

STATE OF FLORIDA

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# Public Service Commission

July 30, 1997

The Honorable Bob Graham  
United States Senator  
Post Office Box 3050  
Tallahassee, FL 32315

ATTENTION: Demian A. Pasquarelli

**Re: Docket No. 970409-SU: Investigation into appropriate wastewater rates of the Tropical Isles facility of Florida Water Services Corporation in St. Lucie County**

Dear Senator Graham:

Thank you for your July 21, 1997, letter regarding Mr. Robert J. Simpson's concerns about the wastewater rates of Florida Water Service Corporation's (FWS) Tropical Isles facility. I have asked the staff of the Division of Water and Wastewater to provide information to assist me in responding to Mr. Simpson's letter.

According to Mr. Simpson's letter, FWS (f/k/a Southern States Utilities, Inc.) requested only a \$5.00 increase in its wastewater rates in the current rate case (Docket No. 950495-WS). While Mr. Simpson is correct that FWS requested approximately a \$5.00 increase in its wastewater rates (\$13.33 to \$17.05), we must clarify that this request was related to the interim rate portion of the requested rate increase. Pursuant to Section 367.082, Florida Statutes, interim rates bring the company to its last authorized rate of return during the pendency of the rate case. The money collected by the utility is subject to refund pending the determination of final rates. The final wastewater rate requested by FWS for Tropical Isles was \$44.27. The final wastewater rate approved by the Public Service Commission was \$35.50. This rate includes the Commission's adjustment to FWS' authorized rate of return on equity which was adjusted downward by 50 basis points to reflect less than efficient management and a marginal quality of service. When the adjustment expires in two years, the wastewater rate for Tropical Isles will increase to \$35.80.

Mr. Simpson's letter also addresses the issue of a variable rate for the times that a resident is on vacation. As noted above, the Tropical Isles facility has flat monthly wastewater rates. This means that customers pay the same amount each month, regardless of water consumption. Normally, wastewater rates are based on water consumption when usage data is available. During the customer hearings held in Docket No. 950495-WS, several of Tropical Isles' customers questioned the logic of year round flat rates for wastewater service when they have metered water rates from the Ft. Pierce Utility Authority. In Order No. PSC-96-1320-FOF-WS, issued October 30, 1996, the Commission ordered FWS to investigate the feasibility of charging Tropical Isles customers for wastewater service on a metered basis, and the feasibility of implementing a vacation rate for seasonal residents. The above referenced docket has been opened to address these issues.

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If the rate structure is changed from a flat rate to a metered rate at the end of the investigation in this docket, this change should address Mr. Simpson's concerns. A metered rate is generally broken into two components: a fixed component called the base facility charge and a variable component called the gallonage charge. The base facility charge is charged to all customers regardless of their water consumption since this charge recovers the utility's fixed expenses. The gallonage charge, which is designed to recover the utility's variable expenses, is only charged when the customer consumes water. Therefore, if a customer is out of town, he or she will be required to pay only the fixed portion of the charge since there will be no water consumption. Please be advised, however, that if the rate structure changes, the total revenue collected from the Tropical Isles customers by FWS will not change. This is because the new rates will be calculated based on the rate increase approved for the Tropical Isles facility in the last rate case.

Mr. Simpson is also concerned about the timing of the customer meeting. By copy of this letter, I am advising Mr. Simpson that the Commission staff has been in contact with Ms. Lynn Greene, President of the Tropical Isles Homeowners Association. Ms. Greene has advised the Chairman and the staff that it would not be in the best interest of the customers to have the customer meeting in the summer since many of the customers are out of town at that time. During a July 7, 1997, meeting between FWS, the Office of Public Counsel, Ms. Greene and the Commission staff, it was agreed that the customer meeting should be postponed until sometime in the fall so that the customers will be able to attend. Customers will be given notice at least 14 days in advance of the meeting.

I hope this letter addresses the concerns contained in Mr. Simpson's letter. If you, any of your staff, or Mr. Simpson have any questions, please feel free to contact Edith Xanders in the Division of Water and Wastewater (850-413-7011) or Rosanne Capeless in the Division of Legal Services (850-413-6224).

Sincerely,



William D. Talbott  
Executive Director

cc: Robert Simpson  
Division of Records and Reporting ✓  
Division of Water and Wastewater (Hill, Xanders)  
Division of Legal Services (Capeless)  
Division of Consumer Affairs (DeMello)  
Harold McLean, Office of Public Counsel  
Matt Feil, Florida Water Services Corporation