

FLORIDA PUBLIC SERVICE COMMISSION  
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MEMORANDUM

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January 8, 1997

FPSC - Records/Reporting

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

FROM: DIVISION OF WATER & WASTEWATER (KAPROTH) *KK*  
DIVISION OF LEGAL SERVICES (JAEGER) *AS*

RE: DOCKET NO. ~~920148-WS~~ - APPLICATION FOR FOUR YEAR  
REDUCTION IN RATE CASE EXPENSE BY JASMINE LAKES UTILITIES  
CORPORATION  
COUNTY: PASCO

AGENDA: 01/20/98 - REGULAR AGENDA - DECISION ON REDUCED RATES -  
INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: JANUARY 21, 1998

SPECIAL INSTRUCTIONS: I:\PSC\WAW\WP\980022-WS.RCM

CASE BACKGROUND

Jasmine Lakes Utilities Corporation (Jasmine Lakes or utility) is a Class B utility which provides water and wastewater services to 1,581 water and 1,569 wastewater customers in Pasco County. Jasmine's service area is located in the Northern Tampa Bay Water-Use Caution Area as designated by the South Florida Water Management District.

In Docket No. 920148-WS, the Commission granted final rates and charges by Order No. PSC-93-1675-FOF-WS, issued on November 18, 1993. These rates included rate case expense which was to be amortized over four years. On December 15, 1997, the utility filed an application for a reduction in the rates because the four year period to amortize rate case expense will be over on January 21, 1998. The following recommendation addresses the reduction of rates after the amortization of rate case expense.

DOCUMENT NUMBER DATE

00364 JAN-88

FPSC RECORDS REPORTING

DOCKET NO. 980022-WS  
DATE: January 8, 1998

**DISCUSSION OF ISSUES**

**ISSUE 1:** Should the utility's Petition For Rate Reduction be approved as filed for a four year reduction in rate case expense?

**RECOMMENDATION:** No, the Petition For Rate Reduction should be denied and the utility should be required to reduce its rates consistent with Order No. PSC-93-1675-FOF-WS, effective January 21, 1998. Further, the utility should be required to file the appropriate tariff sheets and provide notice to the customers of the rate decrease within five days of the Commission vote. (JAEGER, KAPROTH)

**STAFF ANALYSIS:** Section 367.0816, Florida Statutes (FS), provides that rate case expense be apportioned for recovery over a period of four years. According to the statute, at the conclusion of the recovery period, the rates of the public utility shall be reduced immediately by the amount of rate case expense previously included in rates. Rule 25-30.470, Florida Administrative Code (FAC), provides a methodology for the calculation of the rate reduction, as follows:

The annual amount of rate case expense, which is equal to one-fourth of the total allowed rate case expense, shall be divided by the regulatory assessment fee gross up factor. The resulting number shall then be divided by the revenue requirement to determine the percentage of the rate reduction. The percentage is then multiplied against the new rates to determine the amount of future rate case reduction.

The Commission granted final rates for Jasmine Lakes in Docket No. 920148-WS by Order No. PSC-93-1675-FOF-WS, issued on November 18, 1993. Pursuant to the above statute, this order directed the utility to reduce its rates by the amount of rate case expense included in the rates. The actual rate reduction that was contained in the order was calculated based on the above rule using the revenue requirement determined in the rate case. This procedure is consistent with what is done in all rate case proceedings. Further, the utility did not file a petition for reconsideration of the order disputing the amount of rate reduction contained in the order.

On December 15, 1997, the utility filed an application for a reduction in the rates pursuant to Section 367.0816, FS. However, the proposed rate reduction is not consistent with that contained in the above-referenced order. The utility calculated a percentage rate reduction by dividing the annual grossed up rate case expense by the annualized revenues as of August 31, 1997. In its

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application, the utility stated that the annualized revenues take into account customer growth whereas the percentage determined in the rate case order did not. According to the utility, because of the growth in customers, if the rate reduction contained in the order is implemented, the utility will be reducing its annual revenue by more than the annual amount of rate case expense allowed in the rate case. The utility's proposed rate reductions and the rate reductions that are contained in Order No. PSC-93-1675-FOF-WS are provided as Attachment 1.

Staff does not believe that the utility's methodology is appropriate. First of all, Rule 25-30.470, FAC, provides that the rate case expense percentage reduction should be calculated using the "revenue requirement". This term refers to the revenue requirement determined in a rate case proceeding, not annualized revenue in some future year. The methodology used to calculate the rate case expense reduction for Jasmine Lakes in the rate case order is consistent with this rule.

Further, while the utility argues that using current revenue to calculate the rate case reduction will more accurately remove the actual rate case expense dollar amount, it does not take into consideration that the utility is actually collecting an amount of rate case expense greater than that allowed in the last rate case order. This is also caused by growth. The intent of the reduction is to remove rate case expense from the rates that the customers are paying after the four-year amortization period. The most accurate way to do this is to match the percentage reduction with the same test year revenue that the rates were based on. This is consistent with the methodology used in all rate cases.

In addition, as mentioned previously, the actual rate reduction is contained in Order No. PSC-93-1675-FOF-WS, and the utility did not file a petition for reconsideration of that order. The time to argue that the Commission made a mistake in the calculation of the rate case expense reduction would have been at that time.

Therefore, based on the above, staff recommends that the utility's Petition For Rate Reduction, as filed, be denied. Further, the utility should be required to reduce its rates consistent with Order No. PSC-93-1675-FOF-WS effective January 21, 1998, the date the four-year amortization period expires. In addition, within five days of the Commission's vote, the utility should be required to file tariff sheets consistent with the order. The customer notice submitted by the utility with its filing is sufficient except for the percentage decrease for water and wastewater service. The notice should be corrected and mailed to all customers within five days of the Commission's vote.

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**ATTACHMENT 1**  
**DECREASE**  
**PER ORDER**

**PROPOSED**  
**DECREASE**

**WATER**

**Residential & General Service**

Base Facility Charges:

5/8 x 3/4"	(0.41)	(0.40)
1"	(1.03)	(0.99)
1 1/2"	(2.06)	(1.99)
2"	(3.29)	(3.18)
3"	(6.58)	(6.36)
4"	(10.28)	(9.94)
6"	(20.55)	(19.87)
8"	(32.88)	(31.80)
Gallonge Charge per 1,000 Gallons	(0.14)	(0.14)

**Private Fire Protection**

4"	(3.43)	(3.31)
6"	(6.85)	(6.62)
8"	(10.96)	(10.60)

**WASTEWATER**

**Residential**

Base Facility Charges:

All meter sizes	(0.49)	(0.55)
Gallonge Charges per 1,000 Gallons	(0.12)	(0.14)

**General Service**

5/8 x 3/4"	(0.49)	(0.55)
3/4"	(1.23)	--
1"	(2.47)	(1.38)
1 1/2"	(3.95)	(2.76)
2"	(7.89)	(4.42)
3"	(12.33)	(8.83)
4"	(24.67)	(13.80)
6"	(39.46)	(27.60)
8"	--	(44.15)
Gallonge Charge per 1,000 Gallons	(0.15)	(0.17)

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ISSUE 2: Should the docket be closed?

RECOMMENDATION: Yes. The docket should be closed after the utility files the proper revised tariff sheets. (JAEGER, KAPROTH)

STAFF ANALYSIS: The item that is left to be resolved before this docket can be closed would be the filing of the revised tariff sheets consistent with Order No. PSC-93-1675-FOF-WS and the decision herein. Staff recommends that the docket be closed after the proper revised tariff sheets have been filed by the utility.