

Commissioners:  
SUSAN F. CLARK, CHAIRMAN  
J. TERRY DEASON  
JULIA L. JOHNSON  
DIANE K. KIESLING  
JOE GARCIA

State of Florida



Blanca S. Bayó, Director  
Division of Records and Reporting  
(904) 488-8371

## Public Service Commission

**DATE:** August 9, 1995

**TO:** Parties of Record

**FROM:** Blanca S. Bayó, Director *BSB*  
Division of Records and Reporting

**RE:** Docket No. ~~950495~~ **950495-WS** - Application for a rate increase and increase in service availability charges by Southern States Utilities, Inc. for Orange-Osceola Utilities, Inc. in Osceola County, and in Bradford, Brevard, Charlotte, Citrus, Clay, Collier, Duval, Highlands, Lake, Lee, Marion, Martin, Nassau, Orange, Volusia, and Washington Counties.

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This is to inform you that the Commissioners have reported the following communication in the above referenced docket.

- Letter from Florida State Senator Fred R. Dudley dated July 5, 1995.

This letter, a copy of which is attached, is being made a part of the record in these proceedings. Pursuant to Section 350.042, F.S., any party who desires to respond to an ex parte communication may do so. The response must be received by the Commission within 10 days after receiving notice that the ex parte communication has been placed on the record.

BSB/cp

Attachments

cc: Rob Vandiver/w/letter

State of Florida

Susan F. Clark  
Chairman



Gerald L. Gunter Building  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850  
(904) 413-6040  
FAX (904) 487-1716

Public Service Commission

July 18, 1995

The Honorable Fred R. Dudley  
Senator, District 25  
The Florida Senate  
1718 Cape Coral Parkway East  
Cape Coral, Florida 33904

Dear Senator Dudley:

Thank you for your letter of July 5, 1995, on behalf of your constituents in Lehigh Acres served by Southern States Utilities, Inc.

I am aware that the Concerned Citizens of Lehigh Acres have been desirous of a meeting with the Commission. The Concerned Citizens have on numerous occasions written letters to me and to others within the Commission expressing their displeasure with the decision made by the Commission in Lehigh Utilities, Inc.'s most recently completed rate case. They have said that they have "new information" that the Commission did not consider when making its decision.

I met with Senator Thomas Rossin this past April to discuss this issue. At that time, I assured the Senator that the Commission did not deviate from its normal practices when it established the value of Lehigh Utilities' rate base, and that the Commission based its decision on the record of the proceeding. I also assured Senator Rossin that the Concerned Citizens had not brought any information to the Commission's attention that was not considered during the company's rate case. Finally, I explained that the Commission would promptly and thoroughly investigate any information that came to its attention that had not already been considered. I have attached a copy of some talking points that I prepared for my meeting with Senator Rossin.

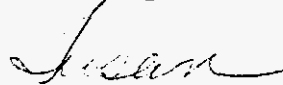
Notwithstanding prior events, your constituents in Lehigh Acres will have an opportunity to address the Commission. Southern States Utilities, Inc., which owns Lehigh Utilities, filed an application for a rate increase with the Public Service Commission on June 28, 1995. In connection with that proceeding,

The Honorable Fred R. Dudley  
July 18, 1995  
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the Commissioners will be holding service hearings in which customers of Southern States will have an opportunity to offer their comments. These hearings will be held in locations that will enable all of Southern States' customers to attend at least one service hearing. Customers in Lehigh Acres will be able to attend a service hearing at 6:00 p.m. on August 17, 1995, in Ft. Myers at the Sheraton Harbor Place, 2500 Edwards Drive. Southern States will be sending notices of this service hearing to its customers in the near future.

Thank you again for your letter. Please do not hesitate to call me if you need further information.

Sincerely,



Susan F. Clark  
Chairman

SFC:wjs

attachment

c: Division of Records and Reporting  
Docket No. 950495-WS

TALKING POINTS FOR MEETING WITH  
SENATOR TOM ROSSIN  
REGARDING COMPLAINT BY CONCERNED CITIZENS OF LEHIGH  
ABOUT LEHIGH ACRES UTILITIES, INC.

HISTORY OF OWNERSHIP OF LEHIGH UTILITIES, INC.:

- o Resolution Trust Corporation (RTC) became receiver of Security Savings and Loan Association on March 15, 1991, which owned the stock of Land Resources Corporation (LRC) and its wholly-owned subsidiary, Lehigh Utilities, Inc. (Lehigh)
- o RTC notified the Commission that it had transferred Lehigh to Seminole Utility Company (Seminole) on July 1, 1991.
- o Commission approved the transfer of Lehigh from LRC to Seminole on November 25, 1991.
- o Seminole is owned by Southern States Utilities, Inc. (SSU), which is owned by Topeka, Inc.
- o The transfer to SSU was accomplished through Seminole for tax purposes.

HISTORY OF RATES AND ESTABLISHMENT OF RATE BASE FOR LEHIGH UTILITIES, INC.:

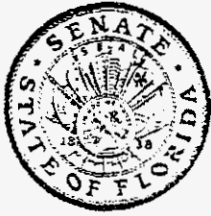
- o Rates established in 1982 by Order No. 10981. Rate base established at \$2,385,822.
- o Seminole authorized by Order No. 25391, issued November 25, 1991, to continue charging rates established in Lehigh's tariffs at the time of the transfer.
- o Commission decided not to set rate base at the time of the transfer. The Commission acknowledged that Seminole acquired the stock of Lehigh. Order No. 25391 stated that "[t]he sale of Lehigh will not alter the Utility's asset and liability accounts. Nor will the transfer of stock ownership change the rate base balance. Therefore, we are not establishing rate base in this proceeding."
- o Rates changed as a result of Order No. PSC-93-0301-FOF-WS, issued February 25, 1993, in Docket No. 911188-WS, Application for a Rate Increase in Lee County by Lehigh Utilities, Inc. Commission held service hearing on October 1, 1992, in Lehigh Acres, Florida. Approximately 250 customers attended, 25 testified. Formal hearing held on October 28-30, 1992, in Lehigh Acres. Testimony by 19 customers at hearing.

- o Additions to plant from 1981 through 1991 at issue. Commission found adequate supporting documentation in the form of invoices, cancelled checks, audit workpapers, tax returns, general ledgers, and reconciliations to support recorded balances of plant-in-service.
- o Acquisition adjustment issue addressed. Commission recognized that no adjustment to rate base was necessary because control of the Utility was accomplished by transfer of stock.
- o Issue of negative acquisition adjustment addressed on reconsideration. Order No. PSC-93-1023-FOF-WS, issued July 12, 1993, addressed arguments by Office of Public Counsel (OPC) and Lehigh Utilities, Inc.
- o OPC argued that the Commission should recognize a negative acquisition adjustment of \$3,600,000 to the Utility's rate base as a result of the purchase of the system by transfer of stock to Seminole.
- o The Utility argued that there was no precedent which applied an acquisition adjustment to the rate base of a utility which was purchased through a stock transfer.
- o The Commission found that its decision on the acquisition adjustment issue was based on the evidence in the record that the purchase by transfer of stock has no affect on the value of the Utility's rate base.

#### CORRESPONDENCE WITH CONCERNED CITIZENS OF LEHIGH:

- o My office has received two letters from Mr. Kane.
- o The first was received on February 17, 1995, asking the Commission to hold a meeting on March 29, 1995, in Lehigh Acres, Florida. I responded that the Commission was in hearing that day, but that I would have Mr. Chuck Hill contact Mr. Kane to discuss his problem. At that point, I was given no information as to the nature of the complaint by the Concerned Citizens of Lehigh.
- o The second letter was dated March 22, 1995. I expressed that Mr. Kane had not provided specific information as to the nature of his complaint. I also explained that a meeting with the Concerned Citizens of Lehigh would not be possible due to concerns about ex parte communications. Their correspondence indicates that a complaint proceeding could be docketed within 90 days.
- o Senator Harris's office has been in contact with my office regarding this matter. My aide, Billy Stiles explained to a representative of their office that it had become apparent by the correspondence received by our office and through conversations with various Commission staff members that the Citizens expect the Commission to reopen the 1993 rate case.

- o Your letter helped to clarify that the focus of the Citizen's request had to do with the decision rendered by the Commission in the 1993 rate case.
- o Also, staff spent yesterday and today compiling correspondence to and from the Concerned Citizens since the rate case. As it turns out, our staff and Commissioner Deason, as prior Chairman, have had significant contact with Mr. Kane, Mr. Schlosstein, and Mr. Pile. For the most part, our correspondence with them has been to provide information about Lehigh Utilities, Inc.
- o The bottom line is, if they have "new" information which was not considered by the Commission in the rate case, they could initiate review of this information in either one of two ways. They can provide the information to the Commission; our staff will review it and make a determination as to whether a docket should be open to investigate the matter. This would probably be the simplest. Alternatively, the Concerned Citizens may petition the Commission to investigate the matter. By petition, I don't mean a compilation of signatures. I mean a legal pleading requesting the Commission to investigate which sets forth the reasons why the Company's rates are unreasonable.
- o I prefer the first alternative because I think it would be the easiest for the customers to accomplish and it would be the least bureaucratic.



**THE FLORIDA SENATE**

Tallahassee, Florida 32399-1100

**SENATOR FRED R. DUDLEY**  
25th District

5 July 1995

Susan F. Clark, Chairman  
Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

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Commerce and Economic Opportunities  
Ways and Means,  
Sub. E (Finance and Tax)

**JOINT COMMITTEE:**

Advisory Council on Intergovernmental Relations

Dear <sup>Susan</sup>Chairman Clark:

I am writing on behalf of a number of constituents who reside in Lehigh Acres, Lee County, and are serviced by Southern States Utilities.

They are requesting a hearing before the Commission regarding uniform rates. I would like to personally request the Commission visit the area and conduct a public hearing to give the citizens an opportunity to discuss their concerns.

Please contact my Legislative Aide, Teri Scheall, with several dates to arrange such a meeting. Your attention to this matter is appreciated.

Very truly yours,

FRED R. DUDLEY

FRD/tas

cc: Frank E. Kane

RECEIVED

JUL 19 1995

*Teri will call Monday*

REPLY TO:

432-  
7 1718 Cape Coral Parkway East, Cape Coral, Florida 33904 (813) 542-1324  
7 313 Senate Office Building, Tallahassee, Florida 32399-1100 (904) 487-5124 5795

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JAMES A. SCOTT  
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MALCOLM E. BEARD  
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