

FLORIDA PUBLIC SERVICE COMMISSION

Fletcher Building  
101 East Gaines Street  
Tallahassee, Florida 32399-0850

M E M O R A N D U M

May 27, 1993

TO : DIRECTOR, DIVISION OF RECORDS AND REPORTING  
FROM : DIVISION OF WATER AND WASTEWATER (PRICE, MCCASKILL)  
DIVISION OF LEGAL SERVICES (FEIL)  
RE : UTILITY: ROYAL UTILITY COMPANY  
DOCKET NO.: 930455-WS  
COUNTY: BROWARD  
CASE: TARIFF REVISION

AGENDA : JUNE 8, 1993 -CONTROVERSIAL - PARTIES MAY PARTICIPATE

CRITICAL DATES: 60-DAY SUSPENSION - APRIL 7, 1993 - THE  
UTILITY HAS WAIVED THE 60-DAY DEADLINE - ISSUE  
2 IS PROPOSED AGENCY ACTION

SPECIAL INSTRUCTIONS: NONE

RECOMMENDATION FILE NAME: I:\PSC\WAW\WP\930455\RCM

CASE BACKGROUND

Royal Utility Company (Royal or Utility) is a class B utility that provides water and wastewater service to customers in Broward County. According to the 1991 Annual Report, the Utility provides service to 1,329 water customers and 1,209 wastewater customers. Also, operating revenues of \$330,105 for water and \$319,526 for wastewater were reported in the 1991 Annual Report. The same report indicated operating expenses of \$281,780 for water and \$361,154 for wastewater. According to the Utility's annual report, net operating income for water is \$48,325 and the net operating loss for wastewater is \$54,108.

Royal's rates were last established in a rate case, Docket No. 820237-WS, which culminated in Order No. 12170, issued June 24, 1983. At the time of the rate case, the utility was owned by University Utility Corporation. The Utility was authorized an overall rate of return of 12.97 percent, with a return on equity of 10.51 percent.

RECORDED & INDEXED

05770 MAY 27 1993

COMMUNICATIONS/REPORTING

DOCKET NO. 930455-WS  
MAY 6, 1993

On April 8, 1988, Royal Utility Company filed an application requesting Commission approval for transfer of Certificate Nos. 259-W and 199-S held by University Utility Corporation and for transfer of majority organizational control of Royal. The transfer of certificates and approval of reorganization was made in Docket No. 880557-WS, Order No. 19867, issued August 22, 1988.

On November 23, 1992, Royal submitted an application for the 1992 Price Index rate adjustment. In staff's review of the application, it was discovered that the Utility has been charging unauthorized rates in that it charged 194 1" meter water customers the 5/8" x 3/4" meter rate. The Utility indicated that there was an informal agreement made at the time of the rate case between staff and the Utility which permitted it to charge the 5/8" x 3/4" rate to the 1" customers. The agreement apparently arose because the utility believed they were required by the City of Coral Springs, Ordinance No. 90-167, to install, at a minimum, 1" meters; however, staff has been unable to find any documentation of this agreement. Furthermore, it should be noted that the rate structure established in the last rate case appears to be inconsistent with the current base facility charge factors recommended by the American Water Works Association (AWWA). Staff has not been able to find any justification for the manner in which the rates were structured.

On February 5, 1993, the Utility filed the instant tariff revision (Attachment A) to include language on the rate schedule reflecting the utility's billing practice relating to the 1" meter customers within the city limits of the City of Coral Springs. This recommendation addresses that filing.

**DISCUSSION OF ISSUES**

**ISSUE 1:** Should the proposed tariffs be approved?

**RECOMMENDATION:** No, the tariff should be denied as filed. The Utility should be required to charge rates consistent with the charges for the meter sizes established in its existing tariffs. The Utility shall begin billing the tariffed rates for all customers effective the first full billing cycle following the issuance of this order. Prior to billing the tariffed rates, the utility shall notify the affected customers of the change in the current billing practice. (PRICE)

**STAFF ANALYSIS:** In staff's review of the Utility's 1992 price index application, it was found that the utility has been charging discriminatory rates to the extent that 194 1" meter water customers are being charged the 5/8" x 3/4" meter rate. This billing practice of the Utility is in violation of Section 367.081(1), Florida Statutes, which states that a utility may only charge rates and charges that have been approved by the Commission. The Utility has also violated Section 367.091(3), Florida Statutes, which states that a utility may only impose and collect those rates and charges approved by the Commission for the particular class of service involved. This section also states that a change in any rate schedule may not be made without Commission approval. The Utility alleged that there was an informal agreement made at the time of the rate case between Commission staff and the Utility which permitted it to charge the 5/8" x 3/4" rate to the 1" meter customers. The utility explained that the alleged agreement apparently arose because the utility believed they were required by the City of Coral Springs, Ordinance No. 90-167, to install, at a minimum, 1" meters.

As a result of the staff's discussions with the utility regarding the index tariff it was determined that some corrective action was necessary. Either the Utility would discontinue its billing practice of charging unauthorized rates or in the alternative, it would file a tariff revision formalizing its billing practice. On February 5, 1993, the Utility filed a tariff revision to formalize its billing practice. Staff has been unable to find any evidence to support the alleged agreement. Furthermore, staff contacted the City of Coral Springs regarding the ordinance. According to the letter from the city (Attachment B), the ordinance applies only to city owned utilities and not privately held utilities; therefore, the ordinance does not apply to Royal.

DOCKET NO. 930455-WS  
MAY 6, 1993

Staff has been unable to substantiate the alleged informal agreement and our verification indicates that the city ordinance is not applicable to Royal (Attachment B). It appears that there is no basis for the Utility's billing practice regarding 1" meter customers and that the billing practice is, therefore, discriminatory. Therefore staff recommends that the tariff be denied and the Utility begin billing the tariffed rates for all customers effective the first full billing cycle following the issuance of the Order in this case.

We do not recommend that the Commission show cause the utility for the above noted violations. Staff accepts the utility's explanation as to why it was charging the 194 1" meter water customers the 5/8" x 3/4" meter rate. While this in itself is not justification for the utility's action, staff believes the lost revenue, which is not recoverable and the fact that the utility will absorb the costs associated with any requests for meter change out is sufficient penalty in itself (see Issue 2).

Substantially affected persons have 21 days from the date of the Order to request a hearing on the Commission's action denying the tariff. Prior to charging the tariffed rates, the utility shall notify the affected customers that they will be billed the respective rate for a 1-inch meter consistent with the utility's approved tariffs.

DOCKET NO. 930455-WS  
MAY 6, 1993

**ISSUE 2:** Should Royal Utility Company be required to absorb the cost of changing 1" meters to 5/8" x 3/4" meters for those effected customers who request a change?

**RECOMMENDATION:** Yes. Upon request by the customer, the Utility should change out, at the expense of the utility, the 1" meters for a 5/8" x 3/4" meter, provided the customer's consumption level justifies the installation of a 5/8" x 3/4" meter. The Utility should not be required to refund the difference in the large meter and small meter fee. The Utility shall notice the affected customers that they may request a meter change at the Utility's expense. This notice shall be included with the notice recommended in Issue 1 and shall be reviewed by the staff prior to mailing to Utility customers. (PRICE)

**STAFF ANALYSIS:** Staff recommends that upon request of the customer, the utility should change out the meters to a smaller size should that be deemed appropriate according to the customer's consumption level. It has been Commission practice that the utility will be responsible for the costs associated with meter changes when the change is from a larger meter to a smaller meter. The justification is that the customers have paid for a more expensive meter to be placed in service and the customers will not get a refund for the difference in cost between the large meter and the small meter. In addition, the utility will be receiving a more expensive meter to place in inventory presumably for use at a later date. Since the utility charged for the larger meters by mistake and will bear the cost of installing the smaller meter, it is recommended that the utility not be required to refund the difference in the large meter and small meter fee. Further, the utility shall provide notice to affected customers that prior to charging the tariffed rates, they may request that the utility change out the meters to a smaller size should that be deemed appropriate according to the customer's consumption level. The notice shall coincide with that notice recommended in Issue 1 and shall be submitted to the Water and Wastewater Division for review prior to mailing to the utility customers.

DOCKET NO. 930455-WS  
MAY 6, 1993

ISSUE 3: Should this docket be closed?

RECOMMENDATION: Yes, this docket should be closed if no timely protest is received. (PRICE, FEIL)

STAFF ANALYSIS: Substantially affected persons have 21 days to protest the Commission's action denying the tariff and its action in Issue 2. The docket may be closed if no timely protest is received.

W930455A.RCM

LAW OFFICES

ROSE, SUNDBSTROM & BENTLEY

A PARTNERSHIP INCLUDING PROFESSIONAL ASSOCIATIONS

2548 BLAIRSTONE PINES DRIVE  
TALLAHASSEE, FLORIDA 32301

(904) 877-6555

ROBERT A. ANTISIA  
CHRIS H. BENTLEY, PA  
F. MARSHALL DETERDING  
MARTIN S. FRIEDMAN, PA  
JOHN R. JENKINS  
ROBERT M. C. ROSE, PA  
WILLIAM E. SUNDBSTROM, PA  
DAVID D. TREMPER, PA  
JOHN L. WILKINSON

JOHN H. WODRASKA  
SPECIAL CONSULTANT  
(NOT A MEMBER OF THE FLORIDA BAR)

MAILING ADDRESS  
POST OFFICE BOX 1587  
TALLAHASSEE, FLORIDA 32302-1587  
TELECOPIER (904) 856-4029

February 4, 1993

VIA HAND DELIVERY

Mr. Steve Tribble  
Director of Division of Records and Reporting  
Florida Public Service Commission  
101 East Gaines Street  
Tallahassee, FL 32399-0850

Re: Royal Utility Company - Tariff Revision  
Our File No. 25075.05

Dear Mr. Tribble:

In accordance with recent discussions with members of the Commission Staff, I am hereby filing on behalf of Royal Utility Company revised tariff sheets to reflect the policy which the Utility has been utilizing with regard to its single-family residential homes and other small water users since inception.

Filing these tariffs not only memorializes a policy that has always been in effect, but also reflects what the Utility believes the intention of the Commission's Order issued in the predecessor Utility's last rate case. As such, this does not constitute a change in charges or policy, but rather simply an enumeration of the long-standing policy of the Utility.

Please see to it that these revised tariff sheets are approved and one copy returned to me as soon as is possible so that we may make official this existing policy.

Sincerely,

  
F. Marshall Deterding

FMD/kkj

Enclosures

cc: Ms. Billie Messer (via hand delivery)  
Ms. Suzanne Summerlin, Esquire (via hand delivery)  
Mr. Bill Lowe (via hand delivery)  
Ms. Jena Price (via hand delivery)

RECEIVED

FEB 05 1993

Florida Public Service Commission  
Division of Water and Wastewater

ROYAL UTILITY COMPANY  
Water Tariff

FIFTH REVISED SHEET NO. 19.0  
Cancels Fourth Revised Sheet No. 19.0

GENERAL SERVICE

RATE SCHEDULE GS

AVAILABILITY - Available throughout the area served by the company.

APPLICABILITY - For water service to all master-metered commercial customers.

LIMITATIONS - Subject to all the Rules and Regulations of this tariff and General Rules and Regulations of the Commission.

RATES - (Monthly)

| <u>Meter Size</u> | <u>Base Facility Charge</u> | <u>Gallonage Charge</u><br><u>(Per 1,000 gallons)</u> |
|-------------------|-----------------------------|---|
| 5/8" x 3/4" *     | \$ 9.59                     | \$ 2.47   |
| 1"                | 65.23                       | 2.47  |
| 1 1/2"            | 130.39                      | 2.47  |
| 2"                | 208.65                      | 2.47  |
| 3"                | 417.32                      | 2.47  |

\* The City of Coral Springs requires installation of 1" meters at a minimum on all water services provided by the Utility. In situations where the Utility believes the customer would otherwise be entitled to a 5/8" x 3/4" meter, but for the existence of the City Ordinance, the Utility will bill that customer at the 5/8" rate for such service.

TERMS OF PAYMENT - Bills are due and payable when rendered and become delinquent if not paid within twenty (20) days. After five (5) working days written notice is mailed to the customer separate and apart from any other bill, service may then be discontinued.

EFFECTIVE DATE: January 19, 1993

Jock McCartney  
ISSUING OFFICER

TYPE OF FILING: 1992 Indexing

President  
TITLE



Royal UTILITY COMPANY  
Water Tariff

FIFTH REVISED SHEET NO. 20.0  
Cancels Fourth Revised Sheet No. 20.0

RESIDENTIAL SERVICE

RATE SCHEDULE RS

AVAILABILITY - Available throughout the area served by the company.

APPLICABILITY - For water service for all purposes in private residences and individually metered apartment units.

LIMITATIONS - Subject to all the Rules and Regulations of this tariff and General Rules and Regulations of the Commission.

RATES - (Monthly)

| <u>Meter Size</u> | <u>Base Facility Charge</u> | <u>Gallonage Charge</u><br><u>(Per 1,000 gallons)</u> |
|-------------------|-----------------------------|---|
| 5/8" x 3/4" *     | \$ 9.59                     | \$ 2.47   |
| 1"                | 65.23                       | 2.47  |
| 1 1/2"            | 130.39                      | 2.47  |
| 2"                | 208.65                      | 2.47  |
| 3"                | 417.32                      | 2.47  |

\* The City of Coral Springs requires installation of 1" meters at a minimum on all water services provided by the Utility. In situations where the Utility believes the customer would otherwise be entitled to a 5/8" x 3/4" meter, but for the existence of the City Ordinance, the Utility will bill that customer at the 5/8" rate for such service.

TERMS OF PAYMENT - Bills are due and payable when rendered and become delinquent if not paid within twenty (20) days. After five (5) working days notice written notice is mailed to the customer separate and apart from any other bill, service may then be discontinued.

EFFECTIVE DATE: January 19, 1992

Jock McCartney  
ISSUING OFFICER

TYPE OF FILING: 1992 Indexing

President  
TITLE



DEPARTMENT OF PUBLIC WORKS  
CITY OF *CORAL SPRINGS* FLORIDA

9551 WEST SAMPLE ROAD  
P.O. BOX 754501  
CORAL SPRINGS, FL 33075-4501  
TELEPHONE (305) 344-1165

March 29, 1993

Ms. Jena M. Price, Regulatory Analyst  
Public Service Commission, State of Florida  
101 East Gaines Street  
Tallahassee, FL 32399-0850

RE: MINIMUM WATER METER SIZE, CITY OF CORAL SPRINGS

Dear Ms. Price:

The purpose of this letter is to provide a response to your letter to Ms. Rhoda Glasco, Assistant City Attorney, dated March 18, 1993.

The City determined a number of years ago that it was desirable to convert to a 1 inch meter for all water connections, for standardization of meter purchase and storage, and presumably, to provide for stable pressures during demands from uses such as pools and lawn irrigation.

In conducting a rate study for the City in 1990, CH2M Hill noted that the potential flow through a 1-inch meter is one equivalent residential unit (ERU) and recommended that the City ordinance be changed to reflect the 1-inch minimum water meter size. The City Commission enacted this requirement by Ordinance No. 90-167, to which your letter referred.

The ordinance applies only to customers in the service area of the City owned utility. It does not apply to Royal Utility Company, nor does it apply to Coral Springs Improvement District or North Springs Improvement District which also serve geographical areas of the City.

If I can be of further assistance, please call me at (305) 344-1164.

Sincerely,

ROBERT W. GLENN, P.E.  
DIRECTOR OF PUBLIC WORKS

RWG:srs  
(letters\price.rwg)

RECEIVED

APR 5 1993

Florida Public Service Commission  
Division of Water and Wastewater

cc: Rhoda Glasco, Esq., Assistant City Attorney  
Lou Siano, Director of Building  
Ellen Liston, Assistant City Manager