

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for staff-
assisted rate case in Highlands
County by Placid Lakes
Utilities, Inc.

DOCKET NO. 950697-WU
ORDER NO. PSC-97-0917-FOF-WU
ISSUED: August 4, 1997

The following Commissioners participated in the disposition of this matter:

JULIA L. JOHNSON, Chairman
J. TERRY DEASON
SUSAN F. CLARK
DIANE K. KIESLING
JOE GARCIA

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING ALLOWANCE FOR FUNDS
PRUDENTLY INVESTED 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 a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

BACKGROUND

Placid Lakes Utilities, Inc. (Placid Lakes or utility) is a Class C water-only utility which provides service to approximately 1,191 customers in Highlands County. The utility is 100% owned by Lake Placid Holding Company, the primary developer of the Placid Lake subdivision. Placid Lakes was organized in 1970. The Commission received jurisdiction over private utilities in Highlands County in 1982. The utility was granted a certificate grandfathering existing rates, charges and territory in 1983.

On June 20, 1995, Placid Lakes applied for a staff assisted rate case. The utility waived the 15-month statutory deadline to enable our staff to include Department of Environmental Protection (DEP) mandated upgrades as pro forma plant in the case.

DOCUMENT NUMBER-DATE

07839 AUG-45

FPSC-RECORDS/REPORTING

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By Order No. PSC-96-0679-FOF-WU, issued May 23, 1996, we approved a 20.18% increase in rates, along with a plant capacity charge, main extension charge, and meter installation charge. We also approved Allowance for Funds Prudently Invested (AFPI) charges to be reviewed after the cost estimate of \$393,884 for the upgrades could be trued-up. The utility has completed the construction of pro forma plant and now requests approval of final AFPI charges.

AFPI CHARGES

Rule 25-30.434, Florida Administrative Code, provides that: "An Allowance for Funds Prudently Invested charge is a mechanism which allows a utility the opportunity to earn a fair rate of return on prudently constructed plant held for future use from the future customers to be served by that plant in the form of a charge paid by those customers." By this mechanism, existing customers do not pay for plant expansion to serve future customers. Future customers bear their equitable share of the carrying costs related to the plant facilities constructed to provide them service.

This one-time connection charge is based on the number of equivalent residential connections (ERCs) and is applicable to all future customers who have not already prepaid a connection charge, contribution in aid of construction (CIAC) charge, or customer advances. The charge is based on the date the future customers make some such prepayment or on the date the customer connects to the system, whichever comes first. It is calculated using the standard Division of Water and Wastewater, Bureau of Economic Regulation program.

The utility submitted invoices and copies of checks for all DEP mandated plant. Our staff has verified pro forma completion and has determined the costs to be prudent and necessary. The utility submitted signed contracts prior to construction showing a total cost of \$393,884 for this plant. From invoices and utility payments, the actual final cost is \$415,008, a 5.36% variance from the original estimate.

The final AFPI charges we hereby approve are shown in Schedule No. 1. They are for one ERC and are based upon the time of initial connection or pre-payment. If a future customer requires more than 1 ERC, the connection charge is to be multiplied by the number of ERCs required to provide service to the customer.

Pursuant to Rule 25-30.434, Florida Administrative Code, the beginning date for accruing the AFPI charge shall be the month following the end of the test year that was used to establish the amount of non-used and useful plant. In this case, that is July 1995. No charge may be collected, however, for any connections made between the beginning date and the effective date of the AFPI charge (the date of this Order).

Rule 25-30.434(5), Florida Administrative Code, provides that: "Unless the utility demonstrates that the 5-year period is inappropriate, it is prudent for a utility to have an investment in future use plant for a period of no longer than 5 years beyond the test year." In this case, the test year ended June 30, 1995. This allows only a three year recovery period for the utility. Nonetheless, we find that the utility properly sized the pro forma plant and was prudent in doing so. Accordingly, pursuant to Rule 25-30.434(6), Florida Administrative Code, we find it appropriate to permit the utility recovery beyond the five-year period.

The AFPI charge, however, shall cease accruing and shall remain constant after the five-year period has expired. The utility shall be allowed to collect the constant charge until all of the projected 1,250 ERCs in the calculation have been connected, at which time the charge shall end.

The AFPI charges shall be effective as of the date of our decision provided revised tariff sheets have been approved and future customers have been noticed pursuant to Rule 25-22.0408, Florida Administrative Code. A notice shall be provided to all persons in the utility's service area who have filed a written request for service or who have been provided a written estimate for service within the 12 calendar months prior to the month the application was filed. Tariff sheets shall be approved upon our staff's verification that tariff sheets are consistent with our decision and that the customer notice is adequate. In no event shall the rates be effective for services rendered prior to the stamped approval date.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the approved charges for the Allowance for Funds Prudently Invested for Placid Lakes Utilities, Inc., are as set forth in the body of this Order. It is further

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ORDERED that the approved charges for the Allowance for Funds Prudently Invested for Placid Lakes Utilities, Inc., shall be effective as of July 15, 1997, provided revised tariff sheets have been approved and future customers have been noticed pursuant to Rule 25-22.0408, Florida Administrative Code. A notice shall be provided to all persons in the utility's service area who have filed a written request for service or who have been provided a written estimate for service within the 12 calendar months prior to the month the application was filed. Tariff sheets shall be approved upon Commission staff's verification that tariff sheets are consistent with this Order and that the customer notice is adequate. In no event shall the rates be effective for services rendered prior to the stamped approval date. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective 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, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings or Judicial Review" attached hereto. It is further

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

By ORDER of the Florida Public Service Commission, this 4th day of August, 1997.

BLANCA S. BAYÓ, Director
Division of Records and Reporting

By: _____

Kay Flynn
Kay Flynn, Chief
Bureau of Records

(S E A L)

CJP

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 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.

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 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, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on August 25, 1997.

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 substantially 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.

PLACID LAKES UTILITIES, INC.
 WATER SYSTEM
 TEST YEAR ENDED JUNE 30, 1995

SCHEDULE NO. 1
 DOCKET NO. 950697-WU

Allowance for Funds Prudently Invested
 Schedule of Approved Charges:

	1995	1996	1997	1998	1999	2000	2001
	—	—	—	—	—	—	—
January		39.15	107.56	180.02	258.14	342.47	378.72
February		44.75	113.34	186.25	264.85	349.72	378.72
March		50.34	119.12	192.47	271.57	356.97	378.72
April		55.93	124.90	198.69	278.28	364.22	378.72
May		61.53	130.68	204.92	284.99	371.47	378.72
June		67.12	136.45	211.14	291.71	378.72	378.72
July	5.59	72.90	142.68	217.86	298.96	378.72	378.72
August	11.19	78.67	148.90	224.57	306.21	378.72	378.72
September	16.78	84.45	155.13	231.28	313.46	378.72	378.72
October	22.37	90.23	161.35	238.00	320.71	378.72	378.72
November	27.97	96.01	167.57	244.71	327.96	378.72	378.72
December	33.56	101.79	173.80	251.42	335.22	378.72	378.72