

State of Florida



Public Service Commission

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-M-E-M-O-R-A-N-D-U-M-

DATE: July 17, 1997
TO: Blanca Bayo, Director of Records and Reporting
FROM: Curtis Williams, Assistant to Chairman Johnson
RE: Docket No. 960451-WS

Attached are copies of letters to Senator Holzendorf dated July 16, 1997 and Mr. Robert Jacob dated July 11, 1997. Please include both copies in the above docket file.

CJW:vdw

Attachments:

- ACK _____
- AFA _____
- APP _____
- CAF _____
- CMU _____
- CTR _____
- EAG _____
- LEG _____
- LIN _____
- OPC _____
- RCH _____
- SEC _____
- WAS _____
- OTH _____

DOCUMENT NUMBER - DATE

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STATE OF FLORIDA

JULIA L. JOHNSON
CHAIRMAN



CAPITAL CIRCLE OFFICE CENTER
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0854
(850) 413-6044

Public Service Commission

July 16, 1997

Honorable Betty S. Holzendorf
The Florida Senate
316 West State Street
Jacksonville, Florida 32202

Dear Senator Holzendorf:

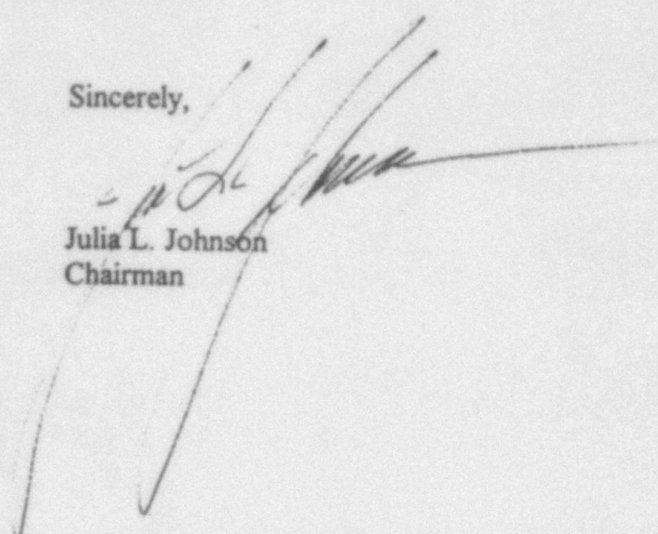
I am writing in response to your letter requesting that I provide Mr. Robert G. Jacob with information regarding United Water Florida's (UWF) request for an increase in water and wastewater rates. Unfortunately, I am prohibited by Florida law from commenting on the merits of dockets pending before the Commission. However, I can discuss the procedural aspects of the docket.

On May 30, 1997, the Commission issued an order which granted UWF only part of its original rate increase request. UWF was not pleased with the Commission's order, and recently filed a motion for reconsideration of that order. The motion is scheduled to be heard by the Commission on September 9, 1997.

I have directed my staff to provide Mr. Jacob with a more detailed response addressing the substantive aspects of the docket, and to provide you with a copy of their response. If you have any questions or need additional information, please let me know.

With kind regards, I am

Sincerely,



Julia L. Johnson
Chairman

JLJ:ssf

STATE OF FLORIDA

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



DIVISION OF WATER AND
WASTEWATER
CHARLES H. HILL
DIRECTOR
(850) 413-6900

Public Service Commission

July 11, 1997

Robert G. Jacob
3121 Overhill Drive
Jacksonville, FL 32277

Dear Mr. Jacob:

Re: United Water Florida

Thank you for your letter regarding United Water Florida's request for an increase in water and wastewater rates. Chairman Johnson has asked me to respond to your concerns since she is prohibited by Florida law from commenting on the merits of the company's proposal while the matter is pending reconsideration. The Commission's order in this case was issued on May 30, 1997. United Water Florida's motion for reconsideration and the Office of Public Counsel's cross-motion for reconsideration will be brought before this Commission on September 9, 1997. It will also be subject to appeals filed at the First District Court of Appeal.

As background, the Commission voted on May 6, 1997, to grant the utility final revenues of \$9,648,188 for water and \$17,963,539 for wastewater. These amounts represent revenue increases of \$2,361,740 (32.41%) for water and \$2,289,757 (14.61%) for wastewater. UWF had requested final revenues of \$10,631,396 (45.91% increase) for water and \$20,786,382 (32.62% increase) for wastewater.

During a rate case, the Commission considers sworn testimony of expert witnesses sponsored by the parties to the proceeding regarding the quality of service, prudent costs of providing service, and rate structure. The Commission's accountants, engineers and economists examine the financial and engineering information filed by the companies as part of a rate increase application. The Commission's auditors also examine this information and publish the results of their findings in an audit report. Recovery of any costs found by the Commission to be imprudent or unreasonable is not allowed.

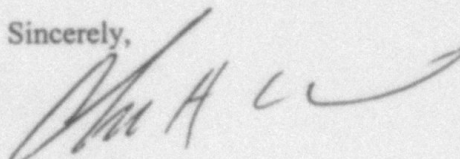
Robert G. Jacob
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Regarding your comparison of United Water Florida's rates to the city of Jacksonville rates, the Public Service Commission is bound by Florida law to consider the specific costs incurred in providing water and wastewater service for each regulated utility, not on a comparison of different rate levels in a given region. Those costs allowed, however, must be reasonable and prudent. Additionally, we have found that differences exist between private and publicly-owned utilities. Publicly-owned utilities do not pay income taxes, can receive lower interests costs, and other public services may cross-subsidize the full costs of providing water and wastewater service. Private utilities do not have these options available to them.

Furthermore, regarding your assumption that cross-subsidization is occurring between the City of Jacksonville and United Water Florida, I can assure you that this is just not the case. United Water Florida has a certificated area by the State of Florida to serve water and wastewater service in Duval, Nassau and St. Johns counties. This certificated area is separate from the City of Jacksonville's service areas. Therefore, the City of Jacksonville and United Water Florida are two different and distinct entities and their rates cannot simply be equalized between the two.

I hope that this letter has addressed your concerns. If you have any questions regarding any of the points I have raised in this letter or if we can be of help in any way, please feel free to call Mr. Eric Groom at (850) 413-6940.

Sincerely,



Charles H. Hill
Director

cc: Chairman Johnson
Senator Holzendorf