

FLORIDA PUBLIC SERVICE COMMISSION
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Tallahassee, Florida 32399-0850

M E M O R A N D U M

MAY 7, 1997

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

FROM: DIVISION OF WATER & WASTEWATER (CASEY, RIEGER)⁷¹
DIVISION OF LEGAL SERVICES (CAPELESS) *MSC* *bl*

RE: DOCKET NO. 960984-SU - INVESTIGATION OF POSSIBLE
OVEREARNINGS BY NORTH PENINSULA UTILITIES CORPORATION

COUNTY: VOLUSIA

AGENDA: 5/19/97 - REGULAR AGENDA - INTERESTED PERSONS MAY
PARTICIPATE

CRITICAL DATES: NONE

LOCATION OF FILE: S:\PSC\WAW\WP\960984SU.*nohem*

CASE BACKGROUND

North Peninsula Utilities Corporation (North Peninsula or utility) is a Class C wastewater only utility providing wastewater service to approximately 480 customers in Volusia County. For the year ending December 31, 1995, the utility reported wastewater operating revenues of \$143,189 and a net operating income of \$22,459.

By Order No. PSC-96-1243-FOF-SU, issued October 7, 1996, the Commission ordered an investigation of possible overearnings to be initiated, and required annual wastewater revenues of \$12,311 to be held subject to refund. The utility complied by placing \$6,381 of security in an escrow account with Barnett Bank. The \$6,381 represented \$6,156 of security and \$225 of interest, calculated in accordance with Rule 25-30.360, Florida Administrative Code, and projected a six-month time frame.

By Order No. PSC-97-0263-FOF-SU, issued March 11, 1997, the Commission required the utility to refund with interest calculated pursuant to Rule 25-30.360(4), Florida Administrative Code, the 1994, 1995, and 1996 price index and pass-through rate increases collected in 1995 and 1996, along with interim revenues which were held subject to refund. The utility, at the March 4, 1997 agenda, requested the Commission allow it to have more than the 90 days to

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refund the monies. Pursuant to Rule 25-30.360(2), Florida Administrative Code, "[r]efunds must be made within 90 days of the Commission's Order unless a different time frame is prescribed by the Commission." The Commission found it appropriate to allow the utility to refund the amounts, along with accrued interest, over a twelve-month time frame.

On April 21, 1997, the utility filed a letter requesting that the Commission release the escrow account held by Barnett Bank, to allow the utility to make a one-time refund to customers by June 1, 1997, instead of refunding over a twelve-month period. The utility stated that the mechanics of a twelve-month refund would be a burden to the utility. This recommendation addresses the utility's request.

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ISSUE 1: Should North Peninsula's request for release of the escrow account funds to North Peninsula to enable it to make a one-time refund of the total amount to customers by June 1, 1997 be granted?

RECOMMENDATION: Yes, the Commission should grant the utility's request for release of the escrowed funds to allow the utility to make a one-time refund of the total amount to customers by June 1, 1997. Order No. PSC-97-0263-FOF-SU, issued March 11, 1997, should be affirmed in all other respects.

STAFF ANALYSIS: By Order No. PSC-96-1243-FOF-SU, issued October 7, 1996, the Commission ordered an investigation of possible overearnings to be initiated, and required annual wastewater revenues of \$12,311 to be held subject to refund. The utility complied by placing \$6,381 of security in an escrow account with Barnett Bank. The \$6,381 represented \$6,156 of security and \$225 of interest, calculated in accordance with Rule 25-30.360, Florida Administrative Code, and reflected a six-month time frame for the investigation.

By Order No. PSC-97-0263-FOF-SU, issued March 11, 1997, the Commission required the utility to refund, with interest calculated pursuant to Rule 25-30.360(4), Florida Administrative Code, the 1994, 1995, and 1996 price index and pass-through rate increases collected in 1995 and 1996, along with interim revenues which were held subject to refund. The amount of refund is approximately \$23,120, plus interest calculated pursuant to Rule 25-30.360(4), Florida Administrative Code.

At the March 4, 1997 agenda, the utility requested that the Commission allow it more than the 90 days to refund the monies. Pursuant to Rule 25-30.360(2), Florida Administrative Code, "[r]efunds must be made within 90 days of the Commission's Order unless a different time frame is prescribed by the Commission." The Commission found it appropriate to allow the utility to refund the amounts, along with accrued interest, over a twelve-month time frame.

By Order No. PSC-97-0263-FOF-SU, the Commission also required the utility to send a customer notice of the new rate, and to file a revised tariff sheet reflecting the Commission-approved rate reduction. Staff has verified that the utility has sent the approved customer notice, and reduced its rate effective April 1, 1997. Staff has also received and placed the utility's new tariff sheet in the Commission tariff book.

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On April 21, 1997, the utility filed a letter requesting that the Commission release the escrow account held by Barnett Bank, to allow the utility to make a one-time refund of the total amount to customers by June 1, 1997, in lieu of refunding over a twelve-month period. The utility stated that the mechanics of a twelve-month refund would be a burden to the utility.

By Order No. PSC-97-0263-FOF-SU, the Commission ruled that "[t]he utility's escrow account may be terminated upon staff's verification that the refunds have been completed." Staff believes it would be in the best interest of the utility and the customers for the utility to make a one-time refund of the total amount by June 1, 1997. Staff, therefore, recommends that the Commission grant the utility's request to release the escrowed funds. All interest earned by the escrow account should be distributed to the customers. Order No. PSC-97-0263-FOF-SU, issued March 11, 1997, should be affirmed in all other respects. The utility should be advised that should the utility fail to make the one-time refund to customers by June 1, 1997, staff may initiate a show cause action.

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ISSUE 2: Should this docket be closed?

RECOMMENDATION: No, if the Commission grants the utility's request to release the escrow account to make a one-time refund of the total amount to customers by June 1, 1997, this docket should remain open for an additional 60 days to allow staff to verify that the utility has made the required refunds. The docket should be closed administratively upon staff's verification that the refunds were made. (CAPELESS, CASEY)

STAFF ANALYSIS: If the Commission grants the utility's request to release the escrow account to make a one-time refund of the total amount to customers by June 1, 1997, the docket should remain open for an additional 60 days to allow staff to verify that the utility has completed the required refunds. The docket should be closed administratively upon staff's verification that the refunds were made.