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MEMORANDUM

October 23, 1997

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

FROM: DIVISION OF WATER AND WASTEWATER (KADROTH) *PKK*  
DIVISION OF LEGAL SERVICES (JAEGER) *JJ*

RE: UTILITY: FOREST SHORES UTILITIES, INC.  
DOCKET NO.: 971347-SU  
COUNTY: BAY  
CASE: TARIFF FILING

AGENDA: NOVEMBER 4, 1997 - REGULAR - TARIFF FILING - INTERESTED  
PERSONS MAY PARTICIPATE

CRITICAL DATE: 60-DAY SUSPENSION DATE: December 12, 1997  
LOCATION OF FILE: I:\PSC\WAW\WP\971347.RCM

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DOCUMENT NUMBER-DATE  
10816 OCT 22 97  
FPSC-RECORDS/REPORTING

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OCTOBER 23, 1997

CASE BACKGROUND

Forest Shores Utilities, Inc. (Forest Shores or utility) is a Class C wastewater utility, located in Bay County. Forest Shores provides wastewater service to 137 customers. It purchases wastewater treatment from the City of Callaway (City) and passes on the cost to its customers.

On October 13, 1997, the utility filed a request for a pass-through increase pursuant to Section 367.081(4)(b), Florida Statutes. In its application, Forest Shores submitted a copy of a letter from the City dated October 9, 1997, and copies of its bills for August 1996 through September 16, 1997 also from the city. The bill dated September 22, 1997 showed an increase in charges and this bill was due on October 13, 1997. Forest Shores stated that it did not receive notification of the increase in its charges until it received its bill dated September 22, 1997.

Normally, this case would be processed as a pass-through increase pursuant to Section 367.081(4)(b), Florida Statutes, and approved administratively. However, under that statute the new rates could not be implemented until November 27, 1997, 45 days after the Commission received notice of the utility's application. The utility requests that this case be expedited so that the increase in the cost of purchased wastewater treatment can be passed on to the customers as soon as possible. Therefore, staff believes that this case should be processed as a tariff filing under Section 367.091, Florida Statutes, and brought to the attention of the Commission.

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ISSUE 1: Should the tariff filing by Forest Shores Utilities, Inc. be approved?

RECOMMENDATION: Yes, Forest Shores' tariff filing should be approved. The appropriate rates should be a flat bi-monthly rate of \$69.25 per customer. The approved rates should be effective for service rendered on or after the stamped approval date on the revised tariff sheets pursuant to Rule 25-30.475(1), Florida Administrative Code, provided customers have received notice. The rates may not be implemented until proper notice has been received by the customers. The utility should provide proof of the date notice was given within 10 days after the date of the notice. (KAPROTH, JAEGER)

STAFF ANALYSIS: On October 13, 1997, Forest Shores filed a request for approval of a pass-through increase, pursuant to Section 367.081(4)(b), Florida Statutes. This Statute states that no rates can be "increased or decreased without hearing, upon verified notice to the Commission 45 days prior to its implementation . . ." Therefore, if the Commission were to process this case under this Statute, the new rates could not be implemented before November 27, 1997. Forest Shores is a small utility. If the utility were to absorb this increase, it would be financially harmed. Due to the exigent circumstances in this case, including the late notice from the City, staff believes that it would be inappropriate to process this case using Section 367.081(4)(b), Florida Statutes. Therefore, staff recommends that this docket be processed as a tariff filing, pursuant to Section 367.091, Florida Statutes. The tariff provision proposed by the utility, which it included in its application, includes an increase for purchased wastewater treatment costs charged by the City.

The utility's existing purchased wastewater cost is \$2,594.43 per month. Effective August 14, 1997, the cost will be \$3,229.08 per month. This results in an increase of \$274.65 per month, and \$3,296 annually. When \$3,296 is grossed up to include regulatory assessment fees, the annual increase is \$3,451. The utility provides service to 137 customers. It bills bi-monthly and the existing rates are \$65.05 bi-monthly per customer. Its annualized revenue based on existing rates is \$53,471. If the Commission approves staff's recommendation, the utility's revenue and rates will increase 6.45% and the new rates will be \$69.25 bi-monthly.

An increase for a purchased wastewater treatment cost is typically processed administratively. However, in this case, the utility was notified on its September 22, 1997 bill, of the

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increase that became effective for the current month of August 14, 1997 to September 16, 1997. This means that Forest Shores will never be able to recover these increased costs for that month. Also it appears that it will lose the next month's costs. Therefore, Forest Shores requested approval of an increase to its rates for increased purchased wastewater treatment costs as soon as possible so that it will not be irreparably harmed.

This increase in revenue will not cause the utility to overearn. Therefore, staff recommends that the utility's tariff filing be approved. The appropriate rates should be a flat bi-monthly rate of \$69.25 per customer. The approved rates should be effective for service rendered on or after the stamped approval date on the revised tariff sheets pursuant to Rule 25-30.475(1), Florida Administrative Code, provided customers have received notice. The rates may not be implemented until proper notice has been received by the customers. The utility should provide proof of the date notice was given within 10 days after the date of the notice.

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ISSUE 2: Should this docket be closed?

RECOMMENDATION: Yes, if Issue 1 is approved, this tariff should become effective on or after the stamped approval date of the tariff sheet, pursuant to Rule 25-30.475, Florida Administrative Code. If a protest is filed within 21 days of the issuance of the Order, this tariff should remain in effect with any increase held subject to refund pending resolution of the protest. If no timely protest is filed, this docket should be closed. (KAPROTH, JAEGER)

STAFF ANALYSIS: If a protest is filed within 21 days of the issuance of the Order, this tariff should remain in effect with any increase held subject to refund pending resolution of the protest. If no timely protest is filed, this docket should be closed.