

FLORIDA PUBLIC SERVICE COMMISSION  
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M E M O R A N D U M

OCTOBER 23, 1997

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TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO)

FROM: DIVISION OF WATER & WASTEWATER (GALLOWAY) *AP*  
DIVISION OF LEGAL SERVICES (VACCARO) *W* *W* *M*

RE: DOCKET NO. 970328-SU - FLORIDA WATER SERVICES CORPORATION  
- PETITION TO ESTABLISH RESIDENTIAL WASTEWATER ONLY RATES  
FOR NEW CLASS OF SERVICE IN ALL JURISDICTIONAL SERVICE  
AREAS INCLUDED IN DOCKET NO. 950495-WS AND CURRENTLY  
WITHOUT AUTHORIZED RWO RATES

AGENDA: NOVEMBER 4, 1997 - REGULAR AGENDA - TARIFF FILING -  
INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: 8 MONTH EXPIRATION DATE: NOVEMBER 18, 1997  
(WAIVED UNTIL DECEMBER 5, 1997)

SPECIAL INSTRUCTIONS: I:\PSC\WAW\WP\970328SU.RCM

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FPSC-RECORDS/REPORTING

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#### CASE BACKGROUND

Florida Water Services Corporation (FWSC or utility), formerly Southern States Utilities, Inc., is a Class A utility providing water and wastewater service to approximately 152 service areas in 25 counties. In 1994, FWSC recorded total company operating revenues of \$23,498,289 and \$16,985,104 for water and wastewater, respectively. The resulting total company net operating income for that same period was \$3,445,315 for water and \$2,690,791 for wastewater. FWSC reported that in 1994, it had 102,514 water customers and 43,131 wastewater customers for the total utility.

In FWSC's most recent rate case, processed under Docket No. 950495-WS, the utility requested a uniform wastewater rate structure applicable to all jurisdictional service areas. Among various other types of service rates included as part of their request in that docket was a uniform residential wastewater only (RWO) rate for all jurisdictional service areas. By Order No. PSC-96-1320-FOF-WS, issued October 30, 1996, the Commission approved a capband, rather than uniform, wastewater rate structure. That Order is pending appeal.

As a result of the approved rate structure, the Commission ordered an RWO rate for the nine service areas where RWO customers existed. The Commission further ordered that the RWO rate should be calculated on a per service area basis. An RWO rate was included in Order No. PSC-96-1320-FOF-WS for those areas where customers existed. For those areas with no RWO customers, a rate was not included.

On March 18, 1997, the utility filed a petition requesting that the Commission approve rates for a new class of service pursuant to Section 367.091, Florida Statutes, for RWC service in all of FWSC's service areas under the Commission's jurisdiction which do not currently have RWO rates. In its filing, the utility has calculated the proposed rates on a per service area basis. The filing also included tariff sheets reflecting the proposed RWO rates along with supporting documentation for the proposed rates.

On March 26, 1997, the Office of Public Counsel (OPC) filed a Notice of Intervention in this docket. By Order No. PSC-97-0435-FOF-SU issued on April 17, 1997, OPC's intervention was acknowledged.

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On April 7, 1997, FWSC filed its Objections to and Motion for Protective Order from OPC's first set of interrogatories and first set of requests for production of documents. On April 14, 1997, OPC filed its response to FWSC's Motion for Protective Order and filed its First Motion to Compel. On April 28, 1997, FWSC filed its response to OPC's First Motion to Compel. On May 30, 1997, Order No. PSC-97-0627-PCO-SU was issued, which granted FWSC's Motion for Protective Order and denied OPC's First Motion to Compel.

On May 20, 1997, the Commission issued Order No. PSC-97-0561-FOF-SU suspending the utility's proposed tariff sheets. Staff has prepared the following recommendation which addresses FWSC's petition for RWO rates.

DISCUSSION OF ISSUES

ISSUE 1: Should Florida Water Services Corporation's proposed tariff sheets reflecting the utility's request for new class of service to provide residential wastewater only (RWO) service be approved?

RECOMMENDATION: Yes, Florida Water Services Corporation's proposed tariff sheets reflecting the utility's request for a new class of service to provide residential wastewater only (RWO) service should be approved as filed. 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, provided the affected RWO customers have received notice. The rates should not be implemented until proper notice has been received by the customers. The utility should provide proof to staff of the date notice was given within 10 days after the date of notice. Further, the approved rates should be subject to any subsequent change to Order No. PSC-96-1320-FOF-WS as a result of the pending appeal. Should the disposition of the appeal result in any change to FWSC's wastewater rates, the utility should be required to make a subsequent filing with the Commission addressing this change. (GALLOWAY, RENDELL)

STAFF ANALYSIS: As stated in the case background, by Order No. PSC-96-1320-FOF-WS, issued October 30, 1996, the Commission approved a capband wastewater rate structure for this utility. As a result of the approved rate structure, the Commission ordered an RWO rate for the nine service areas where RWO customers existed. The Commission further ordered that the RWO rate should be calculated for those customers on a per service area basis. For those areas with no RWO customers, a rate was not included.

Pursuant to Section 367.091(3), Florida Statutes, a utility may only impose and collect rates and charges approved by the Commission for a particular class of service. Therefore, on March 18, 1997, the utility filed a petition requesting that the Commission approve rates for a new class of service for RWO service in all of FWSC's service areas under the Commission's jurisdiction which do not currently have RWO rates. The utility stated in its filing that the purpose for requesting a new class of service was

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that a need for an RWO rate exists for the utility from time to time. In its petition, the utility presented several arguments supporting its request to establish the RWO rate for all jurisdictional service areas.

In reviewing the utility's petition, staff was concerned with the number of customers affected by the RWO rate, the revenues that could be generated by the RWO rate, and how the rate was calculated. Regarding the number of customers affected, the utility states that "Florida Water's need for the RWO rates is occasional, not frequent ... and the number of customers affected will not be significant." The utility stated, in its July 24, 1997 response to staff's data request, that only one of the service areas included in this docket requires an RWO rate. The utility stated that, to its knowledge, the Palm Terrace service area has two customers which require an RWO rate. The utility further indicated that most of the customers who would be affected by such a rate receive water service from an unmetered private well.

With such a low number of existing RWO customers, staff was inclined to support the decision discussed earlier, pursuant to Order No. PSC-97-1320-FOF-WS, issued in Docket No. 950495-WS, that these requests should be processed on a case by case basis. However, the utility's argument that even with few existing customers, it is more rational and efficient to process in one docket what might otherwise, be processed in 31 separate dockets is persuasive.

Similar to the utility's belief that the number of customers affected will not be significant, FWSC states that it also believes the revenue derived will not be significant. The utility further states in its filing and again in its response to staff's data requests, that "the revenue to be derived from and the number of customers to be affected by the requested new class of service are inestimable." Yet, given the current number of existing RWO customers and the associated revenue, staff believes that the revenue generated will be negligible.

In making this recommendation, staff considered the utility's claim that the revenue derived and the number of customers affected by this requested new class of service are inestimable. Staff determined therefore, that revenue generated from the RWO customers will not be significant because of the infrequent nature of the

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need for RWO rates and the relatively small number of customers who actually fall in that category.

In support of its request for RWO rates, the utility stated that the costs associated with providing these RWO customers wastewater service exceeds the costs recoverable through the base facility charge portion of the current metered residential wastewater rates. The utility states that RWO customers convey wastewater volume to FWSC's collection and treatment facilities. The utility argues that if the "cost for collecting and treating wastewater were not over and above the costs recovered through the BFC, there would be no need for a usage-based component to the metered service. Therefore, an RWO rate is necessary for the utility to recover its costs associated with collecting and treating wastewater from RWO customers."

Staff's last consideration relates to the utility's calculation of the RWO rate. As stated earlier, the utility included in its filing the calculated rate for each of the service areas which presently have no RWO rate. The utility followed the methodology approved in Order No. PSC-96-1320-FOF-WS, to calculate the RWO rate. This methodology uses the Commission-approved equivalent residential connections (ERCs) and associated consumption for each service area from Order No. PSC-96-1320-FOF-WS to determine the average usage per ERC per service area. The utility then applied the calculated average usage per ERC by service area to the corresponding Commission-approved wastewater rate. Staff agrees with the utility's methodology based on Commission approved billing determinants and agrees with the utility's application of the methodology to the service areas included in this docket. This methodology and the resulting calculations can be reviewed on Attachment 1.

With this filing, the utility has submitted tariff sheets reflecting the proposed RWO rates along with supporting documentation for the proposed rates.

Upon reflection, staff agrees that rather than addressing the RWO rate for each of the service areas in thirty-one separate dockets, it is appropriate and reasonable to review and make a recommendation in one docket. In as much as the need for such a rate arises and there are currently 31 service areas without an RWO rate, it is important for the utility to have a Commission approved



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rate in place. FWSC states that to calculate and file RWO rates on a piecemeal basis as the need becomes pressing, would be inefficient and duplicative. The utility states that processing this request in thirty-one separate dockets over time rather than processing this request once is irrational. Staff agrees with the utility and believes that it is more appropriate to use the information recently approved in Order No. PSC-96-1320-FOF-WS.

Therefore, staff is recommending that Florida Water Services Corporation's proposed tariff sheets reflecting the utility's request for new class of service to provide RWO service be approved as filed. Further, staff recommends that the approved rates be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to Section 25-30.475(1), Florida Administrative Code, provided the effected RWO customers have received notice. The rates should not be implemented until proper notice has been received by the customers. The utility should provide proof to staff of the date notice was given within 10 days after the date of notice.

Finally, staff notes that if the Commission approves FWSC's request, such approval will in no way alter Order No. PSC-97-1320-FOF-WS, which is currently pending appeal. However, because staff's recommended RWO rate relies on Commission methodology under appeal, the approved rates should be subject to any subsequent change to Order No. PSC-97-1320-FOF-WS as a result of the appeal. Should the disposition of the appeal result in any change to FWSC's wastewater rates, the utility should be required to make a subsequent filing with the Commission addressing this change.

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ISSUE 2: Should the docket be closed?

RECOMMENDATION: Yes. If Issue 1 is approved, this tariff should become effective in accordance with Rule 25-30.475 (1), Florida Administrative Code. If a protest is filed within 21 days of the issuance of the Order, this tariff should remain in effect with any increase held subject to refund pending resolution of the protest. If no timely protest is filed, this docket should be closed.  
(VACCARO, GALLOWAY)

STAFF ANALYSIS: If there are no timely objections to the tariffs, no further action will be required and the docket should be closed. In the event that a timely protest is filed, the tariff should remain in effect and the applicable revenues should be held subject to refund pending resolution of the protest. Further, in the event of such protest, staff will prepare an additional recommendation to address the appropriate security of such funds.



Florida Water Services Corporation  
Residential Wastewater Only Rate Calculation  
Docket No. 970328-SU

Plant Name	Commission Approved 1996 Residential Billing Determinants			Commission Approved Rates		Staff
	Gallons	Bills	Gallons/Bill	\$/ft <sup>3</sup> BFC	Res. Gallonage	Recommended RWO Rate
	(a)	(b)	(c)	(d)	(e)	(f)
	(a / b = c)					(d + (e * c)) = f
1 Amelia Island	67,270,745	16,209	4,150	\$17.11	\$2.57	\$27.78
2 *Apache Shores						
3 Apple Valley	8,684,132	1,736	5,002	\$17.11	\$2.57	\$29.96
4 *Beacon Hills						
5 Beecher's Point	479,676	182	2,636	\$19.88	\$6.54	\$37.09
6 Buenaventura Lakes	412,236,583	87,489	4,712	\$13.18	\$5.23	\$37.82
7 Burnt Store	20,506,654	6,631	3,093	\$7.90	\$2.79	\$16.53
8 Chuluota	6,717,454	1,630	4,121	\$20.42	\$7.43	\$51.04
9 Citrus Park	13,506,661	3,247	4,160	\$18.69	\$5.58	\$42.07
10 Citrus Springs	27,296,839	8,168	3,342	\$18.61	\$5.58	\$37.51
11 Deep Creek	177,142,980	37,256	4,755	\$16.94	\$4.88	\$42.14
12 Deltona	202,704,870	54,242	3,737	\$21.26	\$6.95	\$47.23
13 *Fisherman's Haven						
14 Fox Run	6,485,265	1,245	5,209	\$23.84	\$6.86	\$59.56
15 Holiday Haven	2,837,532	1,076	2,637	\$15.28	\$8.16	\$36.78
16 Jungle Den	2,723,952	1,409	1,933	\$11.48	\$8.92	\$28.72
17 *Lehigh						
18 Lellani Heights	23,456,995	4,681	5,011	\$13.18	\$5.23	\$39.39
19 Leisure Lakes (Covered Bridge)	5,919,959	2,730	2,168	\$17.11	\$2.57	\$22.68
20 Marco Island	66,201,629	19,094	3,467	\$17.11	\$2.57	\$26.02
21 Marco Shores	6,324,147	3,038	2,082	\$17.24	\$7.24	\$32.31
22 Marion Oaks	51,692,849	16,219	3,187	\$17.66	\$7.74	\$42.33
23 Meredith Manor	1,538,503	313	4,915	\$17.11	\$2.57	\$29.74
24 *Morningview						
25 Palm Port	4,708,901	1,278	3,685	\$18.86	\$7.69	\$47.20
26 Palm Terrace	39,824,889	12,407	3,194	\$13.18	\$5.23	\$29.88
27 Park Manor	1,003,753	305	3,291	\$27.68	\$5.53	\$45.90
28 Point O' Woods	4,792,660	1,599	2,997	\$16.70	\$7.85	\$40.22
29 Salt Springs	2,161,827	1,218	1,775	\$13.18	\$5.23	\$22.46
30 Silver Lake Oaks	1,173,277	323	3,632	\$18.68	\$7.72	\$46.71
31 Spring Gardens	4,606,057	1,580	2,916	\$7.90	\$2.79	\$16.04
32 *Sugar Mill						
33 Sugarmill Woods	140,653,062	30,182	4,660	\$7.52	\$2.28	\$18.15
34 Sunny Hills	7,566,521	2,095	3,612	\$16.38	\$7.75	\$46.37
35 *Tropical Isles						
36 *University Shores						
37 Valencia Terrace	16,424,479	4,279	3,838	\$17.11	\$2.57	\$26.97
38 *Venetian Village						
39 Woodmere	71,056,931	13,909	5,109	\$18.86	\$5.58	\$47.37
40 Zephyr Shores	9,733,957	5,722	1,701	\$10.64	\$8.92	\$25.81

\* Systems which currently have an RWO rate