FLORIDA PUBLIC SERVICE COMMISSION

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M E M O R A N D U M

September 14, 1995

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO)

FROM: DIVISION OF WATER & WASTEWATER (IWENJIORA)

DIVISION OF LEGAL SERVICES (CAPELESS)

RE: DOCKET NO. 931129-WS - UTILITIES, INC. OF FLORIDA, MILES GRANT WATER & SEWER COMPANY, AND LAKE UTILITY SERVICES, INC. - DISPOSITION OF CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC) GROSS-UP FUNDS

COUNTIES:SEMINOLE, MARTIN, AND LAKE

AGENDA: SEPTEMBER 26, 1995 - REGULAR AGENDA - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: I:\PSC\WAW\WP\931129.RCM

CASE BACKGROUND

Utilities, Inc. of Florida (UIF or utility) is a Class A utility that owns and operates a number of water and wastewater utilities in various counties in Florida. Its Seminole County division is the only system addressed in this proceeding. For the Seminole County division, the 1994 annual report reflected water revenues of $509,027 and wastewater revenues of $353,924. This division reported a net operating income of $52,335 for the water system and $41,153 for the wastewater system.

Miles Grant Water and Sewer Co. (Miles Grant) is a Class B utility which provides water and wastewater service to customers in Martin County. According to the 1994 annual report, water revenues were reported at $228,652 and wastewater revenues were reported at $297,587. The utility reported a net operating income of $42,604 for the water system and $100,283 for the wastewater system.

Lake Utility Services, Inc. (Lake Utility) is a Class B utility which provides only water service to customers in Lake County. According to the 1994 annual report, water revenues of $176,308 and a net operating income of $3,322 were reported.

In Order No. 24139, issued February 20, 1991, in Docket No. 900906-WU, the Commission acknowledged the corporate reorganization of UIF and Lake Utility. All territory, rates, charges, and fees applicable to UIF's Lake County systems were deleted from UIF's tariff and incorporated in Lake Utility's tariff. As a result, the unclaimed CIAC gross-up refund relating to UIF's former Lake County division has been considered with Lake Utility's(which does not have any unclaimed refunds).

In Order No. 23541, issued October 1, 1990, in Docket No. 860184-PU, the Commission determined that any water and wastewater utility already collecting the gross-up on CIAC and wishing to continue collecting the gross-up, had to file a petition for approval with the Commission on or before October 29, 1990. Because UIF, Miles Grant, and Lake Utility did not request the continued authority to gross-up, their gross-up authority was cancelled. (Order No. 24790, issued July 10, 1991, in Docket No. 910575-WS; Order No. 24769, issued July 8, 1991, in Docket No. 910562-WS; Order No. 24771, issued July 8, 1991, in Docket No. 910559-WU.)

By Order No. PSC-94-0258-FOF-WS, issued March 8, 1994, in this docket, the Commission required UIF, Miles Grant, and Lake Utility to make refunds totalling $11,896 plus accrued interest through the date of refund. However, UIF was ultimately responsible for the total refund because it owns both Miles Grant and Lake Utility systems. UIF was required to refund a total of $8,680 plus accrued interest for the fiscal years ended 1989 - 1991. Miles Grant was required to refund a total of $3,096 plus accrued interest for the fiscal years 1989 and 1991. Lake Utility was required to refund a total of $120 plus accrued interest for the fiscal year ended 1991.

On May 23, 1994, UIF began implementing the refund by mailing payment checks and, to date, $477 (which includes accrued interest) of the refunds remains unclaimed. Therefore, this recommendation addresses the final disposition of the unclaimed refunds.

**DISCUSSION OF ISSUES**

**ISSUE :** Should Utilities, Inc. of Florida be allowed to credit the amount of unclaimed gross-up refunds to its CIAC account?

**RECOMMENDATION**: Yes. Utilities, Inc. of Florida should be allowed to credit its Contributions in Aid of Construction (CIAC) account in the amount of the unclaimed refunds of $477. Of this amount, $317 should be applied its Seminole County division, i.e., $138.69 should be allocated to water and $178.31 should be allocated to wastewater, based on the ratio of water service availability charges to wastewater service availability charges in the utility's approved tariff. $160 should be applied to Lake Utility. Further, UIF should be required to honor any remaining refund claims submitted to the utility within twelve months following the date of issuance of the Commission order approving this proposal. Each refund made within the twelve month period should be accompanied by an appropriate reduction to the CIAC account. (IWENJIORA)

**STAFF ANALYSIS**: By Order No. PSC-94-0258-FOF-WS, issued March 8, 1994, in this docket, the Commission required Utilities, Inc. to refund $11,896 plus accrued interest through the date of refund, for gross-up collected in excess of the tax liability resulting from the collection of taxable CIAC for fiscal years ended 1989 - 1991. UIF was required to refund a total of $8,680 plus accrued interest for the fiscal years ended 1989 - 1991. Miles Grant was required to refund a total of $3,096 plus accrued interest for the fiscal years 1989 and 1991. Lake Utility was required to refund a total of $120 plus accrued interest for the fiscal year ended 1991. Orders Nos. 16971 and 23541, issued October 1, 1990, in Docket No. 860184-PU, provide that refunds should be made on a pro rata basis to those persons who contributed the taxes. The utility was required to complete the refunds within 6 months, and submit copies of cancelled checks, credits applied to monthly bills or other evidence which verifies that the refunds have been made, within 30 days from the date of refund.

On May 23, 1994, UIF began implementing the refund by mailing payment checks. On March 27, 1995, the utility filed its refund report. However, staff informed the utility that the Order required that the refunds be completed within 6 months and that cancelled checks should be submitted. Accordingly, staff allowed the utility the additional time to provide the cancelled checks and to make additional effort to locate recipients of the unclaimed refunds. On September 6, 1995, the utility filed its final refund report which indicates that Miles Grant and Lake Utility have completed their gross-up refunds as ordered by the Commission.

However, by Order No. 24139, issued February 20, 1991, in Docket No. 900906-WU, the Commission acknowledged the corporate reorganization of UIF and Lake Utility. All territory, rates, charges, and fees applicable to UIF's Lake County systems were deleted from UIF's tariff and incorporated in Lake Utility's tariff. As a result, the unclaimed CIAC gross-up refund relating to UIF's former Lake County division has been considered with Lake Utility's(which has completed its refunds as ordered).

UIF indicates that when the post office returned the undelivered certified letters, the utility contacted directory assistance, searched its customer data base and contacted relatives of the customers to obtain updated information. Additionally, the utility obtained updated addresses from the Florida Department of State. To date, $477 of the refunds remain unclaimed for UIF's Seminole County and its former Lake County divisions. Of this amount, $317 relates to UIF's Seminole County division and $160 relates to UIF's former Lake County division. This represents 4.15% of the refund ordered.

Staff reviewed the utility's final refund report and believes that it conforms with the requirements of the Commission's Order. UIF should be allowed to credit its CIAC account in the amount of the unclaimed refunds of $477. Of this amount, $317 should be applied to the Seminole County division and $160 should be applied to Lake Utility. According to UIF's 1994 annual report, its Seminole County division was 24.34% contributed for the water system and 39.86% contributed for the wastewater system. Based on the foregoing, staff recommends that UIF be allowed to credit $317 to its Seminole County division. Of this amount, $138.69 should be allocated to water and $178.31 should be allocated to wastewater, based on the ratio of water service availability charges to wastewater service availability charges in the utility's approved tariff.

According to Lake Utility's 1994 annual report, it was 41.14% contributed for the water system. Therefore, staff recommends that Lake Utility be allowed to credit CIAC in the amount of $160.00. Further, an additional twelve month period in which to honor any additional refund claims is a reasonable length of time to extend possible claims. Each refund made within the twelve month period should be accompanied by an appropriate reduction to the CIAC account. Therefore, staff recommends that the utility be allowed to credit its CIAC account in the amount of the unclaimed refunds.

**ISSUE 2**: Should the docket be closed?

**RECOMMENDATION**: Yes, the docket should be closed. (CAPELESS)

**STAFF ANALYSIS**: There is no further action required in this docket. Therefore, the docket should be closed.