

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application by Southern States Utilities, Inc. for rate increase and increase in service availability charges for Orange-Osceola Utilities, Inc. in Osceola County, and in Bradford, Brevard, Charlotte, Citrus, Clay, Collier, Duval, Hernando, Highlands, Hillsborough, Lake, Lee, Marion, Martin, Nassau, Orange, Osceola, Pasco, Polk, Putnam, Seminole, St. Johns, St. Lucie Volusia and Washington Counties.

ORIGINAL FILE COPY

Docket No. 950495-WS

Filed: October 3, 1995

SOUTHERN STATES UTILITIES, INC.'S REQUEST FOR ORAL ARGUMENT ON SUGGESTION OF ERROR IN THE STAFF RECOMMENDATION AND REQUEST FOR APPROVAL OF INTERIM REVENUE REQUIREMENTS

Southern States Utilities, Inc. ("SSU"), by and through its undersigned attorneys, and pursuant to Rule 25-22.058(1), Florida Administrative Code, hereby requests oral argument on SSU's Suggestion of Error in the Staff Recommendation and Request for

'ACK Approval of Interim Revenue Requirements filed contemporaneously AFA 3 herewith. In support of this Request, SSU states as follows: APP 1. SSU requests an opportunity to address the Commission CAF concerning the merits of SSU's interim rate request and the Staff's CMU interpretation of pertinent parts of Section 367.082, Florida CTR Statutes, set forth in the September 27, 1995 Staff Recommendation. EAG 2 LEG 5 2. The Staff Recommendation indicates that this is the first LIN proceeding in which a utility has sought interim rates based on a FPD projected interim test year consistent with the 1993 amendment to REC section 367.082(1), Florida Statutes. SEC 1 WAS 3. The impact of a Commission denial of SSU's interim rate OTH request, an action recommended by Staff, could be devastating to

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SSU's continued ability to provide safe and adequate service to more than 102,000 water customers and more than 43,000 wastewater customers located across the State of Florida.

4. The MFRs confirm that SSU will have a total company negative return on the equity invested in water and wastewater operations combined in 1995 of  $-.43\%$ . This includes a return on equity of  $.6\%$  on water operations and  $-1.93\%$  on wastewater operations (Volume II-A, Book 1, page 37). On an annualized basis, the MFRs establish that revenue relief of approximately \$12.4 million, or approximately \$1 million a month of additional revenue, is necessary to achieve even the lowest return on the range of returns last authorized by the Commission for SSU (including only those service areas over which the Commission has undisputed jurisdiction on the date of the October 6 Agenda Conference). It already is October of 1995 and SSU has not obtained any rate relief. At best, SSU can expect to obtain less than \$3 million of required revenue during the remainder of 1995 even if the Commission were to approve 100% of SSU's requested 1995 interim revenue requirement. Therefore, it is clear that (1) it is not possible for SSU to earn in 1995 even the lowest return of the range of returns last authorized by the Commission and (2) it is questionable whether SSU would be able to earn any return at all in 1995 on the equity invested in water and wastewater operations even if 100% of the requested interim revenue requirement was approved by the Commission, as it should be.

5. The Commission has ordered refunds totalling in excess of

\$8 million (including interest) in Docket No. 920199-WS within ninety (90) days of issuance of a written order. SSU has requested 1995 revenue requirements sufficient to achieve slightly more than \$7 million in net income in 1995 -- on an annualized basis. Since 1995 is more than three-quarters over, at best, if 100% of SSU's 1995 interim rate request were granted, such a refund still would cause SSU to lose several million dollars in 1995.

6. In light of the dire financial consequences of a Commission denial of interim rate relief, SSU's ability to continue to assist citizens of the State of Florida in maintaining healthy water quality and sufficient water supplies could be jeopardized. For instance, SSU's ability to invest funds necessary to meet applicable environmental standards for the Enterprise wastewater system, a system in receivership and which SSU has been operating by direction of a Florida court, will be extremely doubtful. The conversion of wastewater treatment plants to Class I reliability reuse standards by SSU -- which has 7 existing public access reuse facilities to date and is in the process of converting the Spring Hill wastewater facilities in Hernando County to such capability at this time -- also would be placed in jeopardy.

7. The Staff Recommendation suggests that the MFRs do not contain sufficient information to permit Staff to calculate interim rates for individual service areas. This suggestion is not accurate. The information necessary to calculate interim rates specific to individual service areas previously included in the uniform rate structure is readily available in the MFRs.

Specifically, 1994 billing data is included in MFR Volume X, Books 1 through 3 (by class and meter size). 1995 billing data by class and meter size can be derived by using the growth projections provided in MFR Volume V, Book 1 of 1, pages 53 through 68, and applying such projections to the 1994 billing analysis. 1996 billing data by class and meter size can be derived from MFR Volume V, Book 1 of 1, Schedule E-1-2, pages 83 through 93 for conventional treatment; pages 205 through 206 for reverse osmosis treatment and pages 477 through 484 for wastewater treatment. This is important to note because 1995 billing data also can be derived by using the 1996 data previously discussed and adjusting the bills and gallons down by the growth projections provided in MFR Volume V, Book 1 of 1.

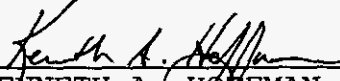
MFR Volume II, Book 1 also contains summary information for Schedules A and B by service area which provides rate base (including used and useful and all other adjustments) and operating income for each service area previously included in the uniform rate structure for 1994, 1995 and 1996. See pages 41 through 57 and 123 through 139 for rate base and operating income, respectively.

This information, along with the cost of capital information provided on pages 191 through 193 of Volume II, Book 1, provides sufficient information to determine revenue requirements by service area.

8. The Commission's course of conduct in several recent proceedings involving the same parties participating herein has

been to grant requests for oral argument based on allegations of "complexity of issues" or "uniqueness" of the facts presented. See Docket Nos. 920199-WS, 930880-WS and 930945-WS. These justifications for oral argument pale in comparison to the reasons provided by SSU in support of this Request. SSU further notes that the Office of Public Counsel ("OPC") concurs in the need for oral argument on interim rate issues in this proceeding as evidenced by OPC's motion for oral argument on OPC's Motion to Dismiss SSU's Request for an Interim Increase in Rates, both of which were filed on August 30, 1995.<sup>1</sup>

Respectfully submitted,

  
KENNETH A. HOFFMAN, ESQ.  
WILLIAM B. WILLINGHAM, ESQ.  
Rutledge, Egenia, Underwood,  
Purnell & Hoffman, P.A.  
P. O. Box 551  
Tallahassee, FL 32302-0551  
(904) 681-6788

and

BRIAN P. ARMSTRONG, ESQ.  
MATTHEW FEIL, ESQ.  
Southern States Utilities, Inc.  
1000 Color Place  
Apopka, Florida 32703  
(407) 880-0058

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<sup>1</sup>SSU acknowledges that in its September 6, 1995 Response to OPC's Motion to Dismiss Request for Interim Rate Increase, SSU opposed OPC's request for oral argument on the grounds that OPC's pleading was insufficient and Rule 25-22.0021, F.A.C., does not allow participation at Agenda Conference on interim rates. As staff notes in its recommendation, the Commission may waive Rule 25-22.0021 (a procedural rule) for good cause which SSU believes it has set forth in this request for oral argument. OPC did not present a "good cause" showing in its pleading.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a copy of the foregoing Southern States Utilities, Inc.'s Request for Oral Argument on Suggestion of Error in the Staff Recommendation and Request for Approval of Interim Revenue Requirements was furnished by hand delivery(\*) and/or U. S. Mail to the following 3rd day of October, 1995:

Lila Jaber, Esq.\*  
Division of Legal Services  
2540 Shumard Oak Boulevard  
Gerald L. Gunter Building  
Room 370  
Tallahassee, FL 32399-0850

Mr. W. Allen Case  
President  
Sugarmill Woods Civic Asso.  
91 Cypress Blvd., West  
Homosassa, FL 34446

Charles J. Beck, Esq.\*  
Office of Public Counsel  
111 W. Madison Street  
Room 812  
Tallahassee, FL 32399-1400

Michael B. Twomey, Esq. (via telecopier and U. S. Mail)  
P. O. Box 5256  
Tallahassee, FL 32314-5256

Joseph Coriaci, Pres.  
Marco Island Civic Asso.  
413 S. Barfield Drive  
Marco Island, FL 33937

Mr. Morty Miller  
President  
Spring Hill Civic Asso., Inc.  
P. O. Box 3092  
Spring Hill, FL 34606

  
KENNETH A. HOFFMAN, ESQ.

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