaint with our Customer Assistance and Outreach (CAO) division concerning the wastewater treatment plant.

With this amendment to the PAA Order, we acknowledge that OPC's protest and the joint Agreement are withdrawn. Accordingly, the PAA Order shall become effective and final upon the issuance of this Order.

⁹ Document No. 03794-2022, filed on June 13, 2022.

¹⁰ OPC filed the document in question in this docket on May 4, 2022 (Document No. 02790-2022).

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Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Page 3 of PAA Order No. PSC-2022-0192-PAA-WS shall be amended as set forth herein. The PAA Order shall become effective and final upon the issuance of this Order. It is further

ORDER that this docket shall be closed.

By ORDER of the Florida Public Service Commission this 27th day of September, 2022.



ADAM J. TEITZMAN
Commission Clerk
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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.

RPS

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 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.

Any party adversely affected by the Commission's final action in this matter may request:

- 1) reconsideration of the decision by filing a motion for reconsideration with the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or
- 2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water and/or wastewater utility by filing a notice of appeal with the Office of Commission Clerk, 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 after the issuance 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.