

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for a staff-)
 assisted rate case in Duval County)
 by SHADOWROCK UTILITIES, INC.)

DOCKET NO. 900565-WS
 ORDER NO. 25529
 ISSUED: 12/24/91

The following Commissioners participated in the disposition of this matter:

SUSAN F. CLARK
 J. TERRY DEASON

ORDER APPROVING STIPULATION, APPROVING RATE INCREASE,
 REQUIRING REFUND, AND REVIVING PORTION OF ORDER NO. 24224,
 MAKING IT FINAL AND EFFECTIVE

BY THE COMMISSION:

Case Background

Shadowrock Utilities, Inc., (Shadowrock or utility) is a class "C" water and wastewater utility whose service area is located in Duval County, Florida. The utility provides service to some 645 single-family homes, a fifty-unit apartment complex, and a church. The gross annual revenues for 1989 were \$70,804 for the water system and \$85,457 for the wastewater system.

On June 20, 1990, Shadowrock applied for the instant staff-assisted rate case and submitted the correct filing fee. The test period selected for setting rate base was the average twelve-month period ended June 30, 1990. By proposed agency action (PAA) Order No. 24224, issued March 11, 1991, the Commission approved increased rates for Shadowrock and authorized the collection of the rates, on a temporary basis subject to refund, if an interested party protested the Order.

On April 1, 1991, the Office of Public Counsel (OPC) filed a protest to Order No. 24224, and the case proceeded towards a hearing. However, prior to the scheduled hearing date, OPC and Shadowrock reached a settlement. This Order addresses their proposed settlement and the final resolution of this case.

Stipulation

A copy of the Stipulation of Settlement entered into between OPC and Shadowrock is appended to this Order as "Attachment A" and

DOCUMENT NUMBER-DATE

12689 DEC 24 1991

CPSC-RECORDS/REPORTING

ORDER NO. 25029
DOCKET NO. 900565-WS
PAGE 2

is by reference incorporated herein. In the proposed settlement, Shadowrock and OPC agree to the following pertinent matters: 1) That provisions of the Commission's proposed agency action Order No. 24224, issued March 11, 1991, shall be accepted as final except as otherwise provided; 2) That the water and wastewater revenue requirements, as calculated in Order No. 24224, should be reduced by \$7,500 each; 3) That the utility shall not file another rate case prior to January 1, 1993, either through a general rate case or a limited issue rate case; 4) That the utility shall not file for a rate increase pursuant to the indexing provision of Section 367.081(4)(a), Florida Statutes, prior to April 30, 1992; 5) That the new rates established by the Commission shall be placed into effect upon Commission approval of the settlement; 6) That there shall be a refund of the excess of interim rates collected pursuant to Order No. 24224 over the final rates established pursuant to the settlement and that the refund shall appear in the first bills rendered after approval of the stipulation.

The Stipulation of Settlement entered into by OPC and Shadowrock is hereby approved in its entirety with the following discussion.

By Order No. 24224, we established revenue requirements of \$98,770 for the water system and \$173,604 for the wastewater system. A \$7,500 reduction in each of these systems results in a revenue requirement of \$91,270 for the water system and \$166,104 for the wastewater system. Schedule No. 1, attached to this Order and by reference incorporated herein, shows our calculation of the revenue requirements as stipulated. The resulting revenue requirements are below the range for the overall rate of return as discussed in Order No. 24224. However, we do not believe that the resulting revenue reduction is burdensome to the utility; it is, rather, a reasonable compromise.

The settlement states that the utility may not apply for a rate increase prior to January 1, 1993. We are somewhat concerned with this provision of the agreement. If the utility is required to expend substantial funds for plant improvement or upgrade, this settlement would appear to prohibit the utility from seeking rate relief to pay for them. Nonetheless, since this settlement was entered into in a spirit of compromise, we accept this provision as part of the whole.

ORDER NO. 25529
DOCKET NO. 900565-WS
PAGE 3

Rates

Although the settlement established a reduction to the revenue requirements, it did not address how the reduction should be applied to the rates or how it should be apportioned between the base charges and the gallonage charges. We recalculated monthly service rates based on the stipulated balances and applied the entire rate reduction to the base facility charges.

We allocated the entire rate reductions to the base charges for several reasons. First, the rate reductions are small, 7.6% for water and 4.3% for wastewater, so the impact on customers is not great. Second, many of the customer complaints regarding the rate increase centered around the fact that the rates were so much higher than the rates in neighboring subdivisions within the City of Jacksonville's service area. The City of Jacksonville employs an extremely low base charge for wastewater. This low base charge results in a significantly lower bill, 77% lower, for customers with low consumption, 3,000 gallons per month. For customers with higher consumption, 10,000 gallons per month, the difference between a Shadowrock bill under the PAA rates and a City bill is only about 11%. Although the Commission does not set rates based on rates in surrounding areas, we believe it reasonable to apply the rate reduction in a manner to partially alleviate this rate difference.

Our final reason for applying the reduction only to the base charges is facilitation of the refund. According to the settlement, the refund was to be a credit on the utility's first bills. Because this Order is being issued in late December and the utility's billing cycle is such that its next bills will be rendered in the beginning of January, 1992, the utility will have less than one month to calculate the refund and apply it to the bill. Applying the entire reduction to the base charge will save the utility the burden of an additional meter reading on the effective date and will result in a much simpler bill recalculation.

The utility's existing rates and the rates which we hereby approve are set forth below for comparison.

ORDER NO. 25529
 DOCKET NO. 900565-WS
 PAGE 4

Water

Quarterly Rates

Residential

<u>Base Facility Charge</u>	<u>Temporary</u>	<u>Approved Final</u>
<u>Meter Size</u>		
5/8" x 3/4"	\$11.74	\$ 8.85
1"	29.36	22.12
1-1/2"	58.72	44.24
2"	93.95	70.78
3"	187.91	141.56
4"	293.60	221.18
6"	587.21	442.36
<u>Gallonage Charge</u>		
Per 1,000 gallons	.94	\$0.94

General Service

<u>Base Facility Charge</u>	<u>Temporary</u>	<u>Approved Final</u>
<u>Meter Size</u>		
5/8" x 3/4"	\$11.74	\$ 8.85
1"	29.36	22.12
1-1/2"	58.72	44.24
2"	93.95	70.78
3"	187.91	141.56
4"	293.60	221.18
6"	587.21	442.36
<u>Gallonage Charge</u>		
Per 1,000 gallons	0.94	\$0.94

ORDER NO. 25529
 DOCKET NO. 900565-WS
 PAGE 5

Wastewater

Quarterly Rates

Residential

<u>Base Facility Charge</u>	<u>Temporary</u>	<u>Approved Final</u>
All Meter Sizes	\$33.22	\$30.32
<u>Gallage Charge</u>		
Per 1,000 gallons (30,000 gal. maximum)	\$2.50	\$2.50

General Service

<u>Base Facility Charge</u>	<u>Temporary</u>	<u>Approved Final</u>
<u>Meter Size</u>		
5/8" x 3/4"	\$ 33.22	\$ 30.32
1"	83.04	75.80
1-1/2"	166.08	151.59
2"	265.72	242.55
3"	531.45	485.10
4"	830.39	757.97
6"	1,660.78	1,515.94
<u>Gallage Charge</u>		
Per 1,000 gallons (No maximum)	\$ 2.99	\$ 2.99

Since the stipulation provides that "[t]he new rates which are established by Commission Final Order in this docket shall be implemented and placed into effect upon Commission approval of this settlement," the above rates should be effective at the time the Commission order is issued. The utility has already filed the necessary tariff sheets and has stated that the required customer notice is forthcoming. The revised tariff sheets will be approved upon our staff's verification that the tariff sheets are consistent

ORDER NO. 25529
DOCKET NO. 900565-WS
PAGE 6

with our decision herein and that the proposed customer notice is adequate.

Because the utility bills the base facility charges in advance, there will be no pro rata reduction to the customer's first bill. The new rate shall be billed and the refund shall be made in January. The refund shall be based on the overcharge for the June and September billing.

Refund of Temporary Rates

The refund shall be made in accordance with Rule 25-30.360, Florida Administrative Code, except for the timing of the refund; the rule states that the refund must be made within ninety days of the Commission order, unless otherwise stated. While the stipulation does not address the question of interest on the refunds, it is our practice to order refunds with interest. Therefore, the refund shall be made with interest as stated in Rule 25-30.360(4), Florida Administrative Code.

It is, therefore

ORDERED by the Florida Public Service Commission that Shadowrock Utilities, Inc., is authorized to charge the new rates as set forth in the body of this Order. It is further

ORDERED by the Florida Public Service Commission that Order No. 24224 is hereby revived and declared to be final and effective except as expressly modified herein. It is further

ORDERED that the Stipulation of Settlement attached this Order is hereby approved as set forth herein. It is further

ORDERED that all that is contained in the schedule attached hereto is by reference incorporated herein. It is further

ORDERED that prior to its implementation of the rates approved in this Order, Shadowrock Utilities, Inc., shall submit and have approved a proposed notice to its customers of the increased rates and the reasons therefor. The notice will be approved upon Staff's verification that it is consistent with our decision herein. It is further

ORDER NO. 25529
DOCKET NO. 900565-WS
PAGE 7

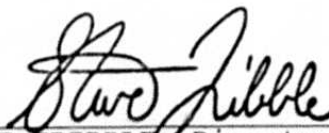
ORDERED that prior to its implementation of the rates and charges approved in this Order, Shadowrock Utilities, Inc., must receive approval for the revised tariff pages it has submitted. The revised tariff pages will be approved upon Staff's verification that the pages are consistent with our decision herein. It is further

ORDERED that the rates approved herein shall be effective on the stamped approval date on the revised tariff pages. It is further

ORDERED Shadowrock Utilities, Inc., shall refund with interest in January, 1992, the difference between the rates approved herein and the temporary rates implemented pursuant to Order No. 24224. Except as set forth in the body of this Order, said refund shall be made in accordance with Rule 25-30.360, Florida Administrative Code. It is further

ORDERED that this docket shall be closed, and the funds held as security in the escrow account shall be released upon Staff's review of the refund.

By ORDER of the Florida Public Service Commission, this
24th day of December, 1991.



STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

MJF

ORDER NO. 25529
DOCKET NO. 900565-WS
PAGE 8

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), 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 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 or sewer 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.

ORDER NO. 25529
 DOCKET NO. 900565-WS
 PAGE 9

Attachment A
 Page 1 of 3

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for a staff-)
 assisted rate case in Duval County) Docket No. 900565-WS
 by SHADOWROCK UTILITIES, INC.) Filed:
 _____)

STIPULATION OF SETTLEMENT

The Citizens of the State of Florida ("Citizens"), by and through Jack Shreve, Public Counsel, and Shadowrock Utilities, Inc. ("Utility"), by and through its undersigned attorneys, agree to the following settlement and request the Florida Public Service Commission to approve its terms.

1. This matter had been scheduled for formal hearing before the Commission on October 10, 1991, to consider Citizens' Petition On Proposed Agency Action Order No. 24224.

2. Both parties acknowledge that the expense of pursuing this matter through a formal hearing and post-hearing proceedings may well far exceed any adjustments that may be made in the Commission's Proposed Agency Action.

3. Both parties have, therefore, come to agree that this docket should be settled as hereinafter set forth.

4. All provisions of the Commission's Proposed Agency Action Order No. 24224, issued on March 11, 1991, shall be accepted as final by both parties, except as hereinafter provided.

5. The revenue requirements of the utility, as calculated in Order No. 24224, shall be reduced by a total amount of fifteen thousand dollars (\$15,000). One half of that total, or \$7,500, shall be deducted from the water revenue requirement and one half,

ORDER NO. 25529
DOCKET NO. 900565-WS
PAGE 10

Attachment A
Page 2 of 3

or \$7,500, shall be deducted from the wastewater revenue requirement.

6. The utility shall not file with the Commission for a rate increase before January 1, 1993, either through a general rate case or a limited issue rate case.

7. The utility shall not file for a rate increase pursuant to the indexing provision of Section 367.081(4)(a), Florida Statutes (1989), and Rule 25-30.420, Florida Administrative Code, before April 1, 1992.

8. The new rates which are established by Commission Final Order in this docket shall be implemented and placed into effect upon Commission approval of this settlement.

9. There shall be a refund of the excess of interim rates collected by the utility pursuant to Commission Order No. 24224, over the final rates established pursuant to this settlement and Commission Final Order in this docket, which shall appear as a credit on the utility's first bills to the customers after the new rates take effect pursuant to paragraph 8, above.

10. Should the Commission decline to approve this settlement between the parties in its entirety and without modification, the settlement shall be deemed void and without prejudice to any of the parties.


ORDER NO. 25529
DOCKET NO. 900565-WS
PAGE 11

Attachment A
Page 3 of 3

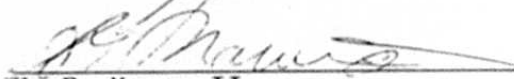
WHEREFORE, the parties respectfully request this Commission to approve the above-stated settlement in its entirety.

Respectfully submitted,

Office of Public Counsel
c/o The Florida Legislature
111 West Madison Street,
Room 812
Tallahassee, FL 32399-1400
Telephone (904) 488-9330



Jack Shreve
Public Counsel

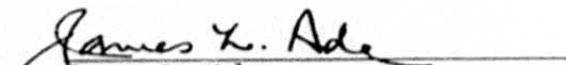


H. F. Mann, II
Associate Public Counsel


Dated: November 6, 1991

Attorneys for the Citizens of
the State of Florida

MARTIN, ADE, BIRCHFIELD &
MICKLER, P.A.
3000 Independent Square
Jacksonville, Florida 32202
Telephone (904) 352-2050



James L. Ade
Florida Bar No. 000460



Scott G. Schildberg
Florida Bar No. 0613990

Dated: November 7, 1991

Attorneys for Shadowrock
Utilities, Inc.

SHADOWROCK UTILITIES, INC.
STATEMENT OF WATER OPERATIONS
TEST YEAR ENDED JUNE 30, 1990

SCHEDULE NO. 1
DOCKET NO. 900565-WS

ORDER NO. 25529
DOCKET NO. 900565-WS
PAGE 12

	(A)	(B)	(C)	(D)	(E)	(F)	(G)
DESCRIPTION	TEST YEAR PER UTILITY	ADJUSTMENTS TO THE TEST YEAR	ADJUSTED TEST YEAR	CONSTRUCTED ADJUSTMENTS	CONSTRUCTED TEST YEAR	RATE REDUCTION	ADJUSTED REVENUE REQUIREMENT
1							
2							
3 OPERATING REVENUES	\$ 68,089	\$ 0	\$ 68,089	\$ 30,681	\$ 98,770	\$ (7,500)	\$ 91,270
4 OPERATING EXPENSES:							
5 OPERATION & MAINTENANCE	\$ 85,008	\$ (19,290)	\$ 65,718	\$	\$ 65,718	\$	\$ 65,718
6 DEPRECIATION	(1,417)	6,444	5,027		5,027		5,027
7 AMORTIZATION	0	0	0		0		0
8 TAXES OTHER THAN INCOME	14,669	(1,943)	12,726	1,381	14,107	(338)	13,769
9 INCOME TAXES	0	0	0	0	0		0
10							
11 TOTAL OPERATING EXPENSES	\$ 98,260	\$ (14,789)	\$ 83,471	\$ 1,381	\$ 84,852	\$ (338)	\$ 84,514
12							
13 OPERATING INCOME	\$ (30,171)	\$ 14,789	\$ (15,382)	\$ 29,300	\$ 13,919	\$ (7,163)	\$ 6,756
14	-----	-----	-----	-----	-----	-----	-----
15 RATE OF RETURN	0.00%		0.00%		11.59%		5.63%
16	-----	-----	-----	-----	-----	-----	-----

SHADOWROCK UTILITIES, INC.
STATEMENT OF WASTEWATER OPERATIONS
TEST YEAR ENDED JUNE 30, 1990

	(A)	(B)	(C)	(D)	(E)	(F)	(G)
DESCRIPTION	TEST YEAR PER UTILITY	ADJUSTMENTS TO THE TEST YEAR	ADJUSTED TEST YEAR	CONSTRUCTED ADJUSTMENTS	CONSTRUCTED TEST YEAR	RATE REDUCTION	ADJUSTED REVENUE REQUIREMENT
1							
2							
3 OPERATING REVENUES	\$ 91,026	\$ 0	\$ 91,026	\$ 82,578	\$ 173,604	\$ (7,500)	\$ 166,104
4 OPERATING EXPENSES:							
5 OPERATION & MAINTENANCE	\$ 123,198	\$ 4,692	\$ 127,890	\$	\$ 127,890	\$	\$ 127,890
6 DEPRECIATION	17,082	(12,207)	4,875		4,875		4,875
7 AMORTIZATION	0	0	0		0		0
8 TAXES OTHER THAN INCOME	17,869	5,647	22,916	3,716	26,632	(338)	26,294
9 INCOME TAXES	0	0	0	0	0		0
10							
11 TOTAL OPERATING EXPENSES	\$ 158,149	\$ (2,468)	\$ 155,681	\$ 3,716	\$ 159,397	\$ (338)	\$ 159,059
12							
13 OPERATING INCOME	\$ (67,123)	\$ 2,468	\$ (64,655)	\$ 78,862	\$ 14,208	\$ (7,163)	\$ 7,045
14	-----	-----	-----	-----	-----	-----	-----
15 RATE OF RETURN	0.00%		0.00%		11.59%		5.67%
16	-----	-----	-----	-----	-----	-----	-----

Schedule No. 1