

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for amend- ) DOCKET NO. 911195-WS  
ment of service availability ) ORDER NO. PSC-92-0689-FOF-WS  
policy in Brevard County by ) ISSUED: 07/21/92  
AQUARINA DEVELOPMENTS, INC. )  
\_\_\_\_\_ )

The following Commissioners participated in the disposition of this matter:

THOMAS M. BEARD, Chairman  
SUSAN F. CLARK  
J. TERRY DEASON  
BETTY EASLEY  
LUIS J. LAUREDO

NOTICE OF PROPOSED AGENCY ACTION  
ORDER APPROVING NEW SERVICE AVAILABILITY CHARGES

BY THE COMMISSION:

NOTICE IS HEREBY GIVEN by the Florida Public Service Commission that the action discussed herein 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 25-22.029, Florida Administrative Code.

BACKGROUND

Aquarina Developments, Inc. (Aquarina or utility) is a Class C utility serving 46 water and wastewater customers in Melbourne Beach, Florida. According to the utility's 1991 annual report, the water system had operating revenues of \$24,854 and a net operating loss of \$129,069 and the wastewater system had operating revenues of \$21,728 and a net operating loss of \$259,703.

On December 12, 1991, the utility filed the instant application for modification of its current service availability charges. We found this filing to be deficient and Aquarina filed additional information to correct these deficiencies on January 23, 1992, and that date was established as the official date of filing.

This Commission last reviewed the utility's service availability policy in a staff-assisted rate case in Docket No. 900168-WS. The utility did not collect any service availability charges or receive any donated property prior to that proceeding. In Order No. 23812, issued November 27, 1990, we established main extension charges of \$180 for the water system and \$502 for the

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wastewater system. No plant capacity charges were established in the rate case due to the utility's low customer growth rate.

On November 14, 1991, Aquarina applied for a certificate amendment to include additional territory in Brevard County. The territory expansion was initially protested, however, the protest was withdrawn and the amendment was granted in Order No. PSC-92-0119-FOF-WS, issued March 30, 1992.

In its application, Aquarina has requested interim and final plant capacity charges of \$625 for water and \$800 for wastewater to recover the cost of facilities and to pay for the additional costs associated with expanded and improved facilities. This Commission suspended the proposed charges and denied interim charges by Order No. PSC-92-0131-FOF-WS, issued March 31, 1992. As we found it inappropriate to approve new rates, final or interim, for an area prior to our approval of the utility's application for that expanded territory.

#### Plant Capacity Charges

The construction of the Aquarina development began in 1983 with a projected 1,600 units, primarily in townhouses and condominiums. Prior to the completion of the first phase, Aquarina's management realized that the unit types and price ranges were not acceptable to that area and construction was halted in 1986. In 1989, Aquarina revised its marketing strategy to construct primarily single-family residences rather than townhouses and condominiums. In addition, Aquarina purchased a neighboring development known as the Hammock, which was renamed Aquarina II. The company anticipates construction of no more than 1,080 residential units within the Aquarina and Aquarina II developments.

As discussed previously in this Order, this Commission approved the utility's territory amendment by Order No. PSC-92-0119-FOF-WS, issued March 30, 1992. Aquarina asserts the revised marketing strategy and additional territory will result in increased customer growth. The utility subsequently filed a copy of a proposed developer agreement for a 46-unit development in the new territory.

The utility's current treatment plant capacity is 376 equivalent residential connections (ERCs) for the water system, which is a reverse osmosis system, and 1024 ERCs for the wastewater

system. The capacity of the transmission/distribution and collection systems is 533 ERCs each for water and wastewater. By 1996, the utility is planning to increase its water treatment plant capacity by 320 ERCs, increase its water transmission/distribution system by 356 ERCs, and increase its wastewater collection system by 256 ERCs. The utility estimates connecting an average of 95 ERCs per year.

As of December 31, 1991, the utility's contributions-in-aid-of-construction (CIAC) level was 22.20% for water and 13.42% for wastewater. The minimum contribution level required by Rule 25-30.580(1)(b), Florida Administrative Code, based on the utility's investment in water transmission and distribution facilities was approximately 11.04% for the water system. The minimum required contribution level based on the utility's investment in collection facilities was 23.24% for the wastewater system. At design capacity, the required minimum investment will be approximately 17.09% for water and 23.88% for wastewater. If the utility maintains its present charges, the contribution levels at design capacity will be 21.55% for water and 43.01% for wastewater.

Although the present charges are sufficient to achieve the utility's minimum contribution level, we believe increased charges are appropriate to enable the utility to achieve the 75% maximum contribution level contained in Rule 25-30.580(1)(a), Florida Administrative Code. The utility did not request a change in its main extension charges; however, we find an adjustment is necessary to provide the utility with the correct combination of service availability charges.

A system capacity charge represents a customer's reserved capacity in the treatment plant and lines. It consists of a plant capacity charge and a main capacity charge. In the instant proceeding, the utility's present main extension charges appear to be functioning more as main capacity charges. A main extension charge represents the cost of extending a main to a specific area. A main capacity charge represents the cost of the full transmission/distribution and collection systems. Because the utility's present charges represent the cost of the full transmission/distribution and collections systems, we find it appropriate to allow the utility to collect a main capacity charge rather than a main extension charge. Therefore, we find that the present main extension charges shall be reclassified as main capacity charges. The appropriate main capacity charges for

residential customers are \$75 per ERC (350 gallons per day) for the water system and \$365 per ERC (280 gallons per day) for the wastewater system. The calculation of these charges is depicted on Schedules Nos. 1 and 3. The main capacity charges for non-residential customers are \$0.21 per gallon per day for water and \$1.30 per gallon per day for wastewater. The non-residential charges were determined by dividing the residential charges by the number of gallons per day that equals one ERC. These main capacity charges will allow the utility the opportunity to recover approximately 75% of its investment in the transmission/distribution and collection systems.

In addition, we find it appropriate to authorize the utility to collect plant capacity charges from residential customers of \$835 per ERC (350 gpd) for water connections and \$560 per ERC (280 gpd) for wastewater connections. The residential plant capacity charges were derived by subtracting the main capacity charges from the total system capacity charges and are not shown on a separate schedule. The plant capacity charges for non-residential customers are \$2.39 per gallon per day for water and \$2.00 per gallon per day for wastewater. Therefore, we find the total service availability charge for residential customers is \$910 for water and \$925 for wastewater, when combined with the new main capacity charges as discussed above. The combined total is designed to generate a CIAC level of 75% and is reflected on Schedules Nos. 2 and 4.

Based on the foregoing, it is, therefore,

ORDERED by the Florida Public Service Commission that the application of Aquarina Developments, Inc., for new service availability charges is approved as modified as set forth in the body of this order. It is further

ORDERED that Aquarina Developments, Inc., shall charge the service availability charges set forth in the body of this Order. It is further

ORDERED that the provisions of this Order are issued as proposed agency action and shall become final unless an appropriate petition in the form provided by Rule 25-22.029, Florida Administrative Code, is received by the Director, Division of Records and Reporting, at his office at 101 East Gaines Street, Tallahassee, Florida 32300-0870 by the date set forth in the Notice of Further Proceedings below. It is further

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ORDERED that the utility shall submit revised tariff pages reflecting the charges approved herein within thirty days of the date of this Order. It is further

ORDERED that if this Order becomes final, the service availability charges approved herein shall be effective for connections made on or after the stamped approval date on the revised tariff pages. It is further

ORDERED that the tariff pages will be approved upon expiration of the protest period and upon our Staff's verification that they accurately reflect our decisions herein. It is further

ORDERED that this docket will be closed upon the expiration date of the protest period if no timely protest is filed.

By ORDER of the Florida Public Service Commission this 21st day of July, 1992.

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STEVE TRIBBLE, Director  
Division of Records and Reporting

( S E A L )

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by: Kay Lynn  
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Chief, Bureau of Records

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.

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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 August 11, 1992.

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.

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 wastewater 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.

SERVICE AVAILABILITY CHARGE ANALYSIS

UTILITY: Aquarina Developments, Inc.  
DOCKET NO. 911195-WS  
TEST YEAR ENDED  
WATER - Main Capacity Charge Only

GROSS BOOK VALUE	\$212,800
LAND	\$0
DEPRECIABLE ASSETS	\$212,800
ACCUMULATED DEPRECIATION TO DATE	\$20,009
ACCUMULATED DEPRECIATION AT DESIGN CAPACITY	\$54,749
NET PLANT AT DESIGN CAPACITY	\$158,051
TRANSMISSION & DISTRIBUTION/COLLECTION LINES	\$212,800
MINIMUM LEVEL OF C.I.A.C.	100.00%
C.I.A.C. TO DATE	\$127,309
ACCUMULATED AMORTIZATION OF C.I.A.C. TO DATE	\$30,995
NET C.I.A.C. TO DATE	\$96,314
LEVEL OF C.I.A.C. TO DATE	49.96%
ACCUMULATED AMORTIZATION OF C.I.A.C. AT DESIGN CAPACITY	\$51,778
FUTURE CUSTOMERS (ERC) TO BE CONNECTED	622
COMPOSITE DEPRECIATION RATE	2.50%
COMPOSITE C.I.A.C. AMORTIZATION RATE	2.50%
NUMBER OF YEARS TO DESIGN CAPACITY	6.53
EXISTING SERVICE AVAILABILITY CHARGE PER ERC	\$180.00
LEVEL OF C.I.A.C. AT DESIGN CAPACITY	112.77%
NET C.I.A.C. AT DESIGN CAPACITY	\$178,235
REQUESTED SERVICE AVAILABILITY CHARGE PER ERC	\$180.00
LEVEL OF C.I.A.C. AT DESIGN CAPACITY	112.77%
NET C.I.A.C. AT DESIGN CAPACITY	\$178,235
MINIMUM SERVICE AVAILABILITY CHARGE PER ERC	\$144.63
LEVEL OF C.I.A.C. AT DESIGN CAPACITY	100.00%
NET C.I.A.C. AT DESIGN CAPACITY	\$158,051
MAXIMUM SERVICE AVAILABILITY CHARGE PER ERC	\$75.38
LEVEL OF C.I.A.C. AT DESIGN CAPACITY	75.00%
NET C.I.A.C. AT DESIGN CAPACITY	\$118,539

SERVICE AVAILABILITY CHARGE ANALYSIS

UTILITY: Aquarina Developments, Inc.  
DOCKET NO. 911195-WS  
TEST YEAR ENDED  
WATER - Combined Main Capacity and Plant Capacity Charges

GROSS BOOK VALUE	\$1,245,479
LAND	\$30,160
DEPRECIABLE ASSETS	\$1,215,319
ACCUMULATED DEPRECIATION TO DATE	\$179,829
ACCUMULATED DEPRECIATION AT DESIGN CAPACITY	\$513,142
NET PLANT AT DESIGN CAPACITY	\$732,337
TRANSMISSION & DISTRIBUTION/COLLECTION LINES	\$212,800
MINIMUM LEVEL OF C.I.A.C.	17.09%
C.I.A.C. TO DATE	\$127,309
ACCUMULATED AMORTIZATION OF C.I.A.C. TO DATE	\$30,955
NET C.I.A.C. TO DATE	\$96,314
LEVEL OF C.I.A.C. TO DATE	9.04%
ACCUMULATED AMORTIZATION OF C.I.A.C. AT DESIGN CAPACITY	\$65,911
FUTURE CUSTOMERS (ERC) TO BE CONNECTED	622
COMPOSITE DEPRECIATION RATE	4.20%
COMPOSITE C.I.A.C. AMORTIZATION RATE	4.20%
NUMBER OF YEARS TO DESIGN CAPACITY	6.53
EXISTING SERVICE AVAILABILITY CHARGE PER ERC	\$180.00
LEVEL OF C.I.A.C. AT DESIGN CAPACITY	21.55%
NET C.I.A.C. AT DESIGN CAPACITY	\$157,809
REQUESTED SERVICE AVAILABILITY CHARGE PER ERC	\$805.00
LEVEL OF C.I.A.C. AT DESIGN CAPACITY	67.26%
NET C.I.A.C. AT DESIGN CAPACITY	\$492,570
MINIMUM SERVICE AVAILABILITY CHARGE PER ERC	\$118.98
LEVEL OF C.I.A.C. AT DESIGN CAPACITY	17.09%
NET C.I.A.C. AT DESIGN CAPACITY	\$125,126
MAXIMUM SERVICE AVAILABILITY CHARGE PER ERC	\$910.83
LEVEL OF C.I.A.C. AT DESIGN CAPACITY	75.00%
NET C.I.A.C. AT DESIGN CAPACITY	\$549,252



SERVICE AVAILABILITY CHARGE ANALYSIS

UTILITY: Aquarina Developments, Inc.  
DOCKET NO. 911195-WS  
TEST YEAR ENDED: December 31, 1991  
WASTEWATER - Main Capacity Charge Only

GROSS BOOK VALUE	\$853,475
LAND	\$0
DEPRECIABLE ASSETS	\$853,475
ACCUMULATED DEPRECIATION TO DATE	\$81,255
ACCUMULATED DEPRECIATION AT DESIGN CAPACITY	\$294,197
NET PLANT AT DESIGN CAPACITY	\$559,278
TRANSMISSION & DISTRIBUTION/COLLECTION LINES	\$853,475
MINIMUM LEVEL OF C.I.A.C.	100.00%
C.I.A.C. TO DATE	\$246,081
ACCUMULATED AMORTIZATION OF C.I.A.C. TO DATE	\$71,204
NET C.I.A.C. TO DATE	\$174,877
LEVEL OF C.I.A.C. TO DATE	22.65%
ACCUMULATED AMORTIZATION OF C.I.A.C. AT DESIGN CAPACITY	\$132,601
FUTURE CUSTOMERS (ERC) TO BE CONNECTED	950
COMPOSITE DEPRECIATION RATE	2.50%
COMPOSITE C.I.A.C. AMORTIZATION RATE	2.50%
NUMBER OF YEARS TO DESIGN CAPACITY	9.98
EXISTING SERVICE AVAILABILITY CHARGE PER ERC	\$502.00
LEVEL OF C.I.A.C. AT DESIGN CAPACITY	94.83%
NET C.I.A.C. AT DESIGN CAPACITY	\$530,390
REQUESTED SERVICE AVAILABILITY CHARGE PER ERC	\$502.00
LEVEL OF C.I.A.C. AT DESIGN CAPACITY	94.83%
NET C.I.A.C. AT DESIGN CAPACITY	\$530,390
MINIMUM SERVICE AVAILABILITY CHARGE PER ERC	\$536.78
LEVEL OF C.I.A.C. AT DESIGN CAPACITY	100.00%
NET C.I.A.C. AT DESIGN CAPACITY	\$559,278
MAXIMUM SERVICE AVAILABILITY CHARGE PER ERC	\$368.43
LEVEL OF C.I.A.C. AT DESIGN CAPACITY	75.00%
NET C.I.A.C. AT DESIGN CAPACITY	\$419,458

SERVICE AVAILABILITY CHARGE ANALYSIS

UTILITY: Aquarina Developments, Inc.  
DOCKET NO. 911195-WS  
TEST YEAR ENDED  
WASTEWATER - Combined Main Capacity and Plant Capacity Charges

GROSS BOOK VALUE	\$3,573,936
LAND	\$33,680
DEPRECIABLE ASSETS	\$3,540,256
ACCUMULATED DEPRECIATION TO DATE	\$805,809
ACCUMULATED DEPRECIATION AT DESIGN CAPACITY	\$2,646,593
NET PLANT AT DESIGN CAPACITY	\$927,343
TRANSMISSION & DISTRIBUTION/COLLECTION LINES	\$853,475
MINIMUM LEVEL OF C.I.A.C.	23.88%
C.I.A.C. TO DATE	\$246,081
ACCUMULATED AMORTIZATION OF C.I.A.C. TO DATE	\$71,204
NET C.I.A.C. TO DATE	\$174,877
LEVEL OF C.I.A.C. TO DATE	6.32%
ACCUMULATED AMORTIZATION OF C.I.A.C. AT DESIGN CAPACITY	\$199,156
FUTURE CUSTOMERS (ERC) TO BE CONNECTED	950
COMPOSITE DEPRECIATION RATE	5.21%
COMPOSITE C.I.A.C. AMORTIZATION RATE	5.21%
NUMBER OF YEARS TO DESIGN CAPACITY	9.98
EXISTING SERVICE AVAILABILITY CHARGE PER ERC	\$502.00
LEVEL OF C.I.A.C. AT DESIGN CAPACITY	43.01%
NET C.I.A.C. AT DESIGN CAPACITY	\$398,806
REQUESTED SERVICE AVAILABILITY CHARGE PER ERC	\$1,302.00
LEVEL OF C.I.A.C. AT DESIGN CAPACITY	103.48%
NET C.I.A.C. AT DESIGN CAPACITY	\$959,572
MINIMUM SERVICE AVAILABILITY CHARGE PER ERC	\$248.99
LEVEL OF C.I.A.C. AT DESIGN CAPACITY	23.88%
NET C.I.A.C. AT DESIGN CAPACITY	\$221,454
MAXIMUM SERVICE AVAILABILITY CHARGE PER ERC	\$925.28
LEVEL OF C.I.A.C. AT DESIGN CAPACITY	75.00%
NET C.I.A.C. AT DESIGN CAPACITY	\$695,507