BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of Utilities, Inc. of Florida for rate increase in Trailwoods I and II subdivision in Seminole County through a limited proceeding.	DOCKET NO. 890917-WS ORDER NO. 22718 ISSUED: 3-21-90

The following Commissioners participated in the disposition of this matter:

MICHAEL McK. WILSON, CHAIRMAN
THOMAS M. BEARD
BETTY EASLEY
GERALD L. GUNTER
JOHN T. HERNDON

NOTICE OF PROPOSED AGENCY ACTION

ORDER GRANTING IN PART AND DENYING IN PART PETITION OF UTILITIES, INC. OF FLORIDA FOR RATE INCREASE

BY THE COMMISSION:

NOTICE IS HEREBY GIVEN by the Florida Public Service Commission that the action discussed herein is preliminary in nature, and as such, will become final unless a person whose interests are substantially affected files a petition for a formal proceeding pursuant to Rule 25-22.029, Florida Administrative Code.

BACKGROUND

On October 10, 1988, Utilities, Inc. of Florida (UIF or Utility) filed an application for a staff assisted rate case for its Trailwoods system in Orange and Seminole Counties. The Utility subsequently requested that its application be withdrawn, and the docket was closed through Order No. 20924, issued March 23, 1989. On July 12, 1989, the Utility filed its present application for a rate increase via a limited proceeding.

In processing the Utility's application, we reviewed the Utility's and our complaint files for abnormal service problems; we contacted the Department of Environmental Regulation (DER) to insure that the Utility is in compliance with DER's rules and regulations; we checked the Utility's work order files to insure compliance with our rules; and our staff conducted a customer meeting in the service area to determine whether the overall quality of service being provided by the Utility is satisfactory. Our review of the complaint and work order files did not disclose any significant irregularities, and the DER advised us that the Utility was in compliance with their rules and regulations. We did, however, receive several comments at the customer meeting which were of concern to us and which we subsequently investigated. The results of our investigation are discussed below.

CUSTOMER MEETING

Our staff held a customer meeting on November 8, 1989 at the Spring Lake Elementary School in Altamonte Springs. Seven (7) customers were in attendance and five (5) provided testimony on the quality of service being provided by the Utility.

Two (2) customers complained that UIF was providing inadequate notice to its customers of the need to boil their water prior to consumption due to possible contamination caused by a break in the Utility's water lines. The customers specifically referred to an incident occurring in the late spring of 1989 in which the Spring Lake Elementary School officials did not receive the health warning from the Utility until a full day after the break in the Utility's lines occurred. The customers were unaware of any adverse health problems created by this particular outage, nevertheless, they believe as we do, that such health risks should be avoided if at all possible. The Utility informed us that the subject service problem was caused by an electrical storm which interrupted the power supply to the Utility's main water pump and not by a break in the Utility's lines. The Utility did, however, advise us that it will give timely notice by telephone of future breaks in its lines to the large water users such as the school so they will have an adequate opportunity to boil their water prior to consumption. We believe this corrective action by the Utility reasonably addresses the legitimate concerns of the customers in this regard.

During the meeting, three (3) customers complained of the taste and color of the water being provided by UIF. Our review of the Utility's records indicates that the Utility maintains an acceptable chlorine residual level in its water distribution system. While the chlorination process can cause the water to occasionally appear and taste unpleasant, nevertheless, such process is required to insure safe drinking water to the Utility's customers. Further, the Utility chlorination practices comply with the DER rules and regulations pertaining to water treatment. Therefore, we believe that no corrective action by the Utility is necessary.

One (1) customer complained of sediment in the water. Upon further investigation, we determined that the problem occurred several years ago and the customer acknowledged that there had been no recent recurrence of the problem. Accordingly, we believe that no corrective action by the Utility is necessary in this regard.

Upon due consideration of the foregoing, we find the quality of service being provided by the Utility to be satisfactory.

COMPLAINTS OF MR. FRANK YUNGER

At the aforementioned customer meeting, a customer of the Utility, Mr. Frank Yunger, offered extensive testimony and a sworn affidavit into the record concerning five (5) separate complaints he had against the Utility.

First, Mr. Yunger alleged that for the past two (2) years the Utility had been collecting a ten (10) percent penalty on delinquent bills which was not authorized by its tariff or our rules. In this regard, Mr. Yunger's complaint made several specific inquiries, such as: Whether the Utility had credited the affected customer's accounts with the proper refunds since he brought this to the Utility's attention in August, 1989; Whether the Utility would be permitted to retain the overcharges to customers who have moved off the Utility's lines; Whether the Utility would be required to pay interest on the alleged overcharges; Whether the Commission would supervise or oversee the refund of the overcharges by the Utility; and, Whether the Utility would be fined $5,000 per day for the alleged infractions, and if so, when would the fines begin to run. Mr. Yunger's complaint regarding the alleged overcharge

also requested that the Utility be required to reimburse him for $13.21 in long distance telephone charges incurred by him in attempting to resolve his disputes with the Utility.

UIF responded to Mr. Yunger's complaint about the alleged overcharge by informing us that the alleged overcharge did occur, albeit unintentionally. The Utility said that the provision for the ten (10) percent penalty had been inadvertently omitted from its tariff when it was refiled in 1987. Since the error went undetected, the Utility did not reprogram its computer to delete the penalty provision. UIF said that when Mr. Yunger brought this to their attention in August, 1989, the Utility immediately reprogrammed its computer to discontinue assessing penalties to its customers' accounts. The Utility further advised that its audit of its records disclosed that it had erroneously collected $3,833.79 in unauthorized penalty payments from its customers during the period in question. UIF said that it was able to identify and post refund credits to its affected customers' September, 1989 bills, with the exception of $741 which represents customers who have moved off the Utility's lines and no forwarding address was available. As for the $13.21 in long distance telephone charges allegedly incurred by Mr. Yunger, the Utility maintained that the charges were incurred when Mr. Yunger called the Utility's corporate headquarters, and since such calls were unnecessary, he should not be reimbursed by the Utility for such charges. UIF further contended that since the overcharges were simply the result of an unintentional error, the Utility should not be fined by this Commission.

Upon due consideration, we find that the Utility's actions discussed above demonstrate a good faith effort on its part to correct its erroneous collection of penalty fees from its customers. Therefore, we do not believe any fines or penalties should be imposed for this unintentional violation of our rules. We also find that in regard to the $741 in unclaimed refunds, in accordance with Commission policy, the Utility shall hold these sums for twelve (12) months from the date that the error was discovered, and then transfer such sums on the Utility's books and records to contributions-in-aid-of-construction (CIAC). We further find that the Utility shall calculate and pay interest on all refunds paid or to be paid in accordance with Rule 25-30.360, Florida Administrative Code. We also find that since the amount of the refund is comparatively small, no audit of the refund by this Commission

shall be required. Finally, with regard to Mr. Yunger's request for reimbursement of his long distance charges discussed above, we do not believe it would be appropriate for us to direct the Utility to reimburse Mr. Yunger for these charges.

Second, Mr. Yunger alleged that the Utility did not make its tariffs available for viewing during regular office hours as required by Rule 25-30.135(3), Florida Administrative Code. The Utility assures us that its tariffs have been and will be available as required by the above rule. Accordingly, we find no need to take further action on this complaint by Mr. Yunger.

Third, Mr. Yunger alleged that he did not receive proper notice from the Utility prior to having his water disconnected for nonpayment of his October, 1989 bill. Mr. Yunger further alleged that since the bill included the unlawful penalty discussed above, it was unreasonable to disconnect him for nonpayment of such bill. The Utility contended that the proper notification was provided and the billing error should not justify Mr. Yunger's nonpayment of the Utility's bill. Our investigation of Mr. Yunger's disconnection did not disclose any violation of this Commission's rules by the Utility. Accordingly, we find no further action on this particular complaint shall be required.

Fourth, Mr. Yunger alleged that one afternoon during the summer of 1989 he experienced a significant decrease in the water pressure to his home. Mr. Yunger said that the Utility failed to timely notify him that the decrease in pressure was caused by a break in the Utility's lines, thus requiring that the water be boiled prior to consumption to alleviate any potential health risk. The Utility responded to Mr. Yunger's complaint by informing us that it would attempt to improve its communications with all its customers with regard to future service problems. Thus, we find that no further action on Mr. Yunger's complaint in this regard is warranted.

Fifth, and finally, Mr. Yunger alleged that the Utility's proposed increase in its water rates is unfair and arbitrary. The Utility contends that the requested rates will not cause it to exceed its authorized rate of return, and further, the new rates will cause the Utility's rates for its Trailwoods system to be uniform with its other Orange and Seminole County systems, thus enabling the Utility to provide more efficient and less expensive service to its customers by reducing its

administrative and operating costs. We share Mr. Yunger's concern that the rates charged by the Utility are fair and reasonable to all concerned, and we applied this standard in our consideration of the Utility's present application for a rate increase which is discussed below.

RATE INCREASE

The history and physical layout of the Trailwoods system is important in understanding the Utility's petition for a rate increase. UIF acquired the Trailwoods system from the City of Altamonte Springs in 1981. This transfer was approved by Order No. 10643, issued March 4, 1982, in Docket No. 810389-WS. By way of Order No. 11201, issued September 23, 1982, we ordered the Utility to continue to charge the rates that had been charged by the City of Altamonte Springs "until such time as the Utility presents justification for any increase in a rate proceeding." The Utility serves two subdivisions, Oakland Hills and Weathersfield, which are contiguous to the Trailwoods subdivision. The Weathersfield water plant provides water to Trailwoods. while both Oakland Hills and Trailwoods receive sewage treatment services from the City of Altamonte Springs' regional sewage treatment facility.

The Utility charges one uniform set of water and sewer rates for all of its Orange and Seminole County systems with two exceptions: First, the water and sewer rates for its Trailwoods system are less than those charged by the rest of the systems; Second, UIF's sewer gallonage rate for its Oakland Hills' system ($1.97 per 1,000), is higher than the rate for its other systems ($1.69 per 1,000 gallons). The latter exception is due to the fact that Oakland Hills passes through the charges assessed against it by the City of Altamonte Springs due to Oakland Hills being tied to City's regional sewage treatment facility. The Utility proposes to eliminate these exceptions by increasing Trailwoods' water rates to that of its other Orange and Seminole County systems, and by increasing Trailwoods' sewer gallonage charge to that of its Oakland Hills system, since Trailwoods and Oakland Hills are both connected to Altamonte Springs' regional treatment facility.

In Docket No. 880883-WS, Order No. 21202, issued May 8, 1989, we addressed the issue of whether uniformity in the rates among systems owned by a common entity was an idea worthy of

further development. The following excerpt from our aforementioned Order states our position regarding uniform rates:

> We believe there is merit to the concept of statewide uniform rates. Cost savings due to a reduction in accounting, data processing and rate case expense can be passed on to the ratepayers. Cross-subsidization can be minimized if the rates are established that recognize, for example, the differences in types of treatment and facilities. We believe this is an approach worth exploring and so direct our staff to initiate rulemaking on statewide uniform rates.

Upon due consideration of the foregoing, we find that UIF's application to increase water rates for its Trailwoods system to that of its other Orange and Seminole County water systems is reasonable and is therefore approved. However, with regard to UIF's request to increase the sewer gallonage charge for its Trailwoods' system to that of its Oakland Hills' system so that it may achieve uniformity in its sewer rates, we do not believe such request to be justified. The Oakland Hills' sewer system comprises only a small percentage of UIF's total number of sewer customers in Orange and Seminole Counties, therefore in our opinion, it is not reasonable to increase the sewer gallonage charge of all such systems to that of Oakland Hills solely for the sake of uniformity in sewer rates. We do, however, believe that the benefits of rate uniformity among sister systems justifies requiring UIF to reduce its Oakland Hills' sewer gallonage charge from $1.96 to $1.69 per 1,000 gallons, which is the present gallonage charge for UIF's other Orange and Seminole County systems. Thus, the Utility is hereby directed to file revised tariff sheets for its Oakland Hills' system reflecting a reduction in its sewer gallonage charge as set forth above.

We find that the following rates, which will increase annual water revenues for UIF's Trailwoods' system by $17,497 (45.18 percent), and which will decrease sewer revenues for UIF's Oakland Hills' system by $7,059 (14.21 percent), are fair, just and reasonable, and are hereby approved. The Utility's existing rates are shown for comparison.

TRAILWOODS CURRENT WATER AND SEWER RATES

BI-MONTHLY WATER RATES
TRAILWOOD ESTATES, UNITS I AND II
SEMINOLE COUNTY WATER SYSTEMS
RESIDENTIAL SERVICE

0-6,000 Gallons	$ 6.47
Next 8,000 Gallons Per 1,000 Gallons	$ 1.10
Next 14,000 Gallons Per 1,000 Gallons	$ 1.22

BI-MONTHLY SEWER RATES
SPECIAL RATES
TRAILWOOD ESTATES, UNITS I AND II
SEMINOLE COUNTY SEWER SYSTEMS
RESIDENTIAL SERVICE

0-6,000 Gallons	$ 12.14
Next 8,000 Gallons Per 1,000 Gallons	$ 2.13
Next 8,000 Gallons Per 1,000 Gallons	$ 2.27
Over 22,000 Gallons (Maximum)	$ 47.34

TRAILWOODS COMMISSION APPROVED WATER AND SEWER RATES

WATER
BI-MONTHLY RATES
ORANGE AND SEMINOLE COUNTIES WATER SYSTEMS
RESIDENTIAL AND GENERAL SERVICE

Meter Size	Base Facility Charge
5/8" x 3/4"	$ 8.17
1"	20.43
1-1/2"	40.84
2"	65.38
3"	130.73
Gallonage Charge Per 1,000 Gallons	$ 1.24

SEWER
RESIDENTIAL SERVICE

All Meter Sizes	$ 12.58
Gallonage Charge Per 1,000 Gallons (Maximum 20,000 Gallons)	$ 1.69

GENERAL SERVICE

Meter Size	Base Facility Charge
5/8" x 3/4"	$ 12.58
1"	31.43
1-1/2"	62.88
2"	100.58
3"	201.18
Gallonage Charge Per 1,000 Gallons	$ 1.69

The above rates shall be effective for all meter readings taken thirty (30) days on or after the stamped approval date on the Utility's revised tariff sheets.

It is, therefore,

ORDERED by the Florida Public Service Commission that Utilities, Inc. of Florida's petition for a rate increase through a limited proceeding is approved in part and denied in part as shown in the body of this Order. It is further

ORDERED that Utilities, Inc. of Florida is hereby authorized to charge the rates set forth in the body of this Order. It is further

ORDERED that the Utility shall file revised tariff sheets reflecting the rates approved herein. It is further

ORDERED that the rates approved herein shall be effective for meter readings taken thirty (30) days on or after the stamped approval date on the Utility's revised tariff sheets. It is further

ORDERED that the provision of this Order, issued as a proposed agency action, shall become final unless an appropriate petition, in the form provided by Rule 25-22.036, Florida Administrative Code, is received by the Director, Division of Records and Reporting, at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by close of business on the date set forth in the "Notice of Further Proceedings or Judicial Review" attached hereto. It is further

ORDERED that in the event that this Order becomes final and effective, this docket shall be closed.

By ORDER of the Florida Public Service Commission this 21st day of MARCH, 1990.

STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

JRF

by: Kay Flynn
Chief, Bureau of Records

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

The action proposed herein is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as

provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on April 11, 1990.

In the absence of such a petition, this order shall become effective on the day subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code, and as reflected in a subsequent order.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

If this order becomes final and effective on the date described above, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or sewer utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the effective date of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.