



Public Service Commission

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DATE: February 26, 2001
TO: Division of Records and Reporting
FROM: Division of Economic Regulation (Ryan Fitch) *RF*
RE: Docket# 001382-WS, Pennbrooke Utilities, Inc.

Attached is a copy of a response from Pennbrooke Utilities, Inc. to staff's report for the customer meeting on March 1, 2001. Staff is requesting that this document be added to the docket file.

Cc: Division of Economic Regulation (Rendell, Walker)

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PPSC-RECORDS/REPORTING



FLORIDA LEISURE COMMUNITIES

R+R

MEMORANDUM VIA FAX

TO: Ryan P. Fitch (Telefaxed: 850-413-6929)
FROM: Art Erickson
DATE: 02/23/01 5:09 PM
RE: Pennbrooke Utilities, Inc.
PAGES: 5 (Including Cover Sheet)

Docket # 001382-WS

Florida Leisure Communities
146 Horizon Court
Lakeland, FL 33813
(863) 646-8727
Fax: (863) 644-8079

02/23/01

PENNBROOKE UTILITIES, INC.
146 Horizon Court
Lakeland, FL 33813
Phone: (863) 646-2904
Fax: (863) 644-8079

February 23, 2001

Sent Via Telefax: (850) 413-6935

Mr. William T. Rendell
Public Service Commission
Capital Circle Office Center
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

Dear Mr. Rendell:

This letter is being written in response to the preliminary Staff Report for PSC Docket No. 001382-WS for Pennbrooke Utilities, Inc.

Pennbrooke Utilities recognizes and supports the fact that better methods need to be employed to promote and assure water conservation. We respectfully disagree, however, with the preliminary recommendation on Issue No. 10 "Disposition of Over Earnings". The preliminary recommendation is that the Commission should require the utility to use all calculated over earnings of the water utility to implement a water conservation program. The recommendation included required monthly reports detailing the number of bills rendered, the consumption billed and the revenue billed by customer, class and meter size on a quarterly basis for a period of two years. Additionally, the Staff Report provides a "range of alternatives" for a conservation program to "appropriately dispose of the water system over earnings". As the Staff Report states, the expenses for the alternatives range from \$29,100 to \$239,800 in the first year of implementation, with a range of \$28,300 to \$80,300 annually thereafter.

Pennbrooke Utilities, Inc. understands that Staff is reporting over earnings of \$45,145 for water, while also reporting under earnings of \$107,759 for wastewater. We further acknowledge that it is Staff's belief that a rate reduction for water is not justified, since such a reduction would not stimulate conservation, as these rates are already quite low.

Although Pennbrooke Utilities, Inc. wholeheartedly agrees with the need to stimulate water conservation in the Pennbrooke Fairways community, we request that the Commission consider the fiscal reality of the situation.

Pennbrooke Utilities, Inc. is a small utility company with no employees. The utility company is owned by the owner and developer of Pennbrooke Fairways, Inc., a retirement community. The developer operates the utility company using its own personnel as required and is allocating appropriate costs to the utility for that personnel. Although the Recommended Conservation Practices in the Staff Report provide ranges of estimated costs which are, in and of themselves, substantial to a small utility like ours, the true cost of implementing, monitoring and reporting (i.e. monthly reports, detailing the number of bills rendered, the consumption billed, the revenue billed, etc.) is a significant additional burden on the utility. The implementation, monitoring and reporting may, at a minimum, require the utility to add additional staff and/or hire additional outside consultants and professionals on an ongoing and continuing basis at a substantial additional cost to the utility. Such expenses would erode the water over earnings, leaving little for the implementation of measures which might actually make a difference.

In addition, the Staff Report recommends that Pennbrooke Utilities, Inc. be ordered to file a Rate Restructuring Case with the Commission within two years after the implementation of the conservation program so that the "rate structure issues should be revisited". Again, such a requirement does not come at an insignificant cost to the utility for the use of its staff and outside professionals required for such a restructuring case. We have just applied significant resources to complete the Rate Case in question, and we believe an order to file for another review is inappropriate.

This Staff Report is recommending that water rates be left alone, while increasing wastewater rates as much as 111%. Again, Pennbrooke Utilities, Inc. acknowledges the need to implement water conservation in the Pennbrooke Fairways community and intends to educate its users further on mandatory water restrictions and to help to enforce the same. However, it does not believe that spending water over earnings on the proposed conservation program is the best solution at this time in light of the impending significant increases in wastewater rates.

Additionally, we believe that some consideration needs to be given to the fact that an increase in wastewater rates will, in and of itself, have a positive effect on water conservation. Since wastewater billing is based on water usage, the users will endeavor to minimize their expenditures.

It is the belief of Pennbrooke Utilities that the appropriate action at this time is to apply the water over earnings against the proposed wastewater rate increases, effectively reducing the staff proposed rate increases by approximately 42% to offset the water over earnings. Additionally, Pennbrooke Utilities, Inc. would agree to use its best efforts to encourage and enforce water conservation within the Pennbrooke Fairways community. This disposition of the water earnings is much more equitable to a utility of our size as well as to our users.

One potential method to promote conservation is to use the residents of Pennbrooke Fairways (our users), to carry the message and enforcement of conservation to their fellow residents. A special committee of residents could help to establish the best ways to encourage conservation and would be the best messengers to get the message to their neighbors. All of this could be accomplished on a volunteer basis, leaving the "over earnings" from the water utility to be applied against the increase in wastewater rates effectively saving the residents as much as \$45,000 per year in utility bills.

In summary, we believe that the recommended conservation practices have significant underlying costs and burden on a utility of our size with no guarantee of effectiveness. There is also additional ongoing potential burden and rate adjustments in the future. To use potential water over earnings in the future to implement programs which have yet to be determined and which may not be effective, while doubling wastewater rates of the same utility company, does not seem to us to be the most equitable solution. We acknowledge the need for water conservation in the Pennbrooke Fairways community and will use our best efforts to implement such conservation and we believe this in and of itself will have a substantial affect on the water over usage.

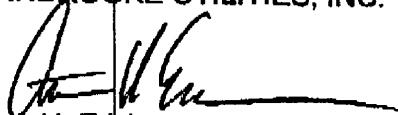
We respectfully request that the Commission consider our perspective on this issue at its earliest possible convenience. If the Commission disagrees with our position, we would be very much interested in further communication on the subject.

Mr. William T. Rendell
February 23, 2001
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Perhaps a mutually acceptable position can be reached which meets the needs and best interest of the Commission, the Utility and our users.

Sincerely,

PENNBROOKE UTILITIES, INC.



Arthur H. Erickson,
Vice President

cc: Marshall W. Willis (Telefaxed: 850-413-6915)
Charles E. Walker (Telefaxed: 850-413-6969)
Ryan P. Fitch (Telefaxed: 850-413-6929)
Robert T. Davis (Telefaxed: 850-413-6967)
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