

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for limited alternative rate
increase in Highlands County by LP
Waterworks, Inc.

DOCKET NO. 20180215-WS
ORDER NO. PSC-2019-0141-PAA-WS
ISSUED: April 22, 2019

The following Commissioners participated in the disposition of this matter:

ART GRAHAM, Chairman
DONALD J. POLMANN
ANDREW GILES FAY

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING RATE INCREASE FOR LP WATERWORKS, INC.
AND FINAL ORDER ON TEMPORARY RATES

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission (Commission) that the actions discussed herein, except for the 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 granting of temporary rates in the event of a protest is final agency action and subject to reconsideration and appeal as described below under the heading, "NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW."

Background

LP Waterworks, Inc. (LP Waterworks or Utility) is a Class C utility serving approximately 449 water and 393 wastewater customers in Highlands County. The Utility's last approved rate increase was in 2017.¹

On November 26, 2018, LP Waterworks filed an application for a limited alternative rate increase (LARI) pursuant to Rule 25-30.457, Florida Administrative Code (F.A.C.). On December 20, 2018, our staff notified the Utility that it met the initial requirements of Rule 25-30.457, F.A.C. Therefore, pursuant to Rule 25-30.457(4), F.A.C., the official date of filing was established as January 22, 2019, and the 90-day time frame for the Commission to render a decision began on that date.

As stated above, we last set rates for LP Waterworks in 2017. In that rate case, we found the Utility's overall quality of service to be satisfactory. No complaints concerning water quality

¹Order No. PSC-2017-0334-PAA-WS, issued August 23, 2017, in Docket No. 20160222-WS, *In re: Application for staff-assisted rate case in Highlands County by LP Waterworks, Inc.*

were received by us or the Florida Department of Environmental Protection (DEP) since the last rate case. The Utility has received seven complaints concerning water quality since the last rate case.

We note that the most recent DEP compliance test results, dated November 11, 2018, demonstrate that the Utility is currently in compliance with DEP secondary standards. A customer meeting was held on February 26, 2019, in Lake Placid, Florida. Approximately 10 customers attended. Four customers spoke at the meeting, including the president of the property owner's association. Three customers raised concerns regarding the requested rate increase. The association president voiced concerns on the requested rates and taste of the water. His written comments were subsequently filed with us.² The Utility provided a written response to those comments which is included in the docket file.³

Rule 25-30.457, F.A.C., was adopted on March 15, 2005. The Rule was amended in 2008, 2014, and 2018. Under provisions of this Rule, we previously approved applications filed by only two other utilities in 2006.⁴

We have jurisdiction pursuant to Sections 367.0814(9) and 367.121(1), Florida Statutes.

Decision

1. Limited Alternative Rate Increase

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 small water or wastewater companies, by establishing an abbreviated procedure for a limited rate increase that is less time consuming and thus less costly for utilities, their customers, and us. 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.

As noted previously, on November 26, 2018, LP Waterworks notified us of its intent to implement a limited alternative rate increase of 20 percent pursuant to Rule 25-30.457, F.A.C. The application met the initial requirements of the Rule, and January 22, 2019, was established as the official filing date.

We reviewed the Utility pursuant to the criteria listed in Rule 25-30.457(5), F.A.C., and find that LP Waterworks qualifies for staff assistance pursuant to subsection (1) of this Rule and the Utility's books and records appear to be organized consistent with Rule 25-30.110, F.A.C. We also verified that the Utility is current on the filing of regulatory assessment fees and annual

²Document No. 01366-2019, filed on March 4, 2019.

³Document No. 02914-2019, filed on March 8, 2019.

⁴Order No. PSC-06-0444-PAA-WU, issued May 22, 2006, in Docket No. 20050880-WU, *In re: Petition for limited alternative rate increase in Lake County by Brendenwood Water System, Inc.*, and Order No. PSC-06-0822-PAA-WU, issued October 6, 2006, in Docket No. 20060416-WU, *In re: Petition for limited alternative rate increase in Polk County by Pinecrest Ranches, Inc.*

reports. The Utility has been in operation over a year and filed additional relevant information in support of eligibility. Despite the fact that the Utility received a rate increase less than two years from the date of filing of its petition, LP Waterworks remains in a negative earnings posture based on information provided in the Utility's 2017 and 2018 Annual Reports. Based on the information described above, we approve of the Utility's petition.

The data presented in the application was based upon annualized revenues by customer class and meter size for the period ended September 30, 2018, the most recent 12-month period. Based on annualized revenues of \$115,420 for water and \$106,888 for wastewater, a 20 percent increase would result in an annual increase in revenues of \$23,061 for water and \$21,378 for wastewater. This produces total annual service revenues of \$138,481 for water and \$128,266 for wastewater.

Pursuant to Rule 25-30.457(12), F.A.C., the Utility is required to hold any revenue increase granted subject to refund with interest in accordance with Rule 25-30.360, F.A.C., for a period of 15 months after the filing of its annual report for the year the adjustment in rates was implemented.

After the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., the Utility must file reports with the Office of Commission Clerk no later than the 20th of every month indicating the monthly and total amount of money subject to refund at the end of the preceding month. The report filed must also indicate the status of the security being used to guarantee repayment of any potential refund.

We reviewed the personal financial statements of the primary shareholder, which is the company's president.⁵ The president has provided a personal guarantee of any rate increase approved in this docket.⁶ Based on the above, we find that in this circumstance the company's president has demonstrated the financial ability to guarantee the refund, if necessary.

To ensure overearnings will not occur due to the implementation of this rate increase, we will conduct an earnings review of LP Waterworks' annual report for the year the adjustment in rates was implemented. If overearnings occur, such overearnings, up to the amount held subject to refund, with interest, will be disposed of for the benefit of the customers.

2. Monthly Service Rates

Based on our approval of the Utility's limited alternative rate increase, the existing service rates for LP Waterworks shall be increased by 20 percent in accordance with Rule 25-30.457, F.A.C. Therefore, we calculated rates by applying the 20 percent increase across-the-board to the existing base facility and gallonage charges. The Utility's existing water and wastewater rates and our approved rates are shown on Schedule No. 1. The Utility shall file tariff sheets and a proposed customer notice to reflect our approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheets

⁵Document No. 05042-2018 (Confidential), in Docket No. 20180066-WU.

⁶Document No. 03208-2019, filed March 20, 2019.

pursuant to Rule 25-30.475(1), F.A.C. In addition, the rates shall not be implemented until our staff approves the proposed customer notice. The Utility shall provide proof of the date notice was given no less than 10 days after the date of the notice.

3. Temporary Rates in the Event of a Protest (Final Agency Action)

By this Order, we propose an increase in water rates. A timely protest might delay what may be a justified rate increase resulting in an unrecoverable loss of revenue to the Utility. Therefore, pursuant to Rule 25-30.457(15), F.A.C., in the event of a protest of the Proposed Agency Action (PAA) Order by a substantially affected person other than the Utility, LP Waterworks shall be authorized to implement the rates established in this Order on a temporary basis subject to refund upon the Utility filing a staff-assisted rate case application within 21 days of the date the protest is filed.

The Utility shall file revised tariff sheets and a proposed customer notice to reflect our approved rates. The approved 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 our staff has approved the proposed notice, and the notice has been received by the customers. The incremental increase of the temporary rates 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(17), F.A.C., if the Utility fails to file a staff-assisted rate case application within 21 days in the event there is a protest, the application for a limited alternative rate increase will be deemed withdrawn.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that LP Waterworks, Inc.'s application for a limited alternative rate increase in the amount of 20 percent is hereby approved. This equates to an increase of \$23,061 for water and \$21,378 for wastewater. It is further

ORDERED that pursuant to Rule 25-30.457(12), F.A.C., LP Waterworks, Inc. shall hold the Commission-approved revenue increase granted subject to refund with interest for a period of 15 months after the filing of its annual report for the year the adjustment in rates was implemented. It is further

ORDERED that if overearnings occur, such overearnings, up to the amount held subject to refund, with interest, must be disposed of for the benefit of the customers. After the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., LP Waterworks, Inc. must file reports with the Office of Commission Clerk no later than the 20th of every month indicating the monthly and total amount of money subject to refund at the end of the preceding month. The report filed must also indicate the status of the security being used to guarantee repayment of any potential refund. It is further

ORDERED that the existing service rates for LP Waterworks, Inc. shall be increased by 20 percent in accordance with Rule 25-30.457, F.A.C. The approved service 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 our staff has approved the proposed customer notice. LP Waterworks, Inc. shall provide proof of the date notice was given no less than 10 days after the date of the notice. It is further

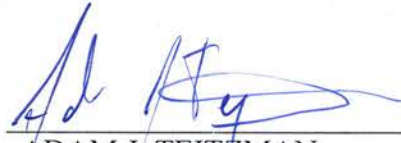
ORDERED that pursuant to Rule 25-30.457(15), F.A.C., in the event of a protest of the Proposed Agency Action (PAA) Order by a substantially affected person other than the Utility, LP Waterworks, Inc. is authorized to implement the rates established in the PAA Order on a temporary basis subject to refund upon LP Waterworks, Inc. filing a staff-assisted rate case application within 21 days of the date the protest is filed. (*Final Agency Action*) It is further

ORDERED that LP Waterworks, Inc. shall file revised 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 sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the temporary rates shall not be implemented until our staff has approved the proposed notice, and the notice has been received by the customers. If the rates are approved on a temporary basis, the incremental increase collected by the LP Waterworks, Inc. will be subject to the refund provisions set forth in Rule 25-30.360, F.A.C. Pursuant to Rule 25-30.457(17), F.A.C., if LP Waterworks, Inc. fails to file a staff-assisted rate case application within 21 days in the event there is a protest, the application for a limited alternative rate increase will be deemed withdrawn. (*Final Agency Action*) It is further

ORDERED that the provisions of this Order that are issued as a 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, LP Waterworks, Inc. may implement the rates established in the PAA 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 LP Waterworks, Inc. fails to file a staff-assisted rate case within 21 days, the Utility's petition for a limited alternative rate increase will be deemed withdrawn pursuant to Rule 25-30.457(17), F.A.C. If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of this Order, a Consummating Order shall be issued. The docket shall remain open for our staff's verification that the revised tariff sheets, which reflect the Commission-approved rates, and customer notice have been filed by LP Waterworks, Inc. and approved by our staff, and so that our staff may conduct an earnings review of the Utility pursuant to Rule 25-30.457(12), F.A.C. Upon our staff's approval of the tariff and completion of the earnings review process as set forth in Rule 25-30.457(12)-(14), F.A.C., this docket shall closed administratively.

By ORDER of the Florida Public Service Commission this 22nd day of April, 2019.



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.

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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.

As identified in the body of this order, our actions, except for the granting of temporary rates in the event of protest, are 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, at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on May 13, 2019. 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 this 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, 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 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.

**LP Waterworks, Inc.
 Monthly Water Rates**

	Existing Rates	Commission Approved Rates
Residential and General Service		
Base Facility Charge by Meter Size		
5/8" x 3/4"	\$9.85	\$11.82
3/4"	\$14.78	\$17.73
1"	\$24.63	\$29.55
1 1/2"	\$49.26	\$59.10
2"	\$78.82	\$94.56
3"	\$157.65	\$189.12
4"	\$246.32	\$295.50
6"	\$492.65	\$591.00
Gallonage Charge - Residential Service		
Charge Per 1,000 gallons		
0-3,000 gallons	\$5.66	\$6.79
Over 3,000 gallons	\$8.32	\$9.98
Gallonage Charge - General Service		
Charge Per 1,000 gallons		
	\$6.81	\$8.17
Private Fire Protection		
Base Facility Charge by Meter Size		
5/8" x 3/4"	\$0.82	\$0.98
3/4"	\$1.23	\$1.47
1"	\$2.05	\$2.46
1 1/2"	\$4.11	\$4.92
2"	\$6.57	\$7.88
3"	\$13.14	\$15.76
4"	\$20.53	\$24.62
6"	\$41.05	\$49.25
Typical Residential 5/8" x 3/4" Meter Bill Comparison		
2,000 Gallons	\$21.17	\$25.40
6,000 Gallons	\$51.79	\$62.13
10,000 Gallons	\$85.07	\$102.05

**LP Waterworks, Inc.
Monthly Wastewater Rates**

	Existing Rates	Commission Approved Rates
Residential Service		
Base Facility Charge – All Meter Sizes	\$14.93	\$17.91
Charge Per 1,000 gallons 6,000 gallon cap	\$7.72	\$9.26
General Service		
Base Facility Charge by Meter Size		
5/8" x 3/4"	\$14.93	\$17.91
3/4"	\$22.40	\$26.87
1"	\$37.33	\$44.78
1 1/2"	\$74.66	\$89.55
2"	\$119.46	\$143.28
3"	\$238.92	\$286.56
4"	\$373.31	\$447.75
6"	\$746.63	\$895.50
Charge Per 1,000 gallons	\$9.27	\$11.12
Typical Residential 5/8" x 3/4" Meter Bill Comparison		
2,000 Gallons	\$30.37	\$36.43
6,000 Gallons	\$61.25	\$73.47
10,000 Gallons	\$61.25	\$73.47