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Public Service Commission

February 23, 2017

Mr. and Mrs. Vergnolle
3724 Harbor Drive
Saint Augustine, FL 32084

RECEIVED-FPSC
2017 FEB 23 PM 4:40
COMMISSION
CLERK

Re: Docket No. 160145-WU - Application for limited revenue proceeding in St. Johns County, by Camachee Island Company, Inc d/b/a Camachee Cove Yacht Harbor Utility

Dear Mr. and Mrs. Vergnolle:

Thank you for your letter in which you expressed concerns regarding Camachee Cove Yacht Harbor Utility's (Camachee) application for a limited revenue proceeding. To ensure that the Commissioners and Commission staff have knowledge of your concerns, your letter has been placed on the correspondence side of the docket file for all to review.

We understand your concerns regarding Camachee's request for a limited proceeding to increase rates to recover a previously approved revenue requirement and several price index increases. With respect to the development of rates, the Commission is required to set rates that are just, reasonable, compensatory, and not unfairly discriminatory as stated by Chapter 367, Florida Statutes.

Camachee's rates and charges were last approved in a staff-assisted rate case by Order No. PSC-10-0126-PAA-WU, issued March 3, 2010, in Docket No. 090230-WU and were designed to produce revenues of \$114,439. Subsequently, Camachee had several price index rate increases, which resulted in additional revenues of \$10,867. This results in total authorized annual revenues of \$125,306 (\$114,439 + \$10,867). As reported in the utility's application for a limited proceeding increase in rates, the utility's revenues under Commission-approved rates for calendar year 2015 were \$77,633. As you can see, the utility's rates did not generate the revenues approved by this Commission.

Camachee contends that a considerable reduction in usage is the reason the utility is unable to generate the authorized revenues. There were 9,344,000 annual gallons of water used for rate setting in Camachee's last staff-assisted rate case. Staff reviewed billing determinants from the year ended 2016 and found a total usage of 7,558,533 gallons of water. This is consistent with Camachee's average annual usage of 7,505,000 gallons of water between 2009-2015. Staff found that 43 percent of the decline in gallons was attributed to residential customers of the utility.

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In Camachee's last staff assisted rate case, \$47,000 of revenue was allocated to salaries and wages expense. In Camachee's 2015 annual report, the utility reported salaries and wages expense of \$72,938. If salaries and wages or any other expense have increased for Camachee, or if the Marina is allocating expenses to the utility, it ultimately has no affect on this proceeding because Camachee is only requesting to recover the costs that were originally approved in the company's last rate case. In addition, the utility cannot favor the marina with a lower rate and is required to charge only the approved rates and charges in its tariff. If the utility is found to be charging a special, lower rate to the marina then the Commission can take action against the utility.

As for the proposed deficiencies within the PSC Special Report handed out at the customer meeting for Camachee on October 17, 2016, staff used the Base Facility Charge for the 5/8" by 3/4" in calculating the average monthly bill at 3,000 gallons which is \$20.69. This is the typical methodology used for calculating an average residential bill comparison. It is correct, although, if a customer has a 3/4" meter (instead of 5/8" x 3/4") and 3,000 gallons of usage, the bill would be \$27.62 as stated in your letter. The same procedure applies to other information contained in the special report.

The Commission cannot require a utility to file for a staff assisted rate case, which is a full rate proceeding where the utility requests and obtains staff assistance for the purpose of changing its rates and charges. Although expenses have risen, as pointed out in the utility's annual reports, Camachee is not requesting to recover additional revenues, but only the revenues that were approved in 2010 and the subsequent revenues from price index increases. In the past, the Commission has approved limited proceeding requests to have rates adjusted to produce previously authorized revenues. Staff's recommendation is tentatively scheduled to be filed on February 23, 2017, in Docket No. 160145-WU. The Commissioners are scheduled to vote on staff's recommendation at the March 7, 2017 Commission Conference.

Staff appreciates your inquiry and interest in this docket. If you have any additional questions, or require assistance, please feel free to contact Charles Johnson at (850) 413-6676 or by email at ChJohnso@psc.state.fl.us.

Sincerely,



Shannon J. Hudson
Economic Supervisor
Division of Economics

cc: Office of Commission Clerk (Docket No. 160145-WU)
Office of Public Counsel
Camachee Cove Yacht Harbor Utility