

BEFORE THE PUBLIC SERVICE COMMISSION

In re: Investigation into 2002 earnings of Residential Water Systems, Inc. in Marion County. | DOCKET NO. 030423-WU  
ORDER NO. PSC-06-0325-PAA-WU  
ISSUED: April 21, 2006

The following Commissioners participated in the disposition of this matter:

LISA POLAK EDGAR, Chairman  
J. TERRY DEASON  
ISILIO ARRIAGA  
MATTHEW M. CARTER II  
KATRINA J. TEW

NOTICE OF PROPOSED AGENCY ACTION  
ORDER APPROVING OFFER OF SETTLEMENT

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 a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

Background

Residential Water Systems, Inc. (RWS or utility) is a Class C water only utility serving approximately 707 customers in Marion County. According to its 2005 Annual Report, the utility reported operating revenues of \$198,843 and operating expenses of \$195,922. This resulted in net operating income of \$2,921.

On May 2, 2003, this Commission opened a docket to investigate the 2002 earnings of RWS. By Order No. PSC-04-0356-PAA-WU, issued April 5, 2004, in Docket No. 030423-WU, In re: Investigation into 2002 earnings of Residential Water Systems, Inc. in Marion County, this Commission reduced rates by approximately 18.47 percent, required the utility to refund the 2002 and 2003 price indexes, required RWS to use the overearnings for the interim collection period to pay for costs of pro forma improvements, and to book those pro forma improvements as CIAC. In addition, we required the utility to complete the pro forma improvements by December 31, 2005. The Order also specified that this docket remain open pending our staff's verification that the utility completed the pro forma improvements.

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The utility realized that it would not complete the pro forma improvements by December 31, 2005, and by letter dated December 8, 2005, RWS requested an amendment to the Order. In that letter, the utility requested a two year extension of time to December 31, 2007, to complete the pro forma improvements. Subsequently, on February 21, 2006, RWS filed an Offer of Settlement (Attachment A) which is the subject of this Order. We have jurisdiction pursuant to Section 367.081, Florida Statutes.

#### Offer of Settlement

As discussed above, we ordered RWS to use overearnings to pay for costs of pro forma improvements, to book those pro forma improvements as CIAC, and to complete the pro forma improvements by December 31, 2005. The pro forma improvements involved a distribution system project to replace old laterals and potable water lines, per county code, and to replace all regular meters with automated meter reading type meters. A total of \$96,718 was earmarked for this project.

In its December 8, 2005 letter, the utility initially requested that it be given an additional two years to complete the pro forma improvements. In that letter, the utility also stated that the replacement program was 60 percent complete as of November 30, 2005, and that the main reason for the delay in completing the pro forma project was that it had been extremely difficult to find manual labor.

Our staff contacted the utility's attorney and discussed several options to resolve this matter. By letter dated February 21, 2006, RWS proposed an Offer of Settlement (Attachment A). The proposed settlement provides as follows:

1. The utility offers to forego filing for a 2006 price index rate increase in consideration of the Commission not reducing the utility's rates or requiring the utility to refund revenues in connection with the 2002, 2003 and 2004 test years.
2. This docket would be closed.

If RWS filed a 2006 price index, the percentage increase in rates would be 2.44 percent which equates to a revenue increase of \$4,545. Our staff estimates that the utility is currently collecting \$5,543 in rates for pro forma costs not yet completed, for a difference of \$997. We believe that this difference is immaterial.

Based on the above, we find that the Offer of Settlement is fair, just, and reasonable, will promote administrative efficiency, and is in the public interest. Therefore, we approve the proposed Offer of Settlement.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Residential Water System, Inc.'s Offer of Settlement is approved. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Director, Division of the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that if no timely protest is filed by a substantially affected person within 21 days of the Proposed Agency Action Order, a Consummating Order should be issued, and the docket closed.

By ORDER of the Florida Public Service Commission this 21st day of April, 2006.

BLANCA S. BAYÓ, Director  
Division of the Commission Clerk  
and Administrative Services

By:   
\_\_\_\_\_  
Kay Flynn, Chief  
Bureau of Records

(SEAL)

RRJ

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 that is available under Section 120.57, 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 will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The action proposed herein is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Director, Division of the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on May 12, 2006.

In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

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

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Investigation into  
2002 Earnings of Residential  
Water Systems, Inc. of Marion  
County

Docket No.: 030423 WU

OFFER OF SETTLEMENT

Residential Water Systems, Inc (the Company), by and through undersigned counsel, offers to settle the above-referenced docket on the following basis:

1. The Company offers to forego filing for a 2006 price index rate increase in consideration of the Commission not reducing the Company's rates or requiring the Company to refund revenues in connection with the 2002, 2003 and 2004 test years.

2. If the Commission accepts this Offer of Settlement, this docket would therefore be closed.

3. If the Commission does not accept this Offer of Settlement, without change, it will not be admissible in any present or future judicial or administrative proceeding, and the Company shall not be deemed to have waived any legal, factual, policy or other position, or any rights and remedies otherwise available to it.

Respectfully submitted,

  
WAYNE L. SCHIEFELBEIN

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