

FLORIDA PUBLIC SERVICE COMMISSION

Fletcher Building  
101 East Gaines Street  
Tallahassee, Florida 32399-0863

M E M O R A N D U M

SEPTEMBER 16, 1993

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING

FROM: DIVISION OF LEGAL SERVICES (BEDELL) *CB*  
DIVISION OF WATER AND WASTEWATER (WILLIS, MERCHANT, *PM*  
MESSER) *SN*

RE: UTILITY: SOUTHERN STATES UTILITIES, INC. AND DELTONA  
UTILITIES, INC.

DOCKET NO: 920199-WS  
COUNTIES: BREVARD, CHARLOTTE/LEE, CITRUS, CLAY, COLLIER,  
DUVAL, HIGHLANDS, LAKE, MARION, MARTIN, NASSAU, ORANGE,  
OSCEOLA, PASCO, PUTNAM, SEMINOLE, VOLUSIA, AND WASHINGTON

CASE: APPLICATION FOR A RATE INCREASE

AGENDA: SEPTEMBER 28, 1993 - CONTROVERSIAL - PARTIES MAY NOT  
PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: I:\PSC\LEG\WP\920199#.RCM

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DOCUMENT NUMBER-DATE

09949 SEP 15 88 001512

FPCO-RECORDS/REPORTING

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SEPTEMBER 16, 1993

CASE BACKGROUND

Southern States Utilities, Inc., and Deltona Utilities, Inc. (hereinafter referred to as the utility or SSU) are collectively a class A water and wastewater utility operating in various counties in the State of Florida. By Order No. PSC-93-0423-FOF-WS, issued on March 22, 1993, the Commission approved an increase in the utility's rates and charges which set rates based on a uniform statewide rate structure. On April 6, 1993, SSU, OPC, Citrus County, Citrus and Oak Village Association (COVA) timely filed Motions for Reconsideration of Order No. PSC-93-0423-FOF-WS (Final Order). Also on that day, Sugarmill Manor filed a Petition for Intervention and Reconsideration of the Final Order.

All pending written motions for intervention and reconsideration were decided by Commission votes on July 20 and August 3, 1993. At the Agenda Conference on August 13, 1993, Commissioner Clark orally moved for reconsideration of the calculation of refund of interim rates. This recommendation addresses the Commissioner's motion of August 17, 1993, for reconsideration.

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ISSUE 1: Should the calculation of the refund of interim rates in Order No. PSC-93-0423-FOF-WS be reconsidered?

RECOMMENDATION: Yes. On reconsideration, the annualized interim refund amount should be \$750,975 for water and \$169,432 for wastewater. The recalculated refund percent, after removal of other revenues, is 4.69 percent for water and 1.65 percent for wastewater. (BEDELL, WILLIS, MERCHANT)

STAFF ANALYSIS: At the Agenda Conference on August 17, 1993, the utility's request in Docket No. 921301-WS for deferred recovery of other postretirement benefits (OPEB) expenses incurred by SSU from January through the implementation of final rates in this docket were being discussed. These amounts are accounted for according to the Statement of Financial Accounting Standards (SFAS) 106. Although the Final Order included approval of OPEB expenses, those expenses were specifically excluded from the calculation of the appropriate amount of refund for interim rates. Staff informed the Commissioners that there may have been an error in excluding the OPEB expense from the interim refund calculation. Therefore, Commissioner Clark, on her own motion, moved for reconsideration of the interim refund calculation in Order No. PSC-93-0423-FOF-WS.

The Final Order on page 105 states that in order to calculate the proper interim refund amount, the Commission calculated a revised interim revenue requirement using the same data used to establish final rates, but excluding the pro forma provisions for rate case expense and SFAS 106 costs. The order states that those pro forma charges were excluded since they were not actual expenses during the interim collection period. The interim collection period began in November, 1992 and was in effect through October, 1993.

Because SFAS 106 required compliance by January 1, 1993 for companies providing OPEBs, the increased expense for OPEBs was incurred during the time interim rates were collected. Therefore, those amounts should not have been removed from the calculation of the revised interim revenue requirement.

Based on this correction, the revised interim revenue requirements should be \$15,596,621 and \$10,101,174 for water and wastewater, respectively. This results in a refund of \$750,975 for

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water and \$169,432 for wastewater. The reconsideration reduces the refund by \$319,396 and \$110,465, respectively. The recalculated refund percent, after removal of other revenues, is 4.69 percent for water and 1.65 percent for wastewater. Staff's calculations are attached as Schedule No. 1.

Based on the above, staff believes that the Commission should reconsider the amount of the refund.

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ISSUE 2: Should this docket be closed?

RECOMMENDATION: No, this docket should remain open to monitor the completion of the refund. (BEDELL)

STAFF ANALYSIS: In order to monitor the completion of the refund, staff recommends that the docket remain open. The docket should then be closed after staff has verified that the refund was made consistent with the Commission's order and with applicable rules regarding refunds.

SOUTHERN STATES UTILITIES, INC.  
 CALCULATION OF INTERIM REFUND AMOUNT  
 TEST YEAR ENDED 12/31/91  
 WITHOUT OPEB ADJUSTMENT

SCHEDULE NO. 1  
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	<u>WATER</u>	<u>WASTEWATER</u>
FINAL REVENUES RECOMMENDED	15,849,908	10,188,775
LESS:		
RATE CASE EXPENSE	(241,889)	(83,659)
OPEB	<u>0</u>	<u>0</u>
TOTAL ADJUSTMENTS	(241,889)	(83,659)
RAF EXPANSION FACTOR	<u>0.955</u>	<u>0.955</u>
GROSS ADJUSTMENTS	<u>(253,287)</u>	<u>(87,601)</u>
RECALCULATED INTERIM REVENUES	15,596,621	10,101,174
INTERIM REVENUES ALLOWED	16,347,596	10,270,606
REFUND AMOUNT	<u>750,975</u>	<u>169,432</u>
INTERIM REVENUES ALLOWED	16,347,596	10,270,606
MISCELLANEOUS REVENUES	<u>322,950</u>	<u>70</u>
INTERIM REVENUES FROM RATES	<u>16,024,646</u>	<u>10,270,536</u>
PERCENT REFUND - RECONSIDERATION	<u>4.69%</u>	<u>1.65%</u>
PERCENT REFUND - PER FINAL ORDER	<u>6.55%</u>	<u>2.73%</u>
REFUND AMOUNT PER FINAL ORDER	1,070,371	279,897
RECALCULATED REFUND AMOUNT	<u>750,975</u>	<u>169,432</u>
NET CHANGE	<u>319,396</u>	<u>110,465</u>
TOTAL WATER AND WASTEWATER	<u>429,861</u>	