

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for limited alternative rate
increase in Highlands County by Country
Walk Utilities, Inc.

DOCKET NO. 20210182-WU
ORDER NO. PSC-2022-0141-PAA-WU
ISSUED: April 12, 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

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING RATE INCREASE FOR COUNTRY WALK UTILITIES, INC.

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein, except for the reduction of rates after four years and granting of temporary rates in the event of a protest, are 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.). The reduction of rates after four years, and the granting of temporary rates in the event of protest are procedural agency actions and subject to reconsideration and appeal as described below under the heading “NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW.”

Background

Country Walk Utilities, Inc. (Country Walk or Utility) is a Class C utility providing water service to approximately 70 residential customers and 1 general service customer in Highlands County. The service area is located in the Southwest Florida Water Management District. Wastewater treatment is provided by septic tank. Country Walk was granted Certificate No. 579-W in a transfer from Holmes Utilities, Inc. in Docket No. 20130294-WU.¹ The Utility’s rates were last approved by this Commission in a staff-assisted rate case in 2018.²

¹Order No. PSC-14-0495-PAA-WU, issued September 17, 2014, in Docket No. 20130294-WU, *In re: Application for transfer of water systems and Certificate No. 579-W in Highlands County from Holmes Utilities, Inc. to Country Walk Utilities, Inc.*

²Order No. PSC-2018-0553-PAA-WU, issued November 19, 2018, in Docket No. 20180021-WU, *In re: Application for staff-assisted rate case in Highlands County by Country Walk Utilities, Inc.*

On November 16, 2021, Country Walk filed an application for a limited alternative rate increase (LARI) pursuant to Rule 25-30.457, Florida Administrative Code (F.A.C.). In its application, the Utility stated the reason for filing this request was due to under earnings as a result of decreased revenues, increased operating expenses, and an increase in Highlands County taxes. On December 15, 2021, the Utility was notified that it had met the initial requirements of Rule 25-30.457, F.A.C., and the official date of filing was established as January 14, 2022, and 90-day time frame for us to render a decision began on that date.

As stated above, Country Walk's rates were last set in 2018, and in that proceeding, we found the Utility's overall quality of service to be satisfactory. Since the 2018 rate case, our staff has identified no secondary water quality complaints filed with either this Commission or the Florida Department of Environmental Protection (DEP). Four complaints were received by the Utility pertaining to DEP secondary standards. Two of those complaints originated from the same customer, and all of the complaints were related to odor from the water. A Notice for the Solicitation of Comments (Notice) was sent to customers on February 17, 2022, and three comments were received. We note that the most recent DEP secondary standard test results, dated November 15, 2021, indicate that Country Walk is currently passing all secondary standards.

Country Walk selected the test year ended September 30, 2021, for this proceeding. We have jurisdiction pursuant to Sections 367.0814(9) and 367.121(1), Florida Statutes (F.S.).

Decision

Pursuant to Rule 25-30.457, F.A.C., any utility eligible to file for a staff-assisted rate case may petition us for a rate increase of up to 20 percent applied to metered or flat recurring rates as an alternative to a rate case. This Rule was designed to streamline the rate increase process for qualifying water or wastewater utilities by establishing an abbreviated procedure for a limited rate increase that is less time consuming and thus less costly for utilities and their customers. This Rule is similar to the rules governing price index and pass-through increases, in that neither an engineering review nor a financial audit of the utility's books and records is required.

On November 16, 2021, Country Walk notified us of its intent to implement a LARI pursuant to Rule 25-30.457, F.A.C. We determined the Utility's application met the initial requirements of the Rule, and established January 14, 2022, as the official filing date. We verified that the Utility is current on the filing of regulatory assessment fees (RAFs) and annual reports. Country Walk has had rates established within the last seven years, pursuant to Rule 25-30.457(2)(1), F.A.C., and was under earning based on information provided in its application. The filing contained additional relevant information in support of the Utility's application.

On February 17, 2022, the Utility sent its customers the Notice that provided a summary of the rate request, the current and proposed rates, detailed instructions on how comments may be filed with us prior to the Commission Conference, and instructions if a customer wished to comment at the Commission Conference. Also attached to the Notice was a customer comment card that customers could complete and mail to the Commission. As of March 23, 2022, three customers submitted comments. The customers expressed concerns regarding water quality

issues, specifically the smell of the water and a dark or black substance developing in their sinks, showers, and toilets after repeated contact with the water. Based on Country Walk's most recent DEP test results, the Utility is currently passing all secondary standards.

Utility's Requested Revenue Increase

Country Walk requested a revenue increase of \$4,658, or 8.18 percent. The three main drivers for the requested revenue increase are an increase in Contractual Services – Other of \$2,009, an increase in Miscellaneous Expenses of \$1,150, and a Highlands County property tax increase of \$1,312, as compared to the amounts approved in Country Walk's last rate case.³ The Utility also requested an allowance for rate case expense of \$1,153, which amortized over four years is \$288 per year. Our approved adjustments and the increase in property taxes are explained below.

The increase in Contractual Services – Other of \$2,009 was due to a price increase for the service contract with U.S. Water Service Corporation from \$21,828 to \$23,837. In its filing, the Utility requested an amount of \$23,699 for Contractual Services – Other, but provided a more recent cost of \$23,837 in its response to Staff's First Data Request.⁴ We made an adjustment to increase the expense by the difference of \$138.

The increase in Miscellaneous Expenses included an amount of \$1,000 for a political contribution. The Utility acknowledged this amount was inadvertently included and was removed.

The increase in county property taxes in 2021 was due to an increase in the assessed value of the utility plant from \$25,999 in 2020 to \$150,754 in 2021.

We reviewed Country Walk's requested allowance for rate case expense of \$1,153, or \$288 per year, and believe the following adjustments are appropriate. The Utility paid a filing fee of \$1,000, but only included \$500 in its rate case expense request. Therefore, we increased rate case expense by \$500. We also increased the total customer noticing expense by \$45, and removed \$250 for the travel expense to attend the customer meeting. In total, we calculated an allowance for rate case expense of \$1,448, which amortized over four years is \$362 per year, an increase of \$74 per year.

As result of our reduction to the revenue requirement, RAFs are reduced by \$15. A summary of Country Walk's requested expenses and our approved adjustments are shown in Table 1.

³Order No. PSC-2018-0553-PAA-WU

⁴Document No. 00219-2022, filed on January 13, 2022.

Table 1
Summary of Adjustments

Operation & Maintenance (O&M) Expenses	Utility Requested	Commission Adjustment	Commission Approved
Contractual Services – Other	\$23,699	\$138	\$23,837
Misc. Expenses	\$1,250	(\$1,000)	\$250
Rate Case Expense	\$288	\$74	\$362
RAFs on Rev. Increase	\$210	(\$15)	\$195
Total Operating Expense	\$50,123	(\$803)	\$49,320

Source: Utility’s application and response to Staff’s First Data Request, and staff calculations.

Additionally, to calculate its requested revenue increase and revenue requirement, Country Walk used a rate of return of 7.75 percent based on its most recent capital structure and a return on equity of 7.85 percent that was derived from the current leverage formula. We believe it is consistent with Rule 25-30.457 F.A.C. to calculate the revenue increase using the return on equity of 8.11 percent and overall rate of return of 8.08 percent that was approved by us in the Utility’s most recent rate case.⁵ After applying the recommended adjustments to the O&M expenses, and calculating the revenue requirement to achieve the authorized return on equity mid-point of 8.11 percent, the adjusted revenue increase is \$4,340, or 7.62 percent.

Conclusion

The information presented in the application was based on annualized revenues by customer class and meter size for the period ended September 30, 2021, the most recent 12-month period. As discussed above, we approve an annual revenue increase of \$4,340, which includes an allowance for rate case expense of \$1,448, which amortized over four years is \$362 per year. A summary of Country Walk’s requested revenue increase and our approved revenue increase is presented in Table 2.

Table 2
Commission-Approved Increase

	Annualized Revenues	Revenue Increase	Revenue Requirement	Percent Increase
Utility Requested	\$56,943	\$4,658	\$61,602	8.18%
Commission Approved	\$56,943	\$4,340	\$61,283	7.62%

Source: Utility’s application and staff calculations.

Pursuant to Rule 25-30.457(7), F.A.C., Country Walk is required to hold any revenue increase granted subject to refund in accordance with Rule 25-30.360(4), F.A.C.

⁵Order No. PSC-2018-0553-PAA-WU

To ensure overearnings will not occur due to the implementation of this rate increase, our staff will conduct an earnings review of the 12-month period following the implementation of the revenue increase. At the end of the 12-month period, each Utility has 90 days to complete and file Form PSC 1025 (03/20), entitled “Limited Alternative Rate Increase Earnings Review.” In the event Country Walk needs additional time to complete the form, the Utility may request an extension of time supported by a statement of good cause that must be filed with our staff no less than seven days prior to the 90-day deadline. If the earnings review demonstrates that Country Walk exceeded the range of its last authorized rate of return on equity, such overearnings, up to the amount held subject to refund, with interest, shall be disposed of to the benefit of the customers. If our staff determines that the Utility did not exceed the range of its last authorized return on equity, the revenue increase will no longer be held subject to refund.

Based on the information described above, we hereby approve Country Walk’s application with the modifications discussed above.

Monthly Service Rates

Based on our approval of the Utility’s LARI, the existing service rates for Country Walk shall be increased by 7.62 percent in accordance with Rule 25-30.457, F.A.C. Therefore, we calculated rates by applying the 7.62 percent increase across-the-board to the existing base facility and gallonage charges. The Utility’s existing water rates and the approved rates are shown on Schedule No. 1. The Utility shall file tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates shall 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 rates shall not be implemented until the proposed customer notice has been approved. The Utility shall provide proof of the date notice was given no less than 10 days after the date of the notice.

Rate Case Expense (Procedural Agency Action)

Section 367.081(8), F.S., requires that the rates be reduced immediately following the expiration of the recovery period by the amount of the rate case expense previously included in rates. These reductions will reflect the removal of revenue associated with the amortization of rate case expense and the gross-up for RAFs. The total revenue reduction for the Utility is \$1,516 ($\$1,448 \div 0.955$) or \$379 annually.

We find that the rates shall be reduced to remove rate case expense grossed-up for RAFs and amortized over a four-year period. The decrease in rates shall become effective immediately following the expiration of the rate case expense recovery period, pursuant to Section 367.081(8), F.S. Country Walk shall be required to file revised tariffs and proposed customer notices setting forth the lower rates and the reason for the reductions no later than one month prior to the actual date of the required rate reductions. If the Utility files these reductions in conjunction with price index or pass-through rate adjustments, separate data should be filed for the price index and/or pass-through increases or decreases and the reductions in the rates due to the amortized rate case expenses.

Temporary Rates that are Subject to Refund (Procedural Agency Action)

The filing of a timely protest to this increase in rates might delay what may be a justified rate increase resulting in an unrecoverable loss of revenue for the Utility. Therefore, pursuant to Rule 25-30.457(9), F.A.C., Country Walk shall be authorized to implement the rates established in the LARI PAA Order on a temporary basis subject to refund upon filing a SARC application within 21 days from the date the protest is filed. The Utility shall also file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The rates shall be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the temporary rates shall not be implemented until Commission staff has approved the proposed notice, and the notice has been received by the customers. These rates are approved on a temporary basis, and the incremental increase collected by the Utility shall be subject to the refund provisions outlined in Rule 25-30.360, F.A.C. Pursuant to Rule 25-30.457(9), F.A.C., if Country Walk fails to file a SARC application within 21 days in the event there is a protest, the application for a LARI will be deemed withdrawn.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the application for a limited alternative rate increase by Country Walk, Inc., is hereby approved subject to the modifications set out in the body of the Order. It is further

ORDERED that the existing service rates for Country Walk shall be increased by 7.62 percent in accordance with Rule 25-30.457. It is further

ORDERED that the rates shall be reduced to remove rate case expenses grossed-up for RAFs and amortized over a four-year period. The decrease in rates will become effective immediately following the expiration of the rate case expense recovery period, pursuant to Section 367.081(8), F.S. Country Walk will be required to file revised tariffs and proposed customer notices setting forth the lower rates and the reason for the reductions no later than one month prior to the actual date of the required rate reductions. (*Procedural Agency Action*) It is further

ORDERED that in the event of a protest of the Proposed Agency Action (PAA) Order by a substantially affected person other than Country Walk, the Utility shall be authorized to implement the rates established in the LARI PAA Order on a temporary basis subject to refund upon filing a staff-assisted rate case (SARC) application within 21 days from the date the protest is filed. The Utility shall file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The rates shall be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the temporary rates shall not be implemented until staff has approved the proposed notice, and the notice has been received by the customers. If the recommended rates are approved on a temporary basis, the incremental increase collected by the Utility will be subject to the refund

provisions outlined in Rule 25-30.360, F.A.C. Pursuant to Rule 25- 30.457(9), F.A.C., if Country Walk fails to file a SARC application within 21 days in the event there is a protest, the application for a LARI will be deemed withdrawn. 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 in the event of a protest Country Walk may implement the rates established in this Order on a temporary basis, subject to refund with interest, upon the utility's filing of a staff-assisted rate case application within 21 days of the date of the protest. 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 shall be issued. The docket shall remain open for Commission staff's verification that the revised tariff sheets, which reflect the Commission-approved rates, and customer notice have been filed by Country Walk and approved by staff, and so that Commission staff may conduct an earnings review of the Utility pursuant to Rule 25-30.457(8), F.A.C. Upon Commission staff's approval of the tariff and completion of the earnings review process as set forth in Rule 25-30.457(8)(a), F.A.C., this docket shall be closed administratively.

By ORDER of the Florida Public Service Commission this 12th day of April,
2022.



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.

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.

As identified in the body of this order, our action except for the reduction of rates after four years and granting of temporary rates in the event of a protest 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 May 3, 2022. If such a petition is filed, 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. In the absence of such a petition, this order shall become effective and final upon the issuance of a Consummating Order.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

Any party adversely affected by the Commission's procedural or intermediate action in this matter may request: (1) reconsideration within 10 days pursuant to Rule 25-22.0376, Florida Administrative Code, if issued by a Prehearing Officer; (2) reconsideration within 15 days pursuant to Rule 25-22.060, Florida Administrative Code, if issued by the Commission; or (3) 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 or wastewater utility. A motion for reconsideration shall be filed with the Office of Commission Clerk, in the form prescribed by Rule 25-22.060, Florida Administrative Code. Judicial review of a preliminary, procedural or intermediate ruling or order is available if review of the final action will not provide an adequate remedy. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.

Country Walk Utilities, Inc.				Schedule No. 1
Test Year Ended 12/31/21				Docket No. 20210182-WU
Water Rates				
	UTILITY'S EXISTING RATES	UTILITY'S PROPOSED RATES	COMMISSION APPROVED RATES	4-YEAR RATE REDUCTION
<u>Residential and General Service</u>				
Base Facility Charge by Meter Size				
5/8" x 3/4"	\$29.65	\$32.08	\$31.91	\$0.20
3/4"	\$44.48	\$48.12	\$47.87	\$0.30
1"	\$74.13	\$80.19	\$79.78	\$0.50
1 1/2"	\$148.25	\$160.38	\$159.55	\$1.00
2"	\$237.20	\$256.61	\$255.28	\$1.60
3"	\$474.40	\$513.21	\$510.56	\$3.20
4"	\$741.25	\$801.89	\$797.75	\$5.00
6"	\$1,482.50	\$1,603.78	\$1,595.50	\$10.00
Charge per 1,000 gallons - Residential Service				
0-3,000 gallons	\$13.29	\$14.38	\$14.30	\$0.09
Over 3,000 gallons	\$24.15	\$26.13	\$25.99	\$0.16
Charge per 1,000 gallons - General Service				
	\$15.45	\$16.71	\$16.63	\$0.10
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparison</u>				
3,000 Gallons	\$69.52	\$75.22	\$74.81	
6,000 Gallons	\$141.97	\$153.61	\$152.78	
10,000 Gallons	\$238.57	\$258.13	\$256.74	