

ORIGINAL

M E M O R A N D U M

April 30, 1998

TO: DIVISION OF RECORDS AND REPORTING
FROM: DIVISION OF LEGAL SERVICES (REYES) *BR*
RE: DOCKET NO. 920199-WS - APPLICATION FOR RATE INCREASE BY
SOUTHERN STATES UTILITIES, INC.

Staff has recently been informed that the Division of Records and Reporting did not receive a copy of the attached documents. Accordingly, please file the attached in Docket No. 920199-WS.

If you have any questions regarding this matter, please call me.

BLR/lw

Attachment

cc: Division of Water and Wastewater (Chase, Rendell, VonFossen, M. Willis)

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FPSC-RECORDS/REPORTING



Public Service Commission

-M-E-M-O-R-A-N-D-U-M-

DATE: January 15, 1997
TO: William Talbott, Executive Director
Dr. Mary Bane, Deputy Executive Director/Technical
FROM: Lila Jaber, Bureau Chief, Division of Legal Services
Marshall Willis, Bureau Chief, Division of Water and Wastewater
William T. Rendell, Public Utilities Supervisor, Division of Water & Wastewater
RE: January 21st Agenda Conference - Item No. 29 - Docket No. 920199-WS - Southern States Utilities

Staff's recommendation in Docket No. 920199-WS, filed on January 14, 1997 contains a mathematical error. This error resulted from a miscalculation in the appropriate amount of a bond required for security. Staff has recalculated this amount and has made the appropriate changes to Issue 3 of the recommendation and Schedule No. 1. This error does not make a substantial change to the recommendation, in that only the amount of the required bond is affected.

Therefore, in accordance with SOP 1607, staff is submitting this memorandum in order to inform you of this change. Staff does not believe this change requires an automatic deferral. All parties have been informed of this change and will receive a copy of the revised issue. Also, staff will hand deliver the changed issue and schedule to all Commissioner aides.

cc: Noreen Davis
Charles Hill
William Lowe

OK.
MAB

Please provide copy of this memo to the Commissioner's aides and to RAR. Explain the revision verbally at the agenda conference.

ISSUE 3: Should SSU be required to modify its current appeal bond in order to secure any potential refunds pending appeal?

RECOMMENDATION: Yes, SSU should be required to increase its current appeal bond to the amount of \$19,552,000. (RENDELL)

STAFF ANALYSIS: Pursuant to Rule 25-30.061(1)(a), Florida Administrative Code, a stay should be conditioned upon the posting of good and sufficient bond, or the posting of a corporate undertaking, and such other conditions as the Commission finds appropriate.

On October 28, 1996, the Commission issued Order No. PSC-96-1311-FOF-WS granting a stay of Order No. PSC-96-1046-FOF-WS, and requiring additional security. On December 2, 1996, SSU filed a Surety Rider which increased its appeal bond from \$8 million to \$10 million.

Upon further review, staff has determined that it made an error of omission in its original calculations. In these calculations staff estimated a potential refund based upon 1991 consumption that could range as high as \$2,359,639 for water and \$1,352,970 for wastewater. This annual estimate was for a one year period and did not include interest but did include the potential refunds to Spring Hill. However, staff stated that the uniform rates were collected over a two year period. Staff assumed that all potential refund liabilities ended with the implementation of the interim rates in Docket No. 950495-WS. These interim rates were based upon the modified stand alone rates approved by the Commission. However, Spring Hill was not included in that docket and SSU has not implemented the modified stand alone rates for these customers, as mentioned in Issue 2.

In Order No. PSC-96-1311-FOF-WS, the original estimated total amount of refund was \$10,000,000, including interest. In its motion filed September 3, 1996 SSU also indicated that the potential refund amounts to approximately \$10 million (at p. 2). Upon further review, staff has determined that additional security is required. Due to the fact that SSU has not implemented the modified stand alone rates in its Spring Hill service area, the potential of a refund liability continues to accrue.

Staff has recalculated the potential refund and has determined that the total liability could be as high as \$19,551,616, including interest. Since this amount is substantially higher than the current bond, staff believes a brief explanation is necessary. As to the collection of revenues in the Spring Hill service area, SSU

began collecting the uniform rates in September 1993, and continues to do so. Again assuming a time frame of a two year appeal, if left unchanged, these rates will be collected until approximately September 1998. This amounts to a potential refund of \$10,578,582, without interest. When interest is included, this amount increases to \$14,066,340 over this six year period. As to the remaining service areas, the uniform rates were collected from September 1993, to January 1996. The total amount of potential refunds for these areas amounts to \$4,928,726, without interest. Again, assuming a two year appeal time, the amount increases to \$5,485,275 including interest. These calculations are shown on Schedule No. 1.

Therefore, staff believes that SSU should be required to again increase the original bond to the amount of \$19,552,000 which should be sufficient to cover the total potential refund. Further, the bond should state that it will remain in effect during the pendency of the appeal and will be released or terminated upon subsequent order of the Commission addressing the potential refund.

SOUTHERN STATES UTILITIES, INC.
DOCKET NO. 920199-WS

Schedule No. 1
REVISED 01/15/97

WATER AND WASTEWATER

**POTENTIAL
 REFUNDS**

Spring Hill service area	\$1,763,097
/12 months	12
	<u>\$146,925</u>
Number of months until potential refunds completed: (assume refund by 09/98)	72
	\$10,578,582
(13-month average annual interest rate 5.495%)	
Factored interest rate for 72 month period (per AFAD on 01/02/97)	<u>1.3297</u>
Potential refund for Spring Hill	<u>\$14,066,340</u>

Potential annual refund for all other service areas	\$1,949,512
/12 months	12
	<u>\$162,459</u>
Number of months until interim rates were implemented: (SEPTEMBER 1993 -JANUARY 1996)	27
	\$4,386,402
(13-month average annual interest rate 5.495%)	
Factored interest rate for 27 month period (per AFAD on 01/02/97)	<u>1.1236375</u>
Potential refund as of January 1996	\$4,928,726
13-month average annual interest rate 5.495%	<u>1.05495</u>
(per AFAD on 01/02/97)	
Amount of potential refunds for remaining service areas:	<u>\$5,485,275</u>

AMOUNT OF TOTAL POTENTIAL REFUNDS: **\$19,551,616**