

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of GULF AIRE WASTEWATER)	DOCKET NO. 881024-SU
TREATMENT PLANT for implementation of)	
allowance for funds prudently invested)	ORDER NO. 20886
charges in Gulf County.)	
_____)	ISSUED: 3-13-89

The following Commissioners participated in the disposition of this matter:

MICHAEL McK. WILSON, Chairman
 THOMAS M. BEARD
 BETTY EASLEY
 GERALD L. GUNTER
 JOHN T. HERNDON

NOTICE OF PROPOSED AGENCY ACTIONORDER ESTABLISHING ALLOWANCE FOR FUNDS
 PRUDENTLY INVESTED (AFPI) CHARGES

BY THE COMMISSION:

NOTICE IS HEREBY GIVEN by the Florida Public Service Commission that the actions discussed herein are preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding in accordance with Rule 25-22.029, Florida Administrative Code.

Gulf Aire Properties, Inc. d/b/a Gulf Aire Wastewater Treatment Plant (Gulf Aire) is a utility which provides sewer service to a small community in Gulf County. On July 29, 1988, Gulf Aire filed an application for an AFPI charge. The application was deficient because it did not include a filing fee or proof of notice as required by Rules 25-30.565(2) and (3), Florida Administrative Code. Gulf Aire paid the proper filing fee on December 13, 1988, and submitted proof of publication of notice on January 12, 1989.

The purpose of an AFPI charge is to allow a utility to recover a fair rate of return on the portion of the plant facilities which were prudently constructed, but exceed the amount necessary to serve current customers. Commission policy has been to accumulate the carrying costs associated with the excess plant as an AFPI charge to be collected from future customers at the time of connection. This one-time connection fee is based upon the number of equivalent residential connections (ERCs) and is generally applicable to all future customers who have not already prepaid connection fees, contributions-in-aid-of-construction or customer advances.

Gulf Aire has requested one AFPI charge for both the collection system and the treatment plant. However, since the collection system will be able to serve more ERCs than the treatment plant, we believe that it is more appropriate to split the proposed single charge into separate charges for the treatment plant and collection system.

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Wastewater Treatment Plant

Gulf Aire's application listed \$208,381 in treatment plant costs, 30.06 percent of which are related to future growth. These costs include approximately \$45,000 for an upgrade to the existing plant, which has not yet been initiated. However, since Gulf Aire informs us that the upgrade will be commenced immediately and completed in approximately fifteen days, we will include this amount in our calculation of the appropriate AFPI charge. Further, the upgrade will cost very little per ERC, yet will more than double the capacity of the existing facility. By including the additional cost and capacity, the AFPI charge will be dramatically lowered and will more accurately represent the future carrying costs per ERC.

We have also included an additional \$13,750 in our calculation for the costs of alternative treatment during the time that the upgrade is under construction. This includes \$12,000 to ship the sewage and \$750 for treatment. We have also made one other adjustment in our calculation of the appropriate AFPI charge. Gulf Aire calculated capacity in terms of ERCs and current customers in terms of connections. We have, therefore, increased the number of future ERCs to 105. Further, since we have included costs not yet incurred, we do not believe that the charge for the treatment plant should begin accumulating in August, 1988 as proposed by Gulf Aire. Since Gulf Aire has informed us that the plant upgrade will be completed within approximately thirty days from the date of our vote on this matter, we believe that the charge should begin accruing in April, 1989.

Based upon the discussion above, we hereby approve the AFPI charges as set forth in Schedule 1-A of this Order. These charges will be applicable until Gulf Aire extends service to 105 additional ERCs. Once Gulf Aire has extended service to these 105 additional ERCs, the AFPI charges will no longer be applicable.

Wastewater Collection System

Since the wastewater collection system is capable of serving more ERCs than the treatment plant, we believe that the carrying costs for the collection system should be spread over the number of future ERCs that the collection system is capable of serving. As noted above, Gulf Aire calculated capacities in terms of ERCs but current customers in terms of connections. We have, therefore, converted current connections to ERCs. This results in 147 future ERCs for the collection system. In addition, unlike the treatment plant, the wastewater collection system has already been completed. Therefore, we have calculated an AFPI charge for the collection system which begins accruing in January, 1989.

Based upon the discussion above, we hereby approve the AFPI charges as set forth in Schedule 1-B of this Order. These charges will be applicable until Gulf Aire extends service to 147 additional ERCs. Once Gulf Aire has extended service to these 147 additional ERCs, the AFPI charges will no longer be applicable.

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AFPI Accrual Period

Finally, we believe that five years is a prudent amount of time for which to build excess capacity. We generally consider any plant constructed for more than five years in the future to be excessive, unless extraordinary or unusual circumstances are demonstrated. Gulf Aire has not provided any support for a longer period. Therefore, Schedules 1-A and 1-B provide AFPI charges for five-year periods. The AFPI charge for the treatment plant will begin in April, 1989, and accrue until March, 1994. The AFPI charge for the collection system will begin in January, 1989, and accrue until December, 1993. After the expiration of these five-year periods, Gulf Aire may still collect AFPI, however, the charges will remain fixed reflecting that Gulf Aire should bear the carrying costs of the excess plant after that date.

It is, therefore,

ORDERED by the Florida Public Service Commission that the provisions of this Order are preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding in accordance with Rule 25-22.029, Florida Administrative Code, with the Director of the Division of Records and Reporting, 101 East Gaines Street, Tallahassee, Florida 32399-0870, before the close of business on April 3, 1989. It is further

ORDERED that Gulf Aire Wastewater Treatment Plant's request for an AFPI charge is hereby approved, in part, as set forth in the body of this Order. It is further

ORDERED that all portions of this Order, whether in the form of discourse or schedules attached hereto are, by reference, expressly incorporated herein. It is further

ORDERED that, if this Order becomes final, Gulf Aire Wastewater Treatment Plant shall file revised tariff pages which shall be effective on or after the stamped approval date. The revised tariff pages will be approved upon staff's verification that they are in accordance with the Commission's decision.

By ORDER of the Florida Public Service Commission,
this 13th day of MARCH, 1989.

STEVE TRIBBLE, Director

(S E A L)

RJP

by: Kay Flynn
Chief, Bureau of Records

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

The action proposed herein is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on April 3, 1989. In the absence of such a petition, this order shall become effective April 4, 1989 as provided by Rule 25-22.029(6), Florida Administrative Code, and as reflected in a subsequent order.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

If this order becomes final and effective on April 4, 1989, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or sewer utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the effective date of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

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GULF AIRE WASTEWATER TREATMENT PLANT
TREATMENT FACILITIES
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SCHEDULE 1-A

Allowance for Funds Prudently Invested
Schedule of Charges:

	1989	1990	1991	1992	1993	1994
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January	N/A	128.84	288.83	461.93	650.97	857.94
February	N/A	141.73	302.25	476.55	666.95	875.44
March	N/A	154.61	315.68	491.18	682.93	892.94
April	12.88	168.03	330.30	507.16	700.43	N/A
May	25.77	181.46	344.93	523.14	717.93	N/A
June	38.65	194.88	359.55	539.12	735.43	N/A
July	51.54	208.30	374.18	555.10	752.93	N/A
August	64.42	221.72	388.80	571.07	770.43	N/A
September	77.31	235.14	403.43	587.05	787.93	N/A
October	90.19	248.57	418.05	603.03	805.44	N/A
November	103.07	261.99	432.68	619.01	822.94	N/A
December	115.96	275.41	447.30	634.99	840.44	N/A

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GULFAIRE WASTEWATER TREATMENT PLANT
 COLLECTION FACILITIES SCHEDULE 1-B
 DOCKET NO. 881024-SU

Allowance for Funds Prudently Invested
 Schedule of Charges:

	1989	1990	1991	1992	1993
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January	11.06	144.58	288.70	448.23	625.08
February	22.11	156.49	301.88	462.83	641.29
March	33.17	168.39	315.05	477.44	657.51
April	44.23	180.29	328.23	492.04	673.72
May	55.28	192.20	341.40	506.64	689.93
June	66.34	204.10	354.58	521.25	706.14
July	77.40	216.01	367.75	535.85	722.35
August	88.45	227.91	380.93	550.46	738.56
September	99.51	239.82	394.10	565.06	754.78
October	110.57	251.72	407.27	579.66	770.99
November	121.62	263.62	420.45	594.27	787.20
December	132.68	275.53	433.62	608.87	803.41