

FLORIDA PUBLIC SERVICE COMMISSION

Fletcher Building
101 East Gaines Street
Tallahassee, Florida 32399-0850

MEMORANDUM

July 8, 1993

TO : DIRECTOR, DIVISION OF RECORDS AND REPORTING

FROM : DIVISION OF WATER AND WASTEWATER (PRICE, McCASKILL)
DIVISION OF LEGAL SERVICES (JABER)

RE : UTILITY: ROYAL UTILITY COMPANY
DOCKET NO.: 930455-WS
COUNTY: BROWARD
CASE: TARIFF REVISION

AGENDA : JULY 20, 1993 - CONTROVERSIAL - PARTIES MAY PARTICIPATE

CRITICAL DATES: 60-DAY SUSPENSION - APRIL 7, 1993 - THE
UTILITY HAS WAIVED THE 60-DAY DEADLINE

SPECIAL INSTRUCTIONS: NONE

RECOMMENDATION FILE NAME: I:\PSC\WAW\WP\930455.RCM

CASE BACKGROUND

Royal Utility Company (Royal or Utility) is a class B utility that provides water and wastewater service to customers in Broward County. According to the 1991 Annual Report, the Utility provides service to 1,329 water customers and 1,209 wastewater customers. Also, operating revenues of \$330,105 for water and \$319,526 for wastewater were reported in the 1991 Annual Report. The same report indicated operating expenses of \$281,780 for water and \$361,154 for wastewater. According to the Utility's annual report, net operating income for water is \$48,325 and the net operating loss for wastewater is \$54,108.

Royal's rates were last established in a rate case, Docket No. 820237-WS, which culminated in Order No. 12170, issued June 24, 1983. At the time of the rate case, the utility was owned by University Utility Corporation. The Utility was authorized an overall rate of return of 12.97 percent, with a return on equity of 10.51 percent.

On April 8, 1988, Royal Utility Company filed an application

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07281 JUL-88

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requesting Commission approval for transfer of Certificate Nos. 259-W and 199-S held by University Utility Corporation and for transfer of majority organizational control of Royal. The transfer of certificates was made in Docket No. 880557-WS, Order No. 19867, issued August 22, 1988.

On November 23, 1992, Royal submitted an application for the 1992 Price Index rate adjustment. In staff's review of the application, it was discovered that the Utility has been charging unauthorized rates in that it charged 194 1" meter water customers the 5/8" x 3/4" meter rate. The Utility indicated that there was an informal agreement made at the time of the rate case between staff and the Utility which permitted it to charge the 5/8" x 3/4" rate to the 1" customers. The agreement apparently arose because the utility believed they were required by the City of Coral Springs, Ordinance No. 90-167, to install, at a minimum, 1" meters; however, staff has been unable to find any documentation of this agreement. Furthermore, it should be noted that the rate structure established in the last rate case appears to be inconsistent with the current base facility charge factors recommended by the American Water Works Association (AWWA). Staff has not been able to find any justification for the manner in which the rates were structured.

On February 5, 1993, the Utility filed the instant tariff revision to include language on the rate schedule reflecting the utility's billing practice relating to the 1" meter customers within the city limits of the City of Coral Springs.

On July 6, 1993, the Utility filed a tariff revision (Attachment A, B, C) consistent with the staff's proposal set forth at the June 22, 1993 Agenda Conference. This item was deferred from the June 22, 1993 Agenda Conference to allow the utility an opportunity to obtain a definitive response from the City of Coral Springs regarding the requirement of Ordinance No. 90-167. To date, staff has received no additional information from the utility or the City of Coral Springs to substantiate the necessity for 1" meters. Staff's proposal grandfathers in the utility's current billing practice with regard to the 1" meter customers as well as the inclusion of specific language on the rate schedule reflecting the billing practice of charging certain 1" meter customers the 5/8" x 3/4" rate. This recommendation addresses that filing.

DISCUSSION OF ISSUES

ISSUE 1: Should the utility's proposed tariffs be approved?

RECOMMENDATION: Yes, the following language should be included in the Utility's existing tariffs: "Based upon certain directives of the City of Coral Springs, certain customers who would normally be entitled to a 5/8" x 3/4" meter receive water service through a 1" meter. The Utility has requested and has been authorized to bill those customers at the 5/8" rate for such service". Further, the utility should be authorized to continue the current billing practice until one of the following events occur: a rate case is filed, a failed meter is discovered or a new customer resides in a residence with an existing 1" meter that qualifies for a 5/8" x 3/4" meter. In the event of a failed meter or a new customer, the utility shall notify the customer of the appropriate rate and inform the customer that the 1" meter may be changed out for a 5/8" x 3/4" meter. Should the customer elect to retain the 1" meter, the customer shall be charged the 1" meter rate prospectively. Further, the meter change out will be done at the expense of the utility.
(PRICE)

STAFF ANALYSIS: On February 5, 1993, the Utility filed a tariff revision requesting the formalization of its current billing practice for 194 1" meter water customers which will be charged the 5/8" x 3/4" meter rate. At the June 22, 1993 Agenda Conference, staff proposed that the Utility's current billing practice be grandfathered in and the Utility should file revised tariffs with specific language reflecting the authorization to bill those certain effected 1" meter customers.

It is recommended that the Utility be authorized to continue its current billing practice until one of the following events occur: a rate case is filed, a failed meter is discovered or a new customer resides in a residence with an existing 1" meter which actually qualifies for a 5/8" x 3/4" meter. When the Utility files a rate case, staff will be afforded the opportunity to analyze the Utility's rate structure and ratios. In addition, if there's a failed meter, or a new customer, the Utility shall notify the customer of the appropriate rate and inform the customer that the 1" meter may be changed out for a 5/8" x 3/4" meter. Should the customer elect to retain the 1" meter, the customer shall be charged the 1" meter rate on a going forward basis. The Utility shall change out, at its expense, the 1" meter to a 5/8" x 3/4" meter provided it is warranted by the customer's consumption level.

The utility submitted 2 sets of tariffs with this particular

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tariff revision and it is recommended that Attachment B be approved.

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ISSUE 2: Should this docket be closed?

RECOMMENDATION: Yes, this docket should be closed. (PRICE,
JABER)

STAFF ANALYSIS: Upon the staff's approval of the tariffs, this
docket may be closed.

W930455B.RCM

LAW OFFICES

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July 6, 1993

VIA HAND DELIVERY

Ms. Jena Price
 Division of Water and Wastewater
 Florida Public Service Commission
 101 East Gaines Street
 Tallahassee, Florida 32399-0850

Re: Royal Utility Company - Tariff Revision
Our File No. 25075.05

Dear Jena:

Enclosed please find alternate revised tariff sheets for Royal Utility Company. Alternate revised tariff sheets are necessary because no one submittal, taken alone, can address the potential contingencies involved. Stated a little more plainly, if the Commission is convinced that the 1" meters are required by City Ordinance then one set of submitted tariff sheets is appropriate. If the Commission decides that the Ordinance does not require 1" meters, but that the 1" meters were installed as a result of a good faith misunderstanding and dispute, then the second set of revised tariff sheets are appropriate. As you will recall, I was directed to bring what proof I was able to accumulate regarding the requirement of the Ordinance, and perhaps more importantly, the City's past and present interpretation of the Ordinance, to the next Agenda. I plan to do my best in this regard.

Thank you in advance for your attempt in these matters. If you have any questions or concerns please give me a call at your earliest convenience.

Sincerely,



John L. Wharton, Esq.
 For The Firm

JLW/kkj

Enclosures

cc: Mr. Jock McCartney, V.P. (w/ enclosures)

ROYAL UTILITY COMPANY
Water Tariff

FIFTH REVISED SHEET NO. 19.0
Cancels Fourth Revised Sheet No. 19.0

GENERAL SERVICE

RATE SCHEDULE GS

AVAILABILITY - Available throughout the area served by the company.

APPLICABILITY - For water service to all master-metered commercial customers.

LIMITATIONS - Subject to all the Rules and Regulations of this tariff and General Rules and Regulations of the Commission.

RATES - (Monthly)

<u>Meter Size</u>	<u>Base Facility Charge</u>	<u>Gallonge Charge</u> <u>(Per 1,000 gallons)</u>
5/8" x 3/4" *	\$ 9.59	\$ 2.47
1"	65.23	2.47
1 1/2"	130.39	2.47
2"	208.65	2.47
3"	417.32	2.47

* Based upon certain directives of the City of Coral Springs, certain customers who would normally be entitled to a 5/8" x 3/4" meter receive water service through a 1" meter. The Utility has requested and has been authorized to bill those customers at the 5/8" rate for such service.

TERMS OF PAYMENT - Bills are due and payable when rendered and become delinquent if not paid within twenty (20) days. After five (5) working days written notice is mailed to the customer separate and apart from any other bill, service may then be discontinued.

EFFECTIVE DATE: January 19, 1993

Jock McCartney
ISSUING OFFICER

TYPE OF FILING: 1992 Indexing

President
TITLE

Royal UTILITY COMPANY
Water Tariff

FIFTH REVISED SHEET NO. 20.0
Cancels Fourth Revised Sheet No. 20.0

RESIDENTIAL SERVICE

RATE SCHEDULE RS

AVAILABILITY - Available throughout the area served by the company.

APPLICABILITY - For water service for all purposes in private residences and individually metered apartment units.

LIMITATIONS - Subject to all the Rules and Regulations of this tariff and General Rules and Regulations of the Commission.

RATES - (Monthly)

<u>Meter Size</u>	<u>Base Facility Charge</u>	<u>Gallonage Charge</u> <u>(Per 1,000 gallons)</u>
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