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DIVISION OF WATER & WASTEWATER  
 DANIEL M. HOPPE, DIRECTOR  
 (850) 413-6900

990000

## Public Service Commission

August 19, 1999

Patricia A. Langford  
 11315 Sawmill Road  
 Jacksonville, FL 32225

980-214

**Re: Billing Complaint - United Water Florida, Inc.**

Dear Ms. Langford:

Thank you for providing us with a copy of your recent correspondence to United Water Florida, in which you express your concern over the amount of your bill. Our staff has reviewed your bill and has determined that, based on your consumption during the billing period, the amount charged is in accordance with United Water's tariff which became effective on May 21, 1999.

Let me take this opportunity to briefly explain how the Florida Public Service Commission establishes rates. Pursuant to Section 367.081, Florida Statutes, the Commission shall set rates which are just, reasonable, compensatory, and are not unfairly discriminatory. In determining the revenue requirements for the water and wastewater services, the Commission employs the rate of return methodology established in Chapter 367, Florida Statutes. This ratemaking process is used for all water and wastewater companies and is also used in the electric and gas industry. It is the same approach used throughout the country by various state and federal utility regulatory bodies.

There are many factors that affect the cost of providing service and hence, the rates charged to customers. Some of the factors affecting the cost of providing service include the size and age of the utility system, the quality of the water at its source, the number of customers, and the geographic spread of the service area. During a rate case, the Commission's accountants, engineers and economists examine the financial and engineering information filed by the company as part of its rate increase application. The Commission's auditors also examine this information and publish the results of their findings in an audit report. The Commission does not allow recovery of any costs found to be imprudent or unreasonable.

Once the revenue requirement is set, the Commission must then establish service rates which will afford the utility the opportunity to earn the approved revenue requirement. Currently, there is one predominant type of rate structure the Commission approves for water and wastewater utilities. You receive both water and wastewater service from United Water. For each type of

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service, charges are divided between a base facility charge and a consumption charge. The base facility charge is based upon the fixed costs of providing service to each customer, i.e. the company's investment in plant, water mains, wastewater lines and other costs which are incurred regardless of the customer's consumption. The base facility charge is the same for each residential customer. The consumption charge reflects the actual consumption of each individual customer, and is based on the variable costs of providing a specific level of service. The rates currently approved for United Water are designed to allow the company to recover its costs of providing service as well as a reasonable return on the shareholders' investment. The rate of return currently approved is 8.22 percent. The Commission periodically reviews the company's actual financial reports and requires adjustments if the company is determined to be overearning.

I hope this letter addresses your concerns. If you have any questions, you may contact Mr. Jan Kyle at (850) 413-6932.

Sincerely,



bill lowe  
Assistant Director

bl/jbk

cc: Chairman Joe Garcia  
Division of Legal Services (Brubaker)  
Division of Records and Reporting (Docket No. 980214-WS)