

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: December 21, 2005

TO: Director, Division of the Commission Clerk & Administrative Services (Bayó)

FROM: Division of Economic Regulation (Hudson)
Office of the General Counsel (Gervasi)

RE: Docket No. 050862-WU – Application for staff-assisted rate case in Marion County by County-Wide Utility Co., Inc.

AGENDA: 01/05/06 – Regular Agenda – Decision on Interim Rates – Participation is at the Commissioners' discretion

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Arriaga

CRITICAL DATES: 01/08/06 (60-Day Suspension Date)

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\ECR\WP\050862.RCM.DOC

Case Background

County-Wide Utility Company (County-Wide or utility) is a Class C utility located in Marion County. The utility provides water service only. Based on the 2004 Annual Report, the utility serves approximately 482 water customers. Revenues for 2004 were reported as \$109,074 for water, and the utility reported an operating income of \$947.

Due to a 1996 change in Marion County's Land Development Code to require fire flow in new developments, County-Wide hired an engineer to perform a capacity analysis and to look at alternatives to expand capacity and provide fire flow. After considering alternatives, County-Wide entered into an agreement with the City of Ocala for the interconnection of its system to receive bulk water and wastewater. County-Wide has currently commenced the construction of

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an interconnection with the City of Ocala and an expansion of its system. The construction of the interconnection will be completed in the next few months. The construction of the expansion will continue through February 2006. County-Wide has already taken the water plant off-line and is now buying water from the City of Ocala. The utility indicated that these projects result in approximately \$950,000 of additional investment.

In the instant docket, County-Wide has applied for a staff-assisted rate case (SARC) and has requested interim rates. The utility's interim rates request is based on it being allowed to immediately earn a return on its major investment. The Commission has the authority to consider this rate case and interim rates under Section 367.0814, Florida Statutes.

Discussion of Issues

Issue 1: Should County-Wide's request for interim rates under Section 367.0814(4), Florida Statutes, be approved?

Recommendation: No. The utility's request for interim rates should be denied. (Hudson, Gervasi)

Staff Analysis: As stated in the case background, County-Wide has requested that it be allowed to immediately earn a return on its major investments through interim rates. Section 367.0814(4), Florida Statutes, provides that:

[t]o establish interim relief, there must be a demonstration that the operation and maintenance expenses exceed the revenues of the regulated utility, and interim rates shall not exceed the level necessary to cover operation and maintenance expenses as defined by the Uniform System of Accounts for Class C Water and Wastewater Utilities (1996) of the National Association of Regulatory Utility Commissioners.

The statute does not provide for interim rate relief based on earning a return on an investment. Staff has reviewed the utility's operation and maintenance expenses in relation to its revenues. Based on the utility's 2004 Annual Report and SARC filing, staff has determined that the utility's revenues exceed its operation and maintenance expenses. Therefore, the utility's request for interim rate relief does not accord with Section 367.0814(4), Florida Statutes.

Based on the above, staff recommends that the utility's request for interim rates should be denied.

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Issue 2: Should this docket be closed?

Recommendation: No. This docket should remain open to process the utility's staff-assisted rate case. (Gervasi)

Staff Analysis: This docket should remain open pending the final resolution of the utility's staff-assisted rate case.