

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for staff-assisted rate case in
Alachua County, and request for interim rate
increase by Gator Waterworks, Inc.

DOCKET NO. 20190114-WU
ORDER NO. PSC-2019-0307-PCO-WU
ISSUED: July 29, 2019

The following Commissioners participated in the disposition of this matter:

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

ORDER GRANTING INTERIM REVENUE INCREASE
TO GATOR WATERWORKS, INC.

BY THE COMMISSION:

Background

Gator Waterworks, Inc. (Gator Waterworks or utility) is a Class C utility serving 354 residential water customers in Alachua County. The utility's rates and charges were last approved in a grandfather certificate proceeding in 1993.¹ However, the utility's rates have been amended through three price index increases. The utility has never had a staff-assisted rate case before this Commission. According to Gator Waterworks' 2018 annual report, total gross revenue was \$47,041 and total operating expense was \$80,178.

On May 13, 2019, Gator Waterworks filed its application for a staff-assisted rate case. In its application, the utility requested a test year ended March 31, 2019, for interim and final rate purposes.

This Order addresses the utility's interim rates. We have jurisdiction pursuant to Sections 367.082 and 367.0814(4), Florida Statutes (F.S).

¹Order No. PSC-93-1027-FOF-WU, issued July 13, 1993, in Docket No. 19921195-WU, *In re: Application for certificate to provide water service in Alachua County under grandfather rights by Kincaid Hills Water Company*.

Decision

I. Approval of Interim Revenue Increase

On May 13, 2019, Gator Waterworks filed an application requesting an interim revenue increase in its water rates. Section 367.0814(4), F.S., details interim rate increases for staff-assisted rate cases.

Section 367.0814(4), F.S., states:

The commission may, upon its own motion, or upon petition from the regulated utility, authorize the collection of interim rates until the effective date of the final order. Such interim rates may be based upon a test period different from the test period used in the request for permanent rate relief. To establish interim relief, there must be a demonstration that the operation and maintenance expenses exceed the revenues of the regulated utility, and interim rates shall not exceed the level necessary to cover operation and maintenance expenses as defined by the Uniform System of Accounts for Class C Water and Wastewater Utilities (1996) of the National Association of Regulatory Utility Commissioners.

We have reviewed the utility's filed operation and maintenance (O&M) expenses in relation to its revenues. Based on the utility's filing, we find that Gator Waterworks has demonstrated a *prima facie* entitlement to an interim rate increase in accordance with Section 367.0814(4), F.S.

In order to establish interim rate relief as prescribed by Section 367.0814(4), F.S., we used the utility's revenues reflected in its filing for the test year ended March 31, 2019. The test year revenues are \$56,351, which includes \$51,833 from water service rates and \$4,518 from miscellaneous service revenues. The test year O&M expenses are \$76,491. The difference between the utility's test year revenues and O&M expenses is \$20,140.

In addition, the interim water increase shall be grossed up to include regulatory assessment fees (RAFs). We have previously determined that it would be inappropriate to approve an increase in a utility's rates to cover its operating expenses and deny that same utility the funds to pay RAFs.² Furthermore, by approving an interim rate increase that allows for the payment of RAFs, the utility shall be able to fully cover its O&M expenses. The RAFs associated with the interim increase equal \$949.

In total, Gator Waterworks shall be allowed an interim water revenue increase of \$21,089 (\$20,140 + \$949) to produce revenues sufficient to cover O&M expenses and additional RAFs. Thus, we find that the appropriate interim revenue requirement shall be \$77,440. This is a 37.42

²Order No. PSC-01-1654-FOF-WS, issued August 13, 2001, in Docket No. 20010396-WS, *In re: Application for staff-assisted rate case in Brevard County by Burkim Enterprises, Inc.*

percent increase above the utility's test year revenues. Table 1 illustrates our interim increase calculation.

Table 1
Determination of Interim Increase

	Water
1. Utility Test Year O&M Expenses	\$76,491
2. Less: Utility Test Year Revenues	<u>\$56,351</u>
3. Revenues to Cover O&M Expenses	\$20,140
4. Interim Revenue Increase	\$20,140
5. RAFs on Interim Rate Increase	\$949
6. Total Interim Revenue Increase (\$)	<u>\$21,089</u>
7. Total Interim Revenue Increase (%)	<u>37.42%</u>

Source: The utility's application and our calculations

II. Appropriate Interim Water Rates

We find that interim service rates for Gator Waterworks shall be designed to allow the utility the opportunity to generate annual operating revenues of \$77,440. Before removal of miscellaneous revenues, this would result in an increase of \$21,089 (37.42 percent). To determine the appropriate increase to apply to the service rates, miscellaneous revenues shall be removed from the test year revenues. The calculation is as follows:

Table 2
Percentage Increase Less Miscellaneous Revenues

	Water
1. Total Test Year Revenues	\$56,351
2. Less: Miscellaneous Revenues	<u>\$4,518</u>
3. Test Year Revenues from Service Rates	\$51,833
4. Revenue Increase	<u>\$21,089</u>
5. % Service Rate Increase (Line 4/Line 3)	<u>40.69%</u>

Source: Commission-approved revenue requirement and the utility's application

We find that the interim rate increase of 40.69 percent shall be applied as an across-the-board increase to the existing service rates. The rates, as shown on Schedule No. 1, 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. The utility shall file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. In addition, the approved rates shall not be implemented until the required security has been filed, our staff has approved the proposed

customer notice, and the notice has been received by the customers. The utility shall provide proof of the date notice was given within 10 days of the date of the notice.

III. Appropriate Security to Guarantee the Interim Increase

Pursuant to Section 367.082, F.S., revenues collected under interim rates shall be placed under bond, escrow, letter of credit, or corporate undertaking subject to refund with interest at a rate ordered by this Commission. As stated above, the total annual interim revenue increase is \$21,089. In accordance with Rule 25-30.360, F.A.C., we calculated the potential refund of revenues and interest collected under interim conditions to be \$14,286. This amount is based on an estimated eight months of revenue being collected from the Commission-approved interim rates over the utility's current authorized rates shown on Schedule No. 1.

The owner/president provided the most recent three years of his personal financial net worth. We reviewed the confidential personal financial information provided by the owner/president.³ We find that in this circumstance the owner/president has demonstrated the financial ability and wherewithal to guarantee the interim refund in this rate increase, if necessary. Further, the owner/president provided a personal guarantee in the amount of \$14,286, in this docket.⁴

Pursuant to Rule 25-30.360(6), F.A.C., the utility shall provide a report by the 20th day of each month indicating the monthly and total revenue collected subject to refund. Should a refund be required, the refund shall be with interest and undertaken in accordance with Rule 25-30.360, F.A.C. In no instance shall maintenance and administrative costs associated with any refund be borne by the customers. Such costs are the responsibility of, and shall be borne by, the utility.

Accordingly, the appropriate security to guarantee the funds collected subject to refund is a corporate undertaking.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Gator Waterworks, Inc.'s requested interim rate increase for water is hereby approved as set forth in the body of this Order. It is further

ORDERED that the interim rate increase shall be applied as an across-the-board increase to the existing service rates. It is further

ORDERED that the rates, as shown on Schedule No. 1, 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. It is further

³Document No. 04598-2019 (Confidential), in Docket No. 20190114-WU.

⁴Document No. 05084-2019, in Docket No. 20190114-WU.

ORDERED that Gator Waterworks, Inc. shall file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. In addition, the approved rates shall not be implemented until the required security has been filed, our staff has approved the proposed customer notice, and the notice has been received by the customers. It is further

ORDERED that Gator Waterworks, Inc. shall provide proof of the date notice was given within 10 days of the date of the notice. It is further

ORDERED that the appropriate security to guarantee the funds collected subject to refund is a corporate undertaking. It is further

ORDERED that the docket shall remain open pending this Commission's final action on the utility's requested rate increase.

By ORDER of the Florida Public Service Commission this 29th day of July, 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 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.

Any party adversely affected by this order, which is non-final in nature, may request (1) reconsideration within 10 days pursuant to Rule 25-22.0376, 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. A motion for reconsideration shall be filed with the Office of Commission Clerk, in the form prescribed by Rule 25-22.0376, Florida Administrative Code. Citizens of the State of Florida v. Mayo, 316 So.2d 262 (Fla. 1975), states that an order on interim rates is not final or reviewable until a final order is issued. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.

GATOR WATERWORKS, INC.		SCHEDULE NO. 1	
TEST YEAR ENDED MARCH 31, 2019		DOCKET NO. 20190114-WU	
MONTHLY WATER RATES		CURRENT RATES	COMMISSION APPROVED INTERIM
<u>Residential and General Service</u>			
Base Facility Charge			
All Meter Sizes		\$6.94	\$9.76
Charge per 1,000 gallons		\$0.92	\$1.29
<u>Typical Residential 5/8" x 3/4" Meter Bill Comparisons</u>			
3,000 Gallons		\$9.70	\$13.63
6,000 Gallons		\$12.46	\$17.50
10,000 Gallons		\$16.14	\$22.66