

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for) DOCKET NO. 921101-WU
limited proceeding increase in) ORDER NO. PSC-93-0209-FOF-WU
water rates in Broward County) ISSUED: 02/10/93
by PARKLAND UTILITIES, INC.)
_____)

The following Commissioners participated in the disposition of this matter:

J. TERRY DEASON, Chairman
THOMAS M. BEARD
SUSAN F. CLARK
JULIA L. JOHNSON
LUIS J. LAUREDO

NOTICE OF PROPOSED AGENCY ACTION
ORDER GRANTING LIMITED
PROCEEDING INCREASE IN WATER 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 adversely affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

CASE BACKGROUND

Parkland Utilities, Inc. (Parkland or utility) is a class C utility located in Broward County. It provides water and wastewater service to the planned unit development (PUD) known as Parkland Lakes. As of December 31, 1991, Parkland was providing water service to 461 connections. According to the 1991 Annual Report, Parkland had gross water revenues of \$111,226. The same report indicates that the utility's net operating loss for the water system was \$56,011.

On October 26, 1992, Parkland Utilities, Inc. filed an application for a limited proceeding increase in water rates for fire protection service provided to the public in Broward County. The utility requested an increase based on a need to recover those revenues previously authorized for Public Fire Protection charges, which are no longer collectable from the City of Parkland, effective October 1, 1992. The utility is now requesting that the revenue shortfall be redistributed to the general body of customers.

DOCUMENT NUMBER-DATE

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The utility had rates established in a staff-assisted rate case by Order No. 24417, Docket No. 900598-WS, issued April 23, 1991. The utility's rates were last adjusted as a result of a 1992 price index rate adjustment, WS-92-0259, which was effective for service rendered on or after December 1, 1992.

LIMITED PROCEEDING WATER RATE INCREASE

The City of Parkland began paying the utility for fire protection service for Parkland Lakes, the first development in the City, before additional developments and subdivisions had been established. However, the utilities that service the newer developments and subdivisions have been allocating the cost for public fire protection charges to their respective customers. The City now believes that the payment for this service is not justified for only one development. Therefore, the City decided to discontinue all such payments, effective October 1, 1992. Based on the resulting revenue shortfall, the utility seeks to recover these charges through an increase in water rates to the general body of ratepayers.

The utility amended its original application to reflect adjustments that were made to the 1992 Price Index application, Docket No. WS-92-0259, which was pending at the time of this filing. The price index rate adjustment has since been completed and the rates became effective on December 1, 1992. In computing the annualized revenue (\$124,654) for the price index increase, the utility failed to include the revenues that were generated by the Public Fire Protection charge. The utility felt that since these monies would no longer be collected from the City of Parkland, they should not be included in the annualized revenue amount. The utility has already collected the fire protection revenues from the City for the year 1992. The Public Fire Protection charge revenue had also been included in the revenue requirement calculation in the last rate case. Based on the above, our staff informed the utility that they must recognize those revenues in the annualized revenue calculation and the recalculated annualized revenues should be \$132,913.

The adjustment to the index affected the revenue figures that were shown in the Limited Proceeding filing. The revenue shortfall was recalculated using the corrected index rate adjustment. Therefore, to incorporate the adjustments made in the index application, the utility submitted a revised calculation of the revenue shortfall, a revised calculation of the rate adjustment

necessary to implement the redistribution of revenues, revised tariff sheets, and customer notices.

The utility in its amended filing requested that the revised revenue shortfall totalling \$10,747 be redistributed to the general body of ratepayers. This total is comprised of the revenue shortfall of \$8,888 and the amortized rate case expense of \$1,859. Redistribution of the \$10,747 would result in an 8.31% across-the-board increase to the general body of ratepayers. The percentage increase to the ratepayer was determined by dividing the \$10,747 amount by the utility's annualized revenues of \$129,285.

We have determined that the rate increase to the general body of ratepayers should be \$10,054 (7.78%) distributed across-the-board. In computing the revenue shortfall the utility based its calculation on 81 fire hydrants multiplied by the rate of \$109.73 which resulted in the revenue shortfall of \$8,888. However, we have calculated the revenue shortfall as \$8,559 based on 78 hydrants at the same rate. The 3 additional hydrants were excluded from our calculation to conform to the scope of this limited proceeding filing. The 3 hydrants were recently activated by the utility but were not considered as a part of the revenue requirement in the last rate case. In this proceeding we are maintaining the revenues that have already been established for Public Fire Protection in compliance with the last rate case. If we included the additional hydrants we would be recognizing new revenues. Therefore, to stay within the scope of this limited proceeding, only 78 hydrants have been considered.

The utility requested \$7,100 for rate case expense. We adjusted the rate case expense to reflect a more reasonable and fair consideration. The rate case costs that were associated with the revisions and adjustments to the 1992 Price Index have been excluded. The adjustments and revisions that were required to correct the index application are costs that should be allocated to the firm that was responsible for the submission of the index application, not the attorney in the limited proceeding. We also excluded some of the estimated hours because the work was not substantiated. The adjustments allow \$5,710 rate case expense, which results in a \$1,391 overall decrease. The rate case expense of \$5,710 was amortized over 4 years and adjusted for regulatory assessment fees, which resulted in annual rate case expense of \$1,495.

Based on the foregoing, we hereby find that \$10,054 (7.78%) is the appropriate rate increase that shall be redistributed across-

the-board to the general body of ratepayers. We find the increase to be fair, just, and reasonable. The rates, set forth below, are designed to redistribute the revenue shortfall to the general body of ratepayers.

WATER

General 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"	\$ 6.53	\$ 7.07	\$ 7.04
3/4"	9.80	10.61	10.56
1"	16.31	17.67	17.58
1 1/2"	32.65	35.36	35.19
2"	52.20	56.54	56.26
3"	104.48	113.16	112.61
4"	163.25	176.82	175.95
6"	326.50	353.63	351.90
8"	522.40	565.81	563.04
Gallonage Charge per 1,000 gal.	\$ 1.94	\$ 2.10	\$ 2.09

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"	\$ 6.53	\$ 7.07	\$ 7.04
3/4"	9.80	10.61	10.56
1"	16.31	17.67	17.58
1 1/2"	32.65	35.36	35.19
2"	52.20	56.54	56.26
Gallonage Charge per 1,000 gal.	\$ 1.94	\$ 2.10	\$ 2.09

EFFECTIVE DATE FOR RATE INCREASE

The approved rates will be effective for meter readings on or after 30 days from the stamped approval date on the revised tariff sheets to be filed by the utility. The revised tariff sheets will be approved upon our staff's verification that the tariffs are consistent with our decision in this Order, the protest period has expired, and the proposed customer notice is adequate.

FOUR-YEAR RECOVERY PERIOD

Section 367.0816, Florida Statutes, requires that rate case expense be apportioned for recovery over a period of four years. The statute further requires that the rates of the utility be reduced immediately at the end of the four year amortization period by the amount of rate case expense previously included in the rates. This statute applies to all rate cases filed on or after October 1, 1989.

At the end of the four-year amortization period, the water rates shall be reduced by \$1,495 as shown in Schedule No. 1. The revenue reductions reflect the annual rate case amounts amortized (expensed) plus the gross-up for regulatory assessment fees.

The utility shall file revised tariffs no later than one month prior to the actual date of the required rate reduction. The utility also shall file a proposed "customer letter" setting forth the lower rates and the reason for the reduction.

If the utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data shall be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense.

This docket shall be closed at the expiration of the protest period if there are no timely filed protests.

Based on the foregoing, it is, therefore,

ORDERED by the Florida Public Service Commission that the petition for a limited proceeding water rate increase by Parkland Utilities, Inc. is granted to the extent set forth in the body of this Order. It is further

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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 25-22.029, Florida Administrative Code, is received by the Director, Division of Records and Reporting, at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the date set forth in the Notice of Further Proceedings below. It is further

ORDERED that Parkland Utilities, Inc. shall file revised tariff sheets consistent with our decision herein and a proposed notice to its customers showing the rate increase and explaining the reasons therefor. It is further

ORDERED that the limited proceeding water rate increase approved herein shall be effective for meter readings taken on or after 30 days from the stamped approval date on the revised tariff sheets. The revised tariff sheets will be approved upon our Staff's verification that the revised tariff sheets are accurate and the customer notice is adequate. It is further

ORDERED that the rates approved herein shall be reduced at the end of the four-year rate case expense amortization period. The utility shall file revised tariff sheets no later than one month prior to the actual date of the reduction and shall also file a customer notice. It is further

ORDERED that in the event no timely protest to this Order is filed, this docket shall be closed.

By ORDER of the Florida Public Service Commission this 10th day of February, 1993.


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.

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 March 3, 1993.

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.

Calculation of New Water Rates
After Four Year Amortization Expired

WATER

Residential and General Service - Monthly

<u>Meter Size</u>	<u>Commission Approved Rates</u>	<u>Commission Approved Decrease</u>
5/8" x 3/4"	\$ 7.04	\$.08
3/4"	10.56	.12
1"	17.58	.20
1 1/2"	35.19	.41
2"	56.26	.65
3"	112.61	1.31
4"	175.95	2.04
6"	353.63	5.81
8"	563.40	6.89
Gallage Charge Per 1,000 gal.	\$ 2.09	\$.02