

M E M O R A N D U M

November 5, 1997

TO: DIVISION OF RECORDS AND REPORTING
FROM: DIVISION OF LEGAL SERVICES (BRUBAKER) *JB*
RE: DOCKET NO. 971065-SU - APPLICATION FOR RATE INCREASE IN
PINELLAS COUNTY BY MID-COUNTY SERVICES, INC.

Please place the attached letter dated November 5, 1997 in the docket file for the above-referenced docket.

JB/lw

Attachment

cc: Division of Water and Wastewater (Willis, Crouch, Davis,
Fuchs, Merchant)
Division of Auditing and Financial Analysis (Vandiver)

SEC

DOCUMENT NUMBER-DATE

11361 NOV-5 97

FPSC-RECORDS/REPORTING

HOPPING GREEN SAMS & SMITH

PROFESSIONAL ASSOCIATION

ATTORNEYS AND COUNSELORS

123 SOUTH CALHOUN STREET

POST OFFICE BOX 6526

TALLAHASSEE, FLORIDA 32314

(850) 222-7500

FAX (850) 224-8551

FAX (850) 425-3415

Writer's Direct Dial No.

(904) 425-2313

November 5, 1997

KEVIN B. COVINGTON
RANDOLPH M. GIDDINGS
KIMBERLY A. GRIPPA
GARY K. HUNTER, JR.
JONATHAN T. JOHNSON
ROBERT A. MANNING
W. STEVE SYKES
T. KENT WETHERELL, II

OF COUNSEL
W. ROBERT FOKES

JAMES S. ALVES
BRIAN H. BIBEAU
KATHLEEN BLIZZARD
ELIZABETH C. BOWMAN
RICHARD S. BRIGHTMAN
PETER C. CUNNINGHAM
RALPH A. DEMEO
THOMAS M. DeROSE
WILLIAM H. GREEN
WADE L. HOPPING
FRANK E. MATTHEWS
RICHARD D. MELSON
ANGELA R. MORRISON
GARY V. PERKO
MICHAEL P. PETROVICH
DAVID L. POWELL
WILLIAM D. PRESTON
CAROLYN S. RAEPPLÉ
DOUGLAS S. ROBERTS
GARY P. SAMS
ROBERT P. SMITH
CHERYL G. STUART

BY HAND DELIVERY

Ms. Jennifer Brubaker
Division of Legal Services
Florida Public Service Commission
2540 Shumard Oaks Blvd.
Tallahassee, FL 32399-0850

Re: Mid-County Services, Inc. - Docket No. 971065-SU
Customer Notice and Rate Case Synopsis

Dear Jennifer:

Enclosed for staff's review and approval are copies of the following:

1. A combined notice of application and notice of initial customer meeting. These combined notices are designed to satisfy the requirements of subsections (5) and (8) of Rule 25-22.0407, F.A.C.

Mid-County proposes to mail this notice twice. The first mailing will be within 50 days after the official date of filing per Rule 25-22.0407(5)(a). The second mailing will be on a date that falls between 30 and 14 days prior to the customer meeting per Rule 25-22.0407(8)(a).

Except for the information specific to the current case, the text of this notice is identical to the notice approved by the staff in Docket No. 960444-WU.

2. A rate case synopsis. Except for the information specific to the current case, the text of this synopsis is also the same as that approved by the staff in Docket No. 960444-WU.

Please provide us with comments on, or approval or, the proposed notice and synopsis as quickly as possible.

Ms. Jennifer Brubaker
November 5, 1997
Page 2

An extra copy has been enclosed on which you can note the staff's approval and any required changes.

If you have any questions, please call.

Very truly yours,



Richard D. Melson

RDM/clp
Enclosures

cc: Ms. Bayó (for docket file)
Mr. Willis (Division of Water & Wastewater)
Mr. Garcia

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

NOTICE OF APPLICATION AND NOTICE OF INITIAL CUSTOMER MEETING TO THE
CUSTOMERS OF MID-COUNTY SERVICES, INC. IN PINELLAS COUNTY AND ALL OTHER
INTERESTED PERSONS

DOCKET NO. 971065-SU

APPLICATION OF MID-COUNTY SERVICES, INC.
FOR A RATE INCREASE IN PINELLAS COUNTY

Dated: November 14, 1997

Notice is hereby given that the Staff of the Florida Public Service Commission will conduct a customer meeting to discuss the above application of Mid-County Services, Inc. for a wastewater increase in Pinellas County.

Date: January 14, 1998
Time: 6:30 p.m.
Location:

All persons who wish to testify are urged to be present at the beginning of the meeting, since the meeting may be adjourned early if no customers are present.

Purpose

The purpose of the meeting is to give customers and other interested persons an opportunity to offer sworn testimony to the Commission staff regarding the quality of service provided by the utility and to ask questions or offer comments on the utility's proposed rates included with this notice, as well as other issues. Staff members will summarize the preliminary work accomplished and answer questions. A representative from the utility will also be present.

Any person who wishes to comment or provide information to Staff may do so at the meeting, orally or in writing. Written comments may also be sent to the Commission at the address given at the end of this notice.

Any person requiring some accommodation at the customer meeting because of a physical impairment should call the Division of Records and Reporting at (850) 413-6770 at least five calendar days prior to the meeting. If you are hearing or speech impaired, please contact the Florida Relay Service by using the following numbers: 1-800-955-8700 (VOICE) or 1-800-955-8771 (TDD).

Background

Mid-County Services, Inc. provides wastewater in Pinellas County. Applicant is seeking an increase in its wastewater rates because the existing rates are insufficient to provide a fair return on the utility's investment in property used and useful in the public service. The last general rate increase of Mid-County Services, Inc. was granted on November 30, 1993. The utility completed the minimum filing requirements (MFRs) for a rate increase, and October 14, 1997, was established as the official filing date for the application.

RECEIVED

NOV 5 1997

Public Inspection

For further information, the MFR's, together with a synopsis of the rate increase, are available for public inspection at the addresses listed below.

Mid-County Services, Inc.
200 Weathersfield Avenue
Altamonte Springs, FL 32714
(407) 869-1919
8:00 a.m. to 4:30 p.m. Mon. thru Fri.

Mid-County Services, Inc.
2299 Spanish Vista
Palm Harbor, FL 34683
9:00 a.m. to 4:30 p.m. Mon. thru Fri.

Case Schedule

The following tentative time schedule was established by the Commission for the remaining major events in Mid-County Services, Inc.'s rate case. The schedule is tentative and subject to change.

Staff recommendation on interim rates	11/20/97
Agenda conference on interim rates	12/02/97
Order on interim rates	12/22/97
Audit report due	12/31/97
Customer meeting	01/14/98
Recommendation due on proposed agency action	02/26/98
Agenda conference	03/10/98
PAA Order	03/30/98
Protest filed or docket closed	05/04/98
Prehearing conference (if protested)	08/24/98
Hearing (if protested)	09/10/98 - 09/11/98

Current and Proposed Rates

The utility's current rates and charges and the proposed new rates and charges are as follows:

<u>Residential</u>	<u>Present Rates</u>	<u>Requested Interim Rates</u>	<u>Requested Final Rates</u>
Base Facility Charge:			
5/8" Meter	\$28.80	\$38.45	\$38.66
Gallonge Charge per 1,000 Gals. (Maximum 20,000 gallons)	1.51	2.02	2.03
 <u>Multi-Residential Service</u>			
Base Facility Charge:			
5/8" Meter	\$28.80	\$38.45	\$38.66
1" Meter	72.01	96.12	96.65
1-1/2" Meter	144.02	192.24	193.30
2" Meter	230.44	307.59	309.29
3" Meter	460.89	615.18	618.57
4" Meter	720.13	961.22	966.52
6" Meter	1,440.28	1,922.45	1,933.03
Gallonge Charge per 1,000 Gals.	1.81	2.42	2.43
 <u>General Service</u>			
Base Facility Charge:			
5/8" Meter	\$28.80	\$38.45	\$38.66
1" Meter	72.01	96.12	96.65
1-1/2" Meter	144.02	192.24	193.30
2" Meter	230.44	307.59	309.29
3" Meter	460.89	615.18	618.57
4" Meter	720.13	961.22	966.52
6" Meter	1,440.28	1,922.45	1,933.03
Gallonge Charge per 1,000 Gals.	1.81	2.42	2.43
Flat Rates:	\$50.67	\$67.64	\$68.01
	\$1,595.45	\$2,129.93	\$2,141.57

These rates are shown on a bi-monthly basis.

The utility has not requested a change in its service availability charges. The Commission nevertheless will be reviewing the utility's service availability charges in this case and may adjust those charges.

How to Contact the Commission

Written comments regarding Mid-County Services, Inc.'s service or the proposed rates and charges may be sent to the Commission at the following address and should refer to Docket No. 971065-SU which is the docket number assigned to this proceeding, with a copy mailed to Mid-County Services, Inc.

Director, Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, Florida 32399-0870

Mid-County Services, Inc.
200 Weathersfield Avenue
Altamonte Springs, FL 32714

Complaints regarding Mid-County Services, Inc.'s service may be made to the Commission's Division of Consumer Affairs at the following toll free number: 1-800-342-3552.

This notice was prepared by the utility at the direction and with the approval of the Commission staff for distribution to the utility's customers.

MID-COUNTY SERVICES, INC.

RATE CASE SYNOPSIS

DOCKET NO. 971065-SU

MID-COUNTY SERVICES, INC.
RATE CASE SYNOPSIS
DOCKET NO. 971065-SU

Index

	<u>Page</u>
I. Purpose.....	1
II. Comparison of the Present and Proposed Rates for Major Services	1
III. General Reason for Rate Request	2
IV. Major Rate Case Issues.....	2
V. Description of the Ratemaking Process and Time Schedule	3
A. A Rate Case - Step-by-Step	3
B. Rate Case Tentative Time Schedule.....	6
VI. Location of MFR's for Review.....	7

I. Purpose

In accordance with the Florida Public Service Commission's Rule 25.22.0407 regarding Notice of and Public Information on General Rate Increase Requests, a synopsis of the rate request is to be prepared and distributed by Mid-County Services, Inc. in Pinellas County. The following information will provide the background on the rate request and the rate case process in general.

II. Comparison of the Present and Proposed Rates for Major Services

On September 18, 1997, Mid-County Services, Inc. filed an application with the Florida Public Service Commission ("Commission") for increased wastewater rates for its customers in Pinellas County. The application was assigned Docket No. 971065-SU, and October 14, 1997 was established as the official date of filing.

The utility has requested permanent wastewater revenue increases of \$312,306. This requested increase would produce annual revenues of \$1,225,899 for its wastewater operations.

The utility has also requested interim wastewater revenue increases of \$305,637. These interim increases would produce annual revenues of \$1,219,230 for its wastewater system.

A schedule of the utility's present rates and the proposed interim and permanent rates which would produce these revenues follows.

SCHEDULE OF RATES:

	<u>Present Rates</u>	<u>Requested Interim Rates</u>	<u>Requested Final Rates</u>
<u>Residential</u>			
Base Facility Charge:			
5/8" Meter	\$28.80	\$38.45	\$38.66
Gallage Charge per 1,000 Gals. (Maximum 20,000 gallons)	1.51	2.02	2.03
<u>Multi-Residential Service</u>			
Base Facility Charge:			
5/8" Meter	\$28.80	\$38.45	\$38.66
1" Meter	72.01	96.12	96.65
1-1/2" Meter	144.02	192.24	193.30
2" Meter	230.44	307.59	309.29
3" Meter	460.89	615.18	618.57
4" Meter	720.13	961.22	966.52
6" Meter	1,440.28	1,922.45	1,933.03
Gallage Charge per 1,000 Gals.	1.81	2.42	2.43
<u>General Service</u>			
Base Facility Charge:			
5/8" Meter	\$28.80	\$38.45	\$38.66
1" Meter	72.01	96.12	96.65
1-1/2" Meter	144.02	192.24	193.30
2" Meter	230.44	307.59	309.29
3" Meter	460.89	615.18	618.57
4" Meter	720.13	961.22	966.52
6" Meter	1,440.28	1,922.45	1,933.03
Gallage Charge per 1,000 Gals.	1.81	2.42	2.43
Flat Rates:	\$50.67	\$67.64	\$68.01
	\$1,595.45	\$2,129.93	\$2,141.57

These rates are shown on a bi-monthly basis.

III. General Reasons for Rate Request

Mid-County Services, Inc. requires a rate increase because the existing rates are insufficient to provide a fair return on the utility's investment in property used and useful in the public service. The last general rate increase of Mid-County Services, Inc. was granted on November 30, 1993.

Rates are designed so that fixed costs are recovered from the base facility charge and variable costs are recovered from the gallonage charge. Since there is no device to measure wastewater flows from each customer, wastewater usage is based on metered water consumption. The utility is requesting a 10,000 gallon cap, on a monthly basis, for wastewater bills to residential customers, because most usage in excess of 10,000 gallons per month is for irrigation use. The requested residential base facility charge for final rates is \$19.33 per month, regardless of meter size for wastewater service.

The miscellaneous service charges previously approved by the FPSC are adequate and therefore, no change is requested. Miscellaneous service charges are connection charges (turn-on fees) and premise visit charges. A connection charge may be an initial, reconnection or violation reconnection. An initial connection is the connection charge at a location where service did not previously exist. A normal reconnection charge is a charge for the transfer of service to a new customer account at a location previously served by the utility. A violation reconnection charge is the fee for reconnection an existing customer after disconnection of service for cause, such as delinquency in bill payment. A premise visit charge is the fee levied when a service representative visits the premises for the purpose of disconnecting service for non payment of a past due bill and does not disconnect because the customer pays the service representative or otherwise make satisfactory arrangements to pay the bill.

The rate of return on equity requested in this proceeding is 10.22%. The overall return requested (the weighted cost of debt, equity and tax credits) is 9.37%.

IV. Major Rate Case Issues

It is impossible to anticipate all the issues which may develop during a rate case; however, the following issues are anticipated to be the major areas considered:

1. Is the Commission-approved test year appropriate for the purpose of setting rates?
2. What is the test year rate base?
3. What is the test year net operating income?
4. What is the test year cost of capital?
5. What is the test year revenue requirement?
6. What is the proper rate design to recover the test year revenue requirement approved for the utility by the Commission?

V. Description of the Ratemaking Process and Time Schedule

A. Rate Case by Step-by Step

To understand how a rate case is handled, it's helpful to look at two basic things. The first is who participates in the case. The second is what the Commission will be looking at in making decisions in the rate case. Except for minor changes, the same procedures are used whether the rate case involves an electric, telephone, gas, water or sewer utility.

Who's Who

Many people are involved in a utility rate case. We've listed some of the main participants to give you an idea of who's who.

1. The Public Service Commission is composed of five Commissioners appointed by the Governor. All five may sit on a rate case, or the case may be assigned by the chairman of the Commission to a panel of Commissioners. The Commissioners assigned to the case will make final decisions on all of the issues in the case based on the evidence received.
2. The Commissioners are assisted by a Commission Staff of more than 300. The staff members involved in the case include attorneys who advise on legal issues, engineers who inspect the utility sites and equipment, accountants who audit the utility's books and records, consumer affairs specialists who review complaints against the utilities, and rate and financial analysts who study the dollar issues, the rates, and rate structure. The Commission also may employ outside consultants as expert witnesses on complex issues.
3. The Public Counsel is appointed by the Legislature to represent the citizens in rate cases before the Commission. He also has a staff of attorneys, accountants, rate and financial analysts, and also employs outside consultants as expert witnesses.
4. The utility company's officers and staff personnel testify about the utility, its operation and financial receipts and expenses. The company may also employ outside consultants as expert witnesses. These accountants, rate analysts and engineers compile information in support of the rate increase request and testify at the hearings.
5. Intervenors representing organizations, local governments, consumer groups, industrial groups and commercial organizations may participate. An intervenor is a party who legally intervenes in the rate case through petition to the Commission to represent a specific interest or point of view in the rate case. The intervenor has equal opportunity with other parties in the case to ask questions, present testimony, and cross examine witnesses.

What is Examined

All of these participants are, of course, mainly interested in what the Commission's final decision in the case will be. But before those decisions are made, the case will be studied for months, and volumes of data will be compiled on all aspects of the utility's operation.

Rate Case Requirements

The case actually begins when the utility writes a letter to the Public Service Commission asking for a approval of a "test year." That's the 12-month period for which utility operating data will be examined for a rate case. The data may be compared to results of previous years and adjusted for known changes such as inflation, after the test period.

The letter signals that the utility is about to ask for a rate increase. The rate case process takes approximately five to twelve months to complete.

After the utility's "test year" is approved by the Chairman of the Commission, the utility files its request for a rate increase. With that, it files minimum filing requirements (MFRs), which include information on the utility's expenses, investment and operations during the test year. The utility files that data, and any additional information necessary to complete the case.

The Commission's auditors audit the utility's books and records. The Commission, the Public Counsel, and the others involved in the case invariably ask for more information, or information in a different form, as the case continues.

The data provides information about the operations of the company, supplies and expenses, taxes, construction, depreciation and all of the operating and financial matters that are crucial to a decision.

PAA Procedures

A utility may ask that its application be processed using the Commission's proposed agency action (PAA) procedure, as Mid-County Services, Inc. has done in this case.

Under this procedure, the Commission staff holds a customer meeting in the utility's service territory to obtain information from the customers on the utility's service and other issues regarding the requested rate increase. After the Commission auditors have completed their audit and the Commission staff has reviewed the information filed by the utility and the results of the customer meeting, the staff makes a recommendation to the Commission as to the amount of rate increase that the utility should be granted. This recommendation is presented to the Commission at a public agenda conference in Tallahassee at which the Commissioners consider the staff recommendation and vote on each issue identified by the staff.

The Commission attorneys then prepare a formal order containing the Commission's proposed action, including the new rates and when they will be effective. Substantially affected persons have 21 days after this written order is issued to decide whether to accept the Commission's decision or to request a formal hearing.

If no party protests the order thereby triggering the hearing process, the Commission's decision becomes final, the new rates go into effect, and the docket is closed.

Hearings

If any substantially affected party objects to the Commission's proposed rate increase and requests a formal hearing, then the Commission schedules public hearings on the rate request. These hearings are governed by rules similar to those used by courts. Witnesses are sworn and subject to cross-examination, and the final decision must be based upon information presented to the Commission during the hearings.

The Commission schedules service hearings to obtain information from customers regarding their water and wastewater service and technical hearings to conduct a detailed evaluation of all technical, legal and financial issues in the case. These hearings may require two days or more. These hearings are scheduled in the local service area for the customers' convenience. At this time, customer testimony is given regarding quality service. The customers also may testify about rates and charges they consider improper or unfairly discriminatory.

The Public Counsel provides legal representation for consumers in matters before the Commission. The Public Counsel participates in major rates cases, has access to all the information filed by the utility, assists members of the public who wish to testify and provides expert witnesses on various issues in the case.

Witnesses from the utility, the Commission staff, the public counsel and intervenors present testimony and are cross-examined. Among the things the Commission looks for are expenditures that could be considered unnecessary or improper. Expenditures of that kind are disallowed for rate-making purposes. That means the ratepayers do not have to pay for those costs.

There are official transcripts of all hearings. Court reporters record the hearings, just as they do in a courtroom. These transcripts run hundreds of pages.

Completing the Rate Case

After hearings are completed, briefs are usually filed by all parties to the case. The briefs summarize each party's position on the issues.

The Commission staff then makes recommendations to the Commissioners on each issue of the case.

When the Commission makes its final decisions there will be a "vote sheet," which is a listing of all the issues requiring a vote by the Commissioners. There are often 20 or more issues in a major water and sewer case, and it sometimes takes the Commissioners several hours to complete the final review of the case and to vote on each issue based on the evidence in the record.

Commission attorneys prepare a formal order containing the background of the case, the Commission decisions and the basis for the decisions, the new rates, and when they'll be effective.

After the Commission's order is issued, any party may ask the Commission to reconsider any decision on the issues. After reconsideration, the Public Counsel, the utility or any other party may appeal the Commission's decision to the courts.

B. Mid-County Services, Inc. Tentative Time Schedule

The following tentative schedule was established by the Commission for the remaining major events in Mid-County Services, Inc. rate case.

<u>Schedule Item</u>	<u>Due Date</u>
Staff recommendation on interim rates	11/20/97
Agenda conference on interim rates	12/02/97
Order on interim rates	12/22/97
Audit report due	12/31/97
Customer meeting	01/14/98
Recommendation due on proposed agency action	02/26/98
Agenda conference	03/10/98
PAA Order	03/30/98
Protest filed or docket closed	05/04/98
Prehearing conference (if protested)	08/24/98
Hearing (if protested)	09/10/98 - 9/11/98

VI. Location of MFRs for Review

All of the information on file at the Commission is open to the public and is available for review at the Commission offices in Tallahassee. The minimum filing requirements (MFRs) filed by the utility are also available for inspection at Mid-County Services, Inc.'s local office and at the company's general office in Altamonte Springs:

Mid-County Services, Inc.
2299 Spanish Vista
Palm Harbor, FL 34683

Mid-County Services, Inc.
200 Weathersfield Avenue
Altamonte Springs, FL 32714

Community presentations offering an explanation of the rate increase will be offered to all church, civic and service groups in the area. Presentations can be requested by contacting:

Mid-County Services, Inc.
Attn.: Don Rasmussen
200 Weathersfield Avenue
Altamonte Springs, FL 32714
(407) 869-1919

Customers comments concerning Mid-County Services, Inc.'s utility service and its request for an increase in rates should be addressed to the Director, Division of Records and Reporting, Florida Public Service Commission, 2540 Shumard Oak Blvd., Tallahassee, Florida 32399-0870, with a copy mailed to Mid-County Services, Inc. at the following address:

Mid-County Services, Inc.
Attn.: Don Rasmussen
200 Weathersfield Avenue
Altamonte Springs, FL 32714

Complaints regarding service may be made to the Commission's Division of Consumer Affairs at the following phone number 1-800-342-3552.

All comments should include reference to Commission Docket No. 971065-SU which has been assigned to this case.