

11/16/95
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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for rate increase in)
Brevard, Charlotte/Lee, Citrus, Clay, Duval,)
Highlands, Lake, Marion, Martin, Nassau,)
Orange, Osceola, Pasco, Putnam, Seminole,)
Volusia, and Washington Counties by)
SOUTHERN STATES UTILITIES, INC.;)
Collier County by MARCO SHORES UTILITIES)
(Deltona); Hernando County by SPRING HILL)
UTILITIES (Deltona); and Volusia County by)
DELTONA LAKES UTILITIES (Deltona))

DOCKET NO. 920199-WS
SERVED: NOV. 15, 1995

**RESPONSE OF CITRUS COUNTY BOARD OF COUNTY COMMISSIONERS AND
SPRING HILL CIVIC ASSOCIATION, INC. TO MOTION OF SOUTHERN STATES
UTILITIES, INC. FOR RECONSIDERATION AND JOINDER IN MOTION TO STRIKE**

The Board of County Commissioners of Citrus County ("Citrus County"), and the Spring Hill Civic Association, Inc. ("Spring Hill Civic Association"), by and through their undersigned counsel, hereby respond to Southern States Utilities, Inc.'s ("SSU") Motion for Reconsideration and request that the Public Service Commission ("PSC") deny said motion. Furthermore, Citrus County and the Spring Hill Civic Association, Inc. join the motion of Sugarmill Woods Civic Association, Inc. to strike SSU's affidavits regarding the "poor" financial health of the utility as

being irrelevant and inappropriate. In support thereof Citrus County and the Spring Hill Civic Association, state:

1. In the interest of economy and efficiency, Citrus County and Spring Hill Civic

Association adopt the Responses of the Sugarmill Woods Civic Association, Inc. and the Office of Public Counsel served November 15, 1995. In short, the PSC did not overlook some fact or

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misapprehend a point of law. The PSC did nothing to warrant reconsideration of the order in question and SSU has failed to make a legitimate showing requiring the same.

2. Apparently suffering some extreme memory lapse and assuming the same infirmity bedevils the Commissioners, SSU, apparently with a straight face, argues that it didn't want uniform rates and only had them because the PSC forced it to. Did not the Commissioners, their staff and the other parties witness SSU demanding the lifting of Citrus County's governmental stay specifically so it could charge the uniform rates? Did not the same individuals listen and read SSU's non-stop and expensive platitudes to uniform rates in several proceedings for the last two years? Isn't SSU to this day still braying the message that uniform rates are the greatest thing since sliced bread? Isn't SSU still demanding both interim and permanent uniform rates in Docket No. 950495 despite the PSC's rejection of uniform interim rates?

3. SSU's assertion that uniform rates were forced on it by the PSC is not only misleading and unbelievable, it is patently false. See the attached clippings and articles, which are but a very small percentage of SSU's total propaganda effort in support of uniform rates. SSU insisted upon, indeed demanded, the right to charge uniform rates and got its way. The utility should not now be heard to complain that it is a "victim" as the result of getting its way over the objections of the complaining customers.

4. The PSC considered the issue of confiscation, correctly addressed the facts, and made no mistake of law in concluding that the utility brought itself to this point and "waived" any complaint of error. Couldn't SSU have joined the customers in resisting the imposition of uniform rates if it had prudently gauged its chances of succeeding with this controversial rate structure on appeal? Wasn't SSU listening when these same customers warned it of this precise

economic predicament if it persisted in demanding uniform rates? The PSC correctly assumed that charging the "other" customers surcharges now to protect the utility would constitute retroactive ratemaking. Such is the law. Besides, did these customers demand uniform rates? Did anyone give these customers notice of any kind that they were being undercharged for their services for two years and that they should put the difference aside to finance "surcharges" in order to pull the utility's chestnuts from the fire? Should persons living on fixed incomes be forced to reduce their expenditures for housing, food or medicines in order to protect the earning and dividends of Minnesota Power and Light Company? Should anyone care about the customers' welfare and, even if so, is it appropriate to now hear customer complaints of poor financial health? What bearing, if any, would such "evidence" have on the PSC's statutory obligation to set appropriate rates?

5. What bearing does SSU's affidavit "evidence" of its poor financial health have to do with anything in this case? Citrus County and the Spring Hill Civic Association join in Sugarmill Woods Civic Association, Inc.'s motion to strike these affidavits as irrelevant and inappropriate. Even if this "evidence" were appropriately to be considered, which it is not, how believable is it? What happened to the \$19.1 million profit SSU made on the sale of Venice Gardens to Sarasota County? Are we to be blind to that sum in our rush to worry about the financial well-being of SSU? Likewise, is SSU in the process of paying \$13 plus million for the purchase of the Orange-Osceola system or is it not? Where did that money come from and how important is that purchase to anyone currently paying SSU's illegal uniform rates? SSU would probably have us believe that this huge purchase will result in increased "economies of scale." SSU intentionally failed to obtain the appropriate level of appellate bond ordered by the PSC (or

at least the amount that clearly was intended or necessitated by the decision notwithstanding the poor drafting of the order) and failed to "bank" any of the overages in the event it lost the appeal. Instead, SSU used its profits to support a substantial portion of Minnesota Power and Light Company's shareholder dividends, dividends which take an incredibly high proportion of the parent's total earnings.

6. SSU has failed to cross the threshold for attaining reconsideration and the PSC should reject the motion out of hand. Furthermore, the PSC should take seriously SSU's persistent complaints or "threats" that it cannot afford to make the PSC-ordered refunds to its customers and act expeditiously to protect the customers from SSU's default on this obligation.

WHEREFORE, the Florida Public Service Commission should deny Southern States Utilities, Inc.'s Motion for Reconsideration and grant Sugarmill Woods Civic Association, Inc.'s Motion to Strike.

Respectfully submitted,



Michael B. Twomey
Route 28, Box 1264
Tallahassee, Florida 32310
(904) 421-9530

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and accurate copy of the foregoing has been furnished by U.S.

Mail, postage prepaid, this 15th day of July 1995 to the following persons:

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General Counsel
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Rutledge, Ecenia, Underwood,
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Office of the Public Counsel
c/o The Florida Legislature
111 West Madison Street, Suite 812
Tallahassee, Florida 32399-1400


Attorney



September 16, 1993

The Honorable Ginny Brown-Waite
State Senator-District 10
The Florida Senate
Hernando Government Complex, Room 361
20 North Main Street
Brooksville, Florida 34601

Dear Senator Brown-Waite:

I apologize for not responding sooner to your letter concerning implementation of uniform rates, however, I was just leaving for out of town on vacation when your letter arrived.

The uniform rate issue was raised in the early stages of our 127 system rate case and was thoroughly litigated like all other issues in that case. We believe the Florida Public Service Commission's decision to implement uniform rates at SSU is in the best interest of our customers and Florida in general and we strongly support their decision.

I believe the Commission's decision was a reflection of their understanding of the urgency of the environmental and water supply problems we have in Florida and that changes must be made to exercise control at a state level. Water is a critical resource in ever increasing short supply and the move from localized to statewide control of water resources is consistent with the ratemaking policy ordered by the Commission. I anticipate that soon the Department of Environmental Protection will require all utilities to have inverted conservation rates and uniform rates will provide the foundation necessary to implement conservation rates on a statewide basis.

I would like to point out that the capital costs at issue in this case were not about building new and improved local systems or replacing dilapidated systems for the benefit of only those in the immediate surrounding community. These costs at the 127 systems were spent in large part to comply with federal and statewide environmental protection laws passed by Congress and the Florida Legislature to protect Florida's waterways and potable water supply for all Florida citizens. Enforcement of these laws lies in the Florida Department of Environmental Protection (FDEP).

Florida is unique in that the majority of its drinking water comes from one source, a series of interconnected underground aquifers which are extremely susceptible to depletion and pollution from just about any part of the State. The water systems SSU operates throughout the State are interconnected at the supply level (similar to electric companies)

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and that conservation and the environmental improvements we make and the environmental awareness of customers at one system can affect the water supply of other systems located in other parts of the State. The traditional view that systems are stand-alone just is not true. Florida is currently withdrawing more water each day from these aquifers than can be replenished through the natural hydrological cycle. To protect the potable water supply, Florida now enforces some of the toughest environmental protection laws in the country. It is these laws -- designed to prevent statewide aquifer depletion and pollution -- which the capital expenditures involved in this case are related.

The State has required very expensive capital improvements to meet environmental regulations and the impact on customers has been dubbed "rate shock." An example would be the water rates at Citrus County's Gospel Island Estates. Prior to our rate filing Gospel Island customers paid \$15.00 for 10,000 gallons of water. Under uniform rates they will now be paying \$16.90. If the Commission had ordered stand-alone rates, they would pay \$153.58. Capital improvements to meet new environmental regulations will affect virtually every system we operate and with uniform rates, everyone's rates will be more stable as the costs of environmental protection expenditures are spread across a larger customer base. This is of particular importance in Florida due to the large retiree population on fixed incomes.

A significant benefit of uniform rates is that it requires filings to be made on a consolidated basis which significantly reduces rate case expense which benefits all customers. A typical stand-alone rate case can cost as much as \$75,000 to \$150,000 per system depending on the complexity of the case and the amount of intervention. Our consolidated 127 system filing cost about \$1.3 million, or approximately \$10,000 per system. The consolidated filing resulted in a savings in rate case expense of anywhere from \$10 to \$19 million. This is extremely significant when you consider that the approved increase in the filing was \$6.7 million and if filed on a stand-alone basis the increase to all systems could have potentially doubled.

You may be unaware of this fact, but uniform rates aren't something new in the State of Florida. Most counties which run municipal water and wastewater services, including both Citrus and Hernando, have uniform rates for their unconnected water and wastewater systems. In fact, you may have voted for rates which were uniform as a Hernando County Commissioner. The FPSC has approved uniform rates for years, and SSU has had uniform rates approved dating back to the 70's. Other water utilities under FPSC jurisdiction such as Jacksonville Suburban also have statewide uniform rates. In addition, the electric and telephone companies have uniform rates. It is often argued that uniform rates are okay for electric companies because they are interconnected. In reality, electric utilities are no different than water utilities. In electric utilities, the power supply is interconnected by transmission lines, and, in water utilities, the water supply is interconnected by the aquifer. Someday, if there continues to be shortage of water, we may be interconnected by pipelines. In both electric and water utilities, the distribution systems are localized and unique to the areas they serve. This results in electric utilities

having costs which are higher in rural areas than urban areas due to density, yet they have uniform rates which are the same to all customers throughout the State.

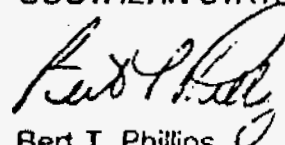
In our consolidated filing, 105 of the 127 systems in the filing obtain an immediate financial benefit from uniform rates, paying less than what stand alone rates would be. It is true that the other 22 systems pay slightly more, but they benefit in the long run for the reasons discussed above. In Citrus County, 10 of the 11 water systems we operate receive an immediate financial benefit from uniform rates. In addition, SSU's uniform water rates are extremely low compared to others in the State. In 1991, SSU surveyed the water rates of approximately 700 Florida investor-owned and government utilities. The monthly rates for 10,000 gallons of potable water ranged from \$3.57 to \$74.60. As you are aware, SSU's rate for this amount is now \$16.90 monthly. Even with the study being two years old, SSU's rates are very reasonable and competitive. We firmly believe that even the customers who are not receiving an immediate financial benefit are better off because of the protection of their potable water supply and because of the monetary benefits they will accrue in the future. They, in essence, will be paying for improvements a little as they go along, rather than suffering rate shock when significant investments are required by increasingly stringent environmental regulations. In Sugar Mill Woods, for example, our five year capital expenditure plan calls for \$4 million in environmental improvements, and, at Spring Hill, we project \$7.4 million in improvements.

While traditionally, water and wastewater rates have been set on a system by system basis, the water situation is no longer the same as it was traditionally. Water is now a statewide program and not just a local issue, and, with expensive regulatory requirements to protect the environment, uniform rates help minimize rate shock and keep rates in an affordable range.

For these reasons, SSU plans on implementing the Commission-approved uniform rates as it is legally entitled, and looks forward to presenting evidence in the upcoming rate structure proceeding to bring all of these issues to the forefront to commissioners who did not actively hear them in the just recently concluded docket. I hope you understand our position on this matter better now, and, if you have any questions, please feel free to call. ✓

Sincerely,

SOUTHERN STATES UTILITIES, INC.



Bert T. Phillips
President

cc: Bill Talbott, FPSC
Bill Peebles



General Offices

1000 Color Place
Apopka, FL 32703
(407) 880-0058

May 17, 1993

Dear Golden Terrace Customers:

Recently, there has been a great deal of publicity which may have given you the impression that all of SSU's customers in Citrus County will be detrimentally impacted by the recent decision of the Florida Public Service Commission to set statewide uniform water rates. The facts are that only one system -- Sugar Mill Woods -- will not receive an immediate financial savings for their water bills. You as an Golden Terrace customer will benefit tremendously.

Currently you are paying interim water rates of \$32.84 for 10,000 gallons. If the uniform rate decision stands, your water bill for 10,000 gallons will be reduced to \$16.90 per month, about a 50 percent savings. If Sugar Mill Woods' residents get their way and overturn the uniform rate decision, your rates on a stand alone basis will be around \$37.29 per month. And, it is not only your system which will benefit. Customers of ten out of 11 SSU systems in Citrus County will receive immediate financial relief.

The newspapers are talking about cross subsidization by having to pay for improvements to "dilapidated" plants hundreds of miles away. Dilapidated plants are not the issue. Most plants are in good shape. What has happened is Florida's environmental laws have changed forcing government-mandated environmental compliance modifications for the protection of the water supply that all Florida customers share, the State's aquifer system. And, yes over use of water and contamination hundreds of miles away can impact the source of supply for every water user statewide. Everyone in the State of Florida has an interest in protecting this single source of supply, which is finite and happens to be one of the State of Florida's most valuable and precious resources.

And, how to pay for these statewide aquifer protection environmental regulations is a matter of particular concern to most Floridians, particularly Florida's large retiree population who are on rigid fixed monthly incomes. Our retirees cannot afford severe rate shock. They are best served by a rate structure that is more stable and predictable with moderate increases comparable to those in their monthly checks. Some of our more affluent retirees, like those in Sugar Mill Woods who are fighting this decision, might not share this difficulty. But, again they are in the minority and should empathize with the majority.

And, the statewide approach to utility rate regulation is not new, a surprise or unique to our industry. It has applied to electric and telephone companies for years. And, they share some

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common supply lines, yet their area systems are stand alone and unique to the territory. Actually, the common thread of water utilities is that the statewide finite water supply is much more precious. You can make more power and build more telephone lines, but you can't make more water. You can also live, though not quite as comfortably without power and telephones, but you can't live without water. The water supply is limited and has to be protected and conserved.

The capital improvements are all made to that end, to the best interests of every state water user.

✓ The Florida Public Service Commission should be congratulated for boldly coming out with a very fair and logical change to the way water rates are set. Their decision recognized water as a statewide issue and not just a parochial matter of local concern. It also provides another method by which water can be conserved and protected by economic incentives and disincentives statewide.

In light of the fact that more Citrus County residents will benefit from uniform rates than will not, we do not understand why State Representative Paul Hawkes is opposing this decision. We ask that you make your views known to your County Commissioners, your legislators and the Public Service Commission.

Sincerely,



Ida M. Roberts
Manager of Communications
and Government Relations

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UTILITY SCORES
Chronicle, writer

Dear Citrus Chronicle Editor:
Again, we at Southern States Utilities take exception to both your most recent editorial and last Sunday's column comments by assistant managing editor Mike Wright.

Initially, we would like to make it perfectly clear that more Citrus County customers will immediately benefit from the Public Service Commission's decision to approve statewide uniform water rates than will not.

The Cospel Island Estates rates, cited by Mike Wright, were just one example. True, under the FPSC's uniform rate decision, they will be paying \$16.90 per month for 10,000 gallons compared to somewhere near \$150 a month.

There are another 2,800 customers in Citrus County who will immediately benefit financially from the FPSC's decision. Those are the customers of eight other water systems in Citrus County. They include the 1,750 water customers at Citrus Springs, who will pay \$16.90 a month vs. around \$30 per month. Then there are the Apache Shores customers, \$16.90 vs. \$46.36; Crystal River Highlands customers, \$16.90 vs. \$44.06; Golden Terrace customers, \$16.90 vs. \$37.29; Oak Forest customers, \$16.90 vs. \$23.93; Pine Ridge customers \$16.90 vs. \$22.59; Point O' Woods customers \$16.90 vs. \$31.26; Rolling Green customers, \$16.90 vs. \$41.34; Rosemont customers \$16.90 vs. \$41.34 per month.

As a matter of fact, it is only those fairly affluent and highly-vocal customers in Sugarmill Woods who will not see an immediate financial benefit.

Our questions in this regard are who is representing the majority of our Citrus County water customers who are benefiting from the FPSC decision? And, how far will one homeowner's association go to step on other customers and the State's best interest in protecting its water supply to keep from spending another few dollars each month? Which brings me to another issue.

Your paper talked about cross subsidization by having to pay for improvements to "dilapidated" plants hundreds of miles away.

Again, you missed the point. The issue here is not crumbling buildings. The State-mandated environmental compliance modifications are made for the protection of the water supply that all Florida customers share, the State's aquifer system. And, yes over use of water and contamination hundreds of miles away can impact

the source of supply for every water user statewide.

Everyone in the state of Florida has an interest in protecting this single source of supply, which is finite and happens to be one of the state of Florida's most valuable and precious resources.

And, how to pay for these statewide aquifer protection environmental regulations is a matter of particular concern to Florida's large retiree populations, particularly those who are on rigid fixed monthly incomes.

These retirees cannot afford sever rate shock. They are best served by a rate structure that is more stable and predictable with moderate increases comparable to those in their monthly checks.

Some of our more affluent retirees do not share this difficulty. But, again they are in the minority and should emphasize with the majority.

And, the statewide approach to utility rate regulation is not new, a surprise or unique to our industry. It has applied to electric and telephone companies for years. And, they share some common supply lines, yet their area systems are stand alone and unique to the territory. Actually, the common thread of water utilities is that the statewide finite water supply is much more precious.

You can make more power and build more telephone lines, but you can't make more water. You can also live, though not quite as comfortably without power and telephones, but you can't live without water. The water supply is limited and has to be protected and conserved.

The capital improvements are all made to that end, to the best interests of every state water user.

The Florida Public Service Commission should be congratulated for bodily coming out with a very fair and logical change to the way water rates are set.

Their decision recognized water as a statewide issue and not just a parochial matter of local concern. It also provides another method by which water can be conserved and protected by economic incentives and disincentives statewide.

Sincerely,
Ida M. Roberts
Manager of Communications
and Customer Relations

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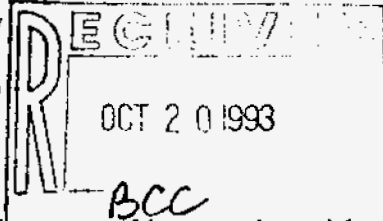


Southern States Utilities • 1000 Color Place • Apopka, FL 32703 • 407/880-0058

October 19, 1993

The Honorable Gary Bartell
Commissioner - Citrus County
110 N. Apopka Avenue
Inverness, Florida 34450-4290

- BCC
- ALS
- SJW
- KJD
- LMH



Dear Commissioner Bartell:

Because of voluminous publicity, most of it somewhat misleading, we wanted to take this opportunity to fully inform you of the impact on Citrus County residents of the Florida Public Service Commission's (FPSC) decision to allow SSU to charge uniform rates. In that regard, we are delighted to let you know that nearly 2,000 Citrus County SSU customers will receive an immediate rate reduction. They are being notified now that their reduction was effective September 15.

Because Citrus County operates four non-interconnected water and six non-interconnected wastewater systems and has uniform rates for these systems similar to what the FPSC ordered for SSU, we are sure you understand the efficiencies -- and thus cost savings for customers -- that this rate structure provides.

Systems whose rates are less under uniform rates than stand-alone rates are 13 of the 15 systems SSU operates in Citrus County. Their monthly savings for 10,000 gallons will range from \$5.69 to \$136.68. Only one group of customers in your area will be receiving slight increases. They are located in Sugar Mill Woods.

Below is a complete listing of all SSU systems in Citrus County, with comparisons for interim rates, stand-alone rates and uniform rates. Stand-alone rates represent the cost of service during 1991 if rates were developed individually for that system:

Monthly Bill for 10,000 Gallons (5/8" Meter)

<u>System</u>	<u>Interim Rates</u>	<u>Final Rates</u>		
		<u>Stand Alone</u>	<u>Uniform Rates</u>	<u>Reductions</u>
Apache Shores - water	\$56.95	\$46.36	\$16.90	
-wastewater	69.05	52.86	32.47	
		99.22	49.37	\$49.85
Citrus Springs - water	20.85	30.23	16.90	
-wastewater	44.10	25.92	32.47	
		56.15	49.37	6.78
Crystal River - water	13.68	44.05	16.90	27.15
Golden Terrace - water	32.84	37.29	16.90	20.39

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