

STATE OF FLORIDA

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DIVISION OF WATER & WASTEWATER  
DANIEL M. HOPPE, DIRECTOR  
(850) 413-6900

ORIGINAL

Public Service Commission

April 13, 2000

Carol and Jim Doherty  
P.O. Box 640  
Bokeelia, Florida 33922

Re: Application of Useppa Island Utility, Inc. For a Limited Proceeding to Increase Wastewater Rates in Lee County

Dear Carol and Jim:

Thank you for your comments regarding the limited proceeding for Useppa Island Utility, Inc. (Useppa or utility). I would like to address each of your concerns:

1) The utility's 1999 annual report shows utility wastewater revenues of \$82,021 with a net operating loss of \$27,128. Section 367.081(2)(a), Florida Statutes, states:

The commission shall, either upon request or upon its own motion, fix rates which are just, reasonable, compensatory, and not unfairly discriminatory. In every such proceeding, the commission shall consider the value and quality of the service and the cost of providing the service, which shall include, but not be limited to, debt interest; the requirements of the utility for working capital; maintenance, depreciation, tax, and operating expenses incurred in the operation of all property used and useful in the public service; and a fair return on the investment of the utility in property used and useful in the public service.

The Commission must allow the utility the opportunity to earn a fair return on its investment. We review each of the utility's expenses to determine if they are reasonable and prudent, and only allow expenses which are. Whether the utility earns that return depends on the efficiency of the utility.

2) The above referenced Statute states that the operating expenses and fair return on investment must be "used and useful" in the public service. Normally in a rate proceeding, staff engineers determine what portion of plant and operating expenses are used and useful to the current customers, and then establish service availability charges (or impact fees) for future residents. In the case of Useppa Island, there are 29 possible future lots. It was discovered at the customer meeting that each of these lots has a meter and is being billed a monthly base facility charge. This means that

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all lots are contributing to the cost of the utility and the upgraded plant, and therefore the plant and operating costs should be considered 100% used and useful.

3) The new wastewater plant which was mandated by the Department of Environmental Protection was necessary to serve both existing and future residents. As mentioned above, owners of the 29 unoccupied lots are also contributing to the cost of the utility by paying the monthly base facility charge.

4) We were advised of the utility's billing procedures at the April 6, 2000 customer meeting. On April 12, 2000, as a follow-up to the customer meeting, I sent the utility a copy of Rule 25-30.335, Florida Administrative Code, which outlines utility customer billing requirements. Subsection (1) states:

Except as provided in this rule, a utility shall render bills to customers at regular intervals, and each bill shall indicate: the billing period covered; the applicable rate schedule; beginning and ending meter reading; the amount of the bill; the delinquent date or the date after which the bill becomes past due; and any authorized late payment charge.

The utility was advised to immediately revise its billing procedures to include the meter readings, and conform to all other requirements of the rule.

5) When a utility's rates are designed during a rate case, as in Useppa's last rate case in 1996, consideration is given to the fact that not all water sent out in the distribution system is returned to the wastewater plant because of irrigation, boat cleaning, watering, etc. This is the reason a residential gallonage cap of 6,000 gallons was established in the utility's last rate proceeding. No matter how much water is consumed, a residential customer will not be billed for any wastewater gallons over 6,000 gallons per month. The wastewater gallonage cap does not apply to commercial or general service customers who normally return about 97% of their water to the utility's wastewater plant.

6) The general service wastewater rates for meter sizes over 3/4" were not included in the utility's filing. When new wastewater rates are designed during this proceeding, rates will include base facility charges for all meters.

7) The quality of the utility's service is continually monitored, not just in a rate case. We are reviewing the service availability, water pressure, and billing procedures of the utility during this rate case. If a customer ever has a quality of service concern outside the scope of a rate case, he may contact our Consumer Affairs Division at its toll free number of 1-800-342-3552.

I hope this answers the questions you had in your letter. As an update, after reviewing the utility's 1999 annual report, we have decided to audit the utility's books using a calendar test year ending December 31, 1999. We are doing this to insure that the utility will not overearn on an

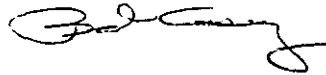
Carol and Jim Doherty

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overall basis should staff recommend approval of the requested wastewater revenue increase. Although the utility's 1999 annual report showed a wastewater net operating loss of \$27,128, it also showed a net operating income of \$49,247 for the water system. We anticipate a 60-90 day audit timeframe. The original recommendation filing date and Commission agenda date will have to be postponed pending the audit. Your name has been entered in this docket file as an interested party, so you will receive a copy of the staff recommendation and resulting Commission order. A copy of your letter will also be placed in the official docket file for review by any interested parties. If you have any questions, please don't hesitate to contact me at (850) 413-6974.

Sincerely,



Robert J. Casey  
Professional Accountant Specialist

RJC

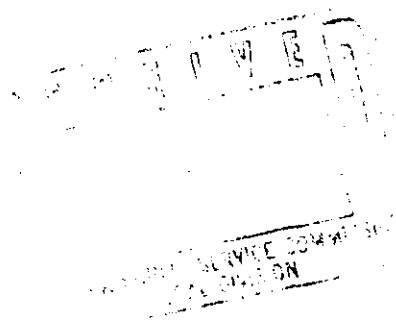
cc: Division of Water and Wastewater (Willis, Rendell, Crouch, Ted Davis, Wetherington)  
Division of Legal Services (Brubaker)  
Division of Records and Reporting (000090-WS)  
Useppa Island Utility, Inc.

*Legal*

Director Division of Records and Reporting  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

Comments in reference to "Docket No. 000090-SU, Useppa Island Utility Inc.

- A net operating loss of 15% should not be a factor in a rate increase. What does the 1999 annual report reflect? Productivity, management efficiency, and sound business practices should be able to erase a 15% operating loss, not a 20% rate increase on current customers.
- Should a rate increase be used to cover the expense of added capacity mandated by development since 1997 and into the future? Should the development company pay for the need for added capacity rather than current customers?
- The relationship between the Utility Company's need for added capacity and the development company's development since 1997 need to be considered, not just a rate increase.
- The accuracy of meter readings and billings is a frequent concern of customers. Are all users of water properly metered? Monthly billings do NOT include actual meter readings, only amounts due.
- Much of the water used is not cycled through the waste water treatment plant i.e. water used for "irrigation", watering, cleaning boats. Should there be an ability to have separate meters to accurately reflect what is really waste water?
- Why are the general service rates for meter sizes 3/4" and above NOT requested for an increase.
- Overall, quality of service is GOOD with much needed room for improvement in service availability, water pressure, and confidence in the accuracy of billing statements.



Carol and Jim Doherty  
PO Box 640  
Bokeelia, FL 33922  
941-283-0738  
610-566-8413 (after 4/25/00)

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Systems Personnel Inc.

115 West State Street  
Media, Pennsylvania 19063

*D. J. ...*