

ORIGINAL

From: Blanca Bayo Confirm receipt
To: Mary Bane
Subject: Minutes - SSU Special Agenda

=====NOTE=====

CC:
Ralph Jaeger, Marshall Willis,
Troy Rendell, Kay Flynn

.....
I met with Ralph to discuss our
concerns regarding the suggested
changes/corrections to the Nov. 13
minutes.

We agreed to the following:

Issue 4 & 5 - The minutes will show
the word for word motions as offered by
Com. CL and voted on the other
Commissioners. The Issue and
Recommendation portion will remain as
originally filed (i.e., no crossing
out).

Issue 6 & 7 - The Decision will show
the following:

The recommendation was approved
consistent with the vote in Issues Nos.
4 & 5.

Thanks Ralph!

- ACK _____
- AFA _____
- APP _____
- CAF _____
- CMU _____
- CTR _____
- EAG _____
- LEG _____
- LIN _____
- OPC _____
- RCH _____
- SEC 1
- WAS _____
- OTH _____

DOCUMENT NUMBER-DATE

01253 FEB-1 99

FPSC-RECORDS/REPORTING

MINUTES OF

SPECIAL COMMISSION CONFERENCE, FRIDAY, NOVEMBER 13, 1998

COMMENCED: 9:30 a.m.

ADJOURNED: 8:00 p.m.

COMMISSIONERS PRESENT: Chairman Johnson
Commission Deason
Commission Clark
Commissioner Garcia
Commissioner Jacobs

1 DOCKET NO. 950495-WS - Application for rate increase and increase in service availability charges by Southern States Utilities, Inc. for Orange-Osceola Utilities, Inc. in Osceola County, and in Bradford, Brevard, Charlotte, Citrus, Clay, Collier, Duval, Highlands, Lake, Lee, Marion, Martin, Nassau, Orange, Osceola, Pasco, Putnam, Seminole, St. Johns, St. Lucie, Volusia, and Washington Counties.

Critical Date(s): None

Commissioners Assigned: Full Commission
Prehrg Officer DS

Staff: LEG: Jaeger, Gervasi, Reyes
AFA: Lester
WAW: Hill, Willis, Chase, Crouch, Merchant, Rendell

Issue 1: Should the Petition to Intervene filed by the City of Marco Island be granted?

Recommendation: Yes. The Petition to Intervene should be granted, but only in the city's capacity as a customer.

DECISION: The recommendation was approved. Additionally, on the Commission's own motion, the oral motion to intervene by The Moorings Homeowner's Association was granted.

Issue 2: Should parties be allowed to participate?

Recommendation: Yes. Participation should be limited to ten minutes for each party.

DECISION: The recommendation was approved with the modification that the amount of time for participation by each party is at the Chairman's discretion.

ITEM NO.

CASE

1

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Issue 3: What is the appropriate action for the Commission to take on Florida Water Service Corporation's Joint Offer of Settlement and Sugarmill Woods Civic Association's Counter-offer to Proposed Settlement?

Recommendation: The Commission should not unilaterally accept the utility's offer since it was specifically rejected by one of the parties. The counter-offer of Sugarmill Woods was presented to the parties, not the Commission, and therefore, requires no action by the Commission.

DECISION: The Commission did not approve the joint offer of settlement of Florida Water Service Corporation. Commissioners Johnson and Garcia dissented, voting to approve the settlement.

Issue 4: In light of the decision and mandate of the First District Court of Appeal, what is the appropriate action the Commission should take?

Recommendation: Staff recommends that the Commission take the following action:

(a) Authorize the utility to implement rates on a going forward basis for those items for which the Commission admitted error and for which the Court reversed without giving discretion to reopen the record. Allow the utility to surcharge its customers over a two-year period to recover the lost revenues due to these items, as discussed in Issue 6.

(b) Reopen the record to take additional testimony on the use of the lot count methodology and AADF in the used and useful analysis. Authorize the utility to implement a rate increase to reflect the difference in the used and useful methodologies at issue (AADF and lot count), as discussed in Issue 5. Further, the utility should be allowed to surcharge its customers for the difference in the rates during the time since the final rates in this case were implemented, as discussed in Issue 6. The rate increase and

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surcharge associated with the issues going to hearing should be implemented subject to refund.

(c) Defer the decision with regard to the refund of interim rates and the appropriate AFPI charges, as discussed in Issue 7, until a final decision is reached on the issues that will be the subject of hearing.

DECISION: The Commissioners voted to authorize the Utility to - implement rates on a going-forward basis for those items for which the Commission admitted error or for which the Court reversed without giving discretion to reopen the record. The Commissioners also voted to change the rates prospectively to account for those differences by cranking it into the capband methodology. Staff was directed to come back to the Commissioners with a recommendation on the surcharge for those items which were reversed. The record would be reopened to take additional testimony on the use of the lot count methodology and ADDE in the used and useful, but the Commission would not authorize the Utility to implement a rate increase at this time to reflect a difference in the methodologies. The Commissioners voted to defer the decision with regard to refund of interim rates. Commissioners Johnson and Garcia dissented.

Issue 5: If the Commission approves staff's recommendation in Issue 4, what are the appropriate rates for Florida Water Services Corporation on a prospective basis?

Recommendation: If the Commission approves staff's recommendation in Issue 4, the appropriate rates for Florida Water Services Corporation on a prospective basis are shown on Schedules 2A and 2B of staff's October 21, 1998 memorandum. The part of the rate increase associated with the issues that will be determined at hearing should be held subject to refund. Florida Water Services Corporation should be required to file a corporate undertaking in the amount of \$1,713,684. The current bond in the amount of \$3,553,766 may be released. The utility should file revised

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tariff sheets and a proposed customer notice, for approval by staff, to reflect the appropriate rates within 14 days of the date of the order. The utility should be placed on notice that failure to implement the prospective rates will cause it to forfeit its right to collect surcharges beyond this point. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheets pursuant to 25-30.475(1), Florida Administrative Code. The rates should not be implemented until proper notice has been received by the customers. The utility should provide proof of the date notice was given within 10 days after the date of notice.

DECISION: The Commissioners voted that the needed increase in rates to reflect the roughly \$1.2 million on a going-forward basis would be done in accordance with the capband rates structure. Staff was directed to come back to the Commissioners with the rates and the calculations for the surcharge. No other rates will be changed at this point.

Issue 6: Are surcharges applicable, and, if so, what are the appropriate amount of surcharges that the utility should be allowed to charge?

Recommendation: Florida Water should be allowed to implement two surcharges. The first surcharge relates to the issues for which either the Commission admitted error or for which it was reversed by the Court without any discretion to reopen the record. The second surcharge covers the items which will be decided at hearing and should be collected subject to refund. The utility should be allowed to collect both surcharges over a two year period which is the length of time the rates have been in effect. Pursuant to GTE no new customers should be required to pay a surcharge. The utility should file a corporate undertaking in the amount of \$3,601,022. This is in addition to the

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corporate undertaking addressed in Issue 5. If Florida Water elects to file one corporate undertaking, separate amounts should be listed with language that indicates which portion of revenues each amount relates to. The tariff sheets filed pursuant to the rate increases authorized in Issue 5, should include the surcharge rates applicable to each service area. The utility should be placed on notice that failure to implement the surcharges will cause it to forfeit its right to collect surcharges. The notice to customers required in Issue 5 should include a reference to the surcharges.

DECISION: The recommendation was approved consistent with the vote in Issues Nos. 4 and 5.

Issue 7: What items should the Commission not take action on at this time?

Recommendation: The Commission should not take action on the final revenue requirement determination, and all items that would change because of the evidence obtained at hearing, including rate base, rate case expense, operating expenses, final service rates, final surcharges, interim refunds, and AFPI charges and refunds. These items should be addressed at the point when the Commission makes its decision on the final recommendation in this docket.

DECISION: The recommendation was approved consistent with the vote in Issues Nos. 4 and 5.

Issue 8: Should this docket be closed?

Recommendation: No. The docket should remain open pending final disposition of the remand.

DECISION: The recommendation was approved.

Commissioners participating: Johnson, Deason, Clark, Garcia, Jacobs