

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: 03/21/2002

TO: DIRECTOR, DIVISION OF THE COMMISSION
ADMINISTRATIVE SERVICES (BAYÓ)

FROM: DIVISION OF ECONOMIC REGULATION (COSTNER)
OFFICE OF THE GENERAL COUNSEL (ECHTERNACHT)

RE: DOCKET NO. 020111-SU - REQUEST TO ESTABLISH NEW CLASS OF
SERVICE IN BREVARD COUNTY FOR RESIDENTIAL WASTEWATER ONLY,
PURSUANT TO SECTION 367.091(5), F.S., BY SERVICE
MANAGEMENT SYSTEMS, INC.
COUNTY: BREVARD

AGENDA: 04/02/2002 - REGULAR AGENDA - TARIFF FILING - INTERESTED
PERSONS MAY PARTICIPATE

CRITICAL DATES: 60 - DAY SUSPENSION DATE: APRIL 14, 2002

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\ECR\WP\020111.RCM

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CASE BACKGROUND

Service Management Systems, Inc. (SMSI or the utility), is a Class C utility currently providing water and wastewater services to 194 water and wastewater customers in Brevard County. SMSI formerly operated the utility systems under the name of Aquarina Developments, Inc. The systems have the capacity to serve 950 equivalent residential connections (ERCs) and operated under Certificates Nos. 517-W and 450-S since November 19, 1989. The utility's 2000 Annual Report shows gross revenues of \$185,873 for water, and \$91,552 for wastewater. It also indicates that the water system had a net operating loss of \$9,857 and the wastewater system had a net operating loss of \$67,972.

On January 26, 1996, Aquarina Developments, Inc. (Aquarina), filed an application to change the name of the utility to SMSI. According to the application, the effective date of the name change was January 1, 1996. A corporate reorganization that resulted in utility assets being transferred from Aquarina to SMSI, a subsidiary of Aquarina, was approved by Order No. PSC-97-0206-FOF-WS, issued on February 21, 1997.

On February 5, 2002, SMSI filed a petition requesting that the Commission approve rates for a new class of service for residential wastewater only ("RWO") service in all of SMSI's service areas. With this filing the utility has submitted supporting documentation for the proposed rates.

ISSUE 1: Should SMSI's request for a new class of service for residential wastewater be approved?

RECOMMENDATION: Yes, SMSI's request for a new class of service for residential wastewater should be approved. The utility should be allowed to continue collection of the wastewater rates currently being charged and the tariff sheets reflecting the new class of service should become effective in accordance with Rule 25-30.475, Florida Administrative Code, for service rendered as of the stamped approval date on the tariff sheets provided the customers have received notice. The utility should provide proof that the customers have received notice within 10 days of the date of the notice. (COSTNER)

STAFF ANALYSIS: On February 5, 2002, the Commission received a letter from SMSI, stating that it will provide wastewater service to five homes and over time up to 20 homes, which the utility does not supply with potable water. The homes are supplied drinking water by a separate small water cooperative, the South Brevard Water Cooperative (SBWC). In order to assess wastewater charges, SMSI depends on the total water gallonage determined by SBWC. The water cooperative is slow in billing; therefore, the usage data provided by SBWC is an unreliable and untimely source for the utility to depend on. Therefore, SMSI requested a tariff that would allow it to use 5,000 gallons per month, per single-family residence, as a basis for the wastewater charge to these homes.

Section 367.091(5), Florida Statutes, states:

[i]f any request for service of a utility shall be for a new class of service not previously approved, the utility may furnish the new class of service and fix and charge just, reasonable, and compensatory rates or charges therefor. A schedule of rates or charges so fixed shall be filed with the commission within 10 days after the service is furnished. The commission may approve such rates or charges as filed or may approve such other rates or charges for the new class of service.

In the letter, SMSI stated that it had begun charging its customers the requested compensatory rates, pursuant to Section 367.091(5), Florida Statutes. In addition, SMSI stated it would refund any over-charge that the Commission may determine to be excessive.

SMSI calculated that its average single-family wastewater usage is 5,000 gallons per month. Staff calculated the average single-family wastewater usage to be 4,876 (13,751,000 total treated wastewater / 12 months / 235 ERCs). Staff believes the 5,000 gallons per month single-family wastewater usage request is reasonable and prudent.

Section 367.091(6), Florida Statutes, states, "[a]n application to establish, increase, or change a rate or charge other than the monthly rates for service pursuant to s. 367.081 or service availability charges pursuant to s. 367.101 must be accompanied by a cost justification." The utility's requested total charge per home per month is \$37.06. This is calculated by taking the utility's current Commission approved tariffed wastewater gallonage charge of \$4.51, multiplied by the average usage (5,000 average usage / 1,000 gallons), and adding the existing Commission approved tariffed base facility charge of \$14.51.

Initially, the proposed charge of \$37.06, would produce additional revenues of \$2,224 (\$37.06 charge x 5 homes x 12 months) annually. In the future, the proposed charge would produce additional revenues of \$8,894 (\$37.06 charge x 20 homes x 12 months) annually.

Staff believes the requested residential wastewater flat rate of \$37.06 is a reasonable charge. SMSI's request for a new class of service for residential wastewater should be approved. The utility should be allowed to continue collection of the wastewater rates currently being charged and the tariff sheets reflecting the new class of service should become effective in accordance with Rule 25-30.475, Florida Administrative Code, for service rendered as of the stamped approval date on the tariff sheets provided the customers have received notice. The utility should provide proof that the customers have received notice within 10 days of the date of the notice.

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ISSUE 2: Should this docket be closed?

RECOMMENDATION: Yes. If no protest occurs within 21 days of the issuance date of the Order, the Tariff Order will become final upon the issuance of a Consummating Order and the docket should be closed. (COSTNER, ECHTERNACHT)

STAFF ANALYSIS: If the Commission approves staff's recommendation in Issue 1, the Tariff Order will become final upon the issuance of a Consummating Order and the docket should be closed.