

FLORIDA PUBLIC SERVICE COMMISSION
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MEMORANDUM

JULY 2, 1997

RECEIVED

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FPSC - Records/Reporting

TO: DIRECTOR OF RECORDS AND REPORTING (BAYO) *MS*

FROM: DIVISION OF WATER AND SEWER (CHASE, WALKER, REDEMANN) *MS*
DIVISION OF LEGAL SERVICES (CAPELESS) *MS*

RE: DOCKET NO. 970210-WS - APPLICATION BY UNITED WATER
FLORIDA INC. FOR AMENDMENT OF CERTIFICATES NOS. 236-W AND
179-S AND FOR LIMITED PROCEEDING TO ADJUST RATES IN ST.
JOHNS COUNTY

AGENDA: JULY 15, 1997 - PROPOSED AGENCY ACTION FOR ISSUES NOS. 1,
3 and 4 - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: I:\PSC\WAW\WP\970210.RCM. This item should
follow the item which addresses the recommendation filed in Docket
No. 970209-WS.

DOCUMENT NUMBER - DATE

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FPSC-RECORDS/REPORTING

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CASE BACKGROUND

On February 19, 1997, United Water Florida Inc. (UWF), a Florida corporation formerly known as Jacksonville Suburban Utilities Corporation, filed an application for amendment of its operating certificates (Certificates Nos. 236-W and 179-S) to include additional territory in St. Johns County. The amendment concerns customers formerly served by Sunray Utilities - St. Johns, Inc. (Sunray), a wholly-owned subsidiary of Rayonier, Inc. In 1995, Sunray was serving two customers - a commercial customer with a 2 inch meter and a homeowners association (the Cimaronne Property Owners Association) that is served through an 8 inch master meter.

UWF provides water and wastewater service for three neighboring counties in northeast Florida: Duval, St. Johns, and Nassau. The Commission has previously found that UWF's facilities are functionally related and comprise a single utility system whose service transverses county boundaries. UWF has asked the Commission to reaffirm its jurisdiction over UWF's operating facilities in St. Johns County for this proceeding.

In this proceeding, UWF also asked the Commission to establish a rate base balance for the acquired facilities. In addition, with two exceptions, UWF has requested authority to implement its own rates and charges in the Sunray area. The exceptions concern retention of Sunray's plant capacity and guaranteed revenue charges. This is discussed further in Issue 4. A customer meeting was conducted on June 12, 1997.

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DISCUSSION OF ISSUES

ISSUE 1: Is it within the Commission's jurisdiction to process the application of UWF for amendment of its water and wastewater certificates to include the Sunray facilities in St. Johns County and for a limited proceeding to adjust rates?

RECOMMENDATION: Yes, if UWF acquires the Sunray facilities, they would become a portion of UWF's single system whose service transverse St. Johns, Nassau and Duval county boundaries. For this reason, the application for amendment and limited proceeding is within the jurisdiction of the Commission pursuant to Section 367.171(7), Florida Statutes. (CHASE, CAPELESS)

STAFF ANALYSIS: As noted in the case background, UWF filed an application for amendment of its water and wastewater certificates to include the Sunray facilities in St. Johns County and for a limited proceeding to adjust rates. In this application, UWF petitions the Commission to affirm that it has jurisdiction over UWF and the Sunray facilities in St. Johns County and to exercise such jurisdiction. Since the Commission does not have jurisdiction over water and wastewater utilities in St. Johns County, staff believes it is necessary to determine whether this application is subject to Commission jurisdiction before addressing the specific issues in the case.

Pursuant to Section 367.171(7), Florida Statutes, the Commission has exclusive jurisdiction over "all utility systems whose service transverse county boundaries," whether or not the counties are jurisdictional. The term "system" is defined in Section 367.021(11), Florida Statutes, as "facilities and land used or useful in providing service, and, upon a finding by the [C]ommission, may include a combination of functionally related facilities and land."

In Board of County Com'rs of St. Johns County v. Beard, 601 So. 2d 590 (Fla. 1st DCA 1992), the First District Court of Appeal specifically addressed the interpretation of Sections 367.021(11) and 367.171(7), Florida Statutes. The court affirmed Commission Order No. 24335, issued April 8, 1991, in Docket No. 910078-WS, which found that facilities owned by Jacksonville Suburban Utilities Corporation (now known as UWF) in Duval, Nassau and St. Johns counties constitute a single system, whose service transverse county boundaries. The court noted the functional interrelatedness of the facilities, both operational and administrative, and that physical connection was not necessary to support the finding. Id. at 593. The court stated that:

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[t]hus, the evidence supports the PSC's finding that JSUC's facilities constitute "a combination of functionally related facilities and land"; in a word, a "system". Because the service provided by this system crosses county boundaries, it is clear that the PSC has exclusive jurisdiction over JSUC pursuant to subsection 367.171(7).

Id.

In Hernando County v. FPSC, 685 So. 2d 48 (Fla. 1st DCA 1996), the court reversed a Commission order determining that the Commission has jurisdiction over existing facilities and land of Southern States Utilities, Inc., in Florida. The court concluded that "the relevant inquiry when determining the existence of jurisdiction under section 367.171(7) is the actual inter-relationship of two or more facilities providing utility services in a particular geographic area comparable to the 'service area' defined in section 367.021(10), over which the PSC ordinarily has jurisdiction." Id. at 52. The court further concluded that "the requirements of this statute can only be satisfied by evidence that the facilities forming the asserted 'system' exist in contiguous counties across which the service travels." Id. Further, the court noted that "to satisfy the prerequisites of section 367.171(7), the PSC must find that 'the systems were operationally integrated, or functionally related, in . . . utility service delivery [rather] than fiscal management.'" Id. at 51 (quoting Citrus County v. Southern States Utilities, 656 So. 2d 1307, 1310 (Fla. 1st DCA), review denied mem., 663 So. 2d 631 (Fla. 1995)).¹ We note that the court found Beard to be both factually and legally distinguishable. Id.

The jurisdictional question presented in this case is whether the acquisition by UWF of the Sunray-St. Johns facilities would result in those facilities being functionally related to UWF's other facilities such that they would become a portion of UWF's

¹Subsequent to the Beard decision, but prior to Hernando County v. FPSC, UWF acquired three additional water and wastewater facilities -- San Pablo and Atlantic in Duval County and Ponte Vedra in St. Johns County. In the utility's recent rate case, by Order No. PSC-97-0168-FOF-WS, issued May 30, 1997, in Docket No. 960451-WS, the Commission accepted stipulations indicating that the evidence in that proceeding showed that UWF's facilities and land are functionally related and form a single system whose service transverse county boundaries, and that the Commission has exclusive jurisdiction over UWF's facilities in all three counties.

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single system whose service transverses county boundaries. If so, pursuant to Section 367.171(7), Florida Statutes, the Commission has jurisdiction to process the utility's application. For the following reasons, Staff believes this to be the case, under either, or both, the Beard and Hernando County v. FPSC opinions.

UWF addressed this issue in its application and provided further information and clarification in response to a staff letter. UWF is providing water and wastewater service in three adjoining counties, including twenty water and seven wastewater facilities in Duval County, eight water and three wastewater facilities in St. Johns County, and one water and two wastewater facilities in Nassau County. Both Nassau and St. Johns Counties are contiguous to Duval County, a factor which the Hernando County court pointed out in distinguishing the Beard case. Hernando County v. FPSC, 685 So. 2d at 51. The utility operates in a manner in which the various facilities are treated as a single system whose service transverses all three county boundaries. Decisions are made for the entire system serving the three counties.

Specifically, UWF manages all of its facilities from its office in Duval County, which is centrally located to all of its service areas. In terms of driving time from the office, it takes approximately the same amount of time to reach the most remote service area in each of the three counties. The central office personnel in Duval County provide the same utility services throughout the service areas in the three counties, including engineering, operation, maintenance, testing, customer service, accounting, purchasing, planning, budgeting, personnel and other administrative functions. The utility employs a monitoring system in all of its facilities known as the Supervisory Control and Data Acquisition (SCADA) system. Under the SCADA system, all facilities are monitored by on-site personnel 16 hours a day and by the use of alarm and pager systems for the other 8 hours each day. Also, UWF is in the process of preparing a utility master plan which will address the need for and timing of construction projects to improve or increase the capacity of all of the utility's facilities, wherever located.

According to the utility, the acquisition of the Sunray facilities in St. Johns County will not change this organization or method of operation. In fact, since UWF is currently operating Sunray's facilities under an Operation and Management Agreement, this facility is already being treated for the most part as if it were another facility in UWF's single utility system. Under this Agreement, the Sunray facilities are being operated from Duval County in the same manner as UWF's facilities, as discussed above.

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If the acquisition is completed, this will obviously not change. In addition, once Sunray is acquired, UWF plans to improve the facilities, including an anticipated physical interconnection with UWF's St. John's North facilities, which are in close proximity. Further, UWF plans to make the Sunray facilities part of the SCADA monitoring system discussed above and other ongoing system enhancements, such as planned improvements in the water treatment processes to be in compliance with lead and copper rules.

Based on the above, staff believes that, if the Sunray facilities are acquired by UWF, they would be functionally related to the other facilities owned by the utility in St. Johns, Nassau and Duval counties and would thus become a portion of UWF's single utility system, within the meaning of Chapter 367.021(11), Florida Statutes. For this reason, staff believes that the application for amendment and limited proceeding is within the jurisdiction of the Commission pursuant to Section 367.171(7), Florida Statutes.

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ISSUE 2: Should Certificates Nos. 236-W and 179-S be amended to include former service areas of Sunray?

RECOMMENDATION: Yes, provided Issue 1 is approved, the requested amendment should be approved. (WALKER, REDEMANN)

STAFF ANALYSIS: On August 21, 1996, Sunray and UWF's parent organization, United Waterworks Inc. (United Waterworks) entered into an Agreement of Purchase and Sale concerning the intended purchase by United Waterworks of the water and wastewater facilities owned and operated by Sunray in St. Johns County. That agreement also provided for a subsequent transfer of the utility system to UWF as a contribution to the utility's capital account. This capital contribution accords with the accounting procedures used in UWF's most recent rate proceeding to identify the cost of capital for ratemaking purposes. In that proceeding, United Waterworks's capital structure was used to determine UWF's cost of capital for ratemaking purposes.

In 1996, Sunray provided water and wastewater service in St. Johns County (County) pursuant to operating certificates that were issued by the County rather than by this Commission. Therefore, on February 18, 1997, United Waterworks, Sunray, and UWF filed a joint application with the County Water and Sewer Authority for authority to transfer Sunray's certificates in St. Johns County to UWF. On April 2, 1997, the Authority met and approved the requested transfer. That approval was affirmed by the Board of County Commissioners of St. Johns County on April 22, 1997. Thus, UWF's acquisition of the Sunray system has already been approved by the County. In this proceeding, UWF has asked the Commission to confirm that the addition of the Sunray facilities to UWF's facilities and land will result in Sunray's facilities becoming a part of UWF's functionally related facilities and land, and will result in Sunray's facilities becoming a part of UWF's single utility system whose service transverse county boundaries. Staff's recommendation on this request is addressed in Issue 1. Upon such a finding, UWF has proposed amending its Commission-issued operating certificates (236-W and 179-S) to include Sunray's service area in St. Johns County.

The application is in compliance with the governing statute, Section 367.045, Florida Statutes, and other pertinent statutes and administrative rules concerning an application for amendment of a certificate. The application contains a check in the amount of \$2,000, which is the correct filing fee pursuant to Rule 25-30.020, Florida Administrative Code. The filing fee includes \$1,000 for amendment of its water and wastewater certificates and \$1,000 to process the limited proceeding portion of this case.

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The applicant has provided proof that Sunray owns the land upon which its treatment facilities are located pursuant to Rule 25-30.037(2)(q), Florida Administrative Code.

The application contains proof of compliance with the noticing provisions set forth in Rule 25-30.030, Florida Administrative Code, including notice to the customers of the system to be acquired. No objections to the notice of application have been received and the time for filing such has expired.

A description of the territory requested by UWF is appended to this memorandum as Attachment A.

We believe the public interest is served by approving the proposed amendment of UWF's operating certificates to include Sunray's service area in St. Johns County. We believe that UWF has the financial and technical abilities needed to provide water and wastewater service for the Sunray service area. UWF and its affiliates have been engaged in owning and operating utility systems for over one hundred years. The utility systems owned by the consolidated companies provide service to more than two million individuals in thirteen states. UWF has provided service in Northeast Florida for more than twenty-five years. We believe that UWF possesses the financial, managerial, and technical capabilities needed to assure satisfactory service for this system. We further believe that UWF has shown that its superior financial condition will enable it to attract sufficient capital in order to meet existing and future construction requirements. Further, UWF reported that Rayonier, Sunray's parent company, has agreed to sell all of its utility assets to UWF because it is no longer interested in providing utility service. In contrast, UWF serves a large service area with many customers. This greater customer base should reduce the frequency and necessity for rate increases due to inherent economies of scale.

We have contacted the Department of Environmental Protection (DEP) concerning Sunray's compliance status regarding any outstanding Notices of Violation or any DEP consent orders. We were informed that this system is not subject to any outstanding Notices of Violation or consent orders. In addition, UWF reported that after reasonable investigation, it found that Sunray's system is in satisfactory condition and is in compliance with all DEP operating standards.

The application contains a copy of the contract for sale which includes the purchase price, terms of payment and a list of the assets purchased and the liabilities assumed.

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Based on the above, staff believes that amendment of Certificates Nos. 236-W and 179-S to include the former Sunray service areas in St. Johns County is in the public interest and should be approved, provided the Commission approves Issue 1 of this recommendation.

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ATTACHMENT A

UNITED FLORIDA WATER INC.
SUNRAY UTILITIES - ST. JOHNS COUNTY, INC.
TERRITORY DESCRIPTION

IN St. JOHNS COUNTY, FLORIDA, THE FOLLOWING LANDS IN TOWNSHIP 5 SOUTH,
RANGE 27 EAST:

All of Section 1, LESS AND EXCEPT, the North $\frac{1}{2}$ of the NE $\frac{1}{4}$ of said section.

ALL OF SECTION 2, LESS AND EXCEPT Northeast $\frac{1}{4}$; further LESS AND EXCEPT the Southeast $\frac{1}{4}$; and further LESS AND EXCEPT the Easterly $\frac{1}{2}$ of the Northwest $\frac{1}{4}$ of said section.

ALL OF SECTION 3.

ALL OF SECTION 4, LESS AND EXCEPT the Northerly $\frac{1}{2}$ of said section; further LESS AND EXCEPT the Northerly $\frac{1}{2}$ of the Southeast $\frac{1}{4}$; and further LESS AND EXCEPT the Northerly $\frac{1}{2}$ of the Southwest $\frac{1}{4}$ of said section.

IN SECTION 5, ALL OF THE Southeasterly most $\frac{1}{4}$ of the Southeast $\frac{1}{4}$ of this fractional section.

ALL OF SECTIONS 9, 10, 11, 12, 13, 14, and 15.

ALL OF THE South $\frac{1}{2}$ of the Northeast $\frac{1}{4}$, together with the South $\frac{1}{2}$ of the Southeast $\frac{1}{4}$, of SECTION 16.

ALL OF SECTIONS 17 AND 21.

ALL OF SECTION 22, LESS AND EXCEPT the South $\frac{1}{2}$ of the Northeast $\frac{1}{4}$; further LESS AND EXCEPT so much of the Southeast $\frac{1}{4}$ as may lie Southerly of the Right of Way of State Road 210.

ALL OF SECTION 23, LESS AND EXCEPT so much of the Southwest $\frac{1}{4}$ that may lie Southerly of State Road 210; further LESS AND EXCEPT the Southwest $\frac{1}{4}$ of the Southeast $\frac{1}{4}$.

ALL OF SECTION 24.

ALL OF SECTION 25, LESS AND EXCEPT the Southeast $\frac{1}{4}$ of the Southeast $\frac{1}{4}$ of the Southeast $\frac{1}{4}$.

ALL OF SECTIONS 26, 27 AND 28.

ALL OF THAT CERTAIN TRACT OR PARCEL OF LAND LYING IN THE Northerly most $\frac{1}{4}$ of SECTION 32; together with the Southeast $\frac{1}{4}$ of the Northeast $\frac{1}{4}$, of said Section 32.

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(Cont'd: Township 5 South, Range 27 East)

ALL OF SECTION 33, LESS AND EXCEPT the Easterly $\frac{1}{2}$ of the Southeast $\frac{1}{4}$ of the Northwest $\frac{1}{4}$; further LESS AND EXCEPT the Easterly $\frac{1}{2}$ of the Northeast $\frac{1}{4}$ of the Southwest $\frac{1}{4}$; further LESS AND EXCEPT the Southwest $\frac{1}{4}$ of the Northeast $\frac{1}{4}$ of the Southwest $\frac{1}{4}$ of the Southwest $\frac{1}{4}$; further LESS AND EXCEPT the South $\frac{1}{2}$ of the Northwest $\frac{1}{4}$ of the Southwest $\frac{1}{4}$; further LESS AND EXCEPT the Southwest $\frac{1}{4}$ of the Southwest $\frac{1}{4}$; further LESS AND EXCEPT the Southeast $\frac{1}{4}$ of the Southeast $\frac{1}{4}$, of said section.

ALL OF SECTION 34, LESS AND EXCEPT the Southwest $\frac{1}{4}$ of the Southwest $\frac{1}{4}$ of said section.

ALL OF SECTION 35.

ALL OF SECTION 36, LESS AND EXCEPT THE EASTERLY $\frac{1}{2}$ OF THE SOUTHWEST $\frac{1}{4}$ OF SAID SECTION.

ALL OF SECTION 41.

IN ST. JOHNS COUNTY, FLORIDA, THE FOLLOWING LANDS IN TOWNSHIP 5 SOUTH, RANGE 28 EAST:

ALL OF SECTIONS 4, 5, and 6 lying South of Race Track Road.

ALL OF SECTION 7, LESS AND EXCEPT the Southwest $\frac{1}{4}$ of the Southeast $\frac{1}{4}$ of said section.

ALL OF SECTIONS 8, 9, 16, AND 17.

ALL OF SECTION 18, LESS AND EXCEPT the Northeast $\frac{1}{4}$ of the Southeast $\frac{1}{4}$; further LESS AND EXCEPT to much of the Northeast $\frac{1}{4}$ of the Northeast $\frac{1}{4}$ of the Northeast $\frac{1}{4}$ as may lie Northerly of the right of way of Russell Sampson Road (a 60' right of way in Section 18).

ALL OF SECTIONS 19, 20, 21, 28, 29, 30, 31, 32, 40, 41 AND 46.

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ISSUE 3: What is the rate base of Sunray Utilities - St. Johns, Inc., at the date of acquisition?

RECOMMENDATION: The rate base amount, which for acquisition purposes reflects the net book value, is \$784,380 for the water system and \$1,355,089 for the wastewater system. By design, the purchase price for this system will conform with the verified net plant balance for Sunray's facilities. Therefore, an acquisition adjustment will not be recorded. (WALKER)

STAFF ANALYSIS: UWF has asked the Commission to establish rate base values for the acquired systems to thereby match their net book values at the closing date. Per the application, when the relative investments are examined as of December 31, 1995, the reported net book values were \$865,720 and \$1,216,229 for the respective water and wastewater systems. As noted below, the staff auditor updated the net plant balance through December 31, 1996, to reflect more current information. Also, per the purchase agreement, the seller and buyer agreed that the purchase price for the acquired systems would exactly match the net book balance at the closing date. The agreement further provided that the net book balances would be subject to verification as to compliance with any prescribed accounting principles. Thus, since UWF's purchase price will exactly match the net book value, there will be no acquisition adjustment in this case. An acquisition adjustment results when the purchase price differs from the original cost calculation. In the absence of extraordinary circumstances, it has been Commission policy that a subsequent purchase of a utility system at a premium or discount shall not affect the rate base calculation. In this proceeding, the purchase price and the net book value will be identical and, thus, an acquisition adjustment is not encountered in this case.

Sunray's rate base has not been established by the County or by the Commission in any previous order. Instead, Sunray's initial rates were determined based on anticipated plant balances rather than audited records. Thus, the rate base determination in this case required examination of Sunray's accounting records since its inception. The audit examination was conducted for the period ending December 31, 1996. The audit disclosed that the recorded values on Sunray's books for its St. Johns system were supported by appropriate accounting records in all material respects. Two adjustments was proposed: a) reclassification of a \$7,500 expenditure from the water system to the wastewater system and b) inclusion of \$2,772 to represent general plant which was omitted from Sunray's reported plant balances, less associated depreciation. The recommended rate base balances are \$784,380 for

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the water system and \$1,355,089 for the wastewater system as of December 31, 1996.

Staff's recommended rate base balance for the respective water and wastewater systems are attached as Schedule No. 1. Adjustments are reviewed on Schedule No. 2. Based on the adjustments set forth herein, staff recommends that rate base amounts for this proceeding should be \$784,380 for water and \$1,355,089 for wastewater. These rate base calculations are used purely to establish the net book value of the property being transferred and do not include the normal ratemaking adjustments for working capital or used and useful adjustments.

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SCHEDULE NO. 1

SUNRAY - ST. JOHNS, INC.
SCHEDULE OF WATER RATE BASE
AS OF DECEMBER 31, 1996

<u>Description</u>	<u>Balance per Utility</u>	<u>Adjust</u>	<u>Balance per Staff</u>
Utility Plant in Service	\$1,109,044	(\$6,114)	\$1,102,930
Accumulated Depreciation	(\$255,199)	(\$831)	(\$256,030)
CIAC	(\$76,360)	\$0	(\$76,360)
Accumulated Amortization	<u>\$13,840</u>	<u>\$0</u>	<u>\$13,840</u>
Totals	<u>\$791,325</u>	<u>(\$6,945)</u>	<u>\$784,380</u>

SUNRAY - ST. JOHNS, INC.
SCHEDULE OF WASTEWATER RATE BASE
AS OF DECEMBER 31, 1996

<u>Description</u>	<u>Balance per Utility</u>	<u>Adjust</u>	<u>Balance per Staff</u>
Utility Plant in Service	\$1,891,679	\$8,886	\$1,900,565
Accumulated Depreciation	(\$321,858)	(\$831)	(\$322,689)
CIAC	(\$236,382)	\$0	(\$236,382)
Accumulated Amortization	<u>\$13,595</u>	<u>\$0</u>	<u>\$13,595</u>
Totals	<u>\$1,347,034</u>	<u>(\$6,945)</u>	<u>\$1,355,089</u>

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SCHEDULE NO. 2

<u>EXPLANATION OF ADJUSTMENTS</u>	<u>WATER</u>	<u>WASTEWATER</u>
<u>PLANT IN SERVICE</u>		
a) Reclassify plant account	(\$7500)	\$7500
b) General Plant - breathing apparatus	\$750	\$750
c) General Plant - ADT Security	<u>\$636</u>	<u>\$636</u>
	<u>(\$6,114)</u>	<u>\$8,886</u>
<u>ACCUMULATED DEPRECIATION</u>		
a) Adjustments to reserve accounts due to adjustments to plant	<u>(\$831)</u>	<u>(\$831)</u>

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ISSUE 4: Should the Commission grant UWF's request to adopt its existing rates and charges for the Sunray system while retaining Sunray's plant capacity and guaranteed revenue charges?

RECOMMENDATION: Yes. If Issue 1 is approved, the Commission should grant UWF's request to adopt its existing rates and charges for the Sunray system while retaining Sunray's plant capacity and guaranteed revenue charges. (WALKER)

STAFF ANALYSIS: By way of a limited proceeding filed pursuant to Section 367.0822, Florida Statutes, UWF has requested that Sunray's rates be changed to conform with the rates UWF uses for its single operating system, with two exceptions. Those exceptions concern retention of Sunray's plant capacity and guaranteed revenue charges.

UWF's approved rates and charges were effective May 19, 1997, by Order No. PSC-97-0618-FOF-WS, issued May 30, 1997, in Docket No. 960451-WS. On June 16, 1997, UWF filed a motion for reconsideration of certain portions of that Order, which motion is currently pending.

Rule 25-9.044(1), Florida Administrative Code, provides that:

In case of change of ownership or control of a utility which places the operation under a different or new utility . . . the company which will thereafter operate the utility business must adopt and use the rates, classification and regulations of the former operating company (unless authorized to change by the Commission).

Retention of system specific plant capacity and guaranteed revenue charges has been approved for other systems acquired by UWF. See Order No. PSC-93-0201-FOF-WS. Also, Sunray's present plant capacity and guaranteed revenue charges appear to be reasonable. Further, by Order No. 25501, issued December 17, 1991, in Docket No. 870539-WS, the Commission fully examined the fairness of these charges. Accordingly, staff recommends approval of UWF's request to retain Sunray's plant capacity and guaranteed revenue charges.

Adoption of UWF's existing rates for an acquired system has been approved in other limited proceeding filings. In Docket No. 930204-WS, which involved UWF's purchase of the Ponte Vedra system in St. Johns County, implementation of UWF's rates was approved by Order No. PSC-93-1480-FOF-WS, issued October 11, 1993. Likewise, in Docket No. 890759-WS, by Order No. 22794, implementation of

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UWF's rates was approved for the Ponce De Leon system in St. Johns County. Adoption of UWF's rates was likewise allowed in Docket No. 891110-WS, by Order No. 23111, concerning UWF's purchase of the St. Johns North Utility Corporation. UWF contends that application of its rates for the acquired system will result in uniform, non-preferential rates for all UWF customers, which will produce cost savings due to a reduction in accounting, data processing, and administrative expenses. UWF further states that reduced expenses will benefit current and future customers. Based on these factors, staff recommends approving UWF's request to implement its uniform rates except as otherwise explained. In this proceeding, adoption of UWF's rates should benefit all residential customers once the master-meter is removed. Some increase in general service rates is forecasted. A comparison of UWF and Sunray's rates is attached as Schedule No. 3.

Related to the rate structure issue is the issue of whether UWF's land and facilities are functionally related, within the meaning of Section 367.021(11), Florida Statutes. "Florida law ... allows uniform rates only for a utility system that is composed of facilities and land functionally related in the providing of water and wastewater service to the public." Citrus County v. Southern States Utilities, 656 So. 2d 1307, 1309 (Fla. 1st DCA 1995).

As discussed in Issue 1, staff believes that UWF's facilities and land are functionally related and constitute a single system. If the Commission approves staff's recommendation on Issue 1, UWF's request to impose its uniform rates upon the customers in the Sunray service area, including the above-described modifications, should be approved. Staff recommends that the Commission should grant UWF's request to adopt its existing rates and charges for the Sunray system while retaining Sunray's plant capacity and guaranteed revenue charges.

A properly noticed customer meeting was conducted on June 12, 1996. Two customers attended, both of whom were mostly interested in Sunray's commercial rates. No residents of the Cimarrone community attended. For informational purposes, staff notes that Cimarrone residents had already voiced their interest in UWF's acquisition of this system and the proposed rates in appearances before the St. John County Utility Authority, where they expressed their preference for individual metering of their community.

As discussed previously, Sunray has been serving two customer groups: a general service customer who receives service through a 2 inch meter, and the Cimarrone community which receives service through an 8 inch master-meter. Residents of the Cimarrone community have approached Sunray and UWF proposing that UWF

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eliminate the 8 inch meter and commence individual metering of residential customers. Residents of the Cimarrone community also appeared before the St. Johns County Utility Authority to express their preference for individual metering in their community and dissatisfaction with the cost of utility service that results from master-metering. Representatives for UWF also appeared before that agency and indicated that it was their intention to convert the master-meter to an individual metering system provided that UWF was successful in obtaining the necessary regulatory approvals. Speaking on behalf of the Sunray community, the St. Johns County Utility Authority asked the Commission to carefully consider the proposed removal of the master-meter and consequent individual billing of residential users.

Removal of the master-meter and implementation of residential rates for Cimarrone residents will be delayed until certain preliminary steps are taken. These include inspection of Cimarrone's distribution and collection facilities before acceptance of those facilities as donated properties, receiving good and proper titles and easements for the donated facilities and assurance that appropriate connection charges and permits have been obtained. Thus, it appears that implementation of residential rates for Cimarrone will not occur until these preliminary measures are completed.

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COMPARISON OF RATES

SCHEDULE NO. 3

	<u>Sunray</u>	<u>UWF</u>
<u>Water: Residential - Quarterly</u>		
5/8" meter - BFC	\$45.51	\$17.38
Gallonage Charge - per 1,000 gallons	\$1.64	\$1.35
<u>Wastewater: Residential - Quarterly</u>		
5/8" meter - BFC	\$52.98	\$33.98
Gallonage Charge - per 1,000 gallons	\$2.18	\$3.34
<u>Residential - Combined Quarterly</u>		
Total Bill @ 18K	\$ 167.25	\$135.78
Total Bill @ 27K	\$201.63	\$177.99
 <u>Water: General Service - Monthly</u>		
2" meter - BFC	\$121.38	\$82.89
8" meter - BFC	\$1,213.81	\$1,326.20
Gallonage Charge	\$1.64	\$1.35
<u>Wastewater: General Service - Monthly</u>		
2" meter - BFC	\$141.29	\$132.55
8" meter - BFC	\$1,412.93	\$2,210.65
Gallonage Charge	\$2.61	\$4.01
 <u>Sunray - Retained Charges</u>		
	<u>Water</u>	<u>Wastewater</u>
Plant Capacity Charge	\$410.00	\$250.00
Guaranteed Revenues	\$14.08	\$18.19

Note - UWF will not collect Sunray's authorized Allowance for Funds Prudently Invested (AFPI) Charges. Sunray's approved charges were \$1,290.60 for water and \$1,460.62 for wastewater.

DOCKET NO. 970210-WS
DATE: JULY 2, 1997

ISSUE 5: Should this docket be closed?

RECOMMENDATION: Yes, this docket should be closed if no timely protest is filed to the proposed agency action issues. (CAPELESS)

STAFF ANALYSIS: If there are no timely protests to the proposed agency action issues (Issues 1, 3, and 4), no further action will be required and the docket should be closed.