



Public Service Commission

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COMMISSIONERS
CLERK

DATE: August 24, 2001
TO: Chairman Jacobs
FROM: Timothy J. Devlin, Director, Division of Economic Regulation
Rosanne Gervasi, Chief of Water & Wastewater, Division of Legal Services
RE: Docket No. 011073-WS - Application for Increase in Water and Wastewater Rates for Ferncrest Utilities, Inc. in Broward County

By letter dated August 9, 2001, Ferncrest Utilities, Inc. (Ferncrest) has requested approval to use an historical test year ended December 31, 2000, for its water and wastewater systems. Ferncrest is also requesting that it be allowed to file its minimum filing requirements (MFRs) on or before November 30, 2001 or no more than 90 days after the requested test year is approved, whichever is shorter. In its test year request, Ferncrest stated that it will file its application using the Proposed Agency Action (PAA) provision in Section 367.081(8), Florida Statutes.

The utility has indicated that the proposed test year ended December 31, 2000 is representative of the current operations because it includes the latest twelve months of actual operating and billing data available for the systems. Both the water and wastewater systems have incurred operating losses after taxes and depreciation for the year ended December 31, 2000. The utility states that use of the requested test year will require very few pro forma adjustments. The two major adjustments would be to eliminate one employee's salary expense and the inclusion in rate base of a proposed chlorine generator. The chlorine generator will cost approximately \$150,000. According to the utility, this piece of equipment is favored by the Department of Environmental Protection, although not yet mandated by that agency for use by utilities.

The last rate case for Ferncrest Utilities, Inc. was in Docket No. 940765-WS. Order No. PSC-95-1399-FOF-WS, issued on November 15, 1995, set Ferncrest's rates and charges and established rate base for both systems. Although the utility's capital structure contained zero equity at that time, the Commission established a range for return on equity of 10.88% to 12.88%. The test year for that proceeding was the year ended December 31, 1994.

Staff has reviewed the utility's annual reports for the calendar years 1998 through 2000. Based on our review, we believe that the requested test year should be approved. Receipt of the application by November 26, 2001, will be acceptable.

The test year letter filename is I:\psc\ecr\wp\ferncrest.tya

- APP
- CAF
- CMP
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- CTR
- ECR
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- OPC
- PAI
- RGO
- SEC
- SER
- OTH

cc: Dr. Mary Bane, Deputy Executive Director/Technical
Division of Economic Regulation (Willis, Crouch, Merchant, S. Jones)
Division of Legal Services (Harris)
Division of Regulatory Oversight (Vandiver, Welch)
Division of the Commission Clerk and Administrative Services
Jackie Edwards

DOCUMENT NUMBER-DATE
10529 AUG 24 01
FPSC-COMMISSION CLERK



Public Service Commission

August 24, 2001

Mr. David B. Erwin
Attorney At Law
127 Riversink Road
Crawfordville, Florida 32327

Re: Docket No. 011073-WS - application for Increased water and Wastewater Rates for Ferncrest Utilities, Inc. in Broward County - Test Year Approval

Dear Mr. Erwin:

We have received your letter dated August 9, 2001 requesting test year approval for Ferncrest Utilities, Inc.. (Ferncrest or utility). Your letter states that the utility is requesting to use a historic test year ending December 31, 2000, for interim and final rates. Further, you state that the utility will file its application using the Proposed Agency Action (PAA) provision in Section 367.081(8), Florida Statutes. The utility's test year request as outlined above is hereby approved. You should also be aware that prefiled direct testimony must be filed with the minimum filing requirements (MFRs) if you do not elect to request the PAA process.

For administrative purposes only, Docket No. 011073-WS has been assigned to the forthcoming case. Your petition will be deemed filed on the date that the Division of the Commission Clerk and Administrative Services receives the complete petition, revised tariff sheets, the MFRs, testimony (if not requesting PAA), and the filing fee. To minimize any regulatory lag that may occur, we request that you file the above no later than November 26, 2001. Because of the difficulty in scheduling hearing dates it is not anticipated that an extension of this filing date will be granted.

Under the file and suspend law, the time period for processing the request will begin on the date that all of the required data is completely filed. If not complete, the official filing date will be the date the complete corrections to the deficiencies are filed. The utility is instructed to file all information it wishes the Commission to consider when arriving at a decision on its rate case application with its original filing. Because of the time limitations contained in Section 367.081, Florida Statutes, and the lengthy auditing and investigation required, there is a possibility that information filed at a later time will not be considered. Lastly, the utility should be prepared to

Mr. David B. Erwin
Page 2
August 24, 2001

justify its requested test year operation and maintenance expenses, particularly those which have increased above the level of customer growth and inflation for the five years preceding the requested historic test year.

Sincerely,

E. Leon Jacobs, Jr.
Chairman

ELJ:pwm

cc: William Talbott, Executive Director
Dr. Mary Bane, Deputy Executive Director/Technical
Division of the Commission Clerk and Administrative Services
Division of Economic Regulation (Willis, Merchant, S. Jones)
Division of Legal Services (Gervasi, Harris)