

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

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

DATE: OCTOBER 5, 2000

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAZG)

FROM: DIVISION OF REGULATORY OVERSIGHT (REHWINKEL) *one*
DIVISION OF ECONOMIC REGULATION (RENDELIA, CROUCH, WILLIS) *one*
DIVISION OF LEGAL SERVICES (GERVASI) *XPB for RG S.M.C.*

RE: DOCKET NO. 940109-WU - PETITION FOR INTERIM AND PERMANENT RATE INCREASE IN FRANKLIN COUNTY BY ST. GEORGE ISLAND UTILITY COMPANY, LTD. d/b/a WATER MANAGEMENT SERVICES, INC.

AGENDA: 10/17/00 - REGULAR AGENDA - POST HEARING DECISION - PARTICIPATION LIMITED TO COMMISSIONERS AND STAFF

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: I:\PSC\WAW\WP\940109WU.RCM

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RECORDS AND REPORTING

DOCUMENT NUMBER-DATE
12694 OCT-58
FPSC-RECORDS/REPORTING

CASE BACKGROUND

Water Management Services, Inc. (Water Management or utility) is a Class B water utility providing service to approximately 1,460 water customers in Franklin County. On January 31, 1994, the utility filed an application for approval of interim and permanent rate increases pursuant to Sections 367.081 and 367.082, Florida Statutes. The application was assigned Docket No. 940109-WU. On November 14, 1994, Order No. PSC-94-1383-FOF-WU was issued in Docket No. 940109-WU, the present docket, approving a rate increase and revising the service availability charges.

In addition, to provide assurance that funds would be available for capital improvements, the Order required that an escrow account be established for service availability charges. The docket has remained open for staff to monitor the utility's collections and additions to the escrow account along with the disbursements from the escrow account.

This recommendation addresses staff's recommended disposition of the escrow account and whether the utility is in compliance with Order No. PSC-94-1383-FOF-WU.

ISSUE 1: Should the funds in the escrow account be released to the utility and the escrow account closed?

RECOMMENDATION: Yes, the funds in the escrow account should be released to the utility and the escrow account should be closed.
(REHWINKEL, RENDELL)

STAFF ANALYSIS: As stated previously, pursuant to Order No. PSC-94-1383-FOF-WU, issued November 14, 1994, the utility was required to establish a commercial escrow account for service availability charges.

According to the Order, the contribution-in-aid-of-construction (CIAC) level for the utility, as of December 31, 1993, was seventy-six percent of net plant in service. However, the Commission acknowledged that there was significant potential for growth on St. George Island. In an effort to prevent the utility from becoming seriously over-contributed, rather than eliminate the service availability charges altogether, the Commission reduced the plant capacity charge. The Commission recognized that, while there was growth potential, the utility would need additional capacity to connect new customers.

The Commission recognized that St. George, on occasion, had difficulty obtaining capital funds from outside sources, and that some assurance was needed that funds would be available when future capital improvements were deemed necessary. Therefore, to ensure that monies would be available for additional capacity or capital improvements, pursuant to the above-referenced Order, the utility was required to establish a commercial escrow account for service availability charges. The utility was further ordered to file a monthly report with the Commission detailing the monthly collections, as well as the aggregate amount. The Order specified a procedure that the utility should follow before funds could be released.

According to the Order, "the escrow requirements shall remain in effect until the utility's next rate case or any modification in its service availability policies or charges." There have been no modifications to the service availability policies or charges. However, on June 6, 2000, the utility filed a petition for a limited proceeding to increase its water rates. This increase would allow the utility to recover the costs associated with building a new water transmission main to connect its wells on the mainland to its service territory on St. George Island. The utility is proposing a rate increase related to estimated capital

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expenditures of approximately \$6,000,000 to be implemented in three phases. This most recent filing was assigned Docket No. 000694-WU.

While the Commission had various concerns that were specifically addressed in the utility's previous rate proceeding, the requirement of an escrow account for service availability charges and our monitoring the escrow account is no longer necessary. The utility has been diligent in filing the monthly reports as required by Order No. PSC-94-1383-FOF-WU. The utility has also been diligent about following the procedures set forth in that Order for escrow funds to be released. Based on the utility responsibly carrying out the requirements related to the establishment of the escrow account and the process prescribed for disbursing funds from the escrow account and the recent filing for limited proceeding, staff believes that the funds in the escrow account should be released to the utility and the escrow account should be closed.

ISSUE 2: Is the utility in compliance with Order No. PSC-94-1383-FOF-WU, issued November 14, 1994 in Docket No. 940109-WU?

RECOMMENDATION: Yes. The utility is in compliance with Order No. PSC-94-1383-FOF-WU, issued November 14, 1994 in Docket No. 940109-WU. (CROUCH, WILLIS)

STAFF ANALYSIS: In addition to the service availability and escrow requirements mentioned in Issue 1, Order No. PSC-94-1381-FOF-WU required that this docket remain open until the utility submitted:

- 1) Pension plan documentation;
- 2) Insurance documentation;
- 3) the fire protection study;
- 4) proof of tank maintenance and pipe cleaning;
- 5) Revised consumptive use permit;
- 6) Capacity plan;
- 7) DEP permit application.

Staff has researched the official docket file maintained by the Commission and has received additional information and documentation from the utility and confirmed that all actions required by Order No. PSC-94-1383-FOF-WU, issued November 14, 1994 in Docket No. 940109-WU, have been complied with and are complete.

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ISSUE 3: Should the docket be closed?

RECOMMENDATION: Yes. No further action is necessary in this docket. Therefore, the docket should be closed.
(GERVASI)

STAFF ANALYSIS: No further action is necessary in this docket. Therefore, the docket should be closed.