

# WATER & WASTEWATER INDUSTRY QUARTERLY REPORT

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Keeping You Informed About Florida

March 2014



## Proposed Legislation for 2014 Legislative Session

By: Susan Clark

### **Senate Bill 272**

The Senate Bill 272 remains under consideration by the legislature. The new version of the bill, Committee Substitute for Committee Substitute for Committee Substitute for Senate Bill 272 (CS for CS for CS for SB 272) provides for the revocation by the Florida Public Service Commission (FPSC) of a utility's certificate of authorization to provide water service if customers file a petition requesting revocation and the FPSC finds it is in the best interests of the customers. Procedures and requirements for customers to file a letter stating their intent to file a petition for revocation, for filing a petition for revocation, and the utility's response, are spelled out. The issues to be evaluated by the FPSC relate to water quality and the relationship between the utility and its customers. The FPSC may dismiss the petition, require the utility to take necessary steps to correct quality of water service issues, or revoke the utility's certificate and appoint a receiver.

The bill also authorizes the FPSC, in setting rates, to take into consideration the extent to which the utility meets the Department of Environmental Protection's (DEP) secondary water quality standards, and describes the evidence to be reviewed in that consideration. When water quality issues are identified by the FPSC, the utility is required to estimate the costs and benefits of a plausible solution and meet with customers to discuss the costs and benefits and the time necessary to implement the solution. The costs of implementing an FPSC-ordered solution may be recovered in rates.

The FPSC is authorized to impose penalties for failure to adequately resolve water quality issues. Penalties include fines, the amendment, suspension or revocation of the utility's certificate, a reduction in the utility's return on equity, and the denial, in whole or in part, of a requested rate increase.

An appropriation for three full time positions for the FPSC to implement the law is included in the bill.

### **House Bill 357**

House Bill 357 also remains under consideration by the legislature in the form of Committee Substitute for House Bill 357 (CS for HB 357). The bill requires the Division of Bond Finance of the State Board of Administration to review the allocation of private activity bonds to determine the availability of additional allocation or reallocation of bonds for water or sewer facilities. The Department of Environmental Protection (DEP) and the Florida Water Pollution Control Financing Corporation are authorized to make loans, grants or deposits to privately-owned or investor-owned water systems to assist in the planning design or construction of public water systems.

Regarding the regulation of water and wastewater utilities, the bill exempts from regulation by the Florida Public Service Commission (FPSC) persons who resell water service to tenants or individually metered residents for a fee that does not exceed the actual purchase price plus up to 9 percent of the purchase price or the actual cost of meter reading and billing. The FPSC, in determining the value and quality of water service in a rate case, is required to consider the extent to which the utility meets secondary drinking water standards adopted by the DEP and the local government; and the evidence to be considered in that determination is specified. In a wastewater rate case, the FPSC is to consider the extent to which the utility provides wastewater service that does not cause odor, noise,

# Proposed Legislation for 2014 Legislative Session, continued

By: Susan Clark

## House Bill 357, continued

aerosol drift or lighting that adversely affects customers; and the evidence to be considered in that determination is specified. If the FPSC determines the water service does not meet the secondary standards or the wastewater service adversely affects customers as described above, the utility is required to provide estimates of the cost and benefits of various solutions to the problems and to meet with its customers to discuss those costs and benefits. Prudently incurred costs for solutions implemented to address the problems agreed upon by customers, ordered by the FPSC or as part of a DEP consent order, are recoverable in rates. A utility that fails to adequately address or offer solutions to these water or wastewater problems is subject to penalties including fines and a reduction in the return on equity. In establishing rates for water and wastewater utilities, the FPSC may authorize the creation of a utility reserve fund for capital improvements. Provisions relating to automatic rate increases or decreases for certain categories of expenses are revised. A water utility is authorized to file tariffs establishing a surcharge or other method of automatic adjustment to recover prudently incurred fixed costs for projects to achieve compliance with secondary drinking water standards that are placed into service between base rate proceedings.

## Florida Senate First Confirmation Hearing

By: Susan Clark



On March 18, 2014, the Florida Senate's Committee on Communications, Energy and Public Utilities unanimously approved Chairman Art Graham's and Commissioner Ronald Brisè's reappointed to four-year terms at the Florida Public Service Commission.

Graham

Brisè



### Upcoming Events - Mark Your Calendars

Date	Event Name	Event	Location
4/29/2014 1:30 pm	Prehearing	Docket No. 120161-WS— <i>Analysis of Utilities, Inc.'s financial accounting and customer service computer system</i>	Room 148
5/14/2014 9:30 am	Analysis	Docket No. 120161-WS— <i>Analysis of Utilities, Inc.'s financial accounting and customer service computer system</i>	Room 148
5/15/2014 6:00 pm	Customer Meeting	Docket No. 130194-WS- <i>Application for staff-assisted rate case in Lake County by Lakeside Waterworks, Inc.</i>	Leesburg

## Trivia By Pam Keillor

Less than 1% of the water supply on earth can be used as drinking water.



<http://www.lenntech.com/water-trivia-facts.htm>

## Summaries of PSC Orders filed since January 2014

By Susan F. Clark

### **PSC-14-0005-PCO-WS** - Date Filed: 1/2/2014

Order establishes 2014 docket number (140005-WS) for the annual reestablishment of price increase or decrease index of major categories of operating costs incurred by water and wastewater utilities pursuant to Section 367.081(4)(a), F.S.

### **PSC-14-0006-PCO-WS**—Date Filed: 1/2/2014

Order establishes 2014 docket number (140006-WS) for water and wastewater industry annual reestablishment of authorized range of return on common equity for water and wastewater utilities pursuant to Section 367.081(4)(f), F.S.

### **PSC-14-0016-TRF-WU**—Date Filed: 1/6/2014

Order approves miscellaneous service charges for Crestridge Utility Corporation for water service in Pasco County. Approved charges are: an after hours normal reconnection charge of \$30.00; a convenience charge of \$2.50 for customers who opt to pay their bill by debit or credit card via telephone; a late payment charge of \$5.25; and a \$50.00 meter tampering charge. Also approved was a \$25.00 initial customer deposit for residential customers, and for general service customers an initial customer deposit of two-times the average bill.

### **PSC-14-0017-TRF-WU**—Date Filed: 1/6/2014

Order approves miscellaneous service charges for Holiday Gardens Utilities Inc. for water service in Pasco County. Approved charges are: an after hours normal reconnection charge of \$30.00; a convenience charge of \$2.50 for customers who opt to pay their bill by debit or credit card via telephone; a late payment charge of \$5.25; and a \$50.00 meter tampering charge. Also approved was a \$24.00 initial customer deposit for residential customers and, for general service customers an initial customer deposit of two-times the average bill.

### **PSC-14-0018-PAA-WS**—Date Filed: 1/7/2014

Order grants original certificates to Sunlake Estates Utilities, L.L.C. to provide water and wastewater service to customers in Lake County and the Proposed Agency Action portion of the order approves initial rates and charges for such service. Using the most recent Commission-approved leverage formula the return on equity (ROE) was set at 11.16%. For water service the residential and general service rates have a base facility charge (BFC) designed to recover 40% of the revenue requirement with a two-tiered gallonage charge for residential customers and a gallonage charge for general service customers. For wastewater service the BFC for residential and general service is designed to recover 50% of the revenue requirement and for residential customers there is a 10,000 gallon cap. Charges to water and wastewater customers for initial connection, normal reconnection, violation of reconnection and premise visit in lieu of disconnection, both normal and after hours, were approved. Additionally, late payment and non-sufficient funds (NSF), charges were set as were amounts for initial customer deposits.

### **PSC-14-0025-PAA-WS**—Date Filed: 1/10/2014

Proposed Agency Action order grants Utilities Inc. of Florida's (UIF) application for an increase in water and wastewater rates for service in Marion, Orange, Pasco, Pinellas, and Seminole Counties. The quality of the treated water and wastewater and the operational conditions of the plant and facilities for all systems, except the Summertree Water System (Summertree), were found to be satisfactory. The quality of the treated water for the Summertree system was found to be unsatisfactory and UIF was ordered to develop a "customer engagement plan" to solicit and present options to water customers to address the water quality. Various adjustments were made to rate base including those resulting from the staff audit report, the reallocation of Phoenix Project costs and adjustments for proforma plant additions. All of the water plants, water transmission and distribution systems and the wastewater collection systems were found to be 100% used and useful (U&U). An adjustment to purchased wastewater expense was made for the Ravena Park wastewater system due to excessive infiltration and inflow (I&I). The return on equity was set at 10.38% based on the current

## Summaries of PSC Orders filed since January 2014 (continued)

Commission-approved leverage formula; however, for rate setting purposes the ROE was set at 9.38% due to the unsatisfactory water service at the Summertree system, with “the effect of such reductions in ROE applied to the Summertree water system” until the water quality of Summertree is deemed satisfactory. Various adjustments were made to operating expenses resulting from the staff audit including an adjustment to employee salaries and benefits. Adjustments were made to rate case expense reflecting reductions in amounts allowed for consulting and legal fees. Bad debt expense was set using an adjusted 3-year historical average of bad debt expense. In setting rates, a repression adjustment was made for the water system in Orange County only. The rates set for the various systems were as follows: Orange County Water System, a base facilities charge (BFC) and a 3-tier inclining block gallonage charge for residential customers and a BFC and gallonage charge for general service customers with 26% of the revenue requirement coming from the BFC; Pasco County Wastewater Systems (Orangewood and Summertree), a BFC and gallonage charge for both residential and general service customers with a 6,000 gallon cap for residential customers; Seminole County Water System, a BFC and 3-tier inclining block gallonage charge for residential customers and a BFC and gallonage charge for general service customers, with 25% of the revenue requirement coming from the BFC; Seminole County Wastewater System a BFC and gallonage charge for both residential and general service customers and a 10,000 gallonage cap for residential customers, with 25% of revenue requirement coming from the BFC; a partial refund of interim rate charges to Orange County Water System customers was ordered.

### **PSC-14-0031-CFO-WS**—Date Filed: 1/13/2014

Order grants S.V. Utilities, LTD's (S.V. Utilities) request for confidential classification of information of S.V. Utilities' parent corporation relating to employee compensation.

### **PSC-14-0040-PCO-SU**—Date Filed: 1/15/2014

Order suspends the reuse water service rate tariff requested by Forest Utilities, a wastewater utility serving customers in Lee County.

### **PSC-14-0041-PCO-WS**—Date Filed: 1/16/2014

Order establishes procedures for the generic docket (Docket No. 120161-WS) to address the impact of divested systems on the recovery of the cost of Utilities, Inc.'s financial accounting and customer service computer program (Phoenix Project).

### **PSC-14-0044-FOF-WS**—Date Filed: 1/22/2014

Order approves the stipulation and settlement agreement between Utilities Inc. (UI) and the Office of Public Counsel resolving 9 of the 10 issues in the generic docket (Docket No. 120161-WS) to address the impact of divested systems on the recovery of costs of UI's financial accounting and customer service computer program (Phoenix Project). The 9 issues resolved addressed how UI accounts for contributions-in-aid-of-construction (CIAC), common expenses, equivalent residential connection allocations (ERC), deferred taxes and regulatory assets on its books, in its annual report and in any minimum filing requirements filed in a rate case; and the timing of Commission-ordered adjustments to UI's books, records and reports. The sole issue remaining for adjudication is: “Should any adjustments be made to the Utility's Phoenix Project Financial Customer Care Billing System?”

### **PSC-14-0051-CFO-WS**—Date Filed: 1/24/2014

Order grants CHC VII, LTD.'s request for confidential classification of information relating to employee compensation.

### **PSC-14-0056-PAA-WS**—Date Filed: 1/27/2014

Proposed Agency Action Order establishes 1.41% as the 2014 price index increase for major categories of expenses for water and wastewater utilities.

### **PSC-14-0060-CFO-WS**—Date Filed: 1/28/2014

Order grants Sunlake Estate Utilities, LLC's (Sunlake) request for confidential classification of financial statements of Sunlake's parent and grandparent companies.

## Summaries of PSC Orders filed since January 2014 (continued)

**PSC-14-0074-FOF-WS**—Date Filed: 1/31/2014

Order acknowledges the sale of the water and wastewater facilities of Plantation Bay Utility Company to the City of Bunnell in Volusia County and cancels Certificate Nos. 455-W and 389-S.

**PSC-14-0075-CO-WU**—Date Filed: 1/31/2014

Consummating Order makes effective and final Order No. PSC-14-0016-TRF-WU approving miscellaneous service charges and initial customer deposits by Crestridge Utility Corporation for water service in Pasco County.

**PSC-14-0076-CO-WU**—Date Filed: 1/31/2014

Consummating Order makes effective and final Order No. PSC-14-0017-TRF-WU approving miscellaneous service charges and initial customer deposits by Holiday Gardens Utilities for water service in Pasco County.

**PSC-14-0078-CO-WS**—Date Filed: 2/3/2014

Consummating Order makes effective and final Order No. PSC-14-0018-PAA-WVS approving initial rates and charges for water and wastewater service in Lake County by Sunlake Estates, Utilities, LLC.

**PSC-14-0090-CO-WS**—Date Filed: 2/5/2014

Consummating Order makes effective and final Order No. PSC-14-0025-PAA-WVS granting an increase in water and wastewater rates to Utilities, Inc. of Florida (UIF) for service in Marion, Orange, Pasco, Pinellas, and Seminole Counties.

**PSC-14-0095-PAA-SU**—Date Filed: 2/6/2014

Proposed Agency Action Order approves S & L Utilities, Inc.'s (S&L) request not to implement Phase III rates for wastewater service in Marion County. The Phase III rates were to recover the cost of replacing air blowers, which S&L indicated is no longer necessary.

**PSC-14-0101-CO-WS**—Date Filed: 2/14/2014

Consummating Order makes effective and final Order PSC-14-0056 PAA-WVS establishing the annual price index increase for major categories of expenses for water and wastewater utilities.

**PSC-14-0105-TRF-WS**—Date Filed: 2/20/2014

Order approves Aquarina Utilities, Inc.'s request to implement a late payment charge of \$7.00 for water and wastewater service in Brevard County.

**PSC-14-0113-CFO-WS**—Date Filed: 2/26/2014

Order grants Useppa Island Utilities Co., Inc.'s (Useppa) request for confidential classification of information of Useppa's parent company's financial position and compensation of Useppa's employer.

**PSC-14-0117-CO-SU**—Date Filed: 3/4/2014

Consummating Order makes effective and final Order PSC-14-0095-PAA-SU granting S&L Utilities, Inc.'s request not to implement Phase III rates for wastewater service in Marion County.

**PSC-14-0125-CFO-WS**—Date Filed: 3/12/2014

Order grants Cypress Lakes Utility's (Cypress Lakes) request for confidential classification of employee compensation information.

**PSC-14-0130-PAA-WS**—Date Filed: 3/17/2014

Proposed Agency Action Order approves the transfer of facilities of L.P. Utilities Corporation, a class C water and wastewater utility providing water and wastewater service in Highlands County, to LP Waterworks, Inc. and establishing net book value of the transferred facilities. The existing rates and charges for water and wastewater service remain in effect. Certificate Nos. 320-W and 533-S are cancelled.

## Summaries of PSC Orders filed since January 2014 (continued)

### **PSC-14-0131-SC-WS**—Date Filed: 3/17/2014

Order requires Country Club Utilities, which provides water and wastewater services in Highland, to show cause why it is not obligated to remit a payment in the amount of \$46,836.91 for delinquent regulatory assessment fees plus penalties and interest.

### **PSC-14-0132-FOF-WU**—Date Filed: 3/18/2014

Order approves Placid Lakes Utility's (Placid Lake) application for amendment of Certificate No. 401-W in Highlands County. The amendment is to conform the territory description with the territory Placid Lake serves, which includes 55 water customers that Lake Placid had assumed were within the certificated territory but were not.

### **PSC-14-0133-CO-WS**—Date Filed: 3/18/2014

Consummating Order makes effective and final Order PSC-14-0105-TRF-WS authorizing Aquarina Utilities, Inc, to implement a late payment charge of \$7.00 for water and wastewater service in Brevard County.

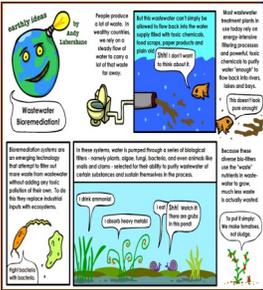
### **PSC-14-0134-PAA-SU**—Date Filed: 3/18/2014

Proposed Agency Action Order approves a new class of service for reuse water for Forest Utilities, Inc.'s (Forest) for customers in Lee County. The new reuse service is for golf course irrigation at the Forest Country Club.

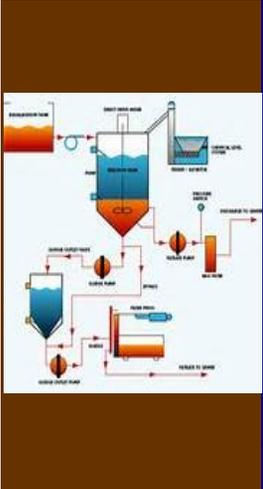
### **PSC-14-0143-PCO-WS**—Date Filed: 3/28/2014

Order by the Prehearing Officer (Brown) grants in part and denies in part the Office of Public Counsel's (OPC) motion to compel discovery in the generic docket opened to address the impact of divested systems on the recovery of costs of Utilities, Inc.'s financial accounting and customer service computer system (the Phoenix Project). The order finds OPC's discovery request relating to the issue of the prudence "is untimely and irrelevant" to the docket and denies the motion for discovery related to this issue.





**I40005-WS**—Date Docketed: 1/2/2014  
Annual reestablishment of price increase or decrease index of major categories of operating costs incurred by water and wastewater utilities pursuant to Section 367.081(4)(a), F.S.



**I40006-WS**—Date Docketed: 1/2/2014  
Water and wastewater industry annual reestablishment of authorized range of return on common equity for water and wastewater utilities pursuant to Section 367.081(4)(f), F.S.



**I40030-SU**—Date Docketed: 2/7/2014  
Request for approval to amend Miscellaneous Service charges to include all of NSF charges by Environmental Protection Systems of Pine Island, Inc.



**I40031-WS**—Date Docketed: 2/10/2014  
Initiation of show cause proceedings against Country Club Utilities, Inc. in Highlands County for violations of Rule 25-30.120, F.A.C., Regulatory Assessment Fees; Water and Wastewater Utilities.



**I40038-SU**—Date Docketed: 2/21/2014  
Application for transfer of majority organizational control of Crooked Lake Park Sewerage Co. in Polk County, and for name change on Certificate No. 517-S to Glenbrook Properties, LLC, a Florida limited liability company.



**I40060-WS**—Date Docketed: 3/25/2014  
Application for increase in Water and Wastewater rates in Seminole County by Sanlando Utilities Corporation.



**I40061-WS**—Date Docketed: 3/26/2014  
Abandonment of water and wastewater system in Escambia County by Innerarity Island Development Corporation.

**I40062-WU**—Date Docketed: 3/31/2014  
Application for transfer of Water facilities to the City of Zephyrhills, and cancellation of Certificate No. 227-W, by Kemple Water Company.

**FPSC W/W Dockets CLOSED (since January 2014)**



**I00471-SU**—Date Docketed: 12/22/2010—Date Closed: 3/4/2014  
Application for staff-assisted rate case in Marion County by S & L Utilities, Inc.

**I30005-WS**—Date Docketed: 1/2/2013—Date Closed: 1/2/2014  
Annual reestablishment of price increase or decrease index of major categories of operating costs incurred by water and wastewater utilities pursuant to Section 367.081(4)(a), F.S.



**I30006-WS**—Date Docketed: 1/2/2013—Date Closed: 1/2/2014  
Water and wastewater industry annual reestablishment of authorized range of return on common equity for water and wastewater utilities pursuant to Section 367.081(4)(f), F.S.

**I30010-WS**—Date Docketed: 1/2/2013—Date Closed: 1/30/2014  
Application for increase in water rates in Lee County and wastewater rates in Pasco County by Ni Florida, LLC.

**I30025-WU**—Date Docketed: 1/24/2013—Date Closed: 2/18/2014  
Application for increase in water rates in Highlands County by Placid Lakes Utilities, Inc.



**I30155-WU**—Date Docketed: 5/28/2013—Date Closed: 1/31/2014  
Application for limited proceeding increase in rates in Escambia county by Peoples Water Service Company of Florida, Inc.

**I30242-WS**—Date Docketed: 9/27/2013—Date Closed: 1/31/2014  
Joint notice of transfer of Plantation Bay Utility Company water and wastewater assets located in Flagler and Volusia Counties to the City of Bunnell, Florida and request for cancellation of Certificate Nos. 455-W and 389-S.

**I30250-WU**—Date Docketed: 10/9/2013—Date Closed: 3/3/2014  
Application for approval of miscellaneous service charges in Pasco County, by Holiday Gardens Utilities, Inc.



**I30251-WU**—Date Docketed: 10/9/2013—Date Closed: 3/3/2014  
Application for approval of miscellaneous service charges in Pasco County, by Crestridge Utility Corporation.

**I30261-WU**—Date Docketed: 10/24/2013—Date Closed: 3/18/2014  
Application for amendment of Certificate No. 401-W in Highlands County, by Placid Lakes Utilities, Inc.

**I30288-WS**—Date Docketed: 12/12/2013—Date Closed: 3/27/2014  
Request for approval of late payment charge in Brevard County by Aquarina Utilities, Inc.



**I40050-SU**—Date Docketed: 3/10/2014—Date Closed: 3/12/2014  
Application for amendment of Certificate No. 249-S in Volusia County by North Peninsula Utilities Corporation.

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## Experience.Service.Success.

The Radey Law Firm believes that service to clients must be efficient and dedicated. Our location in Tallahassee, Florida, provides us the opportunity to be at the heart of the regulatory, legislative, and judicial arenas. The Water & Wastewater Industry Quarterly Report is provided to our clients and friends in a condensed summary format and should not be relied upon as a complete report nor be considered legal advice or opinion.

## RTYC Continues to Grow

The Radey Law Firm welcomes Ted Prekop as an associate to the firm. Ted graduated from the University of Florida College of Law *cum laude* with an Intellectual Property Law certificate. Prior to joining the firm he attended Cornell University, graduating with a bachelor's degree in Biology and Chemistry. Ted is a member of the Florida, California, and Patent Bars. He will focus primarily on administrative law.

