

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: October 23, 2025

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Economics (Bethea, Bruce) *JB*
Division of Accounting and Finance (G. Kelley) *MC*
Office of the General Counsel (Imig, Augspurger) *SPS*

RE: Docket No. 20250013-WS – Application for staff-assisted rate case in Highlands County, by LP Waterworks, Inc.

AGENDA: 11/04/25 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Graham

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Case Background

At its September 4, 2025 Agenda Conference, the Florida Public Service Commission (Commission) approved a rate increase for LP Waterworks, Inc. (LP or utility) in this staff-assisted rate case (SARC). The approved revenue requirements were \$197,112 for water and \$149,156 for wastewater, which increased the staff adjusted test year operating revenues by \$6,911 (3.63 percent) for water and \$6,044 (4.22 percent) for wastewater. The rates approved were a result of the percentage increases, adjusted for the removal of miscellaneous revenues, applied across-the-board to the utility's rates at the time of filing.

However, on September 18, 2025, the utility's representative notified staff that the test year operating revenues were overstated because staff did not consider adjustments the utility had made to the test year billing determinants. Staff determined that the utility was correct and the

adjustments to remove duplicate bills had been inadvertently overlooked. As a result of the test year operating revenues being overstated, the percentage increase to achieve the revenue requirement was understated. Because the rates approved by the Commission were determined by applying the percentage as an across-the-board increase to the utility's existing rates, the rates will not allow the utility to generate the revenue requirements for water and wastewater approved by the Commission at the September 4, 2025 Agenda Conference. Due to the need of correcting the rates, a PAA Order regarding Commission approval of the proposed rates at the September 4, 2025 Agenda Conference has not been issued yet.

This recommendation addresses the correction of LP's test year operating revenues and rates. The Commission has jurisdiction in this case pursuant to Sections 367.011, 367.081, 367.0812, 367.0814, 367.091, and 367.121, Florida Statutes (F.S.).

Date: October 23, 2025

Discussion of Issues

Issue 1: What are the appropriate test year operating revenues and rates for LP Waterworks, Inc.'s water and wastewater systems?

Recommendation: Staff recommends that the appropriate test year operating revenues are \$177,972 for water system and \$135,878 for the wastewater system. Furthermore, staff recommends that the rate increase of 10.97 percent for water and 9.92 percent for wastewater be applied as an across-the-board increase to service rates. The recommended water and wastewater rates are shown on Schedule Nos. 4-A and 4-B, respectively. The utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), Florida Administrative Code (F.A.C.). In addition, the approved rates should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The utility should provide proof of the date notice was given within 10 days of the date of the notice. (Bethea)

Staff Analysis:

Test Year Revenues

During the test year, the utility had a rate change. When there is a rate change in a month, the prorated base facility charge shows up as two bills with a proration of usage for each customer in the utility's billing system. The duplicate bills will overstate the operating revenues. The prorated usage will understate the operating revenues for a tiered rate structure because the total usage would not be reflected in the appropriate tier. LP's adjustments included in its application for a SARC had corrected the duplicate bills; however in reviewing the billing analysis in preparation for writing this recommendation, staff determined that LP did not adjust the usage. Staff adjusted the billing determinants and billing analysis to correct the issues that take place when there is a rate change during the month.

Annualizing the operating revenues using the rates at the time of filing and the revised billing determinants, staff determined test year service revenues should be \$174,455 for water and \$133,899 for wastewater. The utility recorded service revenues of \$167,675 for water and \$124,080 for wastewater. The corrections discussed above result in an increase to service revenues of \$6,780 (\$174,455 – \$167,675) for water and \$9,819 (\$133,899 – \$124,080) for wastewater. Staff recommends no change to the miscellaneous revenues of \$3,517 for the water system and \$1,979 for the wastewater system as approved at the September 4, 2025 Agenda Conference.

Based on the above, the appropriate test year operating revenues for LP's water system are \$177,972 (\$174,455 + \$3,517) and \$135,878 (\$133,899 + \$1,979) for the wastewater system.

Water and Wastewater Rates

Staff's adjustment to the billing determinants and test year operating revenues did not change the revenue requirement of \$197,112 for water and \$149,156 for wastewater approved at the September 4, 2025 Agenda Conference. However, the difference between the revised test year operating revenues and the approved revenue requirement results in a higher revenue increase

and percentage increase. As shown on Schedule Nos. 3-A and 3-B, the revenue increase is \$19,140 (10.75 percent) and \$13,279 (9.77 percent) for wastewater. Schedule No. 3-C reflects the related fall out adjustments to operating revenues and taxes other than income for regulatory assessment fees.

To determine the appropriate percentage increase to apply to the water and wastewater service rates, miscellaneous revenues should be removed from the test year operating revenues.

<u>Water</u>	
Total Test Year Revenues	\$177,972
Less: Miscellaneous Revenues	\$3,517
Test Year Revenues from Service Rates	\$174,455
Revenues Increase	\$19,140
% Service Rate Increase (Line 4/ Line 3)	10.97%

<u>Wastewater</u>	
Total Test Year Revenues	\$135,878
Less: Miscellaneous Revenues	\$1,979
Test Year Revenues from Service Rates	\$133,899
Revenues Increase	\$13,279
% Service Rate Increase (Line 4/ Line 3)	9.92%

Based on the above, the appropriate test year operating revenues for LP's water system are \$177,972 (\$174,455 + \$3,517) and \$135,878 (\$133,899 + \$1,979) for the wastewater system. Furthermore, staff recommends that the rate increase of 10.97 percent for water and 9.92 percent for wastewater be applied as an across-the-board increase to service rates. The recommended water and wastewater rates are shown on Schedule Nos. 4-A and 4-B, respectively. The utility should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rates should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The utility should provide proof of the date notice was given within 10 days of the date of the notice.

Date: October 23, 2025

Issue 2: Should this docket be closed?

Recommendation: No. If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, a consummating order should be issued. The docket should remain open for staff's verification that the revised tariff sheets and customer notice have been filed by the utility and approved by staff. In addition, this docket should remain open until the report with the summary of the results of the customer meeting has been submitted by the utility. Once these actions are complete, this docket should be closed administratively. (Imig)

Staff Analysis: If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, a consummating order should be issued. The docket should remain open for staff's verification that the revised tariff sheets and customer notice have been filed by the utility and approved by staff. In addition, this docket should remain open until the report with the summary of the results of the customer meeting has been submitted by the utility. Once these actions are complete, this docket should be closed administratively.

LP WATERWORKS, INC. TEST YEAR ENDED 10/31/2024 SCHEDULE OF WATER OPERATING INCOME			SCHEDULE NO. 3-A DOCKET NO. 20250013-WS		
	TEST YEAR PER UTILITY	STAFF ADJUST- MENTS	STAFF ADJUSTED TEST YEAR	ADJ. FOR INCREASE	REVENUE REQUIREMENT
1. TOTAL OPERATING REVENUES	\$172,065	\$5,907	\$177,972	\$19,140 10.75%	\$197,112
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	\$154,652	\$3,472	\$158,124		\$158,124
3. DEPRECIATION	18,414	(80)	18,334		18,334
4. AMORTIZATION	(7,342)	32	(7,310)		(7,310)
5. TAXES OTHER THAN INCOME	<u>11,523</u>	<u>580</u>	<u>12,103</u>	<u>861</u>	<u>12,964</u>
TOTAL OPERATING EXPENSES	<u>\$177,247</u>	<u>\$4,004</u>	<u>\$181,251</u>	<u>\$861</u>	<u>\$182,112</u>
7. OPERATING INCOME/(LOSS)	(\$5,182)		(\$3,279)		\$15,000
8. WATER RATE BASE	\$180,642	\$15,038	\$195,680		\$195,680
9. OPERATING MARGIN					12.00%

LP WATERWORKS, INC. TEST YEAR ENDED 10/31/2024 SCHEDULE OF WASTEWATER OPERATING INCOME			SCHEDULE NO. 3-B DOCKET NO. 20250013-WS		
	TEST YEAR PER UTILITY	STAFF ADJUST- MENTS	STAFF ADJUSTED TEST YEAR	ADJ. FOR INCREASE	REVENUE REQUIREMENT
1. TOTAL OPERATING REVENUES	\$124,080	\$11,797	\$135,877	\$13,279 9.77%	\$149,156
OPERATING EXPENSES:					
2. OPERATION & MAINTENANCE	\$119,912	\$44	\$119,956		\$119,956
3. DEPRECIATION	11,360	(2,048)	9,312		9,312
4. AMORTIZATION	(2,228)	336	(1,892)		(1,892)
5. TAXES OTHER THAN INCOME	<u>6,282</u>	<u>556</u>	<u>6,837</u>	<u>598</u>	<u>7,435</u>
TOTAL OPERATING EXPENSES	<u>\$135,326</u>	<u>(\$1,112)</u>	<u>\$134,214</u>	<u>\$598</u>	<u>\$134,811</u>
7. OPERATING INCOME/(LOSS)	(\$11,246)		\$1,663		\$14,344
8. WATER RATE BASE	\$149,029	(\$12,323)	\$136,706		\$136,706
9. OPERATING MARGIN					12.00%

LP WATERWORKS, INC. TEST YEAR ENDED 10/31/2024 ADJUSTMENTS TO OPERATING INCOME		SCHEDULE NO. 3-C DOCKET NO. 20250013-WS	
		<u>WATER</u>	<u>WASTEWATER</u>
OPERATING REVENUES			
1.	To reflect adjustments to Service Revenues.	\$16,240	\$17,165
2.	To reflect an auditing adjustment to Miscellaneous Revenues.	1,035	0
3.	To reflect the appropriate test year Service Revenues.	(9,460)	(7,346)
4.	To reflect appropriate test year Miscellaneous Revenues.	<u>(1,908)</u>	<u>1,978</u>
	Total	<u>\$5,907</u>	<u>\$11,797</u>
OPERATION AND MAINTENANCE EXPENSE			
1.	Purchased Power (615/715) To reflect EUW and I&I adjustment.	(\$271)	\$0
	Chemicals Expense (618/718)		
2.	To reflect EUW and I&I adjustment.	(\$39)	\$0
3.	Contractual Services – Other (636/736) To reflect pro forma expense amortized over 5 years.	\$2,550	\$0
4.	Rate Case Expense (665/765) To reflect an auditing adjustment.	\$362	(\$336)
	To reflect 1/4 rate case expense.	<u>449</u>	<u>420</u>
	Subtotal	<u>\$881</u>	<u>\$84</u>
6.	Bad Debt Expense (670/770) To reflect three year average Bad Debt expenses.	\$421	(\$40)
TOTAL OPERATION AND MAINTENANCE ADJUSTMENTS		<u>\$3,472</u>	<u>\$44</u>
DEPREICATION EXPENSE			
	To reflect auditing adjustments.	(\$80)	(\$2,048)
AMORTIZATION EXPENSE (NET)			
	To reflect auditing adjustments.	(\$32)	\$336
TAXES OTHER THAN INCOME			
	To reflect auditing adjustments to property tax.	\$314	\$25
	To reflect appropriate test year RAFs.	266	531
	To reflect appropriate RAFs on the revenue requirement change.	<u>861</u>	<u>598</u>
	Subtotal	<u>\$1,441</u>	<u>\$1,154</u>
TOTAL OPERATING EXPENSE		<u>\$4,865</u>	<u>(\$514)</u>

LP WATERWORKS, INC. TEST YEAR ENDED OCTOBER 31, 2024 MONTHLY WATER RATES		SCHEDULE NO. 4-A DOCKET NO. 20250013-WS	
	UTILITY CURRENT RATES	STAFF RECOMMENDED RATES	4 YEAR RATE REDUCTION
<u>Residential and General Service</u>			
Base Facility Charge by Meter Size			
5/8"X3/4"	\$15.65	\$17.37	\$0.04
3/4"	\$23.48	\$26.06	\$0.06
1"	\$39.13	\$43.43	\$0.10
1-1/2"	\$78.25	\$86.85	\$0.20
2"	\$125.20	\$138.96	\$0.32
3"	\$250.40	\$277.92	\$0.64
4"	\$391.25	\$434.25	\$1.00
6"	\$782.50	\$868.50	\$2.00
Charge per 1,000 gallons - Residential			
0 - 3,000 gallons	\$9.24	\$10.25	\$0.02
Over 3,000 gallons	\$13.86	\$15.38	\$0.04
Charge per 1,000 gallons - General Service	\$10.06*	\$11.16	\$0.03
<u>Private Fire Protection</u>			
5/8"X3/4"	\$1.30	\$1.45	\$0.00
3/4"	\$1.96	\$2.17	\$0.00
1"	\$3.26	\$3.62	\$0.01
1-1/2"	\$6.52	\$7.24	\$0.02
2"	\$10.43	\$11.58	\$0.03
3"	\$20.87	\$23.16	\$0.05
4"	\$32.60	\$36.19	\$0.08
6"	\$65.21	\$72.38	\$0.17
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
1,000 Gallons	\$24.89	\$27.62	
3,000 Gallons	\$43.37	\$48.12	
5,000 Gallons	\$71.09	\$78.88	

*The revision to this rate is a correction of a scrivener's error made to the existing rate in staff's recommendation filed on August 22, 2025.

LP WATERWORKS, INC. TEST YEAR ENDED OCTOBER 31, 2024 MONTHLY WASTEWATER RATES		SCHEDULE NO. 4-B DOCKET NO. 20250013-WS	
	UTILITY CURRENT RATES	STAFF RECOMMENDED RATES	4 YEAR RATE REDUCTION
<u>General Service</u>			
Base Facility Charge by Meter Size			
5/8"X3/4"	\$19.34	\$21.26	\$0.06
3/4"	\$29.01	\$31.89	\$0.09
1"	\$48.35	\$53.15	\$0.15
1-1/2"	\$96.70	\$106.30	\$0.31
2"	\$154.72	\$170.08	\$0.49
3"	\$309.44	\$340.16	\$0.99
4"	\$483.50	\$531.50	\$1.54
6"	\$967.00	\$1,063.00	\$3.08
Charge per 1,000 gallons - General Service	\$12.00	\$13.19	\$0.04
<u>Residential Service</u>			
All Meter Sizes	\$19.34	\$21.26	\$0.06
Charge per 1,000 gallons - Residential Service	\$9.99	\$10.98	\$0.03
6,000 Gallonage Cap			
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>			
1,000 Gallons	\$29.33	\$32.24	
3,000 Gallons	\$49.31	\$54.20	
5,000 Gallons	\$69.29	\$76.16	