

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application of SOUTHERN STATES UTILITIES, INC. for rate increase in Seminole County.)	DOCKET NO. 890868-WS
)	ORDER NO. 22620
)	ISSUED: 3-1-90
)	

The following Commissioners participated in the disposition of this matter:

MICHAEL MCK. WILSON, Chairman
 THOMAS M. BEARD
 BETTY EASLEY
 GERALD L. GUNTER
 JOHN T. HERNDON

ORDER SUSPENDING PROPOSED RATES
 AND GRANTING INTERIM WATER RATES

BY THE COMMISSION:

CASE BACKGROUND

The Seminole County system of Southern States Utilities, Inc. (Southern States or utility) is a Class B water utility and a Class C sewer utility with approximately 3,107 water customers and 323 sewer customers as of April 30, 1989. On November 13, 1989, the utility filed its application for a rate increase and its Minimum Filing Requirements (MFRs). There were deficiencies in the MFRs and on January 4, 1990, Southern States filed its amended MFRs which corrected the deficiencies. January 4, 1990, was established as the official filing date.

In its application, the utility requested final rates which would produce annual operating revenues of \$691,007 for water service and \$368,276 for sewer service. Those requested revenues exceed projected 1990 test year revenues by \$140,107 (25.43%) and \$132,873 (56.44%) for water and sewer, respectively. The utility requested an interim increase of water rates based on test year actual data. The requested

DOCUMENT NUMBER-DATE

01896 MAR -1 1990

FPSC-RECORDS/REPORTING

ORDER NO. 22620
DOCKET NO. 890868-WS
PAGE 2

interim increase exceeds test year annual revenues by \$43,578 (8.11%) for water. The utility did not request an interim increase in its sewer rates.

The test year for this rate application is the projected twelve-month period ended December 31, 1990, based on an historical base year ended April 30, 1989.

SUSPENSION OF PROPOSED RATES

Section 367.081(6), Florida Statutes, provides that the rate schedules proposed by the utility shall become effective within sixty (60) days after filing unless the Commission issues an order withholding consent to the operation of the proposed rates requested. Further, the above-referenced statute permits the proposed rates to go into effect, under bond, within eight (8) months after filing unless final action has been taken by the Commission.

We have reviewed the filing and found that the utility has made substantial plant additions since the last rate case. We have considered the proposed rates, the amount of the additional revenues sought thereunder, and the supporting data which has been submitted. Accordingly, we find that it is appropriate to require further amplification, explanation, and substantiation of the data filed by the utility, as well as additional and/or corroborative data. In addition, we believe a public hearing on this matter, in the utility's service area, is indicated. In consideration of the above, we find it appropriate to suspend the utility's proposed rate schedules.

INTERIM RATES

Our review of the information filed in the application indicates that, pursuant to Section 367.0822, Florida Statutes, it is appropriate, on an interim basis, to provide the utility with the opportunity to increase its annual water revenues by \$24,614. As the utility did not request an interim increase for sewer operations, we find that no interim increase for sewer is appropriate.

ORDER NO. 22620
DOCKET NO. 890868-WS
PAGE 3

Rate Base

Using the twelve months ended April 30, 1989, as a base historic year, the utility calculated an average water rate base of \$1,605,815 for interim purposes. By Order No. 21922, issued September 19, 1989, the utility was granted permission to use the formula method to calculate working capital for purposes of the proposed final rate increase. Applying the formula method, the utility calculated a working capital allowance of \$30,541. However, Section 367.082(5)(a) and (5)(b)1., Florida Statutes state that in setting interim rates the Commission shall determine the revenue deficiency or excess by calculating the difference between the utility's achieved rate of return and its required rate of return, and that the achieved rate of return shall be calculated by applying appropriate adjustments consistent with those which were used in its most recent rate case. Since the balance sheet method of calculating working capital was used in the utility's last rate case, we find that the balance sheet method is appropriate for interim purposes. Accordingly, we calculated a working capital allowance of \$27,732, which we find to be reasonable. We, therefore, find it appropriate to make an adjustment to reduce rate base by \$2,809, resulting in a rate base of \$1,603,006 for interim purposes. The calculation of rate base is attached to this Order as Schedule No. 1-A. The adjustments to this schedule are itemized on Schedule No. 1-B.

Capital Structure

The utility requested an overall rate of return of 10.51% for interim purposes. For its cost of equity, the utility used the mid-point, 14.95%, of the range of return on equity established in its last rate case. However, Section 367.082(5)(b)3., Florida Statutes, states that in a proceeding for an interim increase, the term "last authorized rate of return on equity" means the minimum of the range of the last authorized rate of return on equity established in the most recent rate case of the utility. Pursuant thereto, we find it appropriate to use the minimum of the range, 13.95%, as the cost of equity for interim purposes.

ORDER NO. 22620
DOCKET NO. 890868-WS
PAGE 4

Further, the utility calculated the cost of investment tax credits to be 10.83%. However, as a result of our adjustment to the cost of equity, we find it appropriate to recalculate the cost of investment tax credits. We calculated a cost of investment tax credits of 10.52%, which we find to be reasonable. The above adjustments result in an overall rate of return of 10.21% for interim purposes, which we hereby approve. The calculation of the overall rate of return, including adjustments, is attached to this Order as Schedule No. 2.

Net Operating Income

We find it appropriate to make several corrections to the utility's operating statements as filed. To calculate the regulatory assessment fee, the utility used the new rate of 4.5%, which was anticipated to go into effect January 1, 1990. However, since the new rate will not be effective until July 1, 1990, we have adjusted the rate to 2.5%, the currently effective rate. Further, we have reduced the income tax expense by \$1,830 to reflect the tax expense associated with the interim revenue requirement approved herein.

Revenue Requirement

Allowing for Southern States' recovery of adjusted test year operating expenses and approved rate of return on its rate base, we find it appropriate on an interim basis to increase annual water revenues by \$24,614 (4.58%) to \$561,755.

The calculation of the revenue requirement is attached as Schedule No. 3-A. Adjustments to this schedule are itemized on Schedule No. 3-B.

Interim Rates

In order to allow Southern States the opportunity to generate the approved revenue requirement, we hereby approve the rates set forth below. The utility's current rates, proposed interim rates, and our approved interim rates are shown on page 5 of this Order for comparison.

ORDER NO. 22620
 DOCKET NO. 890868-WS
 PAGE 5

BI-MONTHLY WATER RATES

Apple Valley, Chulota, Dol Ray Manor,
 Bretton Woods, Hidden Estates, Druid Hills,
 Fern Park, Harmony Homes, Lake Brantley,
 Lake Harriett, and Meredith Manor Systems

RESIDENTIAL AND GENERAL SERVICE

<u>Meter Size</u>	<u>Utility Present Rates</u>	<u>Utility Proposed Interim Rates</u>	<u>Commission Approved Interim Rates</u>
5/8" x 3/4"	\$ 9.81	\$ 10.62	\$ 10.27
3/4"	14.72	15.94	15.41
1"	24.53	26.56	25.68
1-1/2"	49.05	53.10	51.34
2"	78.48	84.96	82.15
3"	156.96	169.92	164.29
4"	254.25	262.26	256.70
6"	490.49	531.00	513.40
Gallonage Charge	\$.89	\$.96	\$.93

PRIVATE FIRE PROTECTION
 BI-MONTHLY RATES

<u>Line Size</u>	<u>Utility Present Rates</u>	<u>Utility Proposed Final Rates</u>	<u>Commission Approved Interim Rates</u>
1"	\$ 8.17	\$ 8.84	\$ 8.55
1-1/2"	16.35	N/A	17.11
2"	26.16	N/A	27.38
3"	52.32	N/A	54.76
4"	81.76	N/A	85.58
6"	153.49	N/A	171.13
8"	261.59	N/A	273.81

ORDER NO. 22620
DOCKET NO. 890868-WS
PAGE 6

The interim water rates will become effective for service rendered on or after thirty (30) days from the stamped approval date on the revised tariff sheets, as Southern States' Seminole County systems are on a bi-monthly billing cycle. The revised tariff sheets will be approved upon Commission Staff's verification that the tariffs are consistent with our decision, the appropriate security has been filed with the Commission to guarantee that the funds are available in the event a refund is required, and the proposed customer notice is adequate.

Security for Refund

Pursuant to Section 367.082, Florida Statutes, the excess of interim rates over the previously authorized rates shall be collected under guarantee subject to refund. We have calculated the guarantee refund amount, plus interest, through December 24, 1990, to be approximately \$22,500. Our Staff contacted the utility and it has elected to file a corporate undertaking in the amount of \$22,500 to secure any potential refund. We will accept the corporate undertaking.

Also, pursuant to Rule 25-30.360(5), Florida Administrative Code, the utility shall provide a report by the 20th of each month indicating the monthly and total water revenues collected subject to refund.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the proposed final rate schedules filed by Southern States Utilities, Inc. are hereby suspended. It is further

ORDERED that the request of Southern States Utilities, Inc. for an interim increase in water rates is hereby approved, in part, as set forth in the body of this Order. It is further

ORDERED that the increased rates are subject to refund with interest pending the outcome of this proceeding. It is further

ORDERED that Southern States Utilities, Inc. shall submit a corporate undertaking of \$22,500 to secure any potential refund. It is further

ORDERED that Southern States Utilities, Inc. shall submit, pursuant to Rule 25-30.360(5), Florida Administrative Code, a

ORDER NO. 22620
DOCKET NO. 890868-WS
PAGE 7

report by the 20th day of each month indicating the monthly and total revenues collected subject to refund. It is further

ORDERED that Southern States Utilities, Inc. shall file revised tariff pages in accordance with the provisions of this Order, as well as a proposed notice to customers, detailing the increased rates and the reasons therefor. The notices shall be submitted to the Commission for prior approval. It is further

ORDERED that the interim water rates will be effective for service rendered on or after thirty (30) days from the stamped approval date on the revised tariff sheets. It is further

ORDERED that the revised tariff sheets will be approved upon Commission Staff's verification that the tariff sheets are consistent with the Commission's decision, the appropriate security has been filed to guarantee any potential refund, and the proposed customer notice is adequate.

By ORDER of the Florida Public Service Commission
this 1st day of MARCH, 1990.



STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

DCS

ORDER NO. 22620
DOCKET NO. 890868-WS
PAGE 8

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.

Any party adversely affected by this order, which is preliminary, procedural or intermediate in nature, may request: 1) reconsideration within 10 days pursuant to Rule 25-22.038(2), 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 sewer utility. A motion for reconsideration shall be filed with the Director, Division of Records and Reporting, 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.

SOUTHERN STATES UTILITIES, INC.
 SCHEDULE OF WATER RATE BASE
 PROJECTED TEST YEAR ENDED 12/31/90

SCHEDULE NO. 1-A
 DOCKET NO. 890868-WS

SCHEDULE NO. 1-A

	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS TO TEST YEAR	UTIL. ADJ. TEST YEAR PER EXHIBIT	COMMISSION ADJUSTMENTS TO UTILITY BALANCE	BALANCE PER COMMISSION
Utility Plant in Service	2,556,815	0	2,556,815	0	2,556,815
Land	67,376	0	67,376	0	67,376
Accumulated Depreciation	(677,887)	0	(677,887)	0	(677,887)
Cont. in-aid-of Construction	(595,472)	0	(595,472)	0	(595,472)
Amortization of C.I.A.C.	176,171	0	176,171	0	176,171
Acquisition Adjustments	62,200	0	62,200	0	62,200
Accum. Amort. of Acq. Adj.	(13,929)	0	(13,929)	0	(13,929)
Working Capital Requirement	30,522	19	30,541	(2,809)	27,732
TOTAL	1,605,796	19	1,605,815	(2,809)	1,603,006

ORDER NO. 22620
 DOCKET NO. 890868-WS
 PAGE 9

ORDER NO. 22620
 DOCKET NO. 890868-WS
 PAGE 10

SCHEDULE NO. 1-B

SOUTHERN STATES UTILITIES, INC.
 SCHEDULE OF ADJUSTMENTS TO RATE BASE
 PROJECTED TEST YEAR ENDED 12/31/90

SCHEDULE NO. 1-B
 DOCKET NO. 890868-WS

EXPLANATION OF ADJUSTMENTS

WATER

(1) ALLOWANCE FOR WORKING CAPITAL

(A) To reflect the allowance for
 working capital based on the
 balance sheet approach.

\$ (2,809)
 =====

SOUTHERN STATES UTILITIES, INC.
 SCHEDULE OF CAPITAL STRUCTURE
 PROJECTED TEST YEAR ENDED 12/31/90

DOCKET NO. 890868-WS
 SCHEDULE NO. 2

SCHEDULE NO. 2

DESCRIPTION	BALANCE PER UTILITY	PERCENT OF TOTAL	COST RATE	WEIGHTED COST	RECONCILED		PERCENT OF TOTAL	COST RATE	WEIGHTED COST
					RECONCILING ADJUSTMENTS	CAPITAL STRUCTURE			
EQUITY	\$ 9,540,302	\$ 29.72%	14.95%	4.44%	(9,063,894)	476,408	29.72%	13.95%	4.15%
LONG-TERM DEBT	20,094,147	62.60%	9.03%	5.65%	(19,090,718)	1,003,429	62.60%	9.03%	5.65%
SHORT-TERM DEBT (VGU)	269,629	0.84%	8.00%	0.07%	(256,165)	13,464	0.84%	8.00%	0.07%
SHORT-TERM DEBT (VGU)	150,000	0.47%	10.00%	0.05%	(142,510)	7,490	0.47%	10.00%	0.05%
SHORT-TERM DEBT (CFCP)	200,000	0.62%	0.00%	0.00%	(190,013)	9,987	0.62%	0.00%	0.00%
CUSTOMER DEPOSITS	500,025	1.56%	8.00%	0.12%	(475,056)	24,969	1.56%	8.00%	0.12%
DEFERRED INCOME TAXES	804,272	2.51%	0.00%	0.00%	(764,110)	40,162	2.51%	0.00%	0.00%
INVESTMENT TAX CREDITS	542,603	1.69%	10.83%	0.18%	(515,507)	27,096	1.69%	10.52%	0.18%
TOTAL	\$ 32,100,978	\$ 100.00%		10.51%	(30,497,972)	1,603,006	100.00%		10.21%

(1) Prorate adjustment to reconcile rate base and capital structure.

ORDER NO. 22620
 DOCKET NO. 890868-WS
 PAGE 11

SOUTHERN STATES UTILITIES, INC.
 SCHEDULE OF WATER OPERATING STATEMENT
 PROJECTED TEST YEAR ENDED 12/21/90

SCHEDULE NO. 3-A
 DOCKET NO. 890868-WS

SCHEDULE NO. 3-A

	TEST YEAR PER UTILITY	UTILITY ADJUSTMENTS TO TEST YEAR	UTIL. ADJ. TEST YEAR PER EXHIBIT	Adjust'm'ts TO UTILITY BALANCE	Comm'n ADJUSTED TEST YEAR	Commission Adjustments For Rev's Approved	BALANCE Per Comm'n
OPERATING REVENUES	537,141	43,578	580,719	(43,578)	537,141	24,614	561,755
OPERATING EXPENSES							
OPERATION	244,330	0	244,330	0	244,330	0	244,330
DEPRC. NET OF CIAC AMORT.	83,811	0	83,811	0	83,811	0	83,811
AMORTIZATION	2,234	0	2,234	0	2,234	0	2,234
TAXES OTHER THAN INCOME	35,866	1,961	37,827	(12,704)	25,123	616	25,739
INCOME TAXES	43,748	0	43,748	0	43,748	(1,830)	41,918
TOTAL OPERATING EXPENSES	409,989	1,961	411,950	(12,704)	399,246	(1,214)	398,032
OPERATING INCOME	127,152	41,617	168,769	(30,874)	137,895	25,828	163,723
RATE BASE	1,605,796		1,605,796		1,603,006		1,603,006
RATE OF RETURN	7.92%		10.51%		8.60%		10.21%

ORDER NO. 22620
 DOCKET NO. 890868-WS
 PAGE 12

ORDER NO. 22620
DOCKET NO. 890868-WS
PAGE 13

SCHEDULE NO. 3-B

SOUTHERN STATES UTILITIES, INC.
ADJUSTMENTS TO OPERATING STATEMENT
PROJECTED TEST YEAR ENDED 12/31/90

SCHEDULE NO. 3-B
DOCKET NO. 890868-WS

EXPLANATION OF ADJUSTMENTS

WATER

(1) OPERATING REVENUES	
(A) To remove the utility's requested interim increase.	\$ (43,578) =====
(2) TAXES OTHER THAN INCOME	
(A) To adjust regulatory assessment fees on test year revenues from 4 1/2 % to 2 1/2%.	\$ (10,317)
(B) To adjust regulatory assessment fees on the adjustment to annualize revenues from 4 1/2 % to 2 1/2%.	(426)
(C) To remove regulatory assessment fees associated with the utility's requested interim increase.	(1,961) -----
TOTAL ADJUSTMENT	\$ (12,704) =====
(3) OPERATING REVENUES	
(A) To reflect the required interim revenue increase.	\$ 24,614 =====
(4) TAXES OTHER THAN INCOME	
(A) To reflect regulatory assessment fees on the interim increase.	\$ 616 =====
(5) INCOME TAXES	
(A) To reflect income taxes related to the recommended interim revenue requirement.	\$ (1,830) =====