

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for emergency)	DOCKET NO. 900988-SU
limited proceeding rate increase)	ORDER NO. 24277
in Pasco County by P.P.W. Sewer)	ISSUED: 3/25/91
Company, Inc.)	
_____)	

The following Commissioners participated in the disposition of this matter:

THOMAS M. BEARD, Chairman
 GERALD L. GUNTER
 J. TERRY DEASON
 MICHAEL MCK. WILSON

NOTICE OF PROPOSED AGENCY ACTION

ORDER GRANTING PETITION FOR
 LIMITED PROCEEDING RATE INCREASE

BY THE COMMISSION:

NOTICE IS HEREBY GIVEN by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for formal proceedings pursuant to Rule 25-22.029, Florida Administrative Code.

BACKGROUND

PPW Sewer Company, Inc. (PPW) is a Class C wastewater utility operating in Pasco County. Based on the 1989 Annual Report on file with the Commission, annual revenue for 1989 was \$56,006 for the wastewater system. Net operating income was reported as \$6,328 for the wastewater system. PPW has approximately 720 wastewater customers.

The wastewater system is under a Consent Order from the Department of Environmental Regulation for repeated violations. Under the Consent Order, PPW is required to abandon its treatment plant and interconnect the collection system to Pasco County. The Order has a December 31, 1990, deadline for completion of the required interconnection. However, unavoidable delays have pushed the actual completion date to March 1, 1991.

DOCUMENT NUMBER-DATE
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 PSC-RECORDS/REPORTING

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The facilities have been owned and operated by various developers since they were installed in the 1970's. To remedy this situation, the PPW wastewater facilities have been sold to Utilities, Inc. of Florida (Utilities, Inc.). The transfer application was filed by Utilities, Inc. on November 19, 1990, on behalf of PPW and approved by Order No. 23739, issued March 20, 1991, in Docket No. 900928-WS. In addition, PPW has entered into a contract with Pasco County whereby PPW will collect wastewater and then transfer the wastewater to Pasco County for treatment and disposal. On December 17, 1990, Utilities, Inc. filed this limited proceeding for a rate increase on behalf of PPW to compensate for the increased costs incurred as a result of the interconnection. The bulk rate imposed by Pasco County is \$4.25 per 1,000 gallons of sewage. Utilities, Inc. has also filed for test year approval for a rate case on behalf of PPW. That application is being processed in Docket No. 910020-WS. PPW has not previously had a rate case before us. PPW's rates were last adjusted by a price index rate adjustment in Order No. 14158, issued on March 12, 1985.

On January 7, 1991, the Office of Public Counsel served its Notice of Intervention in this docket. The proposed rates were suspended pursuant to Section 367.091(5), Florida Statutes, by Order No. 24137, issued February 19, 1991.

Temporary Rates

Utilities, Inc. estimates that the interconnection will require a capital expenditure of approximately \$200,000. In addition, Utilities, Inc. believes that operation under its ownership will more than likely result in cost increases, as a result of the transition to operation under their management. Utilities, Inc. has not requested consideration of either the capital expenditure for the interconnection nor the increased operating costs in this limited proceeding. These costs likely will be addressed in the rate case proceeding.

Utilities, Inc. initially asked to add \$4.25 per thousand gallons as a gallonage charge to the existing flat rate. Utilities, Inc. did not request a specific revenue requirement. In its letter to staff on January 30, 1991, Utilities, Inc. specified its request for a flat rate of \$36.01 per month which results in a revenue increase of \$253,968.

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Our review of the initial filing found that Utilities, Inc. failed to file all of the necessary data. In addition, several areas of concern related to the interconnection were not addressed. We were unable to determine, from the filing or from PPW's 1989 annual report, which operation and maintenance expenses for treatment and disposal currently incurred by the utility will be eliminated due to the interconnection with the County. In addition, Utilities, Inc. proposed a change in the rate structure, which would be more appropriately addressed in a rate case. Utilities, Inc. has not filed any historical usage data to support the estimated purchase wastewater treatment costs, or to justify the allocation to the different rate structure components. While Utilities, Inc. did not ask for recovery of the interconnection costs, we have been unable to verify from the filing the interconnection costs and the cost of plant to be retired. In addition, the abandonment loss and resulting depreciation and amortization cannot be determined. As a result, only the net change to operation and maintenance expenses are addressed in this limited proceeding, and we have determined that the resulting increase in rates will be temporary and subject to refund, with finalization of the rate level to be determined in the pending rate case.

In response to our request for other expense data related to the interconnection, Utilities, Inc. filed a detailed listing of the reduction to expenses due to abandonment of the wastewater plant. In addition, Utilities, Inc. estimated the additional power and purchased wastewater treatment expenses which will result. Its estimate for additional power and purchased wastewater treatment expense was based on 166,000 gallons per day, which is the designed capacity of the sewage treatment plant. Upon consideration, we find that the estimated expenses should be based upon 80 percent of total water sales with a 10 percent allowance for infiltration, which results in an estimated wastewater flows of 130,000 gallons per day. We believe 80 percent of the water sales with an allowance for infiltration is an accurate representation of expected wastewater flows.

Based on the adjustments discussed above and on the information available to us, we have calculated an increase to required annual revenue of \$195,561. This revenue requirement increases the flat monthly rate to \$29.20. The calculation of the rate increase is shown on Schedule No. 1 attached to this Order.

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The existing and approved temporary rates, which we find to be fair, just, and reasonable, are shown below for purposes of comparison:

<u>Residential Service</u>		
<u>Monthly Rates</u>		
<u>Flat Rate</u>	<u>Existing Rates</u>	<u>Approved</u> <u>Temporary</u> <u>Rates</u>
Per Customer	\$ 6.41	\$ 29.20

This Order proposes a temporary increase in water rates. Accordingly, we hereby authorize Utilities, Inc. to collect the service rates approved herein, on a temporary basis, subject to refund, provided that it furnishes security for such a potential refund. Any required refund of these temporary rates will be addressed in the pending rate case, Docket No. 910020-WS. The security should be a bond, a corporate undertaking, or a letter of credit in the amount of \$137,375 or an escrow agreement with an independent financial institution pursuant to a written agreement. Any withdrawal of funds from this escrow account are subject to the prior approval of this Commission through the Director of the Division of Records and Reporting.

Utilities, Inc. must keep an accurate account, in detail of all monies received by said increase, specifying by whom and on whose behalf such amounts were paid. It shall also file a report, no later than the twentieth day of each month that the temporary rates are in effect, showing the amount of revenues collected as a result of the temporary rates and the amount of revenues that would have been collected under the prior rates. Should a refund be required, the refund would be with interest, pursuant to Rule 25-30.360, Florida Administrative Code.

Utilities, Inc. is authorized to implement the temporary rates only after providing the above discussed security and staff's approval of the revised tariff sheets and customer notice.

TEMPORARY RATES IN THE EVENT OF PROTEST

A timely protest of this Order could delay what might be a justified rate increase, pending a formal hearing and a final order in this case, resulting in an unrecoverable loss of revenue to the

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utility. Accordingly, in the event of a timely protest, we hereby authorize Utilities, Inc. to continue to collect the temporary service rates approved herein, subject to refund with the same conditions discussed above. All issues related to the protest of the interconnection costs and any possible refunds shall be addressed in the pending rate case. Final determination of all issues related to this docket will be made in the pending rate case.

With final determination of the rates and any timely protests being made in the pending rate case, this docket may be closed.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the petition of PPW Sewer Company, Inc. for a limited proceeding to increase rates to compensate for costs related to interconnection is hereby granted to the extent set forth in this Order. It is further

ORDERED that PPW Sewer Company, Inc. is authorized to charge the new rates set forth in the body of this Order on a temporary basis, subject to refund. It is further

ORDERED the rate shall be effective for service rendered on or after thirty (30) days after the stamped approval date of the tariff sheets. It is further

ORDERED that prior to its implementation of the rate approved herein, PPW Sewer Company, Inc. shall submit and have approved revised tariff pages and a proposed notice to its customers of the increased rates and the reasons therefor. The revised tariff pages and the notice will be approved upon the expiration of the protest period and Staff's verification that they are consistent with our decision herein. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final, unless an appropriate petition in the form provided by Rule 25-22.036, Florida Administrative Code, is received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the date set forth in the Notice of Further Proceedings below. It is further

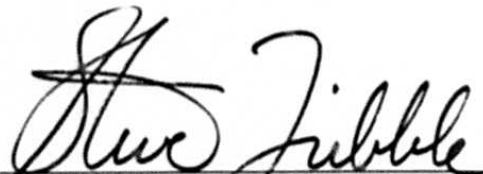
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ORDERED that PPW Sewer Company, Inc. is authorized to collect the temporary rates approved herein subject to refund in accordance with Rule 25-30.360, Florida Administrative Code, provided that PPW Sewer Company, Inc. has provided satisfactory security for any potential refund and provided that it has submitted and Staff has approved revised tariff pages and a proposed customer notice. It is further

ORDERED that, in the event no protest is timely filed, this docket shall be closed, and final determination of interconnection costs and any possible refunds shall be made in the rate case docket. It is further

ORDERED that in the event a protest is timely filed, PPW Sewer Company shall be authorized to continue to collect temporary service rates approved herein subject to refund and all issues raised in the protest will be addressed in the pending rate case. This docket may therefore be closed.

By ORDER of the Florida Public Service Commission, this 25th
day of MARCH, 1991.



STEVE TRIBBLE, Director
Division of Records and Reporting

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

The action proposed herein is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on April 15, 1991.

In the absence of such a petition, this order shall become effective on the day subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

If this order becomes final and effective on the date described above, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or sewer utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the effective date of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

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SCHEDULE NO. 1

<u>DESCRIPTION</u>	<u>ITEM AMOUNT</u>	<u>EFFECT ON NOI</u>	<u>EFFECT ON REVENUE REQ</u>
1 A. O & M Expenses Added:			
2 1. Purchased Sewage Treatment	201,663	201,663	\$ 211,165
3 2. Purchased Power	3,389	3,389	3,549
4			
5 B. O & M Expenses Eliminated:			
6 1. Purchased Power	(4,564)	(4,564)	(4,779)
7 2. Chemicals	(2,034)	(2,034)	(2,130)
8 3. Licenses	(35)	(35)	(37)
9 4. Plant Repair and Maint	(11,658)	(11,658)	(12,208)
10			
11			
12			
13 TOTAL EFFECT ON REVENUE REQUIREMENT			\$ <u>195,561</u>
14			
15 DIVIDE BY ANNUALIZED REVENUE			\$ <u>54,998</u>
16			
17 PERCENTAGE INCREASE TO RATES			<u>355.58%</u>
18			
19			
20			