

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Request for approval) DOCKET NO. 920591-WS
of tariff filing to implement) ORDER NO. PSC-92-0793-FOF-WS
phase-in rates by LAKE UTILITY) ISSUED: 08/11/92
COMPANY, INC. in Lake County)
_____)

The following Commissioners participated in the disposition of this matter:

THOMAS M. BEARD, Chairman
SUSAN F. CLARK
J. TERRY DEASON
BETTY EASLEY
LUIS J. LAUREDO

ORDER APPROVING TARIFFS

BY THE COMMISSION:

Lake Utility Company, Inc., (Lake or utility) is a Class C water and wastewater utility in Lake County. Water Certificate No. 527-W and Wastewater Certificate No. 461-S were issued on February 15, 1990, by Order No. 22557. The current rates and charges were approved in Order No. 22846, issued April 23, 1990. The utility is currently serving 429 water customers and 402 wastewater customers in Plantation of Leesburg, a seasonal golf course community of mobile homes.

We were made aware of problems with Lake's rates through a customer complaint received in February of 1991. Upon investigation, we learned that the utility was effectively charging less than its tariffed rates by crediting a portion of each bill back to certain customers in order to phase-in the rates to avoid rate shock. The utility has stated that it was not aware that it was violating its tariff and that it utilized the credit format rather than an actual rate reduction in order to avoid violating the tariff and to properly account for accrued revenues.

We also learned that some of the customers were offered a different rate structure which was not approved in the current tariff. This rate structure offered some of the residents the option of paying a flat monthly fee for maintenance, cable, sewer, and 5,000 gallons of water service. Thus, only water service over 5,000 gallons per month was billed. The utility has stated that the two different rate structures (billing and crediting and the flat fee) are the necessary results of two different sets of

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covenants and restrictions between the customers and the related-party developer.

Lake has corrected these discrepancies by proposing tariff pages reflecting phase-in rates and by agreeing that if the developer wishes to honor the covenants and restrictions that the developer will do so separately and apart from the utility operation. Generally, when a utility charges rates not approved in its tariff, we order the utility to show cause why it should not be penalized. However, under these circumstances we do not find it appropriate to require Lake to show cause.

Lake submitted proposed water and wastewater tariff sheets to reflect the phase-in of the rates set for the utility in Order No. 22846. These rates were set as part of the utility's original certification.

The utility's current tariffed rates as reflected in Order No. 22846, are as follows:

| <u>WATER</u> | |
|---------------------------------|---------|
| GENERAL AND RESIDENTIAL SERVICE | |
| 5/8" X 3/4" METER | \$ 6.01 |
| GALLONAGE per 1,000 gallons | \$ 1.75 |

| <u>WASTEWATER</u> | |
|--------------------------------------|---------|
| GENERAL AND RESIDENTIAL SERVICE | |
| 5/8" X 3/4" METER | \$ 8.68 |
| GALLONAGE per 1,000 gallons | \$ 2.92 |
| (Maximum 10,000 gallons residential) | |

The credit structure which the utility has been utilizing is as follows:

| | Water Credit Amount | Wastewater Credit Amount |
|-------------------|------------------------|-----------------------------|
| 6/15/90 - 6/14/91 | \$ 5.00 | \$ 10.00 |
| 6/15/91 - 6/14/92 | 3.75 | 7.50 |
| 6/15/92 - 6/14/93 | 2.50 | 5.00 |
| 6/15/93 - 6/14/94 | 1.25 | 2.50 |

The utility's tariff sheets reflect the remaining two years' credits by changing the gallonage charge as follows:

WATER

Charge per 1,000 gallons:

| | |
|---|--------|
| Effective Date through 7/1/93, first 2,000 gal. \$.50/1,000, thereafter: | \$1.75 |
| 7/1/93 through 7/1/94, first 1,000 gal. \$.50, thereafter: | \$1.75 |
| 7/1/94 forward: | \$1.75 |

WASTEWATER

Charge per 1,000 gallons:

| | |
|---|--------|
| Effective Date through 7/1/93, first 2,000 gal. \$.42/1,000, thereafter: | \$2.92 |
| 7/1/93 through 7/1/94, first 1,000 gal. \$.42, thereafter: | \$2.92 |
| 7/1/94 forward: | \$2.92 |

The proposed rate structure lowers the customers' monthly bills this year by \$2.50 for water and \$5.00 for wastewater, just as the credit would have, when the proposed rates are compared to the current tariffed rates. These rates will be charged to all of Lake's customers; thus, the utility will not be using different rate structures for different customers in violation of its tariff.

However, the proposed rates will yield lower revenues than the revenue requirement determined in Order No. 22846. In order to prevent this reduction in revenues from interfering with the utility's future as a stand-alone entity, the utility has submitted a letter pledging that quality of service will not decline under this rate structure. Additionally, the utility's proposed rates have only two remaining years before they revert to those rates originally set by staff. Therefore, we approve Lake's proposed water and wastewater tariffs in order to allow Lake to phase-in the rates set for the utility in Order No. 22846.

In addition, Lake is hereby required to print on the customers' bills that the rates are less than compensatory for the duration of the phase-in. Lake shall also provide an upfront disclosure to potential new customers that the rates are not compensatory and that these rates were granted at the utility's request. The tariff sheets will become effective, but not final, for meter readings on or after thirty days from the stamped approval date on the tariff sheets. The tariffs will be approved after our staff's approval of the proposed customer notice. The proposed tariff sheets will become final if a substantially

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affected person does not file a petition for a formal proceeding regarding the implementation of the tariff sheets within 21 days of the issuance of this Order.

Based on the foregoing, it is, therefore,

ORDERED that Lake Utility Company, Inc.'s tariff filing to phase-in the rates approved by Order No. 22846 is hereby approved. It is further

ORDERED by the Florida Public Service Commission that Lake Utility Company, Inc., not be ordered to show cause why it should not be penalized for charging rates not approved in its tariff. It is further

ORDERED that Lake Utility Company, Inc., shall submit a proposed customer notice for approval. It is further

ORDERED that the tariff shall become effective for meter readings on or after thirty days from the stamped approval date on the tariff sheets. The tariff sheets shall be approved after our staff's approval of the proposed customer notice. It is further

ORDERED that if a timely protest is filed pursuant to the requirements set forth below, all increased revenues resulting from this filing shall be held subject to refund. It is further

ORDERED that the tariff shall become final if no substantially affected person files a petition for a formal proceeding within 21 days of the issuance of this Order. If no such petition is received, this docket shall be closed.

By ORDER of the Florida Public Service Commission this 11th day of August, 1992.



STEVE TRIBBLE, Director
Division of Records and Reporting

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), 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.

The Commission's decision on this tariff is interim in nature and will become final, unless a person whose substantial interests are affected by the action proposed files a petition for a formal proceeding, as provided by Rule 25-22.036(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a)(d) and (e), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on September 1, 1992.

In the absence of such a petition, this order shall become final on the day subsequent to the above date.

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.

If this Order becomes final on the date described above, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or wastewater utility by filing a notice of appeal with the Director, Division of Records and Reporting 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 of the date this Order becomes final, 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.