

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application of OCEAN REEF)
 UTILITY COMPANY for limited pro-)
 ceeding to reduce rates in Monroe)
 County)
 _____)

DOCKET NO. 891004-SU
 ORDER NO. 22015
 ISSUED: 10-9-89

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 ACTION
ORDER APPROVING APPLICATION FOR REDUCED RATES

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 in accordance with Rule 25-22.029, Florida Administrative Code.

Ocean Reef Utility Company, ("Ocean Reef" or "utility"), owns and operates the sewer treatment and collection system within the Ocean Reef Development in North Key Largo, Florida serving approximately 388 residential customers and 185 general service customers. The utility had annual sewer revenues in 1988 of \$412,108 and reported a net operating income of \$42,940.

On November 5, 1974, the Sewer Capital Reserve Fund (or Trust) was created pursuant to the Sewer Capital Reserve Fund Agreement entered into between the Ocean Reef Club, Inc., (the utility's predecessor in interest), and certain property owners' associations within the Ocean Reef Development. The Sewer Capital Reserve Fund Agreement provides as follows:

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- (a) The Trust has a perpetual existence and exists for the benefit of Ocean Reef property owners;
- (b) The Trust is to be funded with assessments against Ocean Reef property owners collected through the Ocean Reef Improvement Association; and
- (c) Trust funds are to be used to defray the costs of repair and replacement of the Ocean Reef sewage collection system. The funds are also to be expended for costs incurred for treatment facility expansion to the Ocean Reef sewage system which are required by more stringent government sewage treatment standards.

In 1985, the utility replaced certain sewage treatment facilities at the Ocean Reef Development which were obsolete or not operational. These replacements were installed for the purpose of, among other things, treating sewage in accordance with more stringent sewage treatment standards promulgated by the Florida Department of Environmental Regulation.

In February, 1986, the utility (by and through the Ocean Reef Club, Inc.) filed an application for increased sewer rates with this Commission pursuant to Section 367.081, Florida Statutes. During the course of the rate case, the Trustees of the Sewer Capital Reserve Fund filed a Circuit Court action regarding the ownership of the collection system and whether the cost of the plant refurbishment should be reimbursed by the Fund. The Commission was unable to make a decision regarding this reimbursement due to the many uncertainties surrounding it: the length of time before the circuit court action would be complete, the outcome regarding the possible reimbursement, and if a reimbursement was ordered, what the amount would be. Therefore, by Order No. 17760, issued June 29, 1989, the Commission adopted and approved the stipulation between the parties to the Circuit Court action. That stipulation provided as follows:

If the Trustees reimburse the utility for the cost of any asset which is currently a part of the rate base, such contributions shall be treated as CIAC, and such amount shall be deducted from the rate base. The CIAC account will be increased in the rate base schedule by the amount

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of the reimbursement received. The operating statement will be affected by a reduction in depreciation expense, income taxes, regulatory assessment fees and the net operating income. The result will be a reduced revenue requirement. If such reimbursement is made before the parties submit their Briefs, the above referenced adjustments will be made and incorporated into the Commission's final order. If the reimbursement is made after the Briefs are filed, the above referenced adjustments shall be made in a limited proceeding pursuant to Section 367.0822, Florida Statutes. In the limited proceeding, the reduced revenue requirement that is the result of the reimbursement will be calculated, the percentage of the decrease in the revenue requirement shall be applied across the board to all rate schedules approved in the Commission's final order.

On June 2, 1989, the utility received payment from the Sewer Capital Reserve Fund, for partial reimbursement for the replacement work referred to above, in the amount of \$130,921.00. On July 28, 1989, the utility filed an application for a limited proceeding to reduce its rates for the reimbursement received as directed by the stipulation adopted in Order No. 17760 and this docket was opened.

Schedule 1, attached hereto, is the calculation submitted by the utility. We have reviewed the calculation and found no error in the methodology. The utility used the last authorized rate of return (from Order No. 17760) and the depreciation rate used in the last docket for treatment and disposal equipment. The stipulation, which detailed the mechanics of this rate decrease, also stated that any related income tax expense should be included in the reduction. However, the Order included a zero tax expense, therefore there is no income tax expense related to the contributed plant.

We compared the proposed reduction to the annualized revenues calculated using 1988 year-end customers and the most recent rates (approved in Order No. 21575, 1989 price index application) to determine the percentage decrease. The utility's calculations resulted in a 5.09% reduction in rates. We find that the utility rounded the percentage reduction incorrectly and the end result should be a 5.10% reduction.

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Therefore we find it appropriate to approve the utility's application to reduce rate base and adjust rates, as adjusted to the 5.10% amount. This will generate a reduction in gross annual revenues of \$21,982. The following rates are designed to implement our decision. The utility's present and proposed rates, and those approved herein are set forth below for comparison:

SEWER

(5.10% REDUCTION)

RESIDENTIAL

<u>Description</u>	<u>Utility Present Rates</u>	<u>Utility Proposed Rates</u>	<u>Commission Approved Rates</u>
One-Bath Unit (Flat Rate)	\$ 26.87	\$ 25.51	\$ 25.50
Two-Bath Unit (Flat Rate)	26.87	25.51	25.50

GENERAL SERVICES & MULTI RESIDENTIAL SERVICE

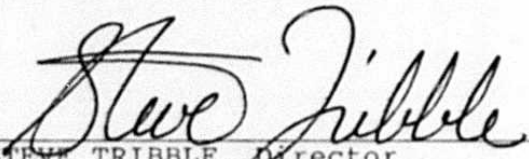
<u>Meter Size</u>	<u>Utility Present Rates</u>	<u>Utility Proposed Rates</u>	<u>Commission Approved Rates</u>
5/8" x 3/4"	\$ 14.65	\$ 13.91	\$ 13.90
1"	36.64	34.78	34.77
1-1/2"	73.26	69.53	69.52
2"	117.22	111.25	111.24
3"	234.45	222.52	222.49
4"	366.33	347.68	347.65
Gallonage Charge	\$ 2.41	\$ 2.29	\$ 2.29

The reduced rates shall become effective for meters read on or after thirty days from date that this Order becomes final.

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ORDERED that if a timely protest is not filed, the docket shall be closed upon staff's approval of revised tariff sheets.

By ORDER of the Florida Public Service Commission
this 9th day of October, 1989.



STEVE TRIBBLE, Director
Division of Records & Reporting

(S E A L)

DAS

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 October 30, 1989.

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In the absence of such a petition, this order shall become effective on the day subsequent to the above date 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 the date described above, 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.