



Public Service Commission

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RECORDS AND REPORTING

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RECEIVED-FPSC

DATE: 06/18/1998

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

FROM: DIVISION OF WATER AND WASTEWATER (CHU, RENDELL)
DIVISION OF LEGAL SERVICES (FLEMING) *AKF AS*

RE: DOCKET NO. 980616-WU - REQUEST BY COUNTY-WIDE UTILITY COMPANY FOR APPROVAL OF TARIFF FILING FOR NEW CUSTOMER CLASSIFICATION FOR 1" METER IN MARION COUNTY.
COUNTY: MARION COUNTY

AGENDA: 06/30/1998 - REGULAR AGENDA - TARIFF FILING - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: 60-DAY SUSPENSION DATE: 07/06/1998

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\WAW\WP\980616.RCM

CASE BACKGROUND

County-Wide Utility Company (utility) is a Class C utility located in Marion County. The utility provides water service only. Based on the 1997 Annual Report, at the end of year 1997, the utility had 374 customers, all residential; recorded revenues of \$77,047 and expenses of \$82,800, resulting in net operating loss of \$5,753.

On May 6, 1998, the utility filed for approval of a general service tariff sheet containing a new customer classification for an one inch meter pursuant to Section 367.091(5), Florida Statutes. The utility added a general service customer which receives water through an one inch meter on April 23, 1998. The current tariff sheet only has charges for the 5/8 x 3/4 inch meter. In the utility's proposed tariff sheet, the utility also changed the block ranges of water consumption for its 5/8 inch meter from its currently approved tariff without any justification.

DOCUMENT NUMBER-DATE

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DISCUSSION OF ISSUES

ISSUE 1: Should the utility's proposed tariff sheet containing the charges for the new class of service of the one inch meter be approved on a temporary basis?

RECOMMENDATION: Yes, the utility's proposed charges for the one inch meter should be approved on a temporary basis and should be effective for service rendered on or after staff's approval of the filed tariff sheet pursuant to Rule 25-30.475(1), Florida Administrative Code, provided the customers have received notice. The revenue collected from the one inch meter should be held subject to refund. The utility should provide proof that the customers have received notice within ten days after the date of the notice. Further, staff also recommends that the services for the 5/8" x 3/4" meter should be charged according to the tariff sheet effective on June 1, 1998. Pursuant to Section 367.091(3), Florida Statutes, a utility may only impose and collect those rates and charges approved by the Commission for the particular class of service involved. (CHU, FLEMING)

STAFF ANALYSIS: The utility's proposed charge for the one inch meter is calculated by using the 5/8" x 3/4" size meter as a foundation, and then applying the AWWA's meter equivalent factor as the usage characteristics on the foundation (2.5 times the 5/8" x 3/4" meter charge). Staff believes the utility's methodology is reasonable, and the utility's proposed charge for the one inch meter is justified on a temporary basis. Section 367.091(4), Florida Statutes, states that if any request for service of a utility shall be for a new class of service not previously approved, the utility may furnish the new class of service and fix and charge just, reasonable, and compensatory rates or charges therefor. The Commission may approve such other rates or charges for the new class of service which it finds are just, reasonable, and compensatory.

Section 367.091(4), Florida Statutes, also states that a schedule of rates or charges so fixed shall be filed with the Commission within 10 days after the service is furnished. The utility began providing the one inch meter service to the customer on April 23, 1998. The Commission received the filing on May 4, 1998. The utility's filing is timely under the statutes since the tenth day after the initiation of service was Sunday May 3, 1998.

Pursuant to Rule 25-9.005(4), Florida Administrative Code, a utility which files a new or additional service classification or rate schedule must provide the estimated annual revenues to be derived from the service and the estimated number of customers to be served. The utility cannot accurately estimate annual revenues to be derived from the one inch meter service due to a variety of factors. However, the utility expects that the revenue derived from the one inch meter service to be \$50 to \$100 per month, resulting in annual revenues of \$600 to \$1,200. According to the utility, there may be three or four more customers over the next few years that may request this service.

In the utility's proposed tariff sheet, the utility changed the block ranges of water consumption for its 5/8 inch meter from its currently approved tariff without any justification. Pursuant to Section 367.091(3), Florida Statutes, a utility may only impose and collect those rate and charges approved by the Commission for the particular class of service involved. A change in any rate schedule may not be made without Commission's approval. Staff also believes the proposed declining rate structure for both the 5/8 inch meter and the one inch meter is not consistent with the Commission's conservation water usage policy. Staff believes it is reasonable and necessary to do further investigation on how to reconstruct the rate structure.

Based on the above analysis, staff believes the utility's filing meets the statutory requirements, and the utility should be authorized to charge for services already provided. Therefore, staff recommends that the proposed charges for the one inch meter be approved on a temporary basis, and the revenues collected from the one inch meter service should be held subject to refund in the event that further investigation indicates a need to subsequently reduce the payment.

Staff also recommends that the services for the 5/8" x 3/4" meter should be charged according to the tariff sheet effective on June 1, 1998. Pursuant to Section 367.091(3), Florida Statutes, a utility may only impose and collect those rates and charges approved by the Commission for the particular class of service involved.

ISSUE 2: What is the appropriate security to guarantee the revenues collected on a temporary basis for the one inch meter service?

RECOMMENDATION: The utility should file an escrow agreement to guarantee the revenues collected on a temporary basis from the one inch meter service. Pursuant to Rule 25-30.360(7), Florida Administrative Code, the utility shall provide a report by the 20th of each month indicating the monthly and total revenue collected subject to refund. (CHU, FLEMING)

STAFF ANALYSIS: The utility did not have one inch meter service prior to this filing, therefore, staff believes that it is appropriate to require that all the revenues collected from the one inch meter service during the temporary period be placed in escrow in order for staff to further investigate the appropriateness of the charge.

The escrow account should be established between the utility and an independent financial institution pursuant to a written escrow agreement. The Commission should be a party to the written escrow agreement and a signatory to the escrow account. The written escrow agreement should state the following: that the account is established at the direction of this Commission for the purpose set forth above, that no withdrawals of funds should occur without the prior approval of the Commission through the Director of the Division of Records and Reporting, that the account should be interest bearing, that information concerning the escrow account should be available from the institution to the Commission or its representative at all times, and that pursuant to Cosentino v. Elson, 263 So. 2d 253 (Fla. 3d. DCA 1972), escrow accounts are not subject to garnishments.

The utility should deposit the funds to be escrowed in the escrow account each month. If a refund to the customers is required, all interest earned by the escrow account should be distributed to the customers. If a refund to the customers is not required, the interest earned by the escrow account should revert to the utility.

The utility should keep an accurate and detailed account of all money it receives. Pursuant to Rule 25-30.360(7), Florida Administrative Code, the utility shall provide a report by the 20th of each month indicating the monthly and total revenue collected subject to refund. Should a refund be required, the refund should be with interest and undertaken in accordance with Rule 25-30.360, Florida Administrative Code.

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In no instance should maintenance and administrative costs associated with any refund be borne by the customers. The costs are the responsibility of, and should be borne by, the utility.

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ISSUE 3: Should this docket be closed?

RECOMMENDATION: No. If a protest is filed within 21 days of the issuance of the order, this tariff should remain in effect temporarily with any increase held subject to refund pending resolution of the protest. If no protest is filed, the docket should remain open pending further analysis by staff. (CHU, FLEMING)

STAFF ANALYSIS: The current rate structure of the utility is a flat charge within a specified range, plus two gallonage blocks with declining unit charge for consumption which falls within each specified block. Staff believes this rate structure discourages conservation and is not consistent with the Commission's agreement with the water management districts to implement an effective, statewide water conservation policy. Staff believes further investigation is needed to reconstruct the rate structure.

If a protest is filed within 21 days of the issuance of the order, this tariff should remain in effect temporarily with any increase held subject to refund pending resolution of the protest. If no protest is filed, the docket should remain open pending further analysis by staff.