

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Investigation into  
possible overcollection of  
Allowance for Funds Prudently  
Invested (AFPI) in Lake County,  
by Lake Utility Services, Inc.

DOCKET NO. 980483-WU  
ORDER NO. PSC-99-0644-AS-WU  
ISSUED: April 6, 1999

The following Commissioners participated in the disposition of  
this matter:

J. TERRY DEASON  
SUSAN F. CLARK  
E. LEON JACOBS, JR.

ORDER APPROVING SETTLEMENT OFFER AND CLOSING DOCKET

BY THE COMMISSION:

BACKGROUND

Lake Utility Services, Inc., (LUSI or utility) is a Class B utility located in Lake County. LUSI is a wholly-owned subsidiary of Utilities, Inc. and provides no wastewater service.

A complaint was received from a customer in August of 1996. The customer was concerned about the fees she was required to pay for service. At the time of complaint, the utility had three schedules of fees and charges for service that differed depending on the location of the customer's residence. This customer's residence was in the territory approved for LUSI by Order No. PSC-92-1369-FOF-WU issued November 24, 1992, in Docket No. 920174-WU. By that order, LUSI's service territory was amended to include additional territory. The rates and charges for the additional territory were also established in the aforementioned order.

In the initial investigation of the complaint, our staff believed that the fees the customer was required to pay were appropriate. Those fees were a plant capacity charge of \$569, a main extension charge of \$509, a meter installation charge of \$100, and an allowance for funds prudently invested (AFPI) charge of \$608.09. After analysis done in the utility's rate case in Docket No. 960444-WU, it appeared that the collection of the AFPI from customers in the territory approved by Order No. PSC-92-1369-FOF-WU

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may have been inappropriate. An informal investigation into the AFPI charges was conducted. Our staff sent the utility a data request relating to its AFPI charges. The utility responded to the questions. After a few letters of correspondence with the utility, our staff notified LUSI by letter dated January 27, 1998, that it was appropriate for the utility to collect AFPI from the customers in the additional territory pursuant to a tariff page contained in the utility's policy section of its approved tariff. However, our staff also indicated to the utility that, in its opinion, the collection of AFPI should have ceased after 106 equivalent residential connections (ERCs). Our staff further indicated that the utility should refund all AFPI collected beyond 106 ERCs.

Based upon the disagreement between the utility and our staff, this matter was submitted to us for decision. By Proposed Agency Action (PAA) Order No. PSC-98-0796-FOF-WU, issued June 8, 1998, we required that LUSI record AFPI collected beyond 106 ERCs as contributions-in-aid-of-construction (CIAC). On June 26, 1998, two utility customers, Ms. Kathy Shutts and Ms. Sandy Baron, filed a protest to the PAA Order and requested a hearing on their protest. Likewise, LUSI filed a Petition on PAA on June 29, 1998 and requested a hearing on its protest. Accordingly, this matter was set for hearing for January 25, 1999. On January 15, 1999, a prehearing was held. On January 21, 1999, the parties agreed to a settlement of this case. On January 25, 1999, the parties filed their offer of settlement which is attached to this Order as Attachment A. Therefore, the Chairman canceled the hearing date, pending review of the settlement offer.

#### SETTLEMENT OFFER

The offer of settlement contains two provisions. LUSI agrees to refund AFPI charges to Ms. Kathy Shutts and to Ms. Sandy Baron in the amount of \$608.09 each, within thirty days after the issuance of our order approving this offer of settlement. In addition, LUSI agrees to credit its CIAC account in the amount of \$25,800 to reflect past period adjustments to AFPI revenues previously collected.

Although we have calculated a potential refund in the amount of \$74,795, we note that by PAA Order No. PSC-98-0796-FOF-WS, we determined that there were extenuating circumstances which existed on both sides of the AFPI refund issue. In that order, we ordered LUSI to record all AFPI collected beyond 106 ERCs as CIAC, as a reasonable compromise. This compromise did not result in a refund,

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but, nevertheless, provided a potential benefit to the utility's customers by lowering utility investment in future cases.

Likewise, we find that the parties' offer of settlement provides a reasonable resolution of this matter. This settlement offer resolves all outstanding issues in this docket. This offer of settlement was filed to avoid the time, expense, and risk of further litigation, and has been signed by all parties of record. One of these parties is the customer who originally brought this matter to our staff's attention. Further, the recording of funds to CIAC may result in a benefit to all customers by lowering the utility's investment in future cases. In consideration of the forgoing, we hereby accept the parties' offer of settlement. This docket shall be administratively closed upon our staff's verification that the refunds have been made. The utility shall submit proof of the refunds within 30 days of the issuance of this Order.

Based on the foregoing, it is

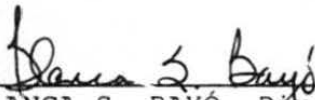
ORDERED by the Florida Public Service Commission that the January 25, 1999 offer of settlement, entered into by Lake Utility Services, Inc., Ms. Kathy Shutts and Ms. Sandy Baron, attached hereto as Attachment A and incorporated herein by reference, is hereby approved. It is further

ORDERED that Lake Utility Services, Inc. shall provide proof of the refunds required in the offer of settlement within thirty days of the issuance of this Order. It is further

ORDERED that this docket shall be closed administratively upon our staff's verification that the refunds required in the offer of settlement have been made.

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By ORDER of the Florida Public Service Commission this 5th day  
of April, 1999.

  
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BLANCA S. BAYÓ, Director  
Division of Records and Reporting

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Any party adversely affected by the Commission's final action in this matter may request: 1) reconsideration of the decision by filing a motion for reconsideration with the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or 2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water and/or wastewater utility by filing a notice of appeal with the Director, Division of Records and reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.