



# Public Service Commission

## -M-E-M-O-R-A-N-D-U-M-

DATE: MARCH 16, 2000  
 TO: CHAIRMAN GARCIA  
 FROM: DAN HOPPE, DIRECTOR, DIVISION OF WATER AND WASTEWATER *Mhd*  
 ROSANNE GERVASI, DIVISION OF LEGAL SERVICES *RSG*  
 RE: DOCKET NO. 000295-WU, APPLICATION OF PLACID LAKES UTILITIES, INC.  
 FOR AN INCREASE IN WATER RATES IN HIGHLANDS COUNTY - TEST YEAR  
 APPROVAL

By letter dated March 10, 2000, Placid Lakes Utilities, Inc. (Placid Lakes) has requested approval to use a historical test year ended December 31, 1999. The utility proposes to use the historic twelve months ended December 31, 1999 and the 1999 year-end rate base as the basis for requesting both interim rates and final rates. The utility requested its application be filed using the Proposed Agency Action (PAA) provision in Section 367.081(8), Florida Statutes.

Placid Lakes indicated that the calendar year 1999 historical information was a reasonable representation of its typical and normal level of operations. The major plant additions to the source of supply, pumping equipment, and storage facilities were placed in service in 1997. Operations and maintenance costs for the calendar year 1999 are indicative of Placid Lakes' current operations and costs. There were no extraordinary maintenance or rehabilitation projects undertaken in 1999. According to the utility, its operations and maintenance expenses for the test year ended December 31, 1999 exceed the revenues produced by the current rates. The utility states that it is seeking to recover its current level of operating costs and a fair rate of return on its rate base investment. Placid Lakes further states that a significant part of the proposed increase is to recover costs and return on investment of approximately \$550,000 of plant additions installed since midyear 1995 which comprise most of the current rate base of \$750,034. These costs have already been incurred.

The last rate case for Placid Lakes was in Docket No. 950697-WU, with Order No. PSC-96-0679-FOF-WU, issued on May 23, 1996. The Commission also approved an AFPI charge in Docket No. 950697-WU, with the issuance of Order No. PSC-97-0917-FOF-WU, issued on August 4, 1997. By Order No. PSC-99-1752-TRT-WU, issued September 7, 1999, the Commission approved the utility's request to collect customer deposits.

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- OTH \_\_\_\_\_

Staff believes that the requested test year will be representative because of the reasons stated above. Staff has reviewed the utility's annual reports for the calendar years 1996 through 1998. Based on our review, we believe that the requested test year should be approved. Receipt of the application by June 16, 2000, will be acceptable.

The test year letter filename is I:\PSC\WAW\WP\PLAC-TYA.PWM

Dr. Mary Bane, Deputy Executive Director/Technical  
 Division of Water and Wastewater (Willis, Crouch, Merchant)  
 Division of Legal Services (Gervasi)  
 Division of Auditing and Financial Analysis (Vandiver)  
 Division of Records and Reporting  
 Jackie Edwards

DOCUMENT NUMBER-DATE  
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 FPSC-RECORDS/REPORTING

STATE OF FLORIDA

JOE GARCIA  
CHAIRMAN



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Tallahassee, FL 32399-0855  
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## Public Service Commission

March 17, 2000

Kenneth A. Hoffman  
Rutledge, Ecenia, Purnell, & Hoffman  
P.O. Box 551  
215 S. Monroe St., Suite 420  
Tallahassee, FL 32312

Dear Mr. Hoffman:

Re: Docket No. 000295-WU, Application of Placid Lakes Utilities, Inc. for Increased Water Rates in Highlands County - Test Year Approval

We have received your letter dated March 10, 2000, requesting approval for Placid Lakes Utilities, Inc. (Placid Lakes) to use an historical test year ended December 31, 1999 for interim and final rates. Further, you have stated that the utility will file its application using the Proposed Agency Action (PAA) provision in Section 367.081(8), Florida Statutes. The utility's test year request as outlined above is hereby approved. You should also be aware that prefiled direct testimony must be filed with the minimum filing requirements (MFRs) if you do not elect to request the PAA process.

For administrative purposes only, Docket No. 000295-WU has been assigned to the forthcoming case. Your petition will be deemed filed on the date that the Division of Records and Reporting receives the complete petition, revised tariff sheets, the MFRs, testimony (if not requesting PAA), and the filing fee. To minimize any regulatory lag that may occur, we request that you file the above no later than June 16, 2000. Because of the difficulty in scheduling hearing dates it is not anticipated that an extension of this filing date will be granted.

Under the file and suspend law, the time period for processing the request will begin on the date that all of the required data is completely filed. If not complete, the official filing date will be the date the complete corrections to the deficiencies are filed. The utility is instructed to file all information it wishes the Commission to consider when arriving at a decision on its rate case application with its original filing. Because of the time limitations contained in Section 367.081,

Mr. Kenneth Hoffman

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Florida Statutes, and the lengthy auditing and investigation required, information not filed with the original application may not be considered. Lastly, the utility should be prepared to justify all increased operation and maintenance expenses, particularly those in excess of customer growth and inflation since the year ended December 31, 1994, the calendar year which is five years prior to the current test year.

Sincerely,

Joe Garcia  
Chairman

JG/pwm

cc: Commissioners  
Mr. Talbott  
Dr. Bane  
Division of Water and Wastewater (Willis, Merchant)  
Division of Legal Services (Gervasi)  
Division of Records and Reporting  
Jack Shreve, Office of Public Counsel