

M E M O R A N D U M

April 22, 1996

TO : DIVISION OF RECORDS AND REPORTING  
FROM : DIVISION OF LEGAL SERVICES (JABER) *MA for LAJ*  
RE : DOCKET NO. 950495-WS - APPLICATION FOR A RATE INCREASE BY  
SOUTHERN STATES UTILITIES, INC.

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The attached material was referred to us from the Division of Consumer Affairs. Please place the following documentation and correspondence from Mr. Robert J. Simpson in the docket file in the above-referenced case.

LAJ

DOCUMENT NUMBER-DATE  
04699 APR 24 88  
FPSC-RECORDS/REPORTING

# Tropical Isles Homeowners Association

March 12, 1996

From: Robert J. Simpson, 345 Seahorse Terrace, Ft. Pierce, FL 34982

To: Florida Public Service Commission (PSC) (800/342-3552)  
att. J. Terry Deason, Hearing Chairperson,  
2540 Shumard Oak Blvd., Tallahassee, FL 32399-0850

Re: Materials supporting statement of concerns of March 12, 1996, re proposed increase in SSU rates for Tropical Isles and other customers. (Docket # 950495-WS)

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## **A. Introduction**

1. Here, sources are given parenthetically.

2. While every effort was made for accuracy, the writer accepts no responsibility for errors in data or interpretations, especially because information about SSU costs appears incomplete and conflicting.

## **B. Background Highlights**

While PSC has a general chronology of SSU's service to TI, commissioners at the hearing seemed unaware of some points. Thus, a review of SSU's Plant #2101 at TI:

1. 1988 TI Owner (Shackett & Spizizen) "sold" wastewater plant to SSU for \$5.00. 38 residences + 2 car lots were served at that time; 32 residences since have new owners and pay their own sewer fee.

a. Plant assets at acquisition: \$457,467.29  
b. Less amortization & depreciation = \$341,787.61

(Source: "SSU DR 38-A", p.189 of 212. Info. requested but unavailable at SSU 1/23 meeting; rec'd. 1/29/96 from Ida Roberts, of SSU; 9/88 contract of sale.)

c. It is interesting to note here that costs are to the penny, while SSU representatives said (1/23/96) that "exact cost allocations weren't feasible".

2. 1990-1995 TI residents' bills indicate moderate rate increases at or above cost-of-living (COLA) &/or consumer price index (CPI) increases. (See #5, below.)

(Source: Ida Roberts, SSU, 1/23 & TI residents' bills.)

3. 1992 SSU's requested uniform increase approved by FPSC blocked by suit.  
Interim uniform rate of \$17.05/month suggested.

4. 1992 FPSC ruling (#92 FPSC 2:409) encouraged large utilities to acquire small systems at less than market values by allowing advantages in rate-setting; e.g., amortizing full cost.

[A>cf96:SSUSUM2-rja031196]

# Tropical Isles Homeowners Association

## to FPSC re SSU's Proposed Increase in Rates

### B. Background Highlights

5. 1993 PSC approved \$6.7m uniform rate increases for SSU.
  - a. "Uniform rate" common with PSC & for electric & phone companies.
  - b. Group that appealed 1993 uniform plan had above-average usage.
    - (1) 1st DCA struck "uniform" plan.
    - (2) PSC then ordered retroactive stand-alone rates & told SSU to refund \$8m.
    - (3) Impact "staggering"; hurts SSU's chances to continue to invest in FL.

(Source: MP CEO A.J. Sandbulte to Gov. Chiles, 11/21/95)
6. 1993-1994 SSU automatically got \$2.9 million in rate increase adjustments out of \$3 million requested. (Source: Minn.Power (MP), "1994 Annual Report", p.17)
7. 1994 SSU claims it lost \$500,000 in Fla. of which only \$14,000 was in TI which amounts to \$5.42 per month per home. (See B-15, below for 1996 estimates.)

(Source: SSU meeting, 1/23, Ida Roberts)
8. 1995 SSU's claimed loss in TI = \$14,000 or \$4.33 per month per home. (Source: SSU, 1/23)
9. 1995 During PSC review of the court order, SSU requests a "stand-alone" rate increase which PSC ok's effective Jan. 26, 1996. (Source: PSC Special Report, 10/96)
10. 1995 (12/21) Political pressure applied.
  - a. PSC receives letter from Lt.Gov. MacKay written by a SSU lobbyist & friend of Chiles & MacKay expressing concern about SSU's claimed 1995 loss of \$453,749.

(Source: Copy of MacKay's 12/21/95 letter & PSC Chair Susan F. Clark's response (1/5/96) received from OPC, 2/5/96; earlier efforts to obtain copies from MacKay's office were not successful.

Commissioner Clark's response of 1/5/96 was appropriate.
  - b. MacKay's staff said the letter was "only an inquiry ... but it was an error to "forward an almost exact copy" of the SSU lobbyist's letter.

(Source: Betty Critcher (1-334-4862) & Louise Corcoran (1-224-9579) of Leilani Hts., Martin Cty., were concerned & called MacKay's office & talked with spokesperson, Kim.
  - c. 11/21/95, MP CEO sends Gov. Chiles a letter expressing concern about MP's low profit margin in Fla. & PSC's role. PSC Chair Clark's response spells out PSC role (1/5/96).

(Source: Copies of letters in file.)
11. 1995 During the last few months of 1995, the Park Manager reported an increased presence of SSU at Plant #2101. Hopefully, this is not to provide baseline data for estimating "typical" services!
12. 1995-96 SSU sends series of memos to customers about need for increasing fees which, to TI residents, give impression that SSU hasn't had a fee increase in years, but no specifics given as to why a 232% increase is requested for TI wastewater rates.

# Tropical Isles Homeowners Association

to FPSC re SSU's Proposed Increase in Rates

## B. Background Highlights

13. 1996 (1/23) Ida Roberts, SSU Manager of Community Affairs, & 4 aides hold information meeting for 4 parks in St. Lucie (TI) & Martin (Fisherman's Haven, Fox Run & Leilani Hts.) Counties.
- a. Again SSU was unable to provide any specific information justifying TI exorbitant increase, or how any of the increases were computed.
  - b. SSU stressed that most of the increased costs are caused by state & US environmental laws; e.g., \$75 million of \$116 million (64.7%) since 1992. (However, SSU's own data received later shows that TI Plant #2101, since 1985, had only a total of \$20,267 in improvements of which \$5,649 (27.9%) were by mandate.
  - c. This total of \$20,267 for the 219 TI residences affected shows improvements to the existing system of \$92.54 per household over 10 years or \$9.00 a year or 75 cents per month! Further, as much as \$6,950 of the \$20,267 (34.3%) was done before SSU "bought" the system.  
(Source: SSU report "FPSC Plant In-Service Additions by Project from the Last Rate Case through 1996", rec'd. 1/29/96 from Ms. Roberts of SSU.)
14. 1996 (2/1) FPSC hearing in Stuart. More than 120 TI residents attended. Two reports (7 pages & 2 pages) were submitted. Several TI residents spoke.
15. 1996 SSU estimates its loss will be \$16,500 (or about \$5.00 per month per TI home). (SSU's Tracy Smith quoted, Ft. Pierce Tribune, 2/1/96, p.A2; computations by writer; given to PSC 2/1/96).
16. 1996 TI residents get SSU monthly bill (@2/8/96) with increase from \$13.33 to \$23.65 (77.4% increase) instead of PSC approved interim of \$37.95 (184.75%) and less than final, requested rate of \$44.27 (232.1%) Again, no explanation was given; it may be pro-rated.

## C. Information From & About SSU .

[Page numbers are from a Minn.Power's 1994 "Annual Report" + 1995 supplements unless otherwise noted.]

1. SSU was acquired by Minnesota Power (MP) in 1984 & is the third largest tap water (tw) & wastewater (ww) system in FL (1. Miami; 2. Jacksonville.); also:
- a. largest private water system in Fla. & 12th largest in US.
  - b. owns (80%) Lehigh Acres (Ft. Myers) & Sugar Mill Woods (Tampa).
  - c. 21% of MP's assets are in FL.
  - d. It has electric utilities in Minn. area; water utilities in Fla. & NC plus a newly purchased auto-auction company for "diversified non-regulated activities".
2. MP current (2/8/96) stock price
- |                           |        |
|---------------------------|--------|
| a. 52 wk. HI              | 28 7/8 |
| b. 52 wk. LO              | 29 3/4 |
| c. One-yr. total return = | 24 3/4 |
- 18.17%.  
d. Profits-earnings ratio: 13.62 (Over 10.00 is good.)  
(Source: MP 1995 data from stockbrokers.)

[A > cf 96:SSUSUM2--rja\031196]

# Tropical Isles Homeowners Association

to FPSC re SSU's Proposed Increase in Rates

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## C. Information From & About SSU.

3. Return on common equity (net profit) of 10.5%. (MP '94, p.1)
  - a. Earning per share of \$2.06, down from \$2.20 in 1993, largely due to
    - (1) poor showing of investment portfolio plus
    - (2) 21 cents-per-share write-off on bad investment. (MP '94, pp.1, 2)
  - b. These two factors account for more than the one-year drop in share earnings.
  - c. MP also blamed "rising interest rates" as a cost factor; these now are down. (MP '94, p.2)
  - d. MP says, 1995 marks its 25th consecutive year of dividend increases. (MP '94, p.3)
4. MP goal: pay \$3.25/share by 2000 A.D. = 58% rise, just under 10% a year. (MP '94, p.6)
  - a. Earnings to come 1/3d each: electric, water/wastewater & diversified non-regulated investments, "We intend to increase our earnings by providing exceptional customer service at competitive prices."
    - b. In 1994, MP "paid out in dividends 98% of our earnings." (MP '94, p.17)
5. Water/wastewater "revenue was higher in 1994 than 1993 because of higher water rates plus a \$19.1 million profit from sale of Venice Gardens water plant assets to Sarasota County for \$37.1 million. [emphasis added]
  - a. MP still notes that revenue was below what was expected "because of abnormally high rainfall reduced consumption 8%."
  - b. Revenue also was higher in 1993 than 1992, again because of higher rates. (MP '94, p.8)
  - c. All water/wastewater net income for SSU in 1994 was \$13.3 million compared to a loss of \$2.3 million in 1992. About 2/3ds of the customers are in Fla. (MP '94, p.2)
6. The So. Fla. Water Mgt. District is helping SSU with capital improvements at Marco Island & Spring Hill. (MP '94, p.16)
7. "SSU continues to hold the line on expenses while adopting new measures to improve performance, concentrating on high standards of customer service, stewardship of water resources and the environment." (MP '94, p.16)
8. MP's 1995 filing for rates before the FPSC will "propose water conservation incentives and a consistent policy on charges for service availability." (MP '94, p.16)
9. Proposed "uniform rate" for SSU will prevent "'rate shock' by spreading the cost of capital improvements, reduces rate case preparation expenses, and can help promote water conservation." (MP '94, p.17)
10. During 1993 & 1994, asked FPSC for a rate adjustment of \$3 million & got \$2.9 million. (MP '94, p.17)
11. SSU said it expected only 70% of it's requested rate increases based upon past actions of PSC. (Source: Ida Roberts, SSU info. meeting, 1/23/96)

# Tropical Isles Homeowners Association

to FPSC re SSU's Proposed Increase in Rates

## D. Assumptions.

Certain basic assumptions are made based upon data and observations.

1. PSC must represent the public interest while setting utility rates which give the companies
2. At the same time, PSC must be sure to regulate these monopolies & be sure they operate efficiently and, even, "downsize" if necessary as businesses like AT&T have done recently.
3. We understand that politics must enter in such matters.
  - a. Politicians write letters to satisfy constituents and pressure groups. (MP & SSU letters)
  - b. Citizens as consumers protest actions at hearings and as voters at the polls.
  - c. Again, we think that PSC Chair Susan F. Clark's response (1/5/96) to MacKay's letter was appropriate.
4. However, PSC must be vigilant in not letting
  - a. a "Sewergate" aura attach to proceedings such as undue influence seemingly attempted by the Lt. Governor's letter of Dec. 21, 1995, which was closely followed by PSC's allowing a high, interim rate increase.
  - b. less than impartiality by PSC staff to be perceived by Office of Public Counsel in inquiries to PSC offices. (Source: OPC Counsel at 2/1/96 PSC hearing.)
5. While SSU may not expect PSC to grant the full rates requested, rates should reflect actual usage in the different plant service areas.
6. 252 residences existed in TI as of 1/1/96 including 6 where sewer fees are paid in the monthly rent (See B-1, above).

## E. Other Findings & Conclusions should be mentioned, too.

1. SSU's proposed rate increase, if approved,
  - a. would make TI the highest for wastewater service, by 152%.
  - b. while 4 of the 21 areas covered under the SSU proposals would receive an average reduction of \$2.81 per month which would put their rate at \$17.21 or \$17.59 per month.
2. The high interim rate increase raised TI's rates from \$13.33 to \$37.95 or higher than 2 of 3 final rates proposed by SSU.
3. SSU's proposed final rate would increase TI from \$13.33 to \$44.27 per month -- a jump from \$159.96 to \$531.24 per year -- or 232.1%!!
  - a. This is 7 TIMES HIGHER THAN THE NEXT HIGHEST PROPOSED INCREASE!!!
  - b. Ms. Roberts and aides (1/23) said this might be because of the smallness of the number of residents served (219 in 1994; 252 in Jan. 1996), yet, many parks are smaller; are charged a lower rate, and have much smaller increases proposed.
  - c. No SSU representative could explain this at the 1/23/96 meeting or since.

# Tropical Isles Homeowners Association

to FPSC re SSU's Proposed Increase in Rates

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## E. Other Findings & Conclusions should be mentioned, too.

4. The high interim and requested final rates have (a) encouraged two families to move; (b) caused two homes to be placed on the market, and (c) discouraged one purchase. All of these involved Canadian summer residents who are hurt by the dollar value differential and the fact charges continue while they spend at least six months in Canada. (Source: TI Sales Office, 2/6/96 & residents.)

5. SSU stated (1/23) PSC income includes a percentage of utilities' fees. This was left unexplained and caused concern among those present.

6. Ida Roberts of SSU (1/23) indicated that SSU didn't expect to get its full request; that 70% of a requested rate increase was the maximum PSC had ever granted previously.

7. Conflicting data from SSU -- mailings, MP "Annual Report", 1/23/96 information session, & data given to PSC -- cause customers to believe SSU uses the old mushroom approach in management along with "when in doubt, mumble" of rate increases.

8. MP goal: pay \$3.25/share by 2000 A.D. = 58% rise, just under 10% a year with earnings to come 1/3d each: electric, water/wastewater & diversified non-regulated investments. (MP '94, p.6)

a. "We intend to increase our earnings by providing exceptional customer service at competitive prices." (MP '94, pp.1,2)

b. In 1994, MP "paid out in dividends 98% of our earnings. That's high, but given our cash resources and our lack of major construction needs, it should not be detrimental." (MP '94, p. 17)

9. Water/wastewater "revenue was higher in 1994 than 1993 because of higher water rates plus a \$19.1 million profit from sale of Venice Gardens water plant assets to Sarasota County for \$37.1 million. [emphasis added]

a. MP still notes that revenue was below what was expected "because of abnormally high rainfall reduced consumption 8%."

b. Revenue also was higher in 1993 than 1992, again because of higher rates. (p.8)

c. All water/wastewater net income for SSU in 1994 was \$13.3 million compared to a loss of \$2.3 million in 1992. (MP '94, p.18)

d. About 2/3ds of the water customers are in Fla. (MP '94, p.2)

10. SSU's monthly cost per residence in TI, according to the limited figures we have been able to receive, are for

|  |          |
|--|----------|
| a. depreciation & amortization including CIAC =          | \$ 4.59. |
| b. environment mandates [\$5,649 / 252 res. / 12 mos.] = | \$ 1.87. |
| c. or \$6.46 which leaves of the current rate of \$13.33 | \$ 6.87. |

11. No combination of figures from the data supplied justifies any SSU rate increase at TI!

# Tropical Isles Homeowners Association

to FPSC re SSU's Proposed Increase in Rates

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## E. Other Findings & Conclusions should be mentioned, too.

12. It appears that SSU resorts to generalities and political pressure in seeking exorbitant rate increases rather than providing clear facts and good consumer relations. This is hardly a situation to be tolerated by consumers or the PSC.

13. Ft. Pierce Utilities Authority (FPUA) monthly rates for residences like TI are a base of \$ 9.25 per month (\$111.00/year) plus \$ 3.30 per 1000 gallons used.

a. Thus, only a minimum charge of \$ 9.25 applies when residents are gone; the type of rate -- base + gallonage -- that fits TI residents' patterns.

b. Further, the rate seems reasonable: for many homes, this would average only little if any more than SSU's current rate.

c. Golden Acres (St. Lucie County) Park residents pay a fee that amounts to a maximum of \$30.00 per month when they are home; nothing while they are gone.

14. SSU desires the base, stand-alone wastewater rate for TI which, then, permits it to charge the part-time residents for full service while they are not at home.

xxx

a. This is not fair! Neither is SSU's use of Equivalent Residential Units (ERUs) in mobile home parks where

- (1) as many as half of the residents are gone several months each year &
- (2) the average household is about 1.75 adult members. (TI est.)

b. SSU's reported ERU of 250/gallons/day is about 3 times higher than TI residents use.

c. Also, SSU apparently assumes that all tap water becomes wastewater, which isn't true.

d. SSU shows one capital improvement at Plant 2101 as a "flow meter". It would seem that accurate usage figures could be obtained.

## F. Recommendations

1. Before any rate increase is allowed, the Commission should require SSU to supply necessary information to consumers, PSC staff & the Office of Public Counsel to justify rate increases for TI and all other consumers. PSC must cut through the "needs" & "costs" presented by SSU and find out the real need.

a. This should be in the form of a simple ledger of assets & debits showing its actual income and costs, sufficiently understandable so that an informed response can be made by lay people.

b. SSU resorts to generalities and political pressure in seeking exorbitant rate increases rather than providing clear facts and good consumer relations. This is hardly a situation to be tolerated by consumers or the PSC.

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# Tropical Isles Homeowners Association

to FPSC re SSU's Proposed Increase in Rates

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## F. Recommendations

1. PSC, before allowing any rate increase to SSU should consider the following.

{ It appears that's SSU's "loss" is really a revenue shortfall below expected or desired profit levels rather than not operating in the red, per se. Further, consumers shouldn't have to suffer an exorbitant rate increase because the parent company's stock portfolio wasn't as profitable as expected. (See C-3; (MP '94, pp. 2, 8) ) }

c. Ms. Roberts (SSU, 1/23) indicated the Chief Financial Officer would call & explain TI's inexplicably high increase. To date, no such contact has been made.

d. Conflicting data from SSU -- mailings, MP "Annual Report", 1/23/96 information session, & data given to PSC -- cause customers to believe SSU uses the old mushroom approach in management along with "when in doubt, mumble" of rate increases.

e. "We intend to increase our earnings by providing exceptional customer service at competitive prices." (MP '94, pp.1, 2)  
(Check Leilani Heights in Martin County as well as TI to gauge if there is customer satisfaction with any services. TI plant casts an aroma to nearby homes, too.)

f. PSC should note that MP states it has a good cash "cash resources" plus "a lack of major construction needs". (MP '94, p. 17)

2. While complaining about losing money...

a. great profits exist via a combinations of amortization & depreciation especially when a plant is virtually given to SSU. (Examples: TI, Fisherman's Haven (Martin Cty.), Kissimmee, & Deltona.) This along with contributions in aid of construction (CAIC) must be checked.

b. Further, SSU's rate computations include keeping a three-year reserve for servicing new customers, while hookup and impact fees are also charged.

c. Water/wastewater "revenue was higher in 1994 than 1993 because of higher water rates plus a \$19.1 million profit from sale of Venice Gardens water plant assets to Sarasota County for \$37.1 million. [emphasis added]  
{ Nice profit; got TI for \$10.00. }

d. MP still notes that revenue was below what was expected "because of abnormally high rainfall reduced consumption 8%."  
{ Yet, MP CEO letter to Chiles indicates conservation is a goal!! (See B-10c) }

e. Revenue also was higher in 1993 than 1992, again because of higher rates. (MP '94, p.8)

f. All water/wastewater net income for SSU in 1994 was \$13.3 million compared to a loss of \$2.3 million in 1992. (MP '94, p.18)

# Tropical Isles Homeowners Association

## to FPSC re SSU's Proposed Increase in Rates

### F. Recommendations

3. SSU's monthly cost per residence in TI, according to the limited figures we have been able to receive are for

- |   |            |
|---|------------|
| a. depreciation & amortization including CIAC                 | = \$ 4.59. |
| b. environment mandates [\$5,649 / 252 res. / 12 mos.]        | = \$ 1.87. |
| c. which leaves out of the current rate of \$13.33 the sum of | \$ 6.87.   |

4. No combination of figures from the data supplied by SSU justifies any rate increase.

5. Keep the "Sewergate" aroma out of the rate review process.

a. SSU expenses should be investigated to see if it or its officers or lobbyists make major contributions to Chiles & MacKay's campaign funds.

b. SSU stated (1/23 meeting) that PSC income includes a percentage of utilities' fees. This was left unexplained and caused concern among those present. While a logical reason for this form of 'taxation' could exist, it should be explained as to how it is not a conflict of interest for PSC to be considering rate increases.

c. Ida Roberts (SSU, 1/23) indicated that SSU didn't expect to get its full request; that 70% of a requested rate increase was the maximum PSC had ever granted previously.

6. Minn. Power says it intends ... "to increase our earnings by providing exceptional customer service at competitive prices."

a. Conflicting, vague and incomplete information hardly meets "exceptional" standards, unless the measure is "exceptionally bad".

b. Check Leilani Heights in Martin County as well as TI to gauge if there is customer satisfaction with any services. (See F-1e)

c. MP goal: pay \$3.25/share by 2000 A.D. = 58% rise, just under 10% a year, with earnings to come 1/3d each: electric, water/wastewater & diversified non-regulated investments. (MP '94, p.6)

{ If MP improved its investment portfolio, the goal might be met without high increases. }

d. "SSU continues to hold the line on expenses while adopting new measures to improve performance, concentrating on high standards of customer service, stewardship of water resources and the environment." (MP '94, p.16)

7. Any consideration by PSC as to rate adjustments should be after having data on overhead costs of the utilities along with rates charged customers in relationship to comparable data from other utilities. Ft. Pierce Utilities Authority (FPUA) monthly rates for residences like TI are a base of \$ 9.25 per month (\$111.00/year) plus \$ 3.30 per 1000 gallons used, thus only a minimum charge of \$ 9.25 applies when residents are gone.

a. For many homes, this would average only a little more than SSU's current rate. We strongly urge PSC to examine carefully wastewater charges of other utility companies.

# Tropical Isles Homeowners Association

to FPSC re SSU's Proposed Increase in Rates

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## F. Recommendations

7. Compare SSU rates to other utilities...

b. This is the same recommendation as suggested in Lt.Gov. MacKay's "inquiry" but said in a different way and for a different purpose!

8. SSU desires the base, stand-alone wastewater rate for TI which, then, permits it to charge the part-time residents for full service while they are not at home. This is not fair!

a. PSC must consider SSU's use of Equivalent Residential Units (ERUs) in mobile home parks where at many as half of the residents are gone several months each year.

b. PSC must consider how SSU computed ERUs for retirement communities.

(1) The reported 250 gallons per residence per day is at least 3 times too high even when residents are at home. (The average family unit is fewer than 2 persons.)

(2) Also, SSU apparently assumes that all tap water becomes wastewater.

This is not true.

(3) Reportedly, a flow meter was one improvement made by SSU to #2101.

If so, what does this show in terms of ERUs each month at TI?

9. SSU says its proposed "uniform rates" will prevent "rate shock" because it spreads the "cost of capital improvements, reduces rate case preparation expenses, and can help promote water conservation."

a. If their requests had been any higher, the shock to some would be terminal!

b. Some logic can be seen for uniform base rates but,

(1) retirement communities shouldn't have the same base as other clients &

(2) ERUs should be realistic.

10. The high interim rate increase raised TI's rates from \$13.33 to \$37.95 or higher than 2 of 3 final rates proposed by SSU.

a. Effective with the February 1996 billing, SSU set an interim rate of \$23.65 which may be a pro-rata of \$37.95 for one month. Typically and again, no explanation was given.

b. This interim rate should be cut to \$18.00 which would cover the amount that SSU predicts it will lose on the TI plant. (See B-15)

c. At the same time, we think the lack of information plus, to the lay consumer, conflicting data presented at information session, in mailing, to PSC & in annual reports might indicate SSU could stand a rate reduction as stated by the Office of Public Counsel!

# Tropical Isles Homeowners Association (TIHA)

March 12, 1996

To: Gov. Lawton Chiles, The Capitol, Tallahassee, FL 32399-0001

From: Robert J. Simpson, (TIHA representative) 345 Seahorse Terrace,  
Ft. Pierce, FL 34982

Re: Sewergate! Southern States Utilities (SSU) & Public Service Commission  
(PSC) # 950495-WS

More than 100,000 voters are shocked at the treatment given to them by a public utility (SSU) in its recent efforts to convince PSC through political pressure and inconsistent data that exorbitant, indefensible, unfair and inconsistent rate increases are necessary for the good of Florida, the environment and life in general. Please review the enclosed two-page summary and, if desired, the 10-page summary of data which proves our point.

SSU, claiming to be a good corporate citizen, wants rate increases exceeding 200% when, for TI, it would amount to fourfold increases. SSU is not a "good citizen" when it wants to quadruple rates without clear information; use political influence to accomplish its goals, and set rates for customer units that give maximum income to SSU rather than reflecting actual usage; e.g, charging flat (or "base"), high-gallonage rates for senior-citizen communities when such rates don't apply to such parks where over half of the residents are away for substantial portions of the year. Such disregard to the income from "snowbirds" hardly makes SSU a "good corporate citizen".

A fairer basis would be actual usage (gallonage) above a basic maintenance rate and keeping such rates consistent with local, comparable services such as Ft. Pierce Utilities Authority for the TI area.

We believe that SSU has given inconsistent, vague & incorrect information through its various channels. We feel that SSU's efforts are examples of the worst in government. While most TI residents are on limited income, we will find enough funds to support court efforts if any average increase above \$5.00/month is approved including using a base plus usage formula. SSU's clients across the State will be encouraged to go back to court, again.

Please let me know if additional information is desired.

cc. Lt. Gov. Buddy MacKay, The Capitol, Tallahassee, FL 32399-0001  
Dr. Wm. G. "Doc" Myers, Sen. Dist. 27, The Capitol, Tallahassee, FL 32399.  
Rep. Ken Pruitt (Dist. 81), The Capitol, Tallahassee, FL 32399.  
Federation of Mobile Home Owners of Fla., Inc. (FMO)  
Fla. Public Service Commission (FPSC) Bev DeMello, Director, Consumer Affairs.  
Office of Public Counsel (OPC) Rm.812, Tallahassee, FL 32399-1400  
TIHA & TI park management & to local media upon request.

# Tropical Isles Homeowners Association

February 29, 1996

To: Florida Public Service Commission (PSC) (800/342-3552)  
att. J. Terry Deason, Hearing Chairperson,  
2540 Shumard Oak Blvd., Tallahassee, FL 32399-0850

From: Robert J. Simpson, 345 Seahorse Terrace, Ft. Pierce, FL 34982

Re: Statement of Concerns re Proposed Increases in Wastewater Rates  
by Southern States Utilities, (SSU) Inc. (Docket # 950495-WS)

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As a Tropical Isles (TI) resident, I have prepared this statement at the unanimous request of the TI Homeowners Association (TIHA) at its 2/5/96 meeting following the 2/1/96 PSC hearing. Parenthetical notes refer to the attached, supporting information, much of which was given at the PSC Hearing of 2/1/96 in Stuart, FL. A few items were changed since then, reflecting new data; none affects our position.

We were shocked at SSU's proposed increase from \$13.33 to \$44.27 in monthly wastewater rates! Further, we are dismayed and frustrated in SSU's inability or unwillingness to provide clear, substantiating data. We are concerned that SSU's efforts smell more like "Sewergate" than feeling the "Sunshine"!

SSU seems to have carelessly, if not intentionally, kept customers in the dark about the reasons for the exorbitant raises proposed for many service areas (B-12; B-13). It seems games are being played by SSU: (1) it said it expected to get not more than 70 per cent of the requested rate increase (E-6); (2) it got an interim rate for TI of \$37.75, & February bills came out at \$23.65 (B-16). We object to either interim rate, but again SSU keeps tossing out figures with insufficient, if any, explanations.

Also, SSU has attempted to bring political pressure to bear upon the PSC (B-10). All involved in this should realize that more than 100,000 voters are involved in this matter.

It seems that these maneuvers cover up the real facts which show that SSU doesn't need a rate increase. While complaining about losing money and indicating Minn. Power (MP is SSU's parent company) has not received any rate increase in years (B-12), SSU has had regular increases (B-2, B-5, B-6). MP provided dividend increases to stockholders for 25 consecutive years (C-3d). Further, profits-earnings ratio was 13.62 where over 10.00 is good (C-2d).

MP also noted that SSU's 1994 revenue was up because of "higher water rates" (C-5), and that SSU "continues to hold the line on expenses" (C-7). How could SSU still have the temerity to ask for a 232.1% increase in TI (\$13.33 to \$44.27), when at the same time, SSU says it will only "lose" \$16,500 in 1996 -- an average of about \$5.00 per month per TI home (B-15). Revenue has increased since 1992 (C-5).

It appears that "losses" to MP & SSU occur when net profits do not meet dollar goals set by corporate officials (C-4; C-5; E-9).

SSU says it wants to conserve water (C-8). It claims TI must have a high rate because it is a small plant, while charging lower rates to smaller plants (E-3).

SSU states it wants to provide "high standards of customer service" (C-7), yet provides poor information (E-3) even when requested and ignores requests for service for "stinking tapwater" (F-1e).

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SSU & MP claim they want uniform rates to avoid "rate shock" for customers when capital improvements are needed (C-9). This "shock" already occurred. SSU's capital improvements do not exceed 75 cents per month per TI residence (B-13c).

The base-rate only, uniform structure used for TI is unfair for two major reasons.

1. Many residents live here only part of the year. For example, the Canadians who are experiencing a dollar problem with US currency, are being forced to sell four homes in TI or deciding not to buy, partially because of charges like these as well as the uncertainty of future rates (E-4).

2. The equivalent residential units (ERUs) SSU has been using, reportedly 6,000-10,000 gallons per residence per month -- do not even "hold water", so to speak, when residents are at home! The high might be 1500 gallons per month. The average TI home has fewer than 2 residents. Also, SSU provides TI with wastewater service only -- in a plant that was virtually given to SSU. Not all tapwater becomes wastewater.

The Commission is asked to deny any rate increases to SSU -- at least for TI -- because of the three reasons listed below, among others cited in the supporting report.

1. It appears that the claimed "losses" for 1996 include:

- a. profits not meeting expectations (C-3);
- b. SSU not investing reserve funds well (C-3);
- c. inflated and/or disguised figures not clearly showing income as well as portraying losses as depreciating investments that were never made (B-1), &
- d. lack of bookkeeping procedures that clearly show all income including tax breaks plus development of reserve funds for emergencies and adding new customers (F-2).

2. Conflicting information causes us to ask PSC to have SSU give a clear profit & loss statement understandable by the average customer it serves. This seems only fair! Possibly, Jack Shreve of OPC is correct when he says a rate reduction might be in order if full SSU data were clear. (F-10c).

3. It is essential that SSU's current & proposed rates be compared with FPUA's structure. While prices appear the same; FPUA allows variable rates according to usage.

With the 1995 approved rate of \$13.33 per month, SSU's figures only showed \$4.59 per month for depreciation & amortization plus \$1.87 for environment mandates leaving \$6.87 for operating costs & profit (E-10).

In no way, can TI residents, after careful study of the maze of confusing, vague & incomplete information provided, understand how any increase. If SSU's own figures are accepted, then \$5.00/month (B-15) instead of the \$30.94 increase requested would be fair. This is not an attempt to negotiate something in between.

Further in all fairness, SSU should use base plus gallonage rates for retirement communities like TI and set ERU estimates more accurately to reflect actual usage.

MP/SSU has two different lines of information: one a tale of financial woe to PSC & customers; the other a nice glow in annual reports.

In closing, Commissioner Deason, TIHA would like to thank you and commissioners Joe Garcia & Julia L. Johnson for the courtesy and time given to the more than 200 persons from St. Lucie & Martin Counties who attended the hearing. Of these, more than 120, including the park owner, were from Tropical Isles.

Encl. 10 pages.

cc. Gov. Chiles; Lt. Gov. MacKay; Sen. Myers; Rep. Pruitt; FMO; OPC, Jack Shreve; TIMHP management;  
TIHA Pres. Sandt, other networked customers, Ft. Pierce Tribune, & Palm Beach Post.

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