

STATE OF FLORIDA

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Public Service Commission

October 10, 1997

Ms. Ann M. Polich
3108 Calmut Drive
Orlando, FL 32810

Re: Florida Water Services Corporation

Dear Ms. Polich:

Thank you for your letter dated September 29, 1997. We understand your concern regarding the water rate increases that you have experienced over the last two years. The rate increases are the result of two complicated and controversial rate cases the utility company filed in 1992 and 1995. The surcharge issue you also refer to in your letter is also the result of the 1992 rate case.

A brief history of the 1992 rate case might be helpful in order to explain the rate increases that you have experienced, as well as to understand the potential for a surcharge.

In Docket No. 920199-WS the Commission approved an increase in the utility's rates based on a uniform rate structure, meaning customers in all service areas of FWSC (then known as Southern States Utilities, Inc.) were billed the same water and wastewater rates. This decision on the rate structure was appealed by some customer groups. On April 6, 1995, the First District Court of Appeal reversed the Commission's decision to establish a uniform rate structure.

On October 19, 1995, the Commission issued a new order changing the rate structure to a modified stand-alone rate structure. In addition, the Commission directed the utility to refund to customers whose rates under the new rate structure were less than under the uniform rate structure. However, the Commission did not allow FWSC to impose a surcharge to those customers who paid less under the uniform rate structure than under the new rate structure. This decision was appealed by the utility on September 3, 1996. On June 17, 1997, the court issued its opinion reversing the Commission's order. (Southern States Utils., Inc. v. Florida Public Service Comm'n.) The Court noted in its opinion that the change in rate structure results in a rate decrease for some customers and a rate increase for others. It ruled that in order to be equitable to all concerned, any refunds to customers would have to be accompanied by surcharges to the customers who had benefitted under the uniform rate structure.

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FPSC-RECORDS/REPORTING

The Commission issued an order requiring FWSC to provide information by service area of the potential refund and surcharge amounts with and without interest as of June 30, 1997. The Commission also allowed all parties in the case to file briefs giving their opinion of the appropriate action the Commission should take. The Commission identified the following potential options for the parties to argue in their briefs:

1. require refunds with interest and allow surcharges with interest;
2. do not require refunds and do not allow surcharges because the rates have been changed prospectively;
3. order refunds without interest and allow surcharges without interest;
4. allow the utility to make refunds and collect surcharges over an extended period of time to mitigate financial impacts; and
5. allow the utility to make refunds and collect surcharges over different periods of time.

It should be noted, however, that the parties may identify and argue other options not contained in this list. Further, the Commission is not bound by the options listed above, or any other options identified by parties, in making its decision.

The Commission has required the utility to send a notice to all of its customers explaining the current situation. You can expect to receive that notice in the next few weeks. The Commission is scheduled to make a final decision on the refund/surcharge issue on December 15, 1997.

Please be assured that the Commission will consider the rate increases that customers in Holiday Heights and other communities throughout the state have already experienced when making a decision on the refund/surcharge issue. I hope that this information will be of help to you. If you have any further questions, or wish to discuss this matter further, please let me know.

Sincerely,

Beverlee DeMello

Beverlee DeMello
Director, Division of Consumer Affairs

cc: Governor Lawton Chiles
Congressman John Mica
Senator Buddy Dyer
Representative Bob Sindler
Division of Records and Reporting (Docket No. 920199-WS)
Division of Water and Wastewater (Hill)