

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application of Lake Groves) DOCKET NO. 900957-WS
Utilities, Inc. for water and sewer) ORDER NO. 24283
certificates in Lake County.) ISSUED: 3/25/91
_____)

The following Commissioners participated in the disposition of this matter:

THOMAS M. BEARD, Chairman
J. TERRY DEASON
GERALD L. GUNTER
MICHAEL MCK. WILSON

ORDER GRANTING CERTIFICATES

AND

NOTICE OF PROPOSED AGENCY ACTION

ORDER APPROVING RATES AND CHARGES

BY THE COMMISSION:

Notice is hereby given by the Florida Public Service Commission that the action discussed herein is final except for the approval of the rates and charges, which is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for formal proceeding pursuant to Rule 256-22.029, Florida Administrative Code.

Background

On December 4, 1990, Lake Groves Utilities, Inc. (Lake Groves or Utility) filed an application for certificates in Lake County. The territory which the Utility proposes to serve is located in the southeast corner of Lake County. There are no other utilities in the area able to serve the proposed territory. The project is scheduled to begin during 1991, and will be built out during 1996.

Application

The application is in compliance with Section 367.045, Florida Statutes, and other pertinent statutes and administrative rules concerning an application for original certificate. In particular, the application contains:

- 1) A filing fee in the amount of \$900, as prescribed by Rule 25-30.020, Florida Administrative Code.

DOCUMENT NUMBER-DATE

02913 MAR 25 1991

REGISTRY/REPORTING

- 2) Service territory and system maps and a territory description, as prescribed by Rule 25-30.033(1)(m), Florida Administrative Code. The territory is described in Attachment A of this Order.
- 3) Evidence that the Utility owns the land upon which its facilities are located as required by Rule 25-30.033(1)(j), Florida Administrative Code.
- 4) Proof of notice to interested governmental and regulatory agencies, and utilities within a four-mile radius of the territory, and proof of advertisement in a newspaper of general circulation in Lake County, as prescribed by Rule 25-30.030, Florida Administrative Code.
- 5) Financial statements of those providing the principal funding to the Utility. It appears that the net worth of the parent organization will adequately provide the capital to operate the utility in the initial years of development.

No objections to the application have been received and the time for filing such has expired.

Lake Groves' parent organization is The Greater Construction Corporation (Greater), a Central Florida development company. Service will be provided at buildout to a total of 545 Equivalent Residential Connections (ERCs) with a 600,000 gallon per day (GPD) potable water plant and a 160,000 GPD wastewater treatment and disposal plant. The service territory is comprised of single family residences, a club house and swimming pool and a small commercial development.

The water system receives its water from the lower Floridan Aquifer. Treatment of the water from the two wells consists of aeration and chlorination.

The wastewater system utilizes a system of activated sludge as a treatment method and disposes of the treated effluent into percolation ponds of the rapid rate land application type. Such disposal is designed to promote recharging of the Floridan Aquifer. Rule 17-610.451, Florida Administrative Code, prohibits facilities with less than 100,000 gallons per day (GPD) average daily flow (ADF) from utilizing spray irrigation as a disposal method. For systems with design ADFs less than 500,000 GPD, the Department of

Environmental Regulation (DER) places significant restrictions on systems designed to utilize spray irrigation as a disposal method. Since Lake Groves will treat less than 200,000 GPD, the rapid rate land application system utilizing percolation ponds is the more cost effective method and provides effective recharging with respect to the lower Floridan Aquifer.

Due to Lake Groves' affiliation with Greater, the Utility is not a true "mom and pop" entity. Greater is also the parent of Sanlando Utilities Corporation (Sanlando); therefore, Lake Groves will have the same level of managerial and operational expertise available as Sanlando, which has been providing excellent service to its customers in Seminole County for 20 years.

In addition, Greater has considerable net worth and is capable of providing the necessary capital to operate the system during its formative years. As stated previously, there are no other utilities near the proposed territory which can provide service. Since there is a need for service in the proposed territory and Lake Groves is ready, willing and able to provide such service, we find that it is in the public interest to grant Lake Groves Certificates Nos. 534-W and 465-S to serve the territory described in Attachment A of this Order.

Rates and Charges

Normally, in original certificate applications, rates are determined which will allow a utility to earn a fair rate of return on investment when the treatment plant reaches 80% of capacity. The Utility is projected to serve approximately 545 ERCs at buildout. It is anticipated that the system will reach 80% buildout in 1995.

To determine initial rates, we reviewed the data provided with the application, which included proforma schedules of rate base, operating income and capital structure. The projected costs at 80% of design capacity are reasonable and proper; we accept them for the purpose of setting initial rates and charges. Our Schedule of Rate Base appears on Schedules Nos. 1 and 3.

The projections of expenses are reasonable and proper and we accept them for the purpose of setting initial rates and charges. Our Schedule of Operations appears on Schedules Nos. 2 and 4.

The Utility's proforma capital structure results in a return on common equity of 13.51% using the current Commission approved leverage formula, authorized by Order No. 23318, issued August 7, 1990. The proforma capital structure appears on Schedule No. 5.

We find it appropriate at this time to established a return on equity of 13.51% to be used by Lake Groves in future proceedings involving such things as calculation of allowance for funds used during construction (AFUDC) and interim rates.

The rates shown below are calculated using the base facility charge structure and are based on a revenue requirement of \$130,112 and \$137,158, for the water and wastewater systems at 80% design capacity, respectively.

WATER

(Monthly)

Residential, General and Multi-Residential Service

<u>Meter Size</u>	<u>Base Facility Charge</u>
5/8" x 3/4"	\$ 12.10
1"	30.25
1-1/2"	60.50
2"	96.80
3"	193.60
4"	302.50
Gallonage Charge per 1,000 gallons	\$ 1.20

Private Fire Protection Service

<u>Line Size</u>	<u>Annual Rate</u>
4"	\$ 1,210.00
6"	2,420.00
8"	3,872.00
10"	5,565.00
12"	10,405.00

Customer Deposits

5/8" x 3/4"	\$	40.00
1"		65.00
1-1/2"		110.00
Over 2"		160.00

Miscellaneous Service Charges

Initial Connection Fee	\$	15.00
Normal Reconnection Fee	\$	15.00
Violation Reconnection Fee	\$	15.00
Premises Visit Fee (in lieu of disconnection)	\$	10.00

WASTEWATER

(Monthly)

<u>Residential Service</u>	<u>Base Facility Charge</u>
All Meter Sizes	\$ 15.15
Gallonge Charge per 1,000 gallons (Maximum of 10,000 gallons)	\$ 1.04

General and Multi-Residential Service

<u>Meter Size</u>	<u>Base Facility Charge</u>
5/8" x 3/4"	\$ 15.15
1"	37.88
1-1/2"	75.75
2"	121.20
3"	242.40
4"	378.75
Gallonge Charge per 1,000 gallons	\$ 1.30

Customer Deposits

5/8" x 3/4"	\$	40.00
1"		65.00
1-1/2"		110.00
Over 2"		160.00

Miscellaneous Service Charges

Initial Connection Fee	\$ 15.00
Normal Reconnection Fee	\$ 15.00
Violation Reconnection Fee	Actual Cost
Premises Visit Fee (in lieu of disconnection)	\$ 10.00

We find these rates and charges to be reasonable and they are, therefore, approved. Lake Groves is directed to charge these rates and charges until authorized to change by the Commission in a subsequent proceeding.

The Utility shall file tariffs reflecting the approved rates and charges within thirty days of the date of this Order. The rates shall be effective for meter readings on or after thirty days from the stamped approval date on the tariff sheets.

Service Availability Charges

The service availability charges set forth below will result in a contribution level of approximately 75% when the systems reach buildout. Greater will develop the territory and will install the transmission, distribution, collection and force main systems. The lines will become contributed property to the Utility.

We find the following service availability charges to be reasonable and they are, therefore, approved:

Meter Installation Fee

5/8" x 3/4"	\$ 67.00
1"	114.00
Over 1"	Actual Cost

Plant Capacity Charges - Water

Residential per ERC (350 GPD)	\$ 707.00
All others - per gallon	\$ 2.02

Plant Capacity Charges - Wastewater

Residential per ERC (350 GPD)	\$ 558.00
All others - per gallon	\$ 1.99

The tariff sheets, filed by Lake Groves, shall reflect the service availability charges approved herein. These charges shall be effective for connections made on or after the stamped approval date on the tariff sheets.

Allowance for Funds Prudently Invested (AFPI)

Following is a breakdown of the allowance for funds prudently invested (AFPI) for the years 1991 through 1996.

Allowance for Funds Prudently Invested - Water

	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>
January		\$58.31	\$158.27	\$258.23	\$358.19	\$458.15
February		66.64	166.60	266.56	366.52	466.48
March		74.97	174.93	274.89	374.85	474.81
April		83.30	183.26	283.22	383.18	483.14
May		91.63	191.59	291.55	391.51	491.47
June		99.96	199.92	299.88	399.84	499.80
July	\$ 8.33	108.29	208.25	308.21	408.17	
August	16.66	116.62	216.58	316.54	416.50	
September	24.99	124.95	224.91	324.87	424.83	
October	33.32	133.28	233.24	333.20	433.16	
November	41.65	141.61	241.57	341.53	441.49	
December	49.98	149.94	249.90	349.86	449.82	

Allowance For Funds Prudently Invested - Sewer

	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>
January		\$66.22	\$179.74	\$293.26	\$406.78	\$520.30
February		75.68	189.20	302.72	416.24	529.76
March		85.14	198.66	312.18	425.70	539.22
April		94.60	208.12	321.64	435.16	548.68
May		104.06	217.58	331.10	444.62	558.14
June		113.52	227.04	340.56	454.08	567.60
July	\$9.46	122.98	236.50	350.02	463.54	
August	18.92	132.44	245.96	359.48	473.00	
September	28.38	141.90	255.42	368.94	482.46	
October	37.84	151.36	264.88	378.40	491.92	
November	47.30	160.82	274.34	387.86	501.38	
December	56.36	170.28	283.80	397.32	510.84	

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The computation of AFPI includes depreciation, taxes and return on investment. The plant investment appears to be prudent; the recovery of investment costs through AFPI also appears to be prudent. Therefore, AFPI is approved as set forth above.

It is, therefore,

ORDERED by the Florida Public Service Commission that Lake Groves Utilities, Inc., 1105 Kensington Park Drive, Altamonte Springs, Florida 32714, is hereby granted Certificates Nos. 534-W and 465-S to serve the area in Lake County described in Attachment A of this Order. It is further

ORDERED that Lake Groves shall charge the rates and charges approved in the body of this Order until authorized to change by this Commission. It is further

ORDERED that Lake Groves shall file tariff sheets reflecting the action taken herein. It is further

ORDERED that the rates approved herein shall be effective for meter readings on or after 30 days from the stamped approval date on the tariff sheets. It is further

ORDERED that the service availability charges shall be effective for connections made on or after the stamped approval date on the tariff sheets. It is further

ORDERED that the miscellaneous service charges shall be effective for service rendered on or after the stamped approval date on the tariff sheets. It is further

ORDERED that Lake Groves shall use the return on equity of 13.51% in future proceeding involving such things as calculation of AFUDC and interim rates. It is further

ORDERED that Allowance For Funds Prudently Invested, as set forth in the body of this Order, is hereby approved. It is further

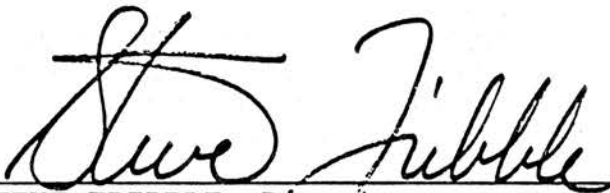
ORDERED that the provisions of this Order, issued as proposed agency action, shall become final unless an appropriate petition in the form provided by Rule 25-22.036, Florida Administrative Code, is received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-

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0870, by the date set forth in the "Notice of Further Proceedings or Judicial Review" attached hereto. It is further

ORDERED that in the event that this Order becomes final, this docket shall be closed.

By ORDER of the Florida Public Service Commission, this 25th day of MARCH, 1991.



STEVE TRIBBLE, Director
Division of Records and Reporting

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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.

As identified in the body of this order, our action approving rates and charges 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

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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 15, 1991. In the absence of such a petition, this order shall become effective on the date subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

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 the relevant portion of 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.

Any party adversely affected by the Commission's final action in this matter may request: 1) reconsideration of the decision by filing a motion for reconsideration with the Director, Division of Records and Reporting within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or 2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or 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 after the issuance 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.

ATTACHMENT A

LAKE GROVES UTILITIES, INC.

The following described lands located in portions of Sections 22, 23 and 27, Township 24 South, Range 26 East, Lake County, Florida:

Beginning at a point that is 12.51 feet S and 298.75 feet E of the SE corner of the NE 1/4 of Section 22, TWP 24 S, Range 26 E, of the Tallahassee Meridian, on the West right of way line of State Road 25; run thence N 21 deg. 18 min. 45 sec. W along said right of way line 655.45 feet, said line being parallel to and 80 feet Southwesterly from the center line of pavement; thence S 89 deg. 06 min. 20 sec. W 3363.71 feet to the West line of the E 1/4 of the NW 1/4 of said Section; thence S 0 deg. 01 min. 55 sec. W along said line 614.27 feet; thence N 89 deg. 06 min. 20 sec. E 3602.31 feet to point of beginning.

AND

Commence at a point 652.17 feet South and 548.33 feet East of the Northeast corner of the SE 1/4 of Section 22, Township 24 South, Range 26 East on the West right-of-way of State Road No. 25, run thence N. 21 deg. 18 min. 45 sec. W. along said right-of-way, 686.70 feet, said line being parallel with and 80 feet Southwesterly from the center line of pavement; thence S. 89 deg. 06 min. 20 sec. W., 550.39 feet to the Point of Beginning; thence continue S. 89 deg. 06 min. 20 sec. W., 3051.92 feet to the West line of the NE 1/4 of the NE 1/4 of the SW 1/4 of said Section 22; thence S. 00 deg. 01 min. 55 sec. W. along said line, 631.12 feet to the Southwest corner of the NE 1/4 of the NE 1/4 of the SW 1/4 of said Section; thence N. 89 deg. 21 min. 30 sec. E., 3051.92 feet; thence N. 00 deg. 01 min. 55 sec. E., 664.57 feet to the Point of Beginning, containing 44.68 acres, more or less.

AND

TRACT 1:

THE SOUTH 3/4 OF THE WEST 1/2 OF THE SOUTHWEST 1/4 OF SECTION 23, TOWNSHIP 24 SOUTH, RANGE 26 EAST, LAKE COUNTY, FLORIDA, LYING WEST OF U.S. HIGHWAY NO. 27.

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AND

TRACT 2:

THE SOUTH 3/4 OF THE SOUTHEAST 1/4 OF SECTION 22, TOWNSHIP 24 SOUTH, RANGE 26 EAST, LAKE COUNTY, FLORIDA.

AND

TRACT 3:

THE NORTHEAST 1/4 OF THE NORTHEAST 1/4 AND THE EAST 1/2 OF THE NORTHWEST 1/4 OF THE NORTHEAST 1/4 OF SECTION 27, TOWNSHIP 24 SOUTH, RANGE 26 EAST, LAKE COUNTY, FLORIDA.

CONTAINING 223.33 ACRES, MORE OR LESS

THE BEARINGS ON THIS PLAT ARE BASED ON AN ASSUMED BEARING OF S. 89 deg. 34 min. 36 sec. W. ALONG THE SOUTH BOUNDARY OF SECTION 23-24-26.

THERE ARE NO EASEMENTS OR ENCROACHMENTS VISIBLE ON THE GROUND. OTHER THAN SHOWN.

SCHEDULE 1

Lake Groves Utilities, Inc.
Schedule of Water Rate Base
At 80% of Design Capacity

<u>Description</u>	<u>Balance per Utility</u>
Utility Plant in Service	\$ 1,188,489
Land	24,000
Accumulated Depreciation	(126,539)
Contributions-in-Aid-of-Construction	(817,897)
Accumulated Amortization of CIAC	55,833
Plant Held for Future Use	(53,399)
Working Capital Allowance	<u>8,207</u>
TOTAL	<u>\$ 278,694</u>

SCHEDULE 2

Lake Groves Utilities, Inc.
Schedule of Water Operations
At 80% of Design Capacity

<u>Description</u>	<u>Balance per Utility</u>
Operating Revenues	\$ 130,112
Operating and Maintenance	65,652
Depreciation Expense	14,596
Taxes Other Than Income	10,510
Income Taxes	<u>7,520</u>
Total Operating Expenses	<u>98,278</u>
Net Operating Income	<u>\$ 31,834</u>
Rate Base	<u>\$ 278,694</u>
Rate of Return	<u>11.42%</u>

SCHEDULE 3

Lake Groves Utilities, Inc.
Schedule of Sewer Rate Base
At 80% of Design Capacity

<u>Description</u>	<u>Balance per Utility</u>
Utility Plant in Service	\$ 1,215,600
Land	268,800
Accumulated Depreciation	(132,950)
Contributions-in-Aid-of-Construction	(1,053,818)
Accumulated Amortization of CIAC	79,051
Plant Held for Future Use	(20,645)
Working Capital Allowance	<u>8,129</u>
TOTAL	<u>\$ 364,167</u>

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SCHEDULE 4

Lake Groves Utilities, Inc.
Schedule of Sewer Operations
At 80% of Design Capacity

<u>Description</u>	<u>Balance per Utility</u>
Operating Revenues	\$ 137,158
Operating and Maintenance	65,033
Depreciation Expense	9,996
Taxes Other Than Income	10,704
Income Taxes	<u>9,827</u>
Total Operating Expenses	<u>95,560</u>
Net Operating Income	<u>\$ 41,598</u>
Rate Base	<u>\$ 364,167</u>
Rate of Return	<u>11.42%</u>

SCHEDULE 5

Lake Groves Utilities, Inc. Schedule of Capital Structure At 80% of Design Capacity							
<u>Description</u>	<u>Balance per Utility</u>	<u>Balance per Staff</u>	<u>Recon. Adjust.</u>	<u>Recon. Balance</u>	<u>Weight</u>	<u>Cost Rate</u>	<u>Weighted Cost</u>
Common Equity	\$241,119	\$241,119	\$(28,283)	\$212,836	33.11%	13.51%	4.47%
Long & Short -Term Debt	465,655	465,655	(54,620)	411,035	63.94%	10.50%	6.71%
Customer Deposits	21,513	21,513	(2,523)	18,990	2.95%	8.00%	0.24%
Advances for Asso- ciated Comp.	0	0	0	0	0.00%	0.00%	0.00%
Other	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
	<u>\$728,287</u>	<u>\$728,287</u>	<u>\$(85,426)</u>	<u>\$642,861</u>	<u>100.00%</u>		<u>11.42%</u>