

FLORIDA PUBLIC SERVICE COMMISSION
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M E M O R A N D U M

DECEMBER 7, 1995

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO)

FROM: DIVISION OF WATER & WASTEWATER (GALLOWAY) *CH*
DIVISION OF LEGAL SERVICES (JAEGER) *JA* *PL* *TM*

RE: DOCKET NO. 950387-SU - FLORIDA CITIES WATER COMPANY -
NORTH FT. MYERS WASTEWATER DIVISION
COUNTY: LEE COUNTY

AGENDA: DECEMBER 19, 1995 - REGULAR AGENDA - DECISION PRIOR TO
HEARING - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: S:\PSC\WAW\WP\950387SU.RCM

CASE BACKGROUND

Florida Cities Water Company (FCWC or utility) is a Class A utility that has wastewater service divisions in Ft. Myers, Florida: a northern division and a southern division. The North Ft. Myers wastewater system, the applicant in this proceeding, served approximately 2,559 customers at December 31, 1994. Because many multi-family units are master metered, about 4,590 Equivalent Residential Connections (ERCs) were actually being served. The utility serves an area that has been designated by the South Florida Water Management District as a critical use area.

Wastewater treatment is provided by a 1.0 MGD (million gallons per day) advanced wastewater treatment (AWT) facility, presently being expanded to 1.25 MGD. Effluent is disposed of by discharge to the Caloosahatchee River, and will soon be provided to a golf course in the service area.

On May 2, 1995, the utility filed an application for increased rates pursuant to Section 367.081, Florida Statutes. The petition did not satisfy the minimum filing requirements (MFRs) and submission of additional data was necessary. The missing information was received on May 19, 1995 which date was declared the official date of filing pursuant to Section 367.083, Florida

DOCUMENT NUMBER-DATE

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DOCKET NO. 950387-SU
DATE: DECEMBER 7, 1995

Statutes. The utility's last rate case was finalized on July 1, 1992, by Order No. PSC-92-0594-FOF-SU, Docket No. 910756-SU. In 1994, the utility's rates were increased due to an index proceeding. The utility asked the Commission to process the application under the proposed agency action (PAA) procedures identified in Section 367.081(8), Florida Statutes.

While the utility did not request interim rates, they maintain that rate increases are needed to reflect added investments and expenses, including an expenditure of approximately \$1,600,000 in 1995 to increase the capacity of its wastewater plant from 1.0 MGD to 1.25 MGD. The construction project is scheduled to be completed prior to the close of 1995. The utility believes the magnitude of this investment justifies an end of period rate base determination.

The test year for this proceeding is the twelve-month period ending December 31, 1995. This period is based upon actual costs for the historical base year ended December 31, 1994, with applicable adjustments. During the base year, the utility's wastewater revenues were \$2,085,157 with a corresponding net operating income of \$474,319.

On November 2, 1995, the commission by PAA Order No. PSC-95-1360-FOF-SU proposed to grant final rates and charges to FCWC which would generate operating revenues of \$2,489,487 resulting in a corresponding net operating income of \$718,465. That Order reviewed the quality of service, rate base, cost of capital, net operating income, revenue requirement, rates and charges, and the books and records of the North Ft. Myers division and established final rates and charges. The Order stated that all provisions would become final and the docket closed unless an appropriate petition is filed, and upon staff's verification of proof of notice to the customers, and revised tariff sheets.

On November 27, 1995, Cheryl L. Walla (Ms. Walla) and others, timely filed a Petition on Proposed Agency Action, wherein they request a Section 120.57, Florida Statutes hearing. On December 1, 1995, FCWC filed a Notice of Intent to Implement Rates, along with revised tariff sheets, a proposed customer notice, and a corporate undertaking of Florida Cities Water Company. The notice of implementation of the rates will be the subject of Issue No. 1 and the security will be discussed in Issue No. 2 of this recommendation.

DOCKET NO. 950387-SU
DATE: DECEMBER 7, 1995

ISSUE 1: Should the Commission acknowledge the implementation of the proposed agency action rates by Florida Cities Water Company North Ft. Myers Division?

RECOMMENDATION: Yes, the Commission should acknowledge the utility's implementation of the proposed agency action rates on an interim basis pending the outcome of this rate proceeding. (Jaeger, Galloway)

STAFF ANALYSIS: As discussed in the Case Background, PAA Order No. PSC-95-1039-FOF-SU was protested by Ms. Walla and others. On December 1, 1995, FCWC submitted its Notice of Intent to Implement Rates pursuant to Section 367.081(8), Florida Statutes, pending the resolution of the protest filed in this docket. The utility also submitted tariff sheets, a proposed customer notice, and corporate undertaking to secure any potential refund.

Section 367.081(8), Florida Statutes, states that:

If the Commission's action is protested by a party other than the utility, the utility may place its requested rates into effect under bond, escrow, or corporate undertaking subject to refund, upon notice to the Commission and upon filing the appropriate tariffs.

Although the utility has the right to implement its requested final rates, FCWC has elected to implement the final rates approved by the Commission in PAA Order No. PSC-95-1360-FOF-SU. These Commission approved rates are lower than the rates requested by the utility in its MFRs.

Staff has reviewed the tariff sheets, customer notice, and security provided by the utility, and has determined that the utility has met the requirements of Section 367.081(8), Florida Statutes. The security for the rate increase is discussed further in Issue 2.

In summary, Staff believes the utility has met the requirements set forth in Section 367.081(8), Florida Statutes. Therefore, Staff recommends that the Commission should acknowledge the utility's implementation of the proposed agency action rates on an interim basis pending the outcome of this rate proceeding.

DOCKET NO. 950387-SU
DATE: DECEMBER 7, 1995

ISSUE 2: What is the appropriate security to guarantee the increased revenues collected under proposed agency action rates?

RECOMMENDATION: The corporate undertaking filed by the utility, dated December 1, 1995, should be accepted to guarantee any potential refund of revenues collected under the proposed agency action rates. Pursuant to Rule 25-30.360(6), Florida Administrative Code, the utility should be required to provide a report by the 20th of each month indicating the monthly and total revenue collected subject to refund. (GALLOWAY)

STAFF ANALYSIS: As discussed in Issue 1, pursuant to Section 367.081(8), Florida Statutes, the utility may place its requested rates into effect under bond, escrow, or corporate undertaking subject to refund. In addition to allowing the utility to implement its requested rates, the statute requires that "The Utility shall keep accurate records of amounts received as provided by subsection (6)." Subsection (6) specifies that "The Utility shall keep accurate, detailed accounts of all amounts received because of such rates becoming effective under bond, escrow, or corporate undertaking subject to refund, specifying by whom and in whose behalf such amounts were paid."

PAA Order PSC 95-1360-FOF-SU, approved an increase in revenues of \$377,772. Staff calculated the potential refund for FCWC's North Ft. Myers division to be \$261,595.

On December 1, 1995, the utility filed a corporate undertaking in the amount of \$261,595. Staff believes that the corporate undertaking filed by the utility is sufficient and recommends that it be adopted as the security for the increased revenues collected under proposed agency action rates. Additionally, pursuant to Rule 25-30.360(6), Florida Administrative Code, the utility should provide a report by the 20th of each month indicating the monthly and total revenue collected subject to refund.

DOCKET NO. 950387-SU
DATE: DECEMBER 7, 1995

ISSUE 3: Should the docket be closed?

RECOMMENDATION: No, this docket should remain open. (JAEGER)

STAFF ANALYSIS: Because a protest has been filed to Proposed Agency Action Order No. PSC-95-1360-FOF-SU, the docket should remain open to complete the hearing process.