

DOCKET NO. 970409-311

REQUEST TO ESTABLISH DOCKET

Date 4/1/97

- 1. Division Name/Staff Name Water and Wastewater / Xanders
- 2. OPR WAW
- 3. OCR LEG
- 4. Suggested Docket Title Investigation into appropriate wastewater rates of the Tropical Isles Facility of Florida Water Services Corporation in St. Lucie County

5. Suggested Docket Mailing List (attach separate sheet if necessary)

A. Parties (Provide names of regulated companies or use abbreviation from list below if Parties should include all regulated companies in one or more industries; provide names and addresses of nonregulated companies; provide names, addresses, and affiliation (i.e., attorney, company liaison officer, or customer) of individuals.)

~~Florida Water Services Corporation 55M  
 Fla Southern States Utilities 1000 Colon Place  
 P.O. Box 609250 Apopka, FL 32703-7753  
 Orlando, FL 32860-9520~~

B. Interested Persons/Companies (Provide names, complete mailing addresses, and affiliation. Use abbreviation from list below if Interested Persons should include all regulated companies in one or more industries.)

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

REGULATED INDUSTRIES

Investor-Owned Electrics (EI)	Water Utilities (WU)
Electric Cooperatives (EC)	Local Exchange Telephone Cos. (TL)
Municipal Electrics (EM)	Interexchange Telephone Cos. (TI)
Gas Utilities (GU)	Coin-Operated Telephone Cos. (TC)
Wastewater Utilities (SU)	Shared Tenant Telephone Cos. (TS)
	Alternate Access Vendors (TA)

6. Check One:

- Documentation attached.
- Documentation will be provided with recommendation.

Our review of orders approving price index increases indicates that over the eight years that these rates have been in effect for SSU, its monthly service rates have been indexed 29.44 percent to cover increasing costs. Therefore, if the miscellaneous service charges covered their associated cost in the period of 1986 to 1988, they cannot be covering the cost now. This leads us to the concern that non-recurring costs are being recovered through recurring, monthly service rates.

Mr. Ludsen stated that the utility had not conducted a study to update or to determine what the actual charges are. A study of the charges would include a survey of other utilities, and examination of the costs behind the charges. Mr. Ludsen agreed that this type of study should be conducted in the future. However, the utility has based its charges upon Staff Advisory Bulletin (SAB) 2nd Revised 13, dated January 1, 1988. These bulletins are issued by our staff to provide informal, non-binding interpretations or classifications. SSU witness Ludsen agreed that there have been increases in costs since 1988. However, he contended that SAB 2nd Revised 13 should be updated for inflation, or that we should consider indexing miscellaneous service charges, in the same manner that we allow utilities to index their monthly services rates.

The record contains no evidence regarding any changes to the currently approved miscellaneous service charges. Nevertheless, we remain concerned that the rates are eight years old and cannot possibly cover current costs. This situation is no doubt common among other water and wastewater utilities. Therefore, this issue will be reviewed by our staff outside the context of this docket. Our staff shall also examine whether miscellaneous service charges should be indexed in the future and included in index applications.

#### 9. Residential Wastewater Only (RWO) Rates

SSU currently provides residential wastewater Only (RWO) in nine service areas. Because SSU does not supply water and has no water usage data on which to base a metered wastewater rate, the utility charges its RWO customers a flat rate. With the exception of the Tropical Isles service area, the flat rate is based on an estimate of water consumption applied to the wastewater rates. This estimate is based on the average consumption of the metered residential customers within the particular service area and differs for each area. Because there are no SSU water customers within the Tropical Isles service area, the flat rate for this group of customers is calculated by simply dividing the wastewater revenue requirement by the number of customers.

The utility proposed to make the RWO rate uniform for all service areas. The proposed rate methodology would apply the statewide average residential consumption to the wastewater rates to come up with a uniform flat rate bill applicable to all nine RWO service areas. Our review of the record indicates that the average consumption of these individual service areas varies from 1,550 in Apache Shores to over 5,000 in Beacon Hills. Given this diversity, we find that using consumption data on a per service area basis provides a more accurate average. Therefore, we deny SSU's proposed uniform RWO rate, and instead require the utility to continue to calculate the RWO on a per service area basis.

As noted above, Tropical Isles is an exception to this rate structure. These customers receive metered water service from the City of Ft. Pierce (Ft. Pierce). During the February 1, 1996, service hearing in Stuart, several customers questioned the validity of year round flat rates for wastewater service when they have metered water rates. SSU did not provide any metered consumption information for Tropical Isles from Ft. Pierce. Therefore, at this time we have calculated a flat rate based on Tropical Isles' revenue requirement.

However, it is our practice to pursue metered water and wastewater rates whenever it is feasible to determine consumption. The utility stated it has had problems obtaining metered consumption information from municipalities in order to bill wastewater only customers. However, when asked if the utility had ever experienced a problem in getting this information from Ft. Pierce, Mr. Ludsen stated that, to his knowledge, SSU has never tried to get this information. The utility has not addressed how practical or costly it would be to obtain the metered water data.

The utility is hereby ordered to investigate whether this information can be feasibly obtained from Ft. Pierce and file a report with this Commission within 120 days from the issuance date of this Order. This report shall detail the steps taken in this investigation, as well as the utility's calculation of a metered rate taking into account the approved wastewater rate structure. A docket shall then be initiated so that we may address this issue. The utility is further ordered to notify the customers of Tropical Isles that this issue is being explored and that the results will be presented to the Commission.

As previously indicated, many of the Tropical Isles users are seasonal users, and questioned why a vacation rate could not be established. While these customers are out of town, Ft. Pierce does not charge them for the time that their water service is off. Although this was only brought up by customers of Tropical Isles,

we evaluated the issue with all RWO customers in mind. A vacation rate may be appropriate because a flat rate includes some consumption. Mr. Ludsen testified on cross-examination that a vacation rate would be difficult to administer in terms of customers notifying the utility when they go on vacation. He also stated that because the revenue requirement would not change, if rates go down during the vacation period, the other period would have higher rates.

We agree that it is not practical to offer a vacation rate for RWO service if the customer is unmetered for water service because it would be difficult to verify that the customer is actually on vacation. However, Ft. Pierce turns off the Tropical Isles customers' water service while they are on vacation. The utility could require customers to provide verification when Ft. Pierce turns off their water, or coordinate with Ft. Pierce so the utility is informed when service resumes. Therefore, we find it appropriate to order SSU to provide, in conjunction with the report regarding metering set forth above, a report addressing the feasibility of implementing a vacation rate.

10. Treatment of Price Index and Pass-Through Increases

The benchmark rate level has been established as \$52 at 10,000 gallons of consumption for water and \$65 at 6,000 gallons for wastewater. During our decision on remand in Docket No. 920199-WS, we were faced with the issue of how to account for index and pass-through increases. Because the increases occurred between the initial uniform rate decision and the subsequent decision approving a capped rate structure, the index and pass-through increases had to be accounted for. By Order No. PSC-95-1292-FOF-WS, the increases were included on a stand-alone basis, effectively increasing the benchmark amount for those service areas that were already set at \$52 and \$65. As a result, each affected service area had its own individual cap.

Staff witness Shafer stated that if benchmark levels are not increased for index and pass-through increases, rates for all service areas will eventually converge on that benchmark level because rates already at the benchmark levels would not be increased. This would increase subsidization by shifting index and pass-through increases from some service areas to others. Mr. Shafer also testified that even if we desired to maintain the benchmark values as a way to maintain affordable rates in the long run, it is prudent to recognize the impact of inflation. For example, we could apply the index percentage to those rates that are already at the benchmark levels. This would not necessarily equate to the same rate for a particular service area that a stand-



February 6, 1997

Ms. Maggi O'Sullivan  
Division of Legal Services  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0865

by fax & Federal Express

Re: Docket No. 950495-WS -- Application for rate increase and change in service availability charges for Orange-Osceola Utilities, Inc. in Osceola County, and in Bradford, Brevard, Charlotte, Citrus, Clay, Collier, Duval, Highlands, Lake Lee, Marion, Martin, Nassau, Orange, Pasco, Putnam, Seminole, St. Johns, St. Lucie, Volusia, and Washington Counties by Southern States Utilities, Inc.

Dear Maggi:

In Order No. PSC-96-1320-FOF-WS, issued October 30, 1996, in the above docket, the Commission required Florida Water Services Corporation, formerly known as Southern States Utilities, Inc., (hereinafter "Florida Water" or "Utility") to investigate the feasibility of obtaining water meter consumption data for Florida Water's residential wastewater only ("RWO") customers in the Tropical Isles service area. The Commission suggested that the meter data could be used in designing a base facility charge/gallonage charge rate structure ("BFC/gallonage rates"). Further, the Commission ordered Florida Water to explore the feasibility of a vacation rate for Tropical Isles. This letter constitutes the report required by the Order.

Florida Water has to this point experienced difficulties in obtaining information from the Ft. Pierce Utility Authority. Therefore, Florida Water intends to make further attempts to obtain the pertinent information and report back to the Commission in another 120 days.

Below are the steps Florida Water has taken thus far in pursuit of the information in question.

- In early December of 1996, a Florida Water rate analyst contacted the Ft. Pierce Utility Authority (Authority) by telephone and was referred to Mr. Bill Abramowitz, a senior representative of the Authority. The Florida Water analyst explained that Florida Water needed monthly water consumption by customer for at least 12 historical months in order to calculate appropriate metered rates and that

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once the new rates were implemented, Florida Water would need monthly meter reads by customer, including billing adjustments. Mr. Abramowitz assured the Florida Water analyst that he would look into the feasibility and cost of obtaining this information and get back to her.

● As of January 29, 1997, Mr. Abramowitz had not replied to Florida Water's request for information, so on that date another Florida Water rate analyst contacted Mr. Abramowitz. This analyst also described the type of information needed. Mr. Abramowitz told the analyst that the person in charge of doing cost analysis was Ms. Shirley Platt and that Florida Water would need to send a written request detailing the type and format of the required data the Authority could assess the cost of providing the initial historical data and the ongoing monthly consumption readings.

● On January 31, 1997, Florida Water sent a letter to Ms. Platt, requesting the information it had already requested verbally. A copy of the letter sent the Authority is attached hereto and marked "Attachment A."

As of today, February 28, 1997, Florida Water has not yet received the information requested from the Authority. Since Florida Water has yet to receive information from the Authority, Florida Water cannot calculate BFC/gallonage rates for Tropical Isle wastewater service.

The delay Florida Water is experiencing for receipt of the data requested is reminiscent of the problems Florida Water has experienced in the past when attempting to acquire data from other utilities. Those past experiences were the reason Florida Water had not attempted to obtain meter readings from the Authority in this case. Further, in the past, even when Florida Water had obtained water meter readings from another utility, that information was often not timely, properly adjusted or reliable. Billing adjustments, meter change outs, turn ons, turn offs, etc. not timely and properly reported result in billing errors and confusion for Florida Water customers.

Florida Water cannot do more on the subject of a vacation rate until it receives data from and can engage in a meaningful dialogue with the Authority. A vacation rate, if required, should simply be the base facility portion of a wastewater bill. This could be broken out from the RWO rate currently approved, but Florida Water would have to have historic records with an indication of the number of people on vacation and amount of time they are gone so that rates could be appropriately designed. Based on current and past experience, Florida Water has concerns with the timeliness and

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reliability of customer vacation information as well. Florida Water also reiterates that any change in rate structure for Tropical Isles will not reduce the overall revenue collected from those customers. The change would only be a reallocation among customers with additional administrative expense to Florida Water.

In any event, as stated above, Florida Water will continue its efforts to establish a dialogue with the Authority.

Attached hereto as "Attachment B" is a proposed notice to customers of Tropical Isle regarding the status of the above issues to date.

If staff requires this notice to be sent out now or would prefer that a notice be delayed until more is known, please advise.

If you have any questions or comments on the above, please call me at (407) 884-8777, ext. 260.

Sincerely yours,



Matthew Feil, Esq.  
Staff Attorney

Attachments

ATTACHMENT A



January 31, 1997

Ft. Pierce Utility Authority  
P.O. Box 3191  
Ft. Pierce, FL 34948-3191  
Attn: Ms. Shirley Platt

Dear Ms. Platt,

In early December a member of my staff contacted Bill Abramowitz regarding the possibility of receiving water meter readings for your customers in the Tropical Isles subdivision. It was explained to Mr. Abramowitz that we serve the wastewater collection needs for your water customers. Mr. Abramowitz informed us that he would look into it and contact us. In a follow up conversation we had with Mr. Abramowitz on January 29, 1997, we were given your name as a contact.

This request is being made at the behest of the Florida Public Service Commission, which has ordered us to investigate the feasibility of instituting a rate structure comprised of a monthly fixed base charge with a charge per each 1,000 gallons of wastewater collected. The only way we have of designing and charging such a structure is to base wastewater collection upon water consumption, which is why I am writing to you.

I need monthly 1996 readings for each of the customers in the Tropical Isles subdivision, and then I need to establish a mechanism for receiving the monthly readings when they occur. The format of the information I am requesting is customer name, service address, meter read date and meter reading. I would prefer to receive this information in electronic spreadsheet form, but a paper report could be used. I would also like to receive a report stating connects/disconnects and the relevant dates.

I thank you for your attention in this matter. Please let me know if I can answer any questions. I would appreciate your prompt reply.

Sincerely,

A handwritten signature in cursive script, appearing to read "Tony Isaacs".

Tony Isaacs,  
Rate Design Supervisor





ATTACHMENT B

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION  
DOCKET NO. 950495-WS**

**NOTICE OF FPSC ORDER REGARDING THE INVESTIGATION OF ESTABLISHMENT OF A  
BASE/GALLONAGE AND VACATION RATE FOR WASTEWATER CUSTOMERS IN THE  
TROPICAL ISLES SERVICE AREA**

**Application by Southern States Utilities, Inc., now known as Florida Water Services Corporation for rate increase for Orange-Osceola Utilities, Inc. in Osceola County and in Bradford, Brevard, Charlotte, Citrus, Clay, Collier, Duval, Highlands, Lake, Lee, Marion, Martin, Nassau, Orange, Osceola, Pasco, Putnam, Seminole, St. Johns, St. Lucie, Volusia and Washington Counties.**

Dear Tropical Isles Wastewater Customer:

On October 20, 1996, the Commission issued Order No. PSC-96-1320-FOF-WS, its "Final Order Approving Rates and Charges." The order requested that Florida Water Services investigate the feasibility of establishing a base and gallonage charge rate structure as well as the possibility of establishing a vacation rate for your service area. In order to do that Florida Water Services has to obtain historic water billing information for each customer in your service area, as well as ongoing monthly water meter readings and other pertinent information. A report detailing our efforts in this regard has been forwarded to the Commission. You will be informed of the Commission's disposition of this matter.

Florida Water Services would like to make clear that the Commission has ordered a feasibility study concerning establishing different rate structures. The Commission may or may not decide to implement a rate structure different than the flat monthly rate you are currently paying.

Florida Water Services would further like to explain to our customers in Tropical Isles that any change in rate structure will not affect the amount of total revenues collected from your service area. The revenues which are required from your service area were set by the Commission in Order No. PSC-96-1320-FOF-WS and are not subject to change by a rate structure change. What this means is that if a different rate structure is ordered, some customers in your service area will pay higher bills, while others will pay lower bills.

If you have any questions concerning your bill or this notice, please call our Customer Service Representatives toll-free at (800) 432-4501.

We appreciate the opportunity to serve you.

Sincerely,  
  
 Judy Lee Sweat  
 Manager, Customer Business Office