

FLORIDA PUBLIC SERVICE COMMISSION

Fletcher Building
101 East Gaines Street
Tallahassee, Florida 32399-0850

M E M O R A N D U M

July 21, 1994

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING

FROM: DIVISION OF WATER AND WASTEWATER (GOLDEN) *ms*
DIVISION OF LEGAL SERVICES (JABER) *JSS* *JP* *BP*

RE: UTILITY: SOUTHERN STATES UTILITIES, INC., SPRING HILL
UTILITIES, AND DELTONA LAKES UTILITIES
DOCKET NO. 920199-WS
COUNTY: BREVARD, CHARLOTTE/LEE, CITRUS, CLAY, DUVAL,
HIGHLANDS, LAKE, MARION, MARTIN, NASSAU,
ORANGE, OSCEOLA, PASCO, PUTNAM, SEMINOLE,
VOLUSIA, WASHINGTON, COLLIER, AND HERNANDO

CASE: APPLICATION FOR A RATE INCREASE

AGENDA: AUGUST 2, 1994 - REGULAR AGENDA - INTERESTED PERSONS MAY
PARTICIPATE

CRITICAL DATES: NONE

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

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. SSU filed an application to increase the rates and charges for 127 of its water and wastewater systems regulated by this Commission. According to the information contained in the minimum filing requirements (MFRs), the total annual revenue for the water systems filed in this application for 1991 was \$12,319,321 and the net operating income was \$1,616,165. The total annual revenue for the wastewater systems filed in this application for 1991 was \$6,669,468 and the net operating income was \$324,177.

On May 11, 1992, the utility filed its request for increased rates and charges. The MFRs were deficient. On June 17, 1992, the

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utility submitted the required information, and the official date of filing was established as June 17, 1992.

In total, the utility requested interim rates designed to generate annual revenues of \$16,806,594 for its water systems and \$10,270,606 for its wastewater systems, increases of \$3,981,192 (31.57%) and \$2,997,359 (41.22%), respectively, according to the MFRs. The utility requested final rates designed to generate annual revenues of \$17,998,776 for its water systems and \$10,872,112 for its wastewater systems, increases of \$5,064,353 (40.16%) and \$3,601,165 (49.53%), respectively, according to the MFRs. The approved test year for determining both interim and final rates is the historical year ended December 31, 1991.

By Order No. PSC-92-0948-FOF-WS, issued September 8, 1992, and as amended by Order No. PSC-92-0948A-FOF-WS, issued October 13, 1992, the Commission approved interim rates designed to generate annual water and wastewater systems revenues of \$16,347,596 and \$10,270,606, respectively.

By Order No. PSC-93-0423-FOF-WS (also referred to as the Final Order), issued 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. Numerous motions for reconsideration were decided by this Commission. Upon the filing of petitions for reconsideration, SSU filed a motion requesting a stay of the provisions of the Final Order requiring refunds of interim revenues within 90 days. This motion was approved by Order No. PSC-93-0861-FOF-WS, issued June 8, 1993.

All of the motions for reconsideration, except for SSU's motion, were decided at the July 20, 1993, Agenda Conference. However, the Commission panel's vote was split on one of the motions. The Chairman cast a deciding vote on the remaining issue at the August 3, 1993, Agenda Conference. On August 17, 1993, Commissioner Clark moved for reconsideration of the calculation of the interim refund in the Final Order. Commissioner Clark's motion was decided at the September 28, 1993, Agenda Conference.

On September 15, 1993, pursuant to the provisions of the Final Order, Commission staff approved the revised tariff sheets and the utility proceeded to implement the final rates. On October 8, 1993, Citrus County and Cypress and Oak Villages (COVA) filed a Notice of Appeal of the Final Order at the First District Court of Appeal. That Notice was amended to include the Commission as a party on October 12, 1993. On October 18, 1993, the utility filed a Motion to Vacate Automatic Stay. By Order No. PSC-93-1788-FOF-WS, issued December 14, 1993, the Commission granted the utility's

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motion to vacate the automatic stay. The Order on Reconsideration, Order No. PSC-93-1598-FOF-WS was issued on November 2, 1993.

The utility filed its proposed plan for refund of interim rates on December 14, 1993. The plan specified that the refund be calculated for the time period beginning with the application of the interim rates on September 18, 1992, through the termination of the interim rates, which was September 14, 1993. Staff determined that several corrections were necessary to the refund plan. The utility subsequently filed a revised refund plan on January 28, 1994. Pursuant to Rule 25-30.360, Florida Administrative Code, the utility has filed periodic refund reports and filed the final report on April 25, 1994. On June 29, 1994, SSU filed a Request for Approval of Proposal for Disposition of Unclaimed Refunds and Termination of Obligation to Maintain Security for Refund of Interim Revenues.

DISCUSSION OF ISSUES

ISSUE 1: Should Southern States Utilities' Request for Approval of Proposal for Disposition of Unclaimed Refunds and the Termination of the Obligation to Maintain Security for Refund of Interim Revenues be approved?

RECOMMENDATION: Yes. Southern States Utilities' request to credit contributions-in-aid-of-construction (CIAC) accounts by assigning the total unclaimed refund amount to specific systems based on customers directly attributable to each system should be approved. The request to terminate SSU's obligation to maintain the letter of credit securing the refunds should also be approved. (JABER, GOLDEN)

STAFF ANALYSIS: On April 25, 1994, Southern States Utilities, Inc. filed its Final Refund Report in Docket No. 920199-WS as required by Rule 25-30.360(7), Florida Administrative Code. Rule 25-30.360, Florida Administrative Code, was revised subsequent to the filing of this rate case. At the time the rate application was filed, Section 8 of the rule stated that with the last report, the company shall suggest a method for disposing of any unclaimed amounts. The Commission shall then order a method of disposing of the unclaimed refunds. Accordingly, SSU filed a Request for Approval of Proposal for Disposition of Unclaimed Refunds which states that of the \$990,667.56 of interim rate revenues to be refunded, the total unclaimed refund amount (after appropriate adjustments) is \$9,696.40 as of March 31, 1994. Section 8 of the rule was revised to state that any unclaimed refunds shall be treated as cash contributions-in-aid-of-construction.

SSU completed the refunds on January 31, 1994. The Commission allowed the utility to process the refund through credits on customers bills. Of the total \$990,667.56 refund, \$909,060.42 was refunded as a credit on the customers' accounts, \$77,636.36 was refunded by check, and \$3,970.78 was not refunded due to bad debts or refunds which equaled less than \$1.00.

The utility has provided a breakdown of the refund by the three operating companies as they existed at the beginning of the case, Southern States, Deltona and United Florida. The refund is also broken down into the amount by each system. Supporting papers showing reconciliations for various adjustments, as well as actual customer listings with specific notes were also submitted. The utility has refunded 98.62% of the total amount to be refunded. The bad debts and refunds under \$1.00 represent .40% of the total. The unclaimed portion represents .98% of the total amount.

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SSU proposes that the unclaimed refunds be credited to CIAC accounts by assigning the total amount to specific systems based on customers directly attributable to each system. SSU would honor any remaining refund claim submitted to SSU within twelve months following the date of issuance of the Commission order approving this proposal. Each refund made within the twelve month period would be accompanied by an appropriate reduction to the CIAC accounts of the affected system(s).

Staff has reviewed the utility's final report and believes it conforms with the requirements of the Commission's rules in effect at the time the rate application was filed, as well as the revised rules. The Commission has allowed other utilities to credit CIAC accounts with the amount of unclaimed refunds, and in this case, the credits will match the specific system generating the unclaimed amount. The additional twelve month period in which to honor any additional refund claims is a reasonable length of time to extend possible claims. Therefore, staff recommends that the utility's proposal for disposition of unclaimed refunds and the termination of the obligation to maintain the letter of credit securing the refunds should be approved.

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ISSUE 2: Should the docket be closed?

RECOMMENDATION: No. The docket should remain open pending the outcome of the appeal. SSU should be required to file a final report one month after the additional twelve month final reconciliation period. (JABER, GOLDEN)

STAFF ANALYSIS: The utility has requested to allow an additional twelve month period in which to honor any subsequent refund claims. Each refund made within the twelve month period would be accompanied by an appropriate reduction to the CIAC accounts of the affected systems. Staff believes that it is appropriate to require the utility to file a final report at the end of the twelve months which indicates any additional adjustments to CIAC accounts by system within that last year.