

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for increase in water and  
wastewater rates in Polk County by Gold Coast  
Utility Corp.

DOCKET NO. 060246-WS  
ORDER NO. PSC-08-0535-PAA-WS  
ISSUED: August 18, 2008

The following Commissioners participated in the disposition of this matter:

MATTHEW M. CARTER II, Chairman  
LISA POLAK EDGAR  
KATRINA J. McMURRIAN  
NANCY ARGENZIANO  
NATHAN A. SKOP

NOTICE OF PROPOSED AGENCY ACTION  
ORDER APPROVING RATES

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 a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

BACKGROUND

Gold Coast Utility Corp. (Gold Coast or utility) is a Class B utility providing water and wastewater service to approximately 131 residential and 32 general service water and wastewater customers in Polk County.

By Order No. PSC-07-0609-PAA-WS, issued July 30, 2007, we approved a revenue increase of \$104,066 (or 74.13 percent) for water and \$178,316 (or 83.04 percent) for wastewater.<sup>1</sup> As memorialized in that order, the Office of Public Counsel (OPC) and the utility agreed to accept the water treatment plant used and useful established at that time on the condition that we would revisit this matter if the methodology for determining water treatment plant used and useful was changed by the rule promulgated in Docket No. 070183-WS. OPC and the utility also agreed that any resulting change to water rates would be applied prospectively.

The rule proposed in Docket No. 070183-WS has been promulgated. Rule 25-30.4325, Florida Administrative Code (F.A.C.), entitled "Water Treatment and Storage Used and Useful Calculations," became effective June 8, 2008. As discussed below, the revised used and useful calculation pursuant to the above rule reduces the revenue requirement previously approved in

<sup>1</sup> That order was consummated by Order No. PSC-07-0694-CO-WS, issued August 24, 2007.

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

Order No. PSC-07-0609-PAA-WS. This Order addresses the reduction of the water revenue requirement and rates. We have jurisdiction pursuant to Section 367.081, Florida Statutes.

### USED AND USEFUL

As required by Order No. PSC-07-0609-PAA-WS, our staff performed a used and useful analysis of the utility's water treatment plant and storage facility in accordance with Rule 25-30.4325, F.A.C. The water treatment system has two wells, which are rated at 1,100 and 750 gallons per minute (gpm) each. Pursuant to Rule 25-30.4325(6)(b), F.A.C., the firm reliable capacity of the water treatment plant is 720,000 gallons per day (gpd) based on 750 gpm for 16 hours. In the prior order, the firm reliable capacity was determined to be 540,000 gpd based on 12 hours of pumping. In addition, consistent with Rule 25-30.4325(7)(b)(1), F.A.C., the peak demand is 229,000 gpd based on the single maximum day in the test year with no unusual occurrence, as opposed to the average of the five highest days within a 30 day period of 219,000 gpd used in the initial used and useful calculation reflected in Order No. PSC-07-0609-PAA-WS. No adjustments to excessive unaccounted for water, the growth allowance, or the fire flow provision are needed. Therefore, based on Rule 25-30.4325, F.A.C., the water treatment plant should be considered 49.14 percent used and useful,<sup>2</sup> instead of 63.67 percent as determined in Order No. PSC-0609-PAA-WS. Further, pursuant to Rule 25-30.4325(8), F.A.C., because the peak demand (229,000 gpd) exceeds the storage capacity (100,000 gpd), the storage facility should be considered 100 percent used and useful,<sup>3</sup> which is consistent with our finding in Order No. PSC-07-0609-PAA-WS.

### WATER REVENUE REQUIREMENT

By Order No. PSC-07-0609-PAA-WS, p. 15, we approved a used and useful percentage of 63.67 percent for Gold Coast's water treatment plant. As previously discussed, the used and useful percentage is 49.14 percent pursuant to Rule 25-30.4325, F.A.C. The following table illustrates the incremental difference between the original approved water revenue requirement and the resulting revenue requirement from the approved 49.14 percent used and useful in accordance with Rule 25-30.4325, F.A.C.

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<sup>2</sup>  $(\text{Max Day} - \text{EUW} + \text{FF} + \text{Growth})/\text{FRC} = (229,000 - 899 + 5,729 + 120,000)/720,000 = (353,830/720,000) = 49.14\%$

<sup>3</sup>  $(\text{Max Day} - \text{EUW} + \text{FF} + \text{Growth})/\text{FRC} = (229,000 - 899 + 5,729 + 120,000)/100,000 = (353,830/100,000) = >100\%$

Description	Per Order Non-U&U	Revised Non-U&U	Incremental Difference
Non-Used and Useful Test Year Adjustment	\$77,464	\$108,439	\$30,975
Non-Used and Useful Pro Forma Adjustment	<u>42,202</u>	<u>59,076</u>	<u>16,874</u>
Total Non-Used and Useful Component	\$119,666	\$167,516	\$47,849
Multiplied by Approved Overall Cost of Capital	<u>7.48%</u>	<u>7.48%</u>	<u>7.48%</u>
Reduction to Return on Investment	<u>\$8,951</u>	<u>\$12,530</u>	<u>\$3,579</u>
Non-Used and Useful Net Depr. Expense	\$3,650	\$5,109	\$1,459
Non-Used and Useful Property Taxes	<u>998</u>	<u>1,398</u>	<u>400</u>
Total Operating Expense Reductions	<u>\$4,648</u>	<u>\$6,507</u>	<u>\$1,859</u>
Return and Exp. Reductions Before RAFs	\$13,599	\$18,945	\$5,438
RAF's Gross-up Factor	<u>.955</u>	<u>.955</u>	<u>.955</u>
Total Non-Used and Useful Rev. Req. Reduction	<u>\$14,240</u>	<u>\$18,092</u>	<u>\$5,694</u>

Based on the used and useful percentage of 49.14 percent in accordance with Rule 25-30.4325, F.A.C., we find that the water revenue requirement approved in Order No. PSC-07-0609-PAA-WS shall be reduced by \$5,694.

#### WATER RATES

As previously discussed, the water revenue requirement approved in Order No. PSC-07-0609-PAA-WS shall be reduced by \$5,694. In order to determine the appropriate rate reduction, the \$5,694 should be divided by the previously approved revenue requirement of \$244,451. This equates to a rate reduction of 2.33 percent. The appropriate monthly water rates are shown on Schedule 1.

The utility shall file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates shall be effective for service rendered on or after the stamped approval date of the revised tariff sheets pursuant to Rule 25-40.475(1), F.A.C. The rates shall not be implemented until staff has approved the proposed customer notice. The utility shall provide proof of the date notice was given no less than 10 days after the date of the notice.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Gold Coast Utility Corp.'s water rates are approved as set forth herein. It is further

ORDERED that each of the findings made in the body of this Order are hereby approved in every respect. It is further

ORDERED that all attachments appended hereto, are incorporated herein by reference. It is further

ORDERED that Gold Coast Utility Corp. shall file revised water tariff sheets and a proposed customer notice to reflect the approved water rates shown on Schedule No. 1. It is further

ORDERED that the tariffs shall be approved upon our staff's verification that the tariffs are consistent with our decision herein. It is further

ORDERED that Gold Coast Utility Corp. is hereby authorized to charge the water rates as set forth in the body of this Order. It is further

ORDERED that the approved water rates shall not be implemented until our staff has approved the proposed customer notice. The utility shall provide proof of the date notice was given no less than ten days are the date of the notice. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that if no person whose substantial interests are affected by the proposed agency action issues files a protest within twenty-one days of the issuance of the order, a Consummating Order will be issued. However, the docket shall remain open for Commission staff's verification that the revised tariff sheets and customer notice have been filed by the utility and approved by staff.

By ORDER of the Florida Public Service Commission this 18th day of August, 2008.



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ANN COLE  
Commission Clerk

( S E A L )

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing that is available under Section 120.57, 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 will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The action proposed herein is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on September 8, 2008.

In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

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

<b>Gold Coast Utility Corp.</b>	<b>Schedule No. 1</b>	
<b>Water Monthly Service Rates</b>	<b>Docket No. 060246-WS</b>	
	<b>Utility Present Rates</b>	<b>Commission Approved Rates</b>
<b><u>Residential</u></b>		
<b><u>Base Facility Charge By Meter Size:</u></b>		
5/8" x 3/4"	\$13.78	\$13.46
5/8" x 3/4" at Granada	\$11.02	\$10.76
3/4"	\$20.67	\$20.19
1"	\$34.45	\$33.65
1 1/2"	\$68.90	\$67.30
2"	\$110.24	\$107.67
Gallonage Charge, per 1,000 Gallons	\$2.81	\$2.74
<b><u>Multi-Residential and General Service</u></b>		
<b><u>Base Facility Charge By Meter Size:</u></b>		
5/8" x 3/4"	\$13.78	\$13.46
3/4"	\$20.67	\$20.19
1"	\$34.45	\$33.65
1 1/2"	\$68.90	\$67.30
2"	\$110.24	\$107.67
2" at Village Green	\$446.67	\$436.27
3"	\$220.48	\$215.34
4"	\$344.50	\$336.48
6"	\$689.00	\$672.95
8"	\$1,102.40	\$1,076.72
8" at Nalcrest, Lakeshore	\$4,134.00	\$4,037.71
Gallonage Charge, per 1,000 Gallons	\$2.81	\$2.74
<b><u>Typical Residential Bills 5/8" x 3/4" Meter</u></b>		
3,000 Gallons	\$22.21	\$21.68
5,000 Gallons	\$27.83	\$27.16
10,000 Gallons	\$41.88	\$40.86