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DIVISION OF ECONOMIC REGULATION
(850) 413-6900

Public Service Commission

August 13, 2004

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AUG 13 PM 4:44
COMMISSION
CLERK

Mr. Richard E. Jackson, City Manager
City of Panama City Beach
104 South Arnold Road
Panama City Beach, FL 32413

Re: Docket No. 030444-WS – Application for rate increase in Bay County by Bayside Utility Services, Inc.

Dear Mr. Jackson:

At its August 3, 2004 Agenda Conference, the Florida Public Service Commission approved a rate increase for Bayside Utility Services, Inc. (Bayside or utility). Prior to voting on the increase, the Commission directed staff to consider ways that Bayside's rates could be lowered without detracting from the Commission's directive for the utility to improve its infrastructure. Also, at the Agenda Conference, a representative from Bay County and several customers of Bayside expressed concerns that the Commission proposed rates were three times higher than the residential rates charged by Panama City Beach (City). Commission staff is investigating possible avenues that could be taken to lower Bayside's rates to its residential customers. Since the City provides bulk water and wastewater services to Bayside, which represents 49% of the utility's total operation and maintenance expenses, we wanted to approach any cost saving alternatives with the City.

The following table reflects a comparison of the rates that the City charges its customers inside its city limits and charges Bayside which is the only bulk customer outside the City.

		<u>Within City Limits</u>	<u>Outside City Limits</u>
CMP	_____		
COM	_____		
CTR	_____	Water Base Rate Per Unit	\$10.24 \$12.80
ECR	_____	Wastewater Base Rate Per Unit	\$10.24 \$12.80
GCL	_____		
OPC	_____	Water Gallonage Charge	\$1.96 \$2.45
MMS	_____	Wastewater Gallonage Charge	\$1.53 \$1.91
RCA	_____	Gallonage Charges Per 1,000 Gallons (with a minimum 3,000 gallon allowance)	
SCR	_____		
SEC	<u> 1 </u>	Bill Comparison Using 4,000 gallons	\$23.97 \$29.96
OTH	_____		

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Mr. Richard E. Jackson

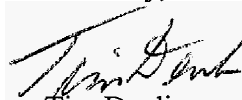
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Commission staff understands that Bay County provides water service to the City at a lower rate than that which the County charges its own residential customers. The reduced bulk rate to the City is perhaps due to the recognition that the City is responsible for maintaining the water distribution and wastewater collection system within its city limits and the additional customer billing costs borne by the City. Correspondingly, Bayside is responsible for the maintenance of its water distribution and wastewater collection systems (including three lift stations) and for the additional customer billing and collection costs. These maintenance and billing expenses, as well as taxes, make up a significant portion of the utility's operating expenses. Because of how high Bayside's rates are compared to the surrounding area, Commission staff wishes to inquire whether the City would consider renegotiating the bulk rates charged to Bayside. Any such savings would be directly passed through to the residents of Bayside, pursuant to Section 367.081(4)(b), Florida Statutes.

Thank you in advance for your consideration in this matter. If you wish, we would be available to discuss this issue in more detail at your convenience. If you have any questions regarding this letter, please do not hesitate to call me at (850) 413-6400.

Sincerely,



Tim Devlin
Director

TD/bf

cc: Division of the Commission Clerk and Administrative Services
Martin S. Friedman, Esquire, Attorney for Bayside
William C. Henry, Esquire, Attorney for Bay County
Stephen C. Reilly, Esquire, Office of Public Counsel