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DIVISION OF WATER & WASTEWATER
CHARLES H. HILL
DIRECTOR
(850) 413-6900

Public Service Commission

August 4, 1998

Honorable U. S. Senator Bob Graham
Post Office Box 3050
Tallahassee, Florida 323215

Re: Docket No. 971401-WS, Application for a Staff Assisted Rate Case by Bayside Utilities, Inc. In Bay county

Dear Senator Graham:

In answer to your letter of July 30, 1998 to Mr. William D. Talbott, Executive Director of the Florida Public Service Commission, I am enclosing a copy of a response sent to one of your constituents, Mr. Tarver A. Kitchens, President of Bayside Homeowners Association, who had concerns regarding the staff assisted rate case for Bayside Utilities, Inc. which is presently being processed by the Commission. Staff met with Mr. Kitchens twice on July 29, 1998 to receive comments and information regarding the utility. The staff assisted rate case process was developed by the Florida Legislature to assist customers of small water and wastewater customers such as Bayside. Instead of the utility having to retain outside accountants and engineers to process a rate case, Florida Public Service Commission (PSC) staff does the work and normally saves customers thousands of dollars in costs which would have been passed on to customers of the utility through rates.

As mentioned in our response, the rates and percentage increases contained in the accounting report dated June 25, 1998 were preliminary pending the outcome of the customer meetings, updated costs, and further staff investigation. The purpose of the accounting report is to inform the utility and the utility customers of what the PSC staff has completed to that point in the rate case, and usually represents the "worst case scenario". A recommendation to the Commission is scheduled to be filed August 20, 1998 for consideration by Commissioners at the September 1, 1998 Agenda Conference. Once the Commissioners vote on staff's recommendation at Agenda, a Proposed Agency Action (PAA) Order will be prepared and issued within 20 days. Any substantially affected party may protest this PAA Order within a 20 day protest period after the Order issued. If there is no protest of the PAA Order, the Order becomes final.

- ACK _____
- AFA _____
- APP _____
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- SEC 1
- WAS _____
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Once the recommendation is filed, a copy of the recommendation will be sent to you to allow you to review what Commissioners will be considering at the September 1, 1998 Agenda Conference. If you have any further questions, or we can be of any further service, please don't hesitate to contact us.

Sincerely,



Bill Lowe
Assistant Director

BL:rc

cc: Mr. William D. Talbott
Mr. Jack Shreve, Florida Public Counsel
Division of Water and Wastewater (Hill, Willis, Rendell, Crouch, Casey, T. Davis)
Division of Legal Services (Jaeger)
Division of Records and Reporting (971401-WS)

STATE OF FLORIDA

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Public Service Commission

August 4, 1998

Mr. Tarver A. Kitchens, President
Bayside Homeowners Association
1045 Bay Circle
Panama City Beach, Florida 32407-5501

Re: Docket No. 971401-WS, Application for a Staff Assisted Rate Case for Bayside Utilities, Inc. in Bay County

Dear Mr. Kitchens:

To follow up a request from U.S. Senator Bob Graham, I am sending you a brief review of the status of the staff assisted rate case filed by Bayside Utilities, Inc. (Bayside or utility). The utility filed its request for a staff assisted rate case on October 22, 1997. The staff assisted rate case process was developed by the Florida Legislature to assist customers of small water and wastewater customers such as Bayside. Instead of the utility having to retain outside accountants and engineers to process a rate case, Florida Public Service Commission (PSC) staff does the work and normally saves customers thousands of dollars in costs which would have been passed on to customers of the utility through rates.

A staff audit of the utility's books, and a staff engineering investigation of the utility's plant was completed approximately March 10, 1998. A preliminary analysis of the utility was prepared in the form of an accounting report dated June 25, 1998. The accounting report was made available to customers of the utility at the utility office prior to the customer meeting held July 29, 1998. The purpose of the accounting report is to inform the utility and the utility customers of what the PSC staff has completed to that point in the rate case, and usually represents the "worst case scenario".

As you are aware, a general customer meeting was held at the Optimist Club Center in Panama City Beach on July 29, 1998 at 6:30pm to receive comments on the utility's quality of service, the proposed rate increase, and other issues related to the case. According to our figures, 94 people attended this meeting along with four utility personnel and PSC staff. Staff also met with Mr. Wharton, Mr. Pattillo, Mr. Skinner, Mr. Bryan, and yourself between 2pm and 4pm prior to the general customer meeting to allow the homeowners association to express their concerns with the utility and the rate case. The information staff received at the afternoon meeting and evening general customer meeting is presently being reviewed and investigated. As was relayed to you at

Mr. Tarver A. Kitchens, President
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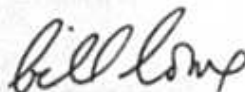
the evening meeting, written answers to the questions which you presented to staff will be sent to you as soon as staff finishes its investigations. Your assistance in providing information is greatly appreciated.

As was also explained to you at the meetings, Bayside's rates must be designed using actual cost data of Bayside. Although adjoining developments may have lower rates, the utility's which service these developments have many more customers, and economies of scale permit the lower rates. The graph, which was attached to your letter, contained rates currently being charged by the City of Panama City Beach. There are many differences between Commission-regulated systems and municipally-owned systems that affect rates. For example, municipally-owned systems do not have any income or property taxes and have access to low interest construction loans. Municipally-owned systems often serve a varied customer base and may structure rates which result in general service customers paying more than their fair share of the costs than the residential customers.

As mentioned above, the rates and percentage increases contained in the accounting report were preliminary pending the outcome of the customer meetings, updated costs, and further staff investigation. A recommendation to the Commission is scheduled to be filed August 20, 1998 for consideration by Commissioners at the September 1, 1998 Agenda Conference. You are welcome to attend the Agenda Conference and relay your concerns to the Commissioners. Once the Commissioners vote on staff's recommendation at Agenda, a Proposed Agency Action (PAA) Order will be prepared and issued within 20 days. Any substantially affected party may protest this PAA Order within a 20 day protest period after the Order issued. If there is no protest of the PAA Order, the Order becomes final.

Once the recommendation is filed, a copy will be sent to you and other Bayside customers who requested copies. If you have any further questions, or we can be of any further service, please don't hesitate to contact Mr. Troy Rendell (850)413-6934, or Mr. Bob Casey (850)413-6974, who are coordinating the rate case. Thank You.

Sincerely,



Bill Lowe
Assistant Director

BL:rc

cc: Honorable U.S. Senator Bob Graham
Mr. William D. Talbott
Mr. Jack Shreve, Florida Public Counsel
Division of Water and Wastewater (Hill, Willis, Rendell, Crouch, Casey, T. Davis)
Division of Legal Services (Jaeger)
Division of Records and Reporting (971401-WS)