

Steve Tribble, Director
Office of Public Records
Florida Public Service Commission
101 E. Gaines Street
Tallahassee, Florida 32399-0883

Re: Docket No. 920199-WS

Dear Mr. Tribble:

Enclosed is the original and eighteen copies of the Brief and Post Hearing Statement of the Issues and Positions of the Cypress and Oak Villages Association {COVA} in the above referenced document.

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Sincerely,



Harry C. Jones, President

COVA

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DOCUMENT NUMBER-DATE
14233 DEC-8 1992
FPSC-RECORDS/REPORTING

BEFORE THE PUBLIC SERVICE COMMISSION

DOCKET NO. 920199-WS

In Re: Application for a Rate Increase in
Brevard, Charlotte/Lee, Citrus, Clay, Duval,
Highlands, Lake, Marion, Martin, Nassau, Orange,
Osceola, Pasco, Putnam, Seminole, Volusia, and
Washington Counties by Southern States Utilities,
Inc.; Collier County by Marco Shores Utilities
[Deltona]; and Volusia County by Deltona Lakes
Utilities [Deltona]

BRIEF AND POST-HEARING STATEMENT
OF ISSUES AND POSITIONS OF
CYPRESS AND OAK VILLAGES ASSOCIATION

1062

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FPSC-RECORDS/REPORTING

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INTRODUCTION

Pursuant to the Commission's directions at the conclusion of the hearings in this case, Cypress and Oak Villages Association [COVA] now submits its Brief and Post Hearing Statement of Issues and Positions.

Since many of the issues do not relate directly to the members of Cypress and Oak Villages it was not possible for COVA to develop positions on all of them. Those that are pertinent to our treatment in this rate case will be lifted from the total and addressed individually. Some of the other issues will impact upon the total rate request and subsequently upon COVA. In many cases we agree with either the position taken by Office of Public Counsel or Public Service Commission Staff. In rare cases COVA may agree with Southern States Utilities.

These positions were taken at the Prehearing Conference and appear in the document issued after that Conference. A few corrections were noted during the hearing but they do not materially affect the issue involved.

Because of the size of the transcript that was made available to the intervenors and the difficulty in adequately reviewing same there will be little or no reference to that document. Any references will be made as a result of notes, exhibits, and prefiled and rebuttal testimony.

I. BACKGROUND AND STATEMENT OF THE CASE

Cypress and Oak Villages Association's membership includes approximately 1100 households, over half of the residents of Sugarmill Woods, a large development near Homosassa, Florida. All water and wastewater service to COVA's members and the other residents of Sugarmill Woods is provided by Southern States Utilities systems at Sugarmill Woods. Southern States Utilities operates eight other water systems and two other wastewater systems in Citrus County.

In this proceeding, Southern States Utilities and Deltona Utilities have asked the Commission to approve revenue increases of approximately \$8.7 million annually for 127 water and wastewater systems. This represents a 40% increase for water and a 49.5% increase for wastewater. SMW's interim rates are 60% for water and about equal for wastewater.

Through the use of incorrect meter sizes SSU has overstated the percent used and useful for the water plant and transmission lines and ignored the fact that the wastewater plant has a zero rate base. Further they have overstated the requirement for fire protection, removed too many wells from the system in these calculations and ignored the ability of centrifugal pumps to provide 50% more flow than their rating at fire fighting conditions.

COVA because of its experience in several previous rate cases and through working closely with the utility at SMW under both the

current owner, SSU, and the previous owner, Twin County Utilities, is in a unique position to discover inaccuracies and errors in this system. Having cooperated closely with Southwest Florida Water Management District in its water conservation program COVA has been able to educate the consumers in Sugarmill Woods to reduce water consumption without violating the deed restrictions that require high quality, well maintained, lawns and shrubbery. This has reduced the gross revenue from the system even though the growth rate in SMW has been about 6% per year.

Southern States Utilities penchant for increasing the base facility charge for both water and wastewater by an abnormal amount is forcing our residents to reduce meter sizes and drill irrigation wells. Both of these activities will continue to reduce their gross revenue.

II ANALYSIS AND DISCUSSION OF KEY ISSUES

A. USED AND USEFUL WATER AND WASTEWATER

In the 1990-1991 rate case it was accepted by SSU that COVA's count of available ERC's was accurate. It was further accepted that the number of actual connections in SMW was accurate.

In this rate case SSU has attempted to skew the Used and Useful percentages for distribution lines by making several arbitrary changes. First, they abandoned the concept of using actual connections in calculating Used and Useful and adopted a figure based upon minimum meter sizes. This more than doubles all their calculations and is totally unfair and unrealistic. Actual Used and Useful for water is 22% and for wastewater is 21%.

Further, SSU rates the water plant at 100% Used and Useful which was not the rating in the previous rate case. They added 60% more capacity in the test year. To offset this they incorrectly increased the fire flow requirement by more than 60% and removed the two largest wells from their equation when only one should have been removed. Actual water plant Used and Useful is 69%.

The wastewater plant, with a capacity of 500,000 gallons is currently operating at a rate of 54% without margin reserve or 59% with M.R.. At a growth rate of approximately 6% per year SMW,s wastewater plant will not require expansion for several move years.

B WASTEWATER GALLONAGE CAP

Going back as far as the 1985 rate case it was determined that SMW's unique deed restrictions created greater than average water usage for irrigation. Based upon water consumption for residences which have their own wells a 6000 gallon per month wastewater cap was set. The situation at SMW in 1991-1992 has not changed. The cap of 6000 gallons for wastewater is still correct. Neither should a BFC rated by meter size be allowed. Wastewater is not dependent upon meter size in a residence.

C CONTRIBUTION IN AID OF CONSTRUCTION {CIAC}

Every lot in SMW has been charged \$1700 for wastewater plant and distribution lines. Likewise, every lot in SMW has been charged \$280 for water plant and distribution lines. This has resulted in the wastewater facilities having a negative rate base. While the water system has a positive rate base substantial CIAC money has been contributed to its construction.

When a home is constructed in SMW tap-in fees of \$180 for water and \$100 for wastewater connections are collected. These fees are not prepaid and should not be subjected to reduction in the CIAC account by applying non Used and Useful percentages. SSU has failed to consider the tap-in fees properly which penalizes SMW customers.

D REAL ESTATE TAXES

At the hearing it was determined by the Commission that any overpayment of Real Estate Taxes by SSU on their SMW facility should be resolved by Citrus County and SSU. A meeting was held at Apopka on December 2 with Citrus County Property Appraiser Ron Schultz, his staff, Judith Kimball, Morris Benici, CController and other SSU personnel, and Hansen and Jones from COVA.

The outcome of this meeting is as follow:

There will be a reduction in the taxes the utility paid in 1990 and 1991.

This reduction will be calculated on the value of the real estate decided by the Commission Staff and presented at the February meeting.

The 1992 tax will be based upon these same values. SSU has agreed to refund to SMW customers appropriate amounts they receive.

Approximately \$130,000 should be adjusted from the rate case expenses.

E UNIFORM RATES

It is not practical or possible to establish uniform rates for Water and Wastewater utilities. Each of the 127 Utilities in this case has its own set of unique characteristics and cannot be lumped willy nilly with others.

Reviewing the MFR's, the voluminous testimony relating to each individual system leads one to the conclusion that each utility must stand alone. To penalize those systems which have been properly designed, built, and operated by forcing them to subsidize other less efficient systems is unrealistic. Even SSU's consultant {Cresse} did not feel that uniform rates were desirable.

SMW with its history of prepaid CIAC's, completely installed distribution lines, substantial water and wastewater plant, all of which operates at a profitable level will be penalized most of all. Our residents are mature enough to expect rising costs associated with the services they use. None of them understand the unparalled increases they are seeing in their SSU bills.

This move will reduce the volume that many have been using and will further jeopardize SSU's income. Water and Wastewater utilities are not electric, gas, and telephone companies and cannot be considered in a similar pattern.

F CONCLUSION

The records of this case strongly support that the SSU facility at SMW should not be a part of a group of utilities but should stand alone!!!

Respectfully submitted,



Harry C. Jones, President

Cypress and Oak Villages Assn.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY tha a true and correct copy of the Brief and Post Hearing Statement of the Issues and Positions of the Cypress and Oak Villages Association has been sent to the following parties by U.S. Mail on December 7, 1992.

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