

STATE OF FLORIDA

Commissioners:
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DIVISION OF LEGAL SERVICES
NOREEN S. DAVIS
DIRECTOR
(850) 413-6199

Public Service Commission

December 15, 2000

Kathryn Cowdery, Esquire
215 South Monroe Street, Suite 815
Tallahassee, Florida 32301

Re: Refunds in Docket No. 950387-SU - Application for a rate increase for North Ft. Myers Division in Lee County by Florida Cities Water Company - Lee County Division.

Dear Kathryn:

As we discussed earlier this week, the appeals process appears to be completed, and the utility should proceed with making the refunds required by Order No. PSC-99-0691-FOF-SU, issued April 8, 1999. Beginning at the bottom of page 18 of that Order, and continuing on page 19 (pages attached), the Commission set forth how the refund should be accomplished.

If you or Mr. Murphy have any questions about how to proceed, please contact Mr. Marshall Willis directly at (850) 413-6914. Also, please provide us with a timeframe for the refund to be accomplished in accordance with the Order so that staff can verify the refund when it is complete.

Again, if you have any questions about the refund, please contact either Mr. Marshall Willis at (850) 413-6914, or me at (850) 413-6234.

Sincerely,

Ralph R. Jaeger
Senior Attorney

RRJ/lw

Enclosure

cc: Division of Records and Reporting
Division of Economic Regulation (Willis)
B. Kenneth Gatlin, Esquire

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DOCUMENT NUMBER - DATE
16066 DEC 15 00
UNIT OF RECORDS REPORTING

IX. REFUND OF REVENUES

By PAA Order No. PSC-95-1360-FOF-SU, issued November 2, 1995, we proposed to set final rates. Although this Order was protested, the utility, pursuant to Section 367.081(8), Florida Statutes, implemented the PAA rates effective December 13, 1995, subject to refund. We have found that the final revenue requirement is lower than the revenue requirement established by PAA Order No. PSC-95-1360-FOF-WS. Therefore, a refund is appropriate.

The PAA rates implemented by the utility included an annual provision for rate case expense of \$30,240, which included a provision to amortize prior rate case expense charges from Docket No. 910756-SU. The amortization period for the prior rate case expense expired in June of 1996. By Order No. PSC-96-1133-FOF-SU, we approved a final rate case expense of \$90,863, amortized over four years, for an annual provision of \$20,716. That Order also included a stipulation that instead of reducing rates on July 1, 1996, to reflect the complete amortization of rate case expense from the prior rate case, the customers would receive a credit on their bill until the final rates were approved and implemented in this docket. However, because of the appeal, the final rates were not implemented. As a result, the utility has continued to collect the PAA rates and has recovered approximately three years of the rate case expense authorized in the PAA rates. Also, pursuant to the original Final Order, the utility has issued credit on customers' bills to offset the amortized rate case expense in Docket No. 910756-SU.

The annual provision for rate case expense of \$61,246 exceeds the annual provision for rate case expense of \$30,240 approved in the PAA rates. As a result, the utility is entitled to recover an additional \$31,006 of rate case expense. In order to provide the utility recovery of this amount, the calculated refund shall be reduced by this difference. The effect of reducing the refund by the difference in rate case expense is that it allows the utility to retain a portion of the revenue collected through the PAA rates to represent the additional rate case expense being in rates since the implementation of the PAA rates. Thus, the utility will have recovered the \$61,246 of rate case expense (\$30,240 + \$31,006) as of December 13, 1999. In addition, since the utility has issued credit to customers on their bills to offset the amortized rate case expense for Docket No. 910756-SU, as required by the

stipulation in Order No. PSC-96-1133-FOF-SU, the PAA revenues in the refund calculation shall be reduced by the amount of the credit. We have, therefore, calculated the refund by taking the difference between the revenue requirement, with rate case expense, and the PAA revenue requirement, with rate case expense, excluding the \$21,001 credit for rate case expense which expired from Docket No. 910756-SU. We have also removed any miscellaneous revenues, guaranteed revenues, and reuse revenues.

Therefore, the utility shall be required to refund 10.92 percent of the revenues collected, from January 1, 1996 to December 31, 1996, through the implementation of rates established pursuant to Order No. PSC-95-1360-FOF-SU, issued November 2, 1995. The calculation for this period takes into account that the utility started issuing credits in July of 1996. From January 1, 1997, to the effective date of the final rates, Florida Cities shall refund 10.50 percent of the revenues collected through the implementation of rates established in the above-mentioned order.

These refunds shall be made with interest as required by Rule 25-30.360(4), Florida Administrative Code. The utility shall be required to submit proper refund reports pursuant to Rule 25-30.360(7), Florida Administrative Code. The utility shall treat any unclaimed refunds as contributions-in-aid-of-construction (CIAC) pursuant to Rule 25-30.360(8), Florida Administrative Code.