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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

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In re: Application for a rate increase for Orange-Osceola Utilities, Inc. in Osceola County, and in Bradford, Brevard, Charlotte, Citrus, Clay, Collier, Duval, Highlands, Lake, Lee, Marion, Martin, Nassau, Orange, Osceola, Pasco, Putnam, Seminole, St. Johns, St. Lucie, Volusia, and Washington Counties by Southern States Utilities, Inc.

Docket No. 950495-WS

Filed: November 2, 1995

CITIZENS' MOTION FOR RECONSIDERATION

The Citizens of Florida ("Citizens"), by and through Jack Shreve, Public Counsel, move the Commission to reconsider its order number PSC-95-1327-FOF-WS issued November 1, 1995.

1. On August 30, 1995, the Citizens filed a motion to dismiss the application of Southern States Utilities, Inc. ("SSU") for an interim increase in rates. That motion was founded on the language contained in section 367.082, Florida Statutes (1993), that allows the Commission to approve interim rates using a

forecasted rate base -- but not a forecasted income statement. The Commission denied the Citizens' motion as inappropriate and moot.

2. While Commission order PSC-95-1327-FOF-WS denied SSU's request for an interim increase in rates, it still established the principle that a water or wastewater utility may file a request for

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interim rates using a forecasted income statement. Indeed, in this case, the order actually allows SSU to refile its interim rate petition using a forecasted test year income statement if it so chooses.

3. The Commission's order fails to recognize the difference between a forecasted rate base and a forecasted income statement. A rate base has nothing to do with forecasted revenues or expenses. It deals with the balance sheet of a utility, not an income statement.

4. Section 367.082(5), Florida Statutes (1993) requires a rate of return deficiency to be determined by calculating the difference between achieved and required rate of return on an historical basis. That rate of return deficiency may be applied to an average, an end-of-period, or even a projected rate base to determine the amount of revenue to be produced by the interim rate increase. Nevertheless, the rate of return deficiency must be determined on an historical basis. The Commission's order, however, ravages the plain statutory language.

5. The statute states that the commission shall determine the revenue deficiency by calculating the difference between the achieved rate of return and required rate of return for the most recent twelve month period. The terms "achieved" and "required" unequivocally refer to historical periods. See section

367.082(5)(b), Florida Statutes (1993). That difference is then applied to a rate base that may be historic or projected. The Commission's order confused (1) the ability to apply the difference of these historical returns to a projected rate base with (2) the use of a projected income statement to determine the initial difference between achieved and required rate of return. The interim statute allows the former but not the latter.

6. The interim statutes governing telecommunications companies and electric utilities have long allowed the use of an end-of-period rate base for interim rate requests. These statutes still require a rate of return deficiency to be computed for an actual historical period, but that deficiency can then be applied to an end-of-period rate base. Even with this procedure, there is an accounting mismatch. An average twelve month period income deficiency is applied to an end of period rate base instead of an average rate base. The purpose of this is to allow fast growing utilities to get some additional relief on account of their growing rate base. Although it is an accounting mismatch, it is a rough way to account for extraordinary growth.

7. The newly revised water and wastewater interim statute simply takes this procedure one step further. Instead of limiting the application of the historic rate of return deficiency to an average or end of period rate base, it allows the historic rate of return deficiency to be applied to a forecasted rate base. The

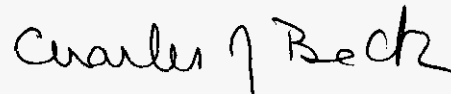
purpose is the same as it is with telecommunications and electric companies using the end-of-period rate base: to provide some additional relief to a quickly growing company. Using either an end of period rate base or a forecasted rate base is equally an accounting mismatch.

8. The rate of return deficiency is calculated on an historic basis. The only question is whether that historic rate of return deficiency is applied to an average historic rate base, an end of period historic rate base, or a forecasted rate base.

9. The Commission's order sets a precedent for all water and wastewater utilities that allows the use of a forecasted income statement for interim rate relief. In doing so, it violates the plain language of the interim statute, and it confuses the term "rate base" (associated with balance sheets) with a forecasted income statement. The Commission should correct this error now before it is followed and relied upon by other water and wastewater utilities.

Respectfully submitted,

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**CERTIFICATE OF SERVICE
DOCKET NO. 950495-WS**

I HEREBY CERTIFY that a correct copy of the foregoing has been furnished by U.S. Mail or hand-delivery* to the following persons on this 2nd day of November, 1995.


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