

STATE OF FLORIDA

ORIGINAL

Commissioners:  
JULIA L. JOHNSON, CHAIRMAN  
J. TERRY DEASON  
SUSAN F. CLARK  
JOE GARCIA  
E. LEON JACOBS, JR.



DIVISION OF RECORDS & REPORTING  
BLANCA S. BAYÓ  
DIRECTOR  
(850) 413-6770

Public Service Commission

DATE: November 12, 1998  
TO: Parties of Record  
FROM: Blanca S. Bayó, Director *BSB*  
Division of Records and Reporting  
RE: DOCKET NO. 950495-WS - Application for rate increase and increase in service availability charges by Southern States Utilities, Inc. 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.

This is to inform you that the Commission has reported the following communication in the above-referenced docket.

- Letter from Representative Nancy Argenziano, dated November 4, 1998 together with Chairman Johnson's response, dated November 6, 1998.

The letters copies of which are attached, are being made a part of the record in these proceedings. Pursuant to Section 350.042, F.S. any party who desires to respond to an ex parte communication may do so. The response must be received by the Commission within 10 days after receiving notice that the ex parte communication has been placed on the record. Please mail your response to the Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0870.

- ACK \_\_\_\_\_
- AFA \_\_\_\_\_
- APP \_\_\_\_\_
- CAF \_\_\_\_\_
- CMU \_\_\_\_\_ BSB/cp
- CTR \_\_\_\_\_ Attachment
- EAG \_\_\_\_\_
- LEG \_\_\_\_\_ cc: Rob Vandiver/w/letter
- LIN \_\_\_\_\_
- OPC \_\_\_\_\_
- RCH \_\_\_\_\_
- SEC 1 \_\_\_\_\_
- WAS \_\_\_\_\_
- OTH \_\_\_\_\_

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DOCUMENT NUMBER - DATE

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STATE OF FLORIDA

JULIA L. JOHNSON  
CHAIRMAN



CAPITAL CIRCLE OFFICE CENTER  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0854  
(850) 413-6044

## Public Service Commission

November 6, 1998

The Honorable Nancy Argenziano  
Florida House of Representatives, District 43  
6216 W. Corporate Oaks Dr.  
Crystal River, Florida 34429

Dear Representative Argenziano:

Thank you for your letter of November 4, 1998. As I indicated to you earlier, I wanted to give everyone additional time to understand the recommendation. I have been informed that members of our staff will be at the Lecanto Government Building, Room 166, 3600 West Sovereign Path in Lecanto, Florida, at 10:30 a.m. on Monday, November 9, to meet with customers regarding the recommendation.

With regard to the questions you raised in your letter, please note that the First District Court of Appeal has reversed the Commission's order on several issues and left the Commission with no discretion to take further evidence on the reuse used and useful calculation, the equity adjustment, and issues for which the Commission admitted error.

Additionally, the Commission cannot at this time revisit any rate structure issue since rate structure has clearly been upheld by the Court. Therefore, it should be understood that under the approved rate structure, systems are grouped for ratemaking and there is no isolated revenue requirement responsibility for any specific service area.

Since we are left with no discretion to address those points described above in this remand proceeding, I have not addressed questions relating to those issues. The answers that I am able to provide you follow.

With respect to your stated concern that staff no longer recommends an evidentiary hearing, I must point out that staff has consistently recommended that we reopen the record on the two engineering issues. In the most recent recommendations, staff has recommended that we not unilaterally accept the utility's settlement offer. Instead, staff has recommended that we reopen the record on two engineering issues: the annual average daily flow and the lot count methodology. Staff has, however, provided us analysis on various options and scenarios in an attempt to give us and all of the parties the necessary information to resolve this reversal by the Court.

On the surcharge issue, the Florida Supreme Court has stated that surcharges are appropriate in cases in which the Commission has clearly erred. The Court has stated that the Commission has erred on the issues addressed above, therefore, staff has recommended that surcharges are required. Pursuant to that Supreme Court decision, all affected utility customers are responsible for the appropriate

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The Honorable Nancy Argenziano

Page 2

November 6, 1998

surcharges, if any are required. If we accept staff's recommendation to reopen the record on the two engineering issues, the potential surcharge amounts continue to grow. In the event that we or the Court subsequently find that the utility was entitled to the revenues associated with those engineering issues, a surcharge might ultimately be required at that date. Because of this possibility, staff has recommended that the utility begin collecting the revenues now subject to refund.

As to your concern with the 40/60 percentage split between base facility and gallonage charge, this issue was not appealed by any of the parties and is therefore, concluded. Consequently, all of the rates included in staff's recommendation utilize this allocation.

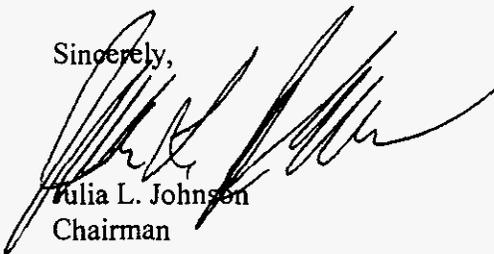
With respect to your question regarding the interim refund, those refunds cannot be determined until the resolution of the final revenue requirement. It is my understanding that the utility's offer of settlement is silent as to the disposition of the interim refunds. At the conclusion of this remand proceeding, I would expect that our staff will address the appropriate disposition of interim refunds, if any.

I note that staff's recommendation is only an advisory memorandum which sets forth its analysis and interpretation of the evidence in this docket. It is not binding on the Commissioners. At the Special Agenda Conference, the Commissioners will discuss the recommendation with staff who have not testified in the proceeding and can accept, reject, or modify it.

I hope that this information is useful to you and your constituents. For your convenience, I am having a copy of the Court's opinion and the staff recommendation express mailed to your office. As always we will endeavor to provide you, other members of the Legislature, and your constituency with as much information as possible in this proceeding and in others.

With kind regards, I am

Sincerely,



Julia L. Johnson  
Chairman

cc: Commissioner J. Terry Deason  
Commissioner Susan F. Clark  
Commissioner Joe Garcia  
Commissioner E. Leon Jacobs, Jr.  
Senator Ginny Brown-Waite  
Senator Anna P. Cowin  
Senator W. G. "Bill" Bankhead

Representative Janegale Boyd  
Representative Dave Russell  
Representative Mike Fasano  
Representative Robert K. Casey, M.D.  
Jack Shreve, Public Counsel

6216 W. Corporate Oaks Dr.  
Crystal River, FL 34429  
352-563-1204



1201 The Capitol  
400 S. Monroe St  
Tallahassee, FL 32399  
S.O. 188 0800

# Florida House of Representatives

Nancy Argenziano  
Representative, District 43

November 4, 1998

The Honorable Julia L. Johnson  
Chairman  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 3239-0850

Re: Special Agenda Conference in Docket No. 950495

Dear Chairman Johnson:

First, I want to thank you on behalf of myself, Senators Brown-Waite, Cowin, and Bankhead, and Representatives Casey, Russell, and Fasano, for deferring the Special Agenda Conference in Docket No. 950495 from November 2 and rescheduling it for November 13, 1998. Holding the conference the day before the general election presented obvious conflicts for those of us who might have wished to attend. I realize and appreciate the effort which was demanded of you to reschedule, thus providing our constituents an opportunity to read and digest the new recommendations, and commend you for your flexibility and graciousness.

The economic advantages and disadvantages represented by the staff's recently modified recommendation are not at all clear to me and many of my constituents. The deferment and the trip of your staff to this area should help clear the confusion. So I might more fully inform myself and my constituents on the merits of the staff's various proposals, I request that you prepare answers to the following questions, which are the result of discussions between myself and consumers whom I consider knowledgeable, and provide them to me, and the other elected officials requesting the deferral, prior to the staff's visit to Citrus County or by the end of this week.

I am concerned by what appears to be the staff's primary goal of either forcing acceptance of the utility's settlement offer or unilaterally imposing a similar result and, thus, ignoring an opportunity to defend two of the positions taken in the final order in this case. I am troubled by this because earlier positions had clearly benefitted consumers and because staff had earlier so adamantly stated it could successfully defend these positions through a new evidentiary hearing. What happened to their resolve? I am likewise troubled because the various settlement alternatives seem to clearly shift the financial responsibility of the remand to systems, including many serving my constituents, which may not be either legally or equitably responsible for them.

COMMITTEES: CRIME AND PUNISHMENT / ELDER AFFAIRS AND LONG TERM CARE / UTILITIES AND COMMUNICATIONS / WATER AND RESOURCE MANAGEMENT

Lastly, I am especially troubled by the suggestion of staff that the utility should be provided all the monies it might eventually win by both immediate prospective rate increases and through two year retro-active surcharges. The suggestion that consumers will appreciate this methodology as benefitting them by eliminating the possibility of later, large surcharges is problematic, as evidenced by my constituents' reaction to it. And I have been advised that legal authority or case precedent which would support awarding a utility revenues through the collection of current rates and surcharges which have not yet been found due the utility through an appropriate evidentiary hearing, is lacking. Am I correct, or does staff have case support for this alternative?

One of the goals of the questions that follow is to ascertain just what my various constituents "owe" by virtue of the court's reversal of the final order versus what they are obliged to pay under the utility's settlement offer and various of the staff's alternatives, most of which assume that the Commission and the consumers will be unable to defend the positions adopted in the last case. As I believe you know, at least some of my constituents do not share your staff's pessimism. An example of the clear disparity of what my constituents unequivocally owe under the court's opinion and what they are being asked to pay is demonstrated by the court-ordered equity adjustment. If I understand Schedule 1 to the staff's recommendation correctly, the total increase in revenues from the two equity adjustments is .65 % (.34 and .31), which I am told is the sole revenue responsibility of most of my constituents resulting from the reversal. Despite that, I understand staff pushed acceptance of the utility's settlement, which would result in an immediate increase in rates of at least 4.8 percent, followed by another increase of 1 percent or more. Is it unreasonable for my constituents, many of whom will receive little more than 1 percent increases to their fixed incomes this coming year, to elect paying less than one percent rather than close to ten times as much? Aside from that point, my constituents believe that the degree of existing and proposed forced subsidies are not clearly explained and we hope that your answers to the questions will be of assistance there.

1. Staff's Revised Memorandum of 10/21/98 includes Additional Schedules 5A and 5B, whose column headings include "Total Remand Revenue Requirement" and "Utility's Settlement Revenue Requirement." These columns show the revenue requirement before staff splits them up into the various capbands. However, both columns are influenced by either a subsidy cost or benefit for each utility system, including the systems in the \$52 and \$65 cap groups. With respect to the revenues required in each of these columns:

- A. What is the annual subsidy cost or benefit for each system?
- B. What would be the return on rate base for each system?
- C. What would be the return on equity for each system?

2. Schedules 4A and 4B to Staff's Revised Memorandum of 10/21/98 include column headings of "Final Order" and "Recommended Rates." These show the monthly water bill for a 5/8" X 3/4" meter with a usage of 10,000 gallons per month and the monthly wastewater bill at 6,000

gallons per month. However, neither the Commission's Final Order nor the Staff Memorandum shows what the capband revenue is for each system, including the \$52 and \$65 capped service groups based on the projected 1996 test year ERCs and usage. With respect to the rates shown in these columns:

A. What would be the system revenue for each of the respective columns for both water (including other income), and sewer. The \$52 and \$65 capped systems should be included.

B. What would be the subsidy cost or benefit for each system?

C. What would be the return on rate base for each system?

D. What would be the return on equity for each system?

E. I understand that the revenue split between the meter and gallonage charges was originally set at 40/60 percent in order to encourage conservation by placing the bulk on consumption. I am especially concerned with water conservation issues and would like to know what the split is currently for all the systems included in this rate case and under the remand proposals.

3. Also on Additional Schedules 5A and 5B, the column heading "Utility's Settlement Revenue Requirement" appears to be the alternate that Staff refers to in the Revised Memorandum. When the Staff makes their capband allocations, the rates are shown for the alternate in Additional Schedules 6A and 6B, but there are no schedules showing either the cost for the 10,000 gallons per month for water and the 6,000 for wastewater or the total revenue for each system. With respect to these columns:

A. What would be the capband revenue for each system?

B. What would be the 10,000 gallons per month water and the 6,000 gallons per month wastewater cost per customer?

C. What would be the subsidy cost or benefit per system?

D. What would be the rate of return on rate base?

E. What would be the rate of return on equity?

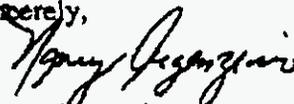
4. In Schedule 1, Lines 3 and 4 show the total utility "Correct Equity Adjustment for Refund" as \$195,251 or an average 0.34% increase in annual revenues. However, since none of the \$52 and the \$65 capped service area systems will absorb any of the equity cost, or any other increases for that matter, through increased rates, that shortage had to be made up by charging a subsidy to other systems. With respect to the equity adjustment associated with capped service area systems, but not collected from them:

- A. What would be the equity subsidy cost for each capband system?
- B. What would be the percentage equity subsidy for each capband system?
- C. Will that increase the return on rate base for the respective systems? If so, by how much?
- D. Will that increase the return on equity for each capband system? If so, by how much?
5. There does not seem to be any schedules showing what the revenue requirement would be for each system with the 4.8% utility settlement offer. Since the \$52 and the \$65 capped service systems will not be charged for any in the remand settlement offer, there must be subsidies to the capband systems to make up for the shortfall.
- A. What would be the revenue requirement from each system and percentage increase?
- B. What would be the subsidy cost or benefit per system?
- C. What would be the return on rate base?
- D. What would be the return on equity?

I am also advised that the final order provided that certain systems, including some in my district, were entitled to Interim Rate Refunds. As I understand it, all of the settlement alternatives being proposed by staff would completely eliminate the refund of these monies to any of the customers to whom they are owed. Is this true? If so, what is the total amount of Interim Rate Refunds owing and what specific systems are they owed to and in what amounts?

I may have other questions, but I think the answers to these will give my constituents a good start at determining whether or not any of the staff alternatives or the utility's proposed settlement is a "good deal" for them individually as opposed to just paying the monies specifically owing from them as mandated by the court and going to hearing on the issues allowed for by that court.

Sincerely,

  
Nancy Argenziano

cc: Public Service Commission Commissioners  
Senators Brown-Waite, Cowin, Bankhead  
Representatives Boyd, Russell, Fasano, Casey  
Public Counsel Jack Shreve

STATE OF FLORIDA

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## Public Service Commission

November 5, 1998

### MEMORANDUM

TO: Ms. Blanca Bayo, Director of Records and Reporting

FROM: Julia L. Johnson, Chairman

SUBJECT: Letter Received from Florida Representative Nancy Argenziano Regarding Docket No. 950495-WS, Application for rate increase and increase in service availability charges by Southern States Utilities, Inc. 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.

Please find attached a copy of a letter dated November 4, 1998, from Florida State Representative Nancy Argenziano, which references matters at issue in the above referenced proceeding. I received Representative Nancy Argenziano's letter on November 4, 1998. Because this letter addresses matters relevant to a pending proceeding, it is necessary to place this memorandum and attachment on the record of the above-referenced proceeding pursuant to section 350.042, Florida Statutes. Please give notice of this communication to all parties to the docket and inform them that they have 10 days from receipt of the notice to file a response.

JLJ:CJW:jbe

Attachment:

cc: Mary Bane (EXD/T)  
Lila Jaber (LEG)  
Ralph Jaeger (LEG)