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

Public Service Commission

November 18, 1998

Mr. and Mrs. R. L. McNay
4865 NE 27th Ct.
Ocala, Florida 34479-8879

Re: Docket No. 981029-WU: Application by Ocala Oaks Utilities, Inc. for limited proceeding to impose current water rates, charges, rules, classifications, regulations, and service availability policies on Hawks Point and 49th Street Village customers that are currently served by A.P. Utilities, Inc. in Marion County.

Docket No. 981030-WU: Application for transfer of portion of Certificate No. 380-W in Marion County from A.P. Utilities, Inc. to Ocala Oaks Utilities, Inc.

Dear Mr. and Mrs. McNay:

Your letter of October 23, 1998, has been received and forwarded to the Division of Water and Wastewater for follow up. In the letter you expressed concerns about the water rates proposed to be effective upon the transfer of the 49th Street and Hawks Point utilities from A.P. Utilities, Inc., (A.P.) to Ocala Oaks Utilities, Inc., (Ocala Oaks).

ACK _____ Public Service Commission (PSC) staff held a customer meeting in Ocala on November 5,
AFA _____ 1998, to explain the transfer process and to answer questions. Some of the attendees did mention
APP _____ concern about the amount of increase, also thinking that A.P. was making a profit. While the
CAF _____ increases appeared substantial, A.P. had not applied for a rate increase of any kind in 10 years.
CMU _____ Consequently, its service rates were underpriced, which may have contributed to the financial
CTR _____ difficulties being experienced by the owner of A.P. You may not be aware that A.P.'s owner is in
EAG _____ the process of selling the various systems to interested parties, and the owner of Ocala Oaks has
_____ negotiated for the two systems at issue here.

LEG _____ Enclosed is a page of information which was distributed and discussed during the customer
LIN _____ meeting. The top portion of the sheet shows three rates: the old A.P. rates; the rates that would be
OPC _____ effective if the two systems were forced to have rates based solely on those two systems costs and
RCH _____ rate base; and the rates proposed by Ocala Oaks. These rates are composed of a Base Facility
SEC _____ Charge, which is designed to recover the fixed costs of the utility to provide water service, and the
_____ gallonage charge, which recovers variable costs.

WAS _____
OTH _____ CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD • TALLAHASSEE, FL 32399-0850

DOCUMENT NUMBER-DATE
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FPSC-RECORDS/REPORTING

Mr. and Mrs. R. L. McNay

Page 2

November 18, 1998

Underneath these rates, the staff has calculated a total monthly bill using various water consumption levels. Ocala Oaks indicated that H.P. customers average 7,600 gallons per month and 49th Street customers average 8,000 gallons. The notice indicated that the difference in the monthly base rate was 131%, however, the difference in the actual bill is about 55% or \$7.00 per month.

The bottom part of the page shows the estimated rate base of the two systems. This was included to show customers that the rate base is actually higher than what the purchaser (Ocala Oaks) originally understood, which factors into the calculation of the stand alone rate. This rate base was established by the Commission staff who conducted an original cost study.

Utilities are allowed by Statute to file for price-indexes and pass-throughs each year. Price-index amounts are set each year by the Commission and recognize the increase in specific costs of utility operations. Over the last 10 years they have varied between about 2 and 4 percent. Pass throughs allow a utility to request an increase to offset increases of certain purchased expenses (like electricity or water) by the utility. Had A.P. correctly filed for a price index and/or pass through, its rate might have more closely resembled that of Ocala Oaks.

I hope this information has addressed your concerns. Your letter will be placed in the official docket file. If you have further questions, please feel free to contact Ms. Stephanie Clapp at (850) 413-6997.

Sincerely,



bill lowe
Assistant Director

bl:sc

Enclosure

cc: Division of Water and Wastewater (Messer, Clapp, Redemann)
Division of Legal Services (Vaccaro, Ferguson)
Division of Records and Reporting

**DOCKET NOS. 981029-WU AND 981030-WU
OCALA OAKS PURCHASE OF
49TH STREET AND HAWKS POINT SYSTEMS**

CUSTOMER MEETING NOVEMBER 4, 1998

RATE COMPARISON AND ESTIMATED BILLS

	Existing AP Rates	PSC Calculated Stand Alone	Existing Ocala Oaks
<u>5/8"x3/4" Meter</u>			
Base Facility Charge	\$5.67	\$28.93	\$13.11
Gallonge Charge	\$1.06/1,000	\$1.06/1,000	\$1.12/1,000
<u>Estimated Monthly Bill</u>			
6,000 Gallons	\$12.73	\$35.29	\$19.83
7,600 Gallons (H.P.)	13.73	36.99	21.62
8,000 Gallons (49TH)	14.15	37.41	22.07

EXPLANATION OF RATE BASE

	Per Applicant	Per PSC Staff
<u>HAWKS POINT</u>		
Depreciable Plant	\$105,598	\$141,562
CIAC 124 connections X \$250	-31,000	-31,000
Composite Deprec. 2.5% for 9 Yrs.	-23,759	-31,851
Amortize of CIAC 2.5% for 9 Yrs.	+6,975	+6,975
1997 Addition of Standby Power	<u>12,000</u>	<u>12,000</u>
RATE BASE	\$69,814	\$103,686
<u>49th STREET VILLAGE</u>		
Depreciable Plant	\$75,641	\$75,641
CIAC 49th St&Stonegate 48 X \$250	-12,000	-12,000
CIAC Country Rhodes 50 X \$50	-2,500	-2,500
CIAC Country Rhodes Dist. System	-14,536	-14,536
Composite Deprec. 2.5% for 7 Yrs.	-13,237	-13,237
Amortize of CIAC 2.5% for 7 Yrs.	<u>+5,081</u>	<u>+5,081</u>
RATE BASE	\$38,449	\$38,449
COMBINED SYSTEMS	\$108,263	\$142,135