

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for limited) DOCKET NO. 920834-WS
proceeding to increase rates) ORDER NO. PSC-92-1217-FOF-WS
to recover the cost of) ISSUED: 10/27/92
purchased assets disallowed)
in Docket No. 910020-WS by)
UTILITIES, INC. OF FLORIDA)
_____)

The following Commissioners participated in the disposition of this matter:

THOMAS M. BEARD, Chairman
SUSAN F. CLARK
J. TERRY DEASON
BETTY EASLEY
LUIS J. LAUREDO

ORDER SUSPENDING PROPOSED RATES AND
DENYING INTERIM RATES AND EMERGENCY TEMPORARY RATES

BY THE COMMISSION:

BACKGROUND

Utilities, Inc. of Florida (UIF or utility) is a Class B utility providing water and wastewater service for 27 systems in six counties in Central Florida. UIF is a wholly owned subsidiary of Utilities, Inc. By Order No. 24259, issued March 20, 1991, we granted the transfer of Paradise Point West's (PPW) water and wastewater system to Utilities, Inc. of Florida. PPW's water and wastewater system is located in Pasco County.

PPW's rates were last established in Docket No. 910020-WS, by Order No. 25821, issued February 27, 1992. The utility was authorized a 10.65 percent rate of return with a range of reasonableness of 10.21 percent to 11.09 percent. By Order No. 25821, the Commission assigned a zero value to all assets acquired through the purchase of the PPW system. The Commission determined that the original cost of the assets acquired at the time of the transfer was not established by the record. Consequently, the Commission determined that rate base contained only plant investments made by UIF after the acquisition of PPW.

On August 19, 1992, UIF filed a petition for a limited proceeding to increase water and wastewater rates to recover the cost of the purchased assets disallowed in the prior proceeding. In the original petition, the utility requested increased interim rates (or, in the alternative, emergency temporary rates in the

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nature of interim rates) and permanent rates for water and wastewater service. On September 18, 1992, UIF filed a notice of withdrawal of its request for wastewater rate increases.

The utility developed an original cost study for the purchased assets and submitted it along with other supporting documentation to the Commission as part of the application. The study assigns a value to the purchased assets so that the plant can be included in rate base. The utility requested interim water rates designed to generate annual revenues of \$161,659, an increase of 38.20 percent.

SUSPENSION

We have reviewed the filing and the utility's requested adjustments. The utility has proposed adjustments to rate base to reflect the original cost for the PPW water and wastewater system which was disallowed in the previous rate case in Docket No. 910020-WS. In addition, the utility has proposed several adjustments to the operating statements. We have considered the proposed rates, the amount of additional revenues sought thereunder, and the supporting data which has been submitted. We find that it is reasonable and necessary to require further amplification, explanation and cross-examination of the data filed by the utility, as well as additional and/or corroborative data. In consideration of the above, we find it appropriate to suspend the utility's proposed rate schedules.

INTERIM RATES

By Order No. 25821, the Commission disallowed the costs of purchased assets for the PPW system in the rate base calculation. In this limited proceeding, the utility seeks rate base recognition and recovery of the net book value of the assets acquired by the utility when it purchased the systems. The utility performed an original cost study to establish the original cost of the purchased assets. Also, in support of its requested water increase, the utility filed rate base, cost of capital and net operating statements.

The utility's petition was filed under the provisions of the limited proceeding statute, Section 367.0822, Florida Statutes, although the utility did file its request citing the interim statute. The interim statute applies to full rate proceedings filed under Section 367.081, Florida Statutes, not limited proceedings. Even if the provisions of the interim statute were

applied to the utility's filing for interim rates, we believe that interim rates would be inappropriate because the utility's basis for its request is an adjustment that is inconsistent with the adjustments made in its last rate case. Pursuant to Section 367.082(5)(b)(1):

The achieved rate of return shall be calculated by applying appropriate adjustments consistent with those which were used in the most recent rate case of the utility. . . and annualizing any rate changes occurring in such period.

Because the Commission, by Order No. 25821, assigned a zero value to all assets acquired through the purchase of the PPW system, to permit recovery of interim rates on these assets would be to allow an adjustment inconsistent with those made in the utility's last rate case.

In addition, Section 367.082(5)(a), Florida Statutes, states that:

In setting interim rates or setting revenues subject to refund, the Commission shall determine the revenue deficiency or excess by calculating the difference between the achieved rate of return of a utility or regulated company and its required rate of return applied to an average investment rate base or an end-of-period investment rate base.

The difference between the utility's achieved rate of return and its required rate of return, when applied to its rate base is zero. Therefore, the utility has not made a prima facie showing entitling it to interim rates pursuant to the terms of the interim statute.

The utility also requested emergency, temporary rates. The only reason the utility offered for such recovery was that it wanted to earn a fair return on those assets during the pendency of this rate case. We find that the utility has not provided any basis for an award of emergency rates. Therefore, we find it appropriate to deny UIF's request for interim rates, or in the alternative, emergency, temporary rates.

Based on the foregoing, it is, therefore

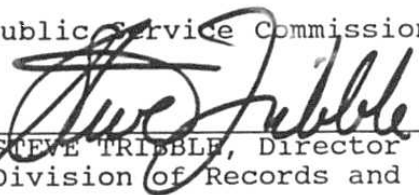
ORDERED by the Florida Public Service Commission that the proposed final rate schedules filed by Utilities, Inc. of Florida are hereby suspended. It is further

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ORDERED that Utilities, Inc. of Florida's request for interim rates, or, in the alternative emergency temporary rates, in the nature of interim rates, is hereby denied. It is further

ORDERED that this docket shall remain open pending further amplification, explanation and production of data.

By ORDER of the Florida Public Service Commission this 27th day of October, 1992.



STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

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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.

Any party adversely affected by this order, which is preliminary, procedural or intermediate in nature, may request: (1) reconsideration within 10 days pursuant to Rule 25-22.038(2), Florida Administrative Code, if issued by a Prehearing Officer; (2) reconsideration within 15 days pursuant to Rule 25-22.060, Florida Administrative Code, if issued by the Commission; or (3) judicial review by the Florida Supreme Court, in the case of an electric, gas or telephone utility, or the First District Court of Appeal, in the case of a water or wastewater utility. A motion for reconsideration shall be filed with the Director, Division of Records and Reporting, in the form prescribed by Rule 25-22.060, Florida Administrative Code. Judicial review of a preliminary, procedural or intermediate ruling or order is available if review of the final action will not provide an adequate remedy. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.