



ORIGINAL FILE COPY

September 15, 1997

This revised refund/surcharge report is being filed in response to the Commission's vote at its September 9, 1997 agenda conference. The staff analysis indicated concerns from the prior report. These concerns are addressed below.

- 1. **There are no supporting schedules for FWSC calculations.** – There are no supporting schedules for our calculations because the calculations are being done at the bill detail level. Each affected customer's bill is billed out at the modified stand-alone rates provided by staff in their September 25, 1995 schedule. This recalculated bill is compared to the bill that was generated under the uniform rates. The difference between these two bills is shown as either a refund or surcharge. The modified stand-alone rates used in these calculations are included on the accompanying disk in Lotus format. The rate file is called fpscrate.wk3 and contains four worksheets. These worksheets correspond to the four sets of rates that are subject to refund/surcharge. There are four time periods encompassing the initial rates, the two index/pass-throughs and the wastewater uniform rates changed because of a change in the bulk wastewater rate for Spring Hill.
- 2. **There is no amount of surcharge indicated for Florida Central Commerce Park.** – This was a programming error that was corrected for this revised report.
- 3. **There were no explanations for the positive/negative references used for the refund/surcharge amounts in the report; Negative refunds and/or a positive surcharge were indicated for several service areas, inconsistent with other amounts in the respective columns.** – This occurs because each customer bill is netted out and becomes either a refund or a surcharge. In some service areas modified stand-alone water rates may have went down while wastewater rates went up. Each netted (water and wastewater) bill could be either a refund or a surcharge depending on consumption. Also, base rates might have gone down while gallonage rates went up. Again, a refund or surcharge bill could ensue depending on consumption. Therefore, on the refund side of the report, the net amount will be a refund, even though there could be a negative refund in either water or sewer and vice versa for the surcharge side of the report. An example of these occurrences follows item number 4.
- 4. **Both a refund amount and a surcharge amount are indicated for several service areas for the same service (water/wastewater).** – Please refer to explanation number three above.

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Here's an example of why numbers 3 and 4 above can happen. Let's use Covered Bridge as our example. The modified stand alone rates, before indexing, for water per the Commission Staff, are base of \$8.66 and gallonage of \$2.84. Compared to the uniform rates of \$5.00 and \$1.19 this difference creates a surcharge. However, look at what happens to the wastewater. Modified stand-alone rates of \$8.38 and \$1.51 compared to uniform of \$12.01 and \$3.41. This difference creates a refund. However, each bill may be a refund or surcharge depending on consumption. Lets look at 6,000 gallons. Modified stand-alone rates produce a bill of  $\$8.66 + 6 * \$2.84 = \$25.70$  for water. Wastewater is  $\$8.38 + 6 * \$1.51 = \$17.44$ . Combined bill is \$43.14. Uniform rates produce a bill of  $\$5.00 + 6 * \$1.19 = \$12.14$  for water. Wastewater is  $\$12.01 + 6 * \$3.41 = \$32.47$ . Combined bill is \$44.61. The resulting bill difference is a refund bill with a difference of  $(\$43.14 - \$44.61) = \$1.47$ . Let's take the same plant with a customer consuming 10,000 gallons. Modified stand-alone rates produce a bill of  $\$8.66 + 10 * \$2.84 = \$37.06$  for water. Wastewater is  $\$8.38 + 6 * \$1.51 = \$17.44$ . We use 6,000 gallons here because of the cap on wastewater for residential customers. Combined bill is \$54.50. Uniform rates produce a bill of  $\$5.00 + 10 * \$1.19 = \$16.90$  for water. Wastewater is  $\$12.01 + 6 * \$3.41 = \$32.47$ . Combined bill is \$49.37. The resulting bill difference is a surcharge bill with a difference of  $(\$54.50 - \$49.37) = \$5.13$ .

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The previous example shows that plants are not necessarily either surcharge or refund, it can depend on consumption. A different example of this can be found in Meredith Manor. Modified stand-alone rates for water pre-indexing are \$4.78 and \$1.30. Uniform rates pre-indexing are \$5.00 and \$1.19. Because the base charge went down and the gallonage charge went up this bill will be a refund or surcharge bill depending on consumption. At 1,000 gallons consumption the bill is a refund bill. Modified stand-alone rates produce a bill of  $\$4.78 + 1 * \$1.30 = \$6.08$ . Uniform rates produce a bill  $\$5.00 + 1 * \$1.19 = \$6.19$ . The difference is a refund of .11 cents. 3,000 gallons or more of consumption produce a surcharge bill. Modified stand-alone rates produce a bill of  $\$4.78 + 3 * \$1.30 = \$8.68$ . Uniform rates produce a bill of  $\$5.00 + 3 * \$1.19 = \$8.57$ . The difference is a surcharge of .11 cents.

Another concern of the Staff's is that Spring Hill be broken out into two periods. The first period ends on January 23, 1997 when the interim rates for Docket #950495-WS went into effect. The second period starts after the first and ends on July 14, 1997 when the settlement rates with Hernando County went into effect. This has been done.

The numbers for the revised report are different from the original report for two reasons. First, interest is shown through August 1997 instead of July 1997. Second, the surcharge associated with the second Spring Hill period has not been spread back to the other plants.