

State of Florida



# Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD  
TALLAHASSEE, FLORIDA 32399-0850

## -M-E-M-O-R-A-N-D-U-M-

**DATE:** November 29, 2012

**TO:** Office of Commission Clerk (Cole)

**FROM:** Division of Economics (Lingo) *J.W.D.*  
 Division of Legal Services (Klanke) *CRB*  
*cc - Office of the General Counsel*

**RE:** Docket No. 120157-WS - Request by Aqua Utilities Florida, Inc. to establish residential wastewater-only rates

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**AGENDA:** 12/10/12 – Regular Agenda – Interested Persons May Participate

**COMMISSIONERS ASSIGNED:** Full Commission

**PREHEARING OFFICER:** Administrative

**CRITICAL DATES:** January 01, 2013

**SPECIAL INSTRUCTIONS:** None

**FILE NAME AND LOCATION:** S:\PSC\ECO\WP\120157.RCM.DOC

### Case Background

Aqua Utilities Florida, Inc. (AUF or Utility) is a wholly-owned subsidiary of Aqua America, Inc. (AAI). AUF is a Class A utility providing water and wastewater service to 58 water and 27 wastewater systems in 17 counties under the Commission’s jurisdiction. Water and wastewater rates were last established for this Utility in Docket No. 100330-WS. In that case, AUF requested approval of uniform residential wastewater only (RWO) service rates for all systems included in its filing. In the alternative, RWO rates were calculated for customers on a per service area basis. By Order No. PSC-12-0259-FOF-WS, the Commission approved a capband rate structure for AUF, including two residential rate bands and one general service rate band for the Utility’s wastewater customers, and RWO rates for service areas having existing RWO customers. The Commission established RWO rates for those systems within wastewater

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rate bands 1 and 2 which had existing RWO customers.<sup>1</sup> These systems were the Valencia Terrace system in rate band 1, the Sunny Hills and Zephyr Shores systems in rate band 2, and the Lake Gibson Estates system in rate band 3. For those areas with no RWO customers, no rate was established.<sup>2</sup>

Pursuant to Section 367.091(3), F.S., a utility may only impose and collect rates and charges approved by the Commission for a particular class of service. Therefore, the Utility has requested that a RWO rate be established that would apply to all systems within each of the two wastewater rate bands which serve residential customers. By Order No. PSC-12-0355-PCO-WS, issued July 9, 2012, the Commission suspended the Utility's proposed tariff pages to allow staff sufficient time to address both: 1) the Utility's RWO request; and 2) the appropriate RWO rates for the Utility's two residential wastewater rate bands. The Commission has jurisdiction pursuant to Section 367.091, F.S.

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<sup>1</sup> See Order No. PSC-12-0102-FOF-WS, issued March 5, 2012, in Docket No. 100330-WS, In re: Application for increase in water/wastewater rates in Alachua, Brevard, DeSoto, Hardee, Highlands, Lake, Lee, Marion, Orange, Palm Beach, Pasco, Polk, Putnam, Seminole, Sumter, Volusia, and Washington Counties by Aqua Utilities Florida, Inc.

<sup>2</sup> Id.

**Discussion of Issues**

**Issue 1:** Should AUF's request for RWO rates applicable to all systems within each of the two residential wastewater rate bands be approved, and, if so, should AUF's proposed tariff sheets reflecting the requested RWO rates be approved?

**Recommendation:** Yes, AUF's request for RWO rates applicable to all systems within each residential wastewater rate band should be approved. However, AUF's proposed tariff sheets should not be approved as filed. The appropriate RWO rate is \$44.40 for rate band one, and \$61.84 for rate band 2. The Utility should be required to file revised tariff sheets reflecting the Commission's approved rates. Provided the affected customers have received proper notice, the approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475(1), Florida Administrative Code (F.A.C.). The Utility should provide proof to staff of the date notice was given within 10 days after the date of the notice. (Lingo)

**Staff Analysis:** On May 1, 2012, the Utility filed a request to establish a RWO rate applicable to all systems within each of its two rate bands. In support of its petition in the instant case, AUF states that there are residential customers who have, without notifying the Utility, installed private wells for potable water service. Upon a determination that such a circumstance exists, AUF removes those customers' water meters to protect the potable water supply of not only its remaining water customers, but also its water distribution system. According to AUF, this action is consistent with the Department of Environmental Protection's rules and AUF's approved cross protection policy. Furthermore, the Utility states in its filing that the phenomenon of residential customers installing private wells for potable water has become much more prevalent, occurring with more frequency within other AUF systems throughout Florida. However, AUF currently has no Commission-approved rates to charge the non-connected water customers for the wastewater RWO service provided by AUF.

AUF's May 1, 2012 filing and resulting proposed rates in the instant case preceded the Commission's decision at the May 8, 2012 Agenda Conference, at which time the Commission granted AUF's motion for reconsideration and correction of errors, and on its own motion, corrected an allocation error in the residential wastewater rates affecting both residential rate bands. The Commission's decision was set forth in Order No. PSC-12-0259-FOF-WS, issued May 29, 2012. Since the aforementioned Agenda Conference and Order occurred subsequent to the Utility's May 1, 2012 filing, staff believes it is appropriate to base its recommended rates on the rates arising from Order No. PSC-12-0259-FOF-WS.

Therefore, based on average residential wastewater consumption within each rate band and the tariffs currently in effect, staff recommends RWO rates of \$44.40 for rate band one, and \$61.84 for rate band 2. Staff's calculations are shown on the following page.

<b>AQUA UTILITIES FLORIDA, INC.</b>			
<b>DOCKET NO. 120157-WS</b>			
<b>STAFF'S CALCULATIONS: RECOMMENDED RWO CHARGES</b>			
<u>Line No.</u>		<u>Rate Band 1</u>	<u>Rate Band 2</u>
1	Total Residential Bills	11,744	58,292
2	Total Residential Kgals	32,016	177,419
3 = 2 / 1	Average Residential Kgals Consumption / Bill	2.726	3.044
4	Approved Residential Wastewater Gallonage Charge per Rate Band (per 1,000 Gallons)	\$7.81	\$8.93
5 = 3 x 4	Recommended Gallonage Portion of Bill	\$21.29	\$27.18
6	Approved BFC	\$23.11	\$34.66
7 = 5 + 6	Recommended RWO Rate	\$44.40	\$61.84
<p><b>Sources:</b> Aqua Utilities Florida, Inc., <u>In re: Application for increase in water/wastewater rates in Alachua, Brevard, DeSoto, Hardee, Highlands, Lake, Lee, Marion, Orange, Palm Beach, Pasco, Polk, Putnam, Seminole, Sumter, Volusia, and Washington Counties, Minimum Filing Requirements; Order No. PSC-12-0259-FOF-WS, issued May 29, 2012; current tariffs.</u></p>			

Therefore, AUF's request for RWO rates applicable to all systems within each residential wastewater rate band should be approved. However, AUF's proposed tariff sheets should not be approved as filed. The appropriate RWO rate is \$44.40 for rate band one, and \$61.84 for rate band 2. The Utility should be required to file revised tariff sheets reflecting the Commission's approved rates. Provided the affected customers have received proper notice, the approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475(1), F.A.C.. The Utility should provide proof to staff of the date notice was given within 10 days after the date of the notice.

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**Issue 2:** Should this docket be closed?

**Recommendation:** Yes. If Issue 1 is approved, the tariffs should become effective on or after the stamped approval date on the tariff sheets, in accordance with Rule 25-30.475, F.A.C. If a protest is filed within 21 days of the issuance of the Order, the tariff should remain in effect, with all residential wastewater only charges held subject to refund pending resolution of the protest. If no timely protest is filed, this docket should be closed. (Lingo, Klanke)

**Staff Analysis:** If Issue 1 is approved, the tariffs should become effective on or after the stamped approval date on the tariff sheets, in accordance with Rule 25-30.475, F.A.C. If a protest is filed within 21 days of the issuance of the Order, the tariff should remain in effect, with all residential wastewater only charges held subject to refund pending resolution of the protest. If no timely protest is filed, this docket should be closed.