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STATE OF FLORIDA  
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April 2, 1999

Ms. Blanca S. Bayó, Director  
Division of Records and Reporting  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0870

RE: Application for rate Increase in Duval, St. Johns and Nassau Counties by United Water Florida, Inc.; Docket Number 980214-WS

Dear Ms. Bayó:

Enclosed are an original and fifteen copies of a Citizens' Petition for Formal Hearing for filing in the above-referenced docket.

Please indicate receipt of filing by date-stamping the attached copy of this letter and returning it to this office. Thank you for your assistance in this matter.

Sincerely,

Harold McLean  
Associate Public Counsel

- ACK \_\_\_\_\_
- AFA 4
- APP \_\_\_\_\_
- CAF HM/dsb
- CMU Enclosures
- CTR \_\_\_\_\_
- EAG \_\_\_\_\_
- LEG 1
- LIN 3
- OPC \_\_\_\_\_
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- WAS Willis
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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for rate increase in Duval, St. Johns and Nassau Counties by United Water Florida Inc.

DOCKET NO. 980214-WS

Filed: April 2, 1999

CITIZENS' PETITION FOR FORMAL HEARING

The Citizens of the State of Florida, by and through JACK SHREVE, Public Counsel (Citizens), pursuant to the provisions of ORDER NO. PSC-99-0513-FOF-WS; Rule 28-106.201, Florida Administrative Code; Chapter 120 and Chapter 367, Florida Statutes, petition the Florida Public Service Commission (Commission) as follows:

This Petition is intended to conform with the provisions of Rule 28-106.201(2), F. A. C., the provisions of which are set forth in italics below:

*(a) The name and address of each agency affected and each agency's file or identification number, if known;*

1. The agency affected is the Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850. The Agency's docket number is Docket 980214-WS;

*(b) The name, address, and telephone number of the petitioner; the name, address, and telephone number of the petitioner's representative, if any, which shall be the address for service purposes during the course of the proceeding; and an explanation of how the petitioner's substantial interests will be affected by the agency determination;*

2. The Petitioners are the Citizens of the State of Florida. They are represented by JACK SHREVE, Public Counsel, 111 W. Madison Street, Tallahassee, Florida, telephone number (850) 488-9330. The Petitioners' substantial interests are affected because ORDER NO. PSC-99-0513-FOF-WS would cause their monthly recurring bills for water and sewer service to rise beyond that

DOCUMENT NUMBER-DATE

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point at which United Water Florida Inc.'s (United Water) would earn a fair rate of return on investment.

*(c) A statement of when and how the petitioner received notice of the agency decision;*

3. Petitioners received notice of the proposed agency decision by receipt of a copy of PSC-99-0513-FOF-WS shortly after it was published by the Commission;

*(d) A statement of all disputed issues of material fact. If there are none, the petition must so indicate;*

4. Petitioners dispute the following issues of material fact which the Proposed Agency Action Order purportedly resolves adversely to Petitioners:

- a. The newly acquired assets of Sunray are less than 100% used and useful;
- b. The Order's inclusion of Investment Tax Credits (ITCs) in the capital structure at the weighted cost of capital is inconsistent with the Commission's findings in Docket No. 960451-WS for this same company. The ITCs should continue to be included in the capital structure at zero cost;
- c. The Sunray acquisition should include an acquisition adjustment;
- d. The Order recognizes excessive rate case expense;
- e. The Order's calculation of CIAC amortization expense (which is negative) is based on the difference between the 13-month average 1999 accumulated amortization of CIAC balance and the 12/31/98 accumulated amortization of CIAC balance. The amount should have been determined based on the CIAC amortization rate applied to the 13-month average CIAC balance, consistent with the calculation of depreciation expense based on application of the 13-month average plant in service balance times the appropriate depreciation rates. Correction of this error decreases test year expenses by approximately \$307,000 for water and \$713,000 for wastewater operations;

- f. The Order does not conform to Commission practice and rule which requires that working capital be calculated according to the balance sheet method;
- g. The Order neglects a Parent Debt adjustment despite the past agency practice of imposing one on this company and others similarly situated;
- h. The Order's calculation of the accumulated amortization of the acquisition adjustments contains a computational error in its schedules. Specifically, the amount of annual increase in the accumulated amortization for 1998 and 1999 for the Lucina Wastewater acquisition is incorrect (although the annual expense level included in amortization expense is right). The Order includes an \$11,686 over statement of rate base on this issue;
- i. The projected 1998 and 1999 additions to plant in service recognized in the Order are overstated. Likewise, the associated accumulated depreciation and depreciation expense on the plant additions are also overstated;
- j. The Order accepts United Water's adjustment to property tax expense increases the expense by 23% from actual 1997 amounts to projected 1999 amounts. The increase in property tax expense is excessive and overstated;
- k. The Order includes a projected 24% increase in medical and dental insurance expense and a 14% increase in life insurance expense. These increases are excessive and overstated;
- l. The Order recognizes a pro forma expense of \$285,261 for the implementation of monthly billing. Customer preference should determine whether United Water should be permitted to shift from quarterly billing to monthly;
- m. United Water is a multi-level company which has a parent and a grandparent company. The Order neglects any finding that the capital structure used is appropriate to the utility subsidiary which is the subject of this docket;
- n. The Order identifies twelve water systems in which United Water exceeds any reasonable allowance for unaccounted for water. In the last rate case, this utility was ordered to reduce excessive unaccounted for water, and while the Order purports to note progress on the issue, it also notes that the amount of unaccounted for water has actually increased since the last rate case. Moreover, the Order recites levels of unaccounted for water reported on a monthly basis from minus 398% to positive 225.

The Order provides inadequate relief from these conditions by essentially ordering that which has been ordered previously, i.e., more study and mild sanction.

- o. The Citizens specifically reserve the right to amend this protest to include issues which may come to light in the full course of discovery in this docket.

*(e) A concise statement of the ultimate facts alleged, including the specific facts the petitioner contends warrant reversal or modification of the agency's proposed action;*

- 5. Petitioners reiterate all subparagraphs of 4 above and in addition say:

The Order overstates rate base and operating expenses and permits United Water an excessive rate of return on its investment.

*(f) A statement of the specific rules or statutes the petitioner contends require reversal or modification of the agency's proposed action;*

- 6. Section 367.081, Florida Statutes, requires this Commission upon petition, or upon its own motion, to establish rates which are based upon the costs of providing service and upon the quality and value of the service. If permitted to stand, the Order violates this provision of Florida law.

*(g) A statement of the relief sought by the petitioner, stating precisely the action petitioner wishes the agency to take with respect to the agency's proposed action.*

- 7. The Citizens demand a formal, evidentiary hearing upon the petition upon the ground specifically enumerated above and upon any such others issues which may come to light as this docket progresses.

**WHEREFORE**, Petitioners, the Citizens of the State of Florida, demand a formal hearing under Sections 120.569 and 120.57(1), Florida Statutes, upon the matters raised herein, upon such matters as may subsequently be raised as this docket progresses, and demand such other relief as may be appropriate in the premises.

Respectfully submitted,

JACK SHREVE  
PUBLIC COUNSEL



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Harold McLean  
Associate Public Counsel

111 W. Madison St.  
Tallahassee, Florida 32399

Attorneys for the Citizens  
of the State of Florida

**CERTIFICATE OF SERVICE**  
**DOCKET NO. 980214-WS**

I HEREBY CERTIFY that a true and exact copy of the foregoing Citizens' Petition for Formal Hearing has been furnished by \*hand-delivery or U.S. Mail to the following parties this 2nd day of April, 1999.

Jennifer Brubaker, Esquire\*  
Florida Public Service Commission  
Division of Legal Services  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

James Ade, Esquire  
Martin Law Firm  
Post Office Box 59  
Jacksonville, Florida 32201



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HAROLD MCLEAN  
ASSOCIATE PUBLIC COUNSEL