

MEMORANDUM

February 9, 1998

RECEIVED

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10:55
PSC Records Reporting

TO: DIVISION OF RECORDS AND REPORTING
FROM: DIVISION OF LEGAL SERVICES (JAEGER)
RE: DOCKET NO. 980022-WS - APPLICATION FOR FOUR-YEAR
REDUCTION IN RATE CASE EXPENSE BY JASMINE LAKES UTILITIES
CORPORATION IN PASCO COUNTY.

98-0262-FIF-WS

Attached is an ORDER DENYING UTILITY'S PETITION FOR RATE REDUCTION AND REQUIRING UTILITY TO REDUCE ITS RATES IN ACCORDANCE WITH ORDER NO. PSC-93-1675-FOF-WS, FILE APPROPRIATE TARIFF SHEETS, AND PROVIDE NOTICE TO ITS CUSTOMERS to be issued in the above-referenced docket.

(Number of pages in order - 6)

RRJ/lw

Attachment

cc: Division of Water and Wastewater (Kaproth)

I:980022or.rrj

See 1, sub 2

boxed & mailed 2/10

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for four-year
reduction in rate case expense
by Jasmine Lakes Utilities
Corporation in Pasco County.

DOCKET NO. 980022-WS
ORDER NO. PSC-98-0262-FOF-WS
ISSUED: February 9, 1998

The following Commissioners participated in the disposition of this matter:

JULIA L. JOHNSON, Chairman
J. TERRY DEASON
SUSAN F. CLARK
JOE GARCIA
E. LEON JACOBS, JR.

ORDER DENYING UTILITY'S PETITION FOR RATE REDUCTION
AND REQUIRING UTILITY TO REDUCE ITS RATES IN ACCORDANCE
WITH ORDER NO. PSC-93-1675-FOF-WS, FILE APPROPRIATE
TARIFF SHEETS, AND PROVIDE NOTICE TO ITS CUSTOMERS

BY THE COMMISSION:

BACKGROUND

Jasmine Lakes Utilities Corporation (Jasmine Lakes or utility) is a Class B utility which provides water and wastewater services to 1,581 water and 1,569 wastewater customers in Pasco County. The utility's service area is located in the Northern Tampa Bay Water-Use Caution Area as designated by the South Florida Water Management District.

In Docket No. 920148-WS, we granted final rates and charges by Order No. PSC-93-1675-FOF-WS, issued on November 18, 1993. These rates included rate case expense which was to be amortized over four years. On December 11, 1997, the utility filed a Petition for Rate Reduction because the four-year period to amortize rate case expense would be over on January 21, 1998. The following Order addresses the reduction of rates after the amortization of rate case expense.

DOCUMENT NUMBER-DATE

02013 FEB-98

PSC FILE # 98/0262/013

REDUCTION OF RATES

Section 367.0816, Florida Statutes, provides that rate case expense be apportioned for recovery over a period of four years. According to the statute, at the conclusion of the recovery period, the rates of the public utility shall be reduced immediately by the amount of rate case expense previously included in rates. Rule 25-30.470, Florida Administrative Code, provides a methodology for the calculation of the rate reduction, as follows:

The annual amount of rate case expense, which is equal to one-fourth of the total allowed rate case expense, shall be divided by the regulatory assessment fee gross up factor. The resulting number shall then be divided by the revenue requirement to determine the percentage of the rate reduction. The percentage is then multiplied against the new rates to determine the amount of future rate case reduction.

We granted final rates for Jasmine Lakes in Docket No. 920148-WS by Order No. PSC-93-1675-FOF-WS, issued on November 18, 1993. Pursuant to the above statute, this Order directed the utility to reduce its rates by the amount of rate case expense included in the rates. The actual rate reduction that was contained in the order was calculated based on the above rule using the revenue requirement determined in the rate case. This procedure is consistent with what is done in all rate case proceedings. Further, the utility did not file a petition for reconsideration of the order disputing the amount of rate reduction contained in the order.

On December 11, 1997, the utility filed an application for a reduction in the rates purportedly pursuant to Section 367.0816, Florida Statutes. However, the proposed rate reduction is not consistent with that contained in the above-referenced order. The utility calculated a percentage rate reduction by dividing the annual grossed up rate case expense by the annualized revenues as of August 31, 1997. In its application, the utility stated that the annualized revenues take into account customer growth whereas the percentage determined in the rate case order did not. According to the utility, because of the growth in customers, if the rate reduction contained in the order is implemented, the

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utility will be reducing its annual revenue by more than the annual amount of rate case expense allowed in the rate case. The utility's proposed rate reductions and the rate reductions that are contained in Order No. PSC-93-1675-FOF-WS are provided as Attachment 1.

We do not believe that the utility's methodology is appropriate. First of all, Rule 25-30.470, Florida Administrative Code, provides that the rate case expense percentage reduction should be calculated using the "revenue requirement". This term refers to the revenue requirement determined in a rate case proceeding, not annualized revenue in some future year. The methodology used to calculate the rate case expense reduction for Jasmine Lakes in the rate case Order is consistent with this rule.

Further, while the utility argues that using current revenue to calculate the rate case reduction will more accurately remove the actual rate case expense dollar amount, it does not take into consideration that the utility is actually collecting an amount of rate case expense greater than that allowed in the last rate case order. This is also caused by growth. The intent of the reduction is to remove rate case expense from the rates that the customers are paying after the four-year amortization period. The most accurate way to do this is to match the percentage reduction with the same test year revenue that the rates were based on. This is consistent with the methodology used in all rate cases.

In addition, as mentioned previously, the actual rate reduction is contained in Order No. PSC-93-1675-FOF-WS, and the utility did not file a petition for reconsideration of that order. The time to argue that we made a mistake in the calculation of the rate case expense reduction would have been at that time.

Therefore, based on the above, the utility's Petition For Rate Reduction, as filed, shall be denied. Further, the utility shall reduce its rates consistent with Order No. PSC-93-1675-FOF-WS effective January 21, 1998, the date the four-year amortization period expires. In addition, within five days of our vote, the utility shall file tariff sheets consistent with the Order. The customer notice submitted by the utility with its filing is sufficient except for the percentage decrease for water and

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wastewater service. The notice should be corrected and mailed to all customers within five days of our vote.

CLOSING OF DOCKET

Upon the filing of the revised tariff sheets consistent with Order No. PSC-93-1675-FOF-WS and the decision herein, the docket shall be closed administratively.

Based on the foregoing, it is

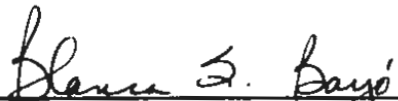
ORDERED by the Florida Public Service Commission that the Petition for Rate Reduction, as filed by Jasmine Lakes Utilities Corporation, is denied. It is further

ORDERED that Jasmine Lakes Utilities Corporation shall reduce its rates consistent with Order No. PSC-93-1675-FOF-WS, and our decision herein, effective January 21, 1998. It is further

ORDERED that Jasmine Lakes Utilities Corporation shall file the appropriate tariff sheets and provide notice to its customers of the rate decrease within five days of our vote. It is further

ORDERED that this docket shall be closed upon the filing of the proper revised tariff sheets.

By ORDER of the Florida Public Service Commission this 9th day of February, 1998.



BLANCA S. BAYÓ, 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 120.569(1), 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.

ATTACHMENT 1

	PROPOSED DECREASE	DECREASE PER ORDER
<u>WATER</u>		
<u>Residential & General Service</u>		
Base Facility Charges:		
5/8 x 3/4"	(0.41)	(0.40)
1"	(1.03)	(0.99)
1 1/2"	(2.06)	(1.99)
2"	(3.29)	(3.18)
3"	(6.58)	(6.36)
4"	(10.28)	(9.94)
6"	(20.55)	(19.87)
8"	(32.88)	(31.80)
Gallorage Charge per 1,000 Gallons	(0.14)	(0.14)
<u>Private Fire Protection</u>		
4"	(3.43)	(3.31)
6"	(6.85)	(6.62)
8"	(10.96)	(10.60)
<u>WASTEWATER</u>		
<u>Residential</u>		
Base Facility Charges:		
All meter sizes	(0.49)	(0.55)
Gallorage Charges per 1,000 Gallons	(0.12)	(0.14)
<u>General Service</u>		
5/8 x 3/4"	(0.49)	(0.55)
3/4"	(1.23)	--
1"	(2.47)	(1.38)
1 1/2"	(3.95)	(2.76)
2"	(7.89)	(4.42)
3"	(12.33)	(8.83)
4"	(24.67)	(13.80)
6"	(39.46)	(27.60)
8"	--	(44.15)
Gallorage Charge per 1,000 Gallons	(0.15)	(0.17)