

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for certificate to operate water utility in Okaloosa County and application for pass through increase of regulatory assessment fees, by Okaloosa Waterworks, Inc.

DOCKET NO. 20200155-WU  
ORDER NO. PSC-2020-0316-PAA-WU  
ISSUED: September 21, 2020

The following Commissioners participated in the disposition of this matter:

GARY F. CLARK, Chairman  
ART GRAHAM  
JULIE I. BROWN  
DONALD J. POLMANN  
ANDREW GILES FAY

NOTICE OF PROPOSED AGENCY ACTION  
ORDER APPROVING TEMPORARY WAIVER OF RULE 25-30.120, F.A.C., FOR  
OKALOOSA WATERWORKS, INC.

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.).

I. Case Background

On June 10, 2020, Okaloosa Waterworks, Inc. (Okaloosa) filed a Petition for Variance or Waiver of Rule 25-30.120, Florida Administrative Code (F.A.C.) (Waiver Petition). Rule 25-30.120, F.A.C., states, in part, that a utility is obligated to remit regulatory assessment fees (RAFs) for any year in which it is subject to our jurisdiction on or before December 31 of that year. The waiver is sought in connection with Okaloosa's application for an original water certificate<sup>1</sup> and a pass through increase of regulatory assessment fees (Certificate and Pass Through Application) also filed in this docket.

The utility was previously owned by the Blackman Community Water System (Blackman), a not-for-profit corporation providing service solely to its members, originally

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<sup>1</sup> Okaloosa is an existing utility currently charging for service.

formed in December 2004.<sup>2</sup> U.S. Water Services Corporation (U.S. Water) acquired the utility via public auction on February 12, 2020. U.S. Water subsequently transferred ownership of the utility to Okaloosa, which was incorporated under the laws of Florida on February 13, 2020.

Okaloosa provides water service to approximately 228 residential customers consisting of single-family residential homes and 9 general service customers in northern Okaloosa County, near Baker, Florida. All of the utility's customers are water only, and have 5/8" x 3/4" meters. According to Okaloosa, Blackman's Board of Directors established the utility's current rates and charges on August 8, 2016. Okaloosa states that it has been charging these same rates and charges as Blackman since its acquisition of the utility.

Pursuant to Section 120.542(5), Florida Statutes (F.S.), Commission staff published notice of Okaloosa's Waiver Petition in the Florida Administrative Register on June 15, 2020. In accordance with Rule 28-104.003(1), F.A.C., interested persons have 14 days after the publication of the notice to submit written comments. We have not received any written comments pertaining to the Waiver Petition, and the time for such comments has expired.

On July 9, 2020, after an initial review of the Waiver Petition, Commission staff sent Okaloosa a request for additional information related to its request for rule waiver or variance, pursuant to Section 120.54(7), F.S. Okaloosa responded with this additional information on July 13, 2020.<sup>3</sup>

This Order addresses Okaloosa's Waiver Petition. Issues relating to Okaloosa's Certificate and Pass Through Application will be addressed in a subsequent order. We have jurisdiction over this matter pursuant to Sections 367.071 and 120.542, F.S.

## II. Decision

As stated above, Okaloosa filed a Waiver Petition seeking a waiver or variance of a requirement of Rule 25-30.120, F.A.C. The rule requires that a utility pay RAFs for a given year if the utility is subject to our jurisdiction, as of December 31 of that year, or is subject to such jurisdiction during any part of that year. Okaloosa's Waiver Petition seeks a temporary waiver or the variance of this RAF payment obligation until such time as Okaloosa is authorized to increase its rates pursuant to Section 367.081(4)(b), F.S. That section allows water and wastewater utilities to automatically revise rates, with verified notice to us 45 days prior to implementing such revision, when the utility is subject to changes to certain specified costs—including RAFs. The effect of approving this Waiver Petition would be to permanently waive any RAFs that would have been otherwise due from Okaloosa to this Commission for the months it has owned and operated the utility, until the date we would approve Okaloosa's Certificate and Pass Through Application.

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<sup>2</sup> Pursuant to Section 367.022(7), F.S., nonprofit corporations, associations, or cooperatives providing service solely to members who own and control such nonprofit corporations, associations, or cooperatives are exempt from Commission regulation.

<sup>3</sup> Document No. 03739-2020.

Section 120.542(2), F.S., authorizes us to grant waivers or variances from our rules when the petitioner subject to the rule has demonstrated that 1) the purpose of the underlying statute will be or has been achieved by other means, and 2) a strict application of the rule would cause the applicant substantial hardship or would violate principles of fairness. “Substantial hardship,” as defined in Section 120.542, F.S., means that the petitioner has demonstrated economic, technological, legal, or other hardship. A violation of “principles of fairness” occurs when an agency’s literal application of a rule would affect a particular person in a manner significantly different from the way it would affect other persons who are similarly situated and subject to that rule.

As stated in Okaloosa’s Waiver Petition, Blackman was founded as an exempt cooperative and was not subject to our jurisdiction until being acquired by U.S. Water and subsequently transferred to Okaloosa. Thus, the cost of RAFs was not accounted for in Blackman’s rates.

The particular provision of Rule 25-30.120, F.A.C., for which Okaloosa is seeking a waiver or variance from is the obligation, under subsection (2), that requires all utilities under our jurisdiction during a particular calendar year pay RAFs for that year. The underlying statutory provisions pertaining to the payment of RAFs and Rule 25-30.120, F.A.C., are Sections 367.145 and 350.113, F.S. Of note, Subsections 367.145(1) and (3), F.S., state that:

(1) The commission shall set by rule a regulatory assessment fee that each utility must pay in accordance with s. 350.113(3);

....

(3) Fees collected by the commission pursuant to this section may only be used to cover the cost of regulating water and wastewater systems. Fees collected by the commission pursuant to chapters 364 and 366 may not be used to pay the cost of regulating water and wastewater systems.

Section 350.113, F.S., specifies the purposes and management of our Florida Public Service Regulatory Trust Fund, which is where RAFs are deposited. Of specific relevance here, 350.113(3), F.S., states, in part, that RAFs “to the extent practicable, be related to the cost of regulating” each type of regulated utility.

Sections 367.145 and 350.113, F.S., convey that the purpose of assessing RAFs is to fund the cost of our regulation of utilities. Central to Okaloosa’s argument is that RAFs are not included in its current rates due to those rates being established by Blackman’s Board in 2016, which is prior to the utility becoming subject to our jurisdiction in February 2020. Regulated utilities can request that the cost of RAFs be included in their rates utilizing the pass through provisions in Section 367.081(4)(b), F.S. However, we have previously stated that pass through items cannot be approved without the utility first having “approved rates” that we have established for that utility.<sup>4</sup> Therefore, as Okaloosa notes, a pass through of RAFs is not

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<sup>4</sup> Order No. PSC-2018-0075-PAA-WU, issued February 12, 2018, in Docket No. 20170155-WU, *In re: Application for grandfather water certificate in Leon County and application for pass through increase of regulatory assessment fees, by Seminole Waterworks, Inc.*; and PSC-2018-0441-PAA-WU, issued August 29, 2018, in Docket No.

permissible until such time as it receives its water certificate and we establish approved rates for the utility. For that reason, Okaloosa argues it is placed at an unfair financial disadvantage due to its inability to collect RAFs in its current rates.

Okaloosa contends that we have incurred minimal to no costs of regulating the utility under Chapter 367, F.S., absent the review of Okaloosa's Certificate and Pass Through Application in this docket. Okaloosa also notes that it has paid the applicable filing fee of \$1,500 as required by Section 367.145(2), F.S., and Rule 25-30.020, F.A.C., for the processing of its filing. Additionally, as Okaloosa points out in its July 13, 2020 response to Commission staff,<sup>5</sup> we previously granted a waiver of RAFs for water utilities in similar situations.<sup>6</sup>

Based on the foregoing analysis and the information provided within Okaloosa's Waiver Petition, we find that Okaloosa has met the requirements of Section 120.542, F.S., in regard to temporarily waiving the requirements of Rule 25-30.120, F.A.C. Okaloosa has demonstrated that the purpose of the statutes underlying Rule 25-30.120, F.A.C., will be, or has been, achieved by other means, because we have only needed to engage in minimal regulation of the utility to this point. Further, we find that the strict application of Rule 25-30.120, F.A.C., would place a substantial hardship on Okaloosa by requiring it to pay regulatory expenses for which it is not currently compensated through rates. Therefore, we approve Okaloosa's Waiver Petition, and temporarily waive the requirements of Rule 25-30.120, F.A.C., until 1) such time as we establish approved rates for Okaloosa and Commission staff administratively approves a pass through of RAFs pursuant to Section 367.081(4)(b), F.S., or 2) December 3, 2020, whichever occurs first.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Okaloosa Waterworks, Inc.'s Petition for Waiver of Rule 25-30.120, F.A.C., is hereby granted until 1) such time as we establish approved rates for Okaloosa and Commission staff administratively approves a pass through of RAFs pursuant to Section 367.081(4)(b), F.S., or 2) December 3, 2020, whichever occurs first. It is further

ORDERED that if no person whose substantial interests are affected by the proposed agency action for the rule waiver files a protest within 21 days of the issuance of this Order, a consummating order shall be issued. 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

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20170253-WU, *In re: Application for grandfather water certificate in Leon County by Lake Talquin Water Company, Inc.*

<sup>5</sup> Document No. 03739-2020.

<sup>6</sup> Order No. PSC-2018-0075-PAA-WU, issued February 12, 2018, in Docket No. 20170155-WU, *In re: Application for grandfather water certificate in Leon County and application for pass through increase of regulatory assessment fees, by Seminole Waterworks, Inc.*; and PSC-2018-0441-PAA-WU, issued August 29, 2018, in Docket No. 20170253-WU, *In re: Application for grandfather water certificate in Leon County by Lake Talquin Water Company, Inc.*

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 pending our final decision regarding Okaloosa's Certificate and Pass Through Application.

By ORDER of the Florida Public Service Commission this 21st day of September, 2020.

  
ADAM J. TEITZMAN  
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.

KMS

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 October 12, 2020.

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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.