BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application by Marion Utilities, Inc. for approval of revised service availability charges for Spruce Creek service area and new service availability policy for water division in Marion County.

The following Commissioners participated in the disposition of this matter:

JOE GARCIA, Chairman J. TERRY DEASON SUSAN F. CLARK JULIA L. JOHNSON E. LEON JACOBS, JR.

NOTICE OF PROPOSED AGENCY ACTION ORDER APPROVING SERVICE AVAILABILITY CHARGES AND POLICY

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

Marion Utilities, Inc. (Marion or utility), is a Class A utility providing water and wastewater service for approximately 4,382 water and 118 wastewater equivalent residential connections (ERCs) in Marion County. According to its 1997 Annual Report, for the twelve months ending December 31, 1997, the utility recorded operating revenues of \$963,249 and \$21,311, for water and wastewater, respectively. The utility's service areas are located in the St. Johns River Water Management District Water Conservation Area as designated by the Governing Board of the Water Management District.

DOCUMENT NUMBER-DATE

06975 JUN-78 FPSC-RECORDS/REPORTING

The utility's service territory consists of four separate service areas, specifically: Turning Pointe; Windgate Estates and Bordering Oaks Estates; Woods and Meadows; and Spruce Creek. Each of these service areas have separately authorized service availability charges. The Spruce Creek service area is comprised of seven subdivisions, specifically: Oak Crest; Emerald Point; Ohlerking; Cherrywood Estates; Sandy Pines; Ocala Waterway Estates; and Kingslands County Estates (Whispering Pines and Forest Glen).

On September 30, 1998, Marion filed an application for approval of revised service availability charges for its Spruce Creek service area. The utility's present service availability charges for its Spruce Creek service area were established in Order No. 25563, issued January 21, 1992. Spruce Creek's present service availability system capacity charge is \$445 per ERC. Its present back flow preventor installation fee is actual cost for over 2" meter connections. Its current customer meter installation fees are \$100, \$130, and \$180 for 5/8" X 3/4", 1", and 1 1/2" meter connections, respectively, and are set at actual cost for 2" and over 2" meter connections.

The utility requested the following changes in its service availability charges for Spruce Creek. First, the utility requested that its system capacity charge of \$445 per ERC for Spruce Creek be extinguished. Second, the utility initially proposed a prospective plant capacity charge and main installation charge of \$150 and \$500, respectively, for residential per ERC and a plant capacity charge and main installation charge of \$.4286 and \$1.4286, respectively, for all others per gallon. With regard to meter installation fees, the utility initially requested a \$210 fee for each 5/8" X 3/4" meter connection, a \$247 fee for each 1" meter connection, a \$427 fee for each 1 1/2" meter connection, and actual cost for each meter connection over 1 1/2".

In its application, Marion also requested approval of a new service availability policy for its entire water division. A service availability policy is a section of a utility's tariff which sets forth a uniform method of determining service availability charges to be paid and conditions to be met by applicants for service in order to obtain water or wastewater service. On March 22, 1999, Marion filed revised tariffs for Tariff Sheets Nos. 31.0 and 32.0 which are part of the utility's proposed service availability policy for its water division. The utility modified the language contained in Sections 7.0 and 8.0 entitled off-site facilities and on-site facilities, respectively.

At present, the utility does not have a tariffed service availability policy for its water division.

SERVICE AVAILABILITY CHARGES

On September 30, 1998, Marion filed an application for approval of revised service availability charges for its Spruce Creek service area and for approval of tariffs which specify its service availability policy for its entire water division. By Order No. PSC-98-1562-PCO-WU, issued November 23, 1998, we suspended Marion's proposed changes in service availability charges for its Spruce Creek service area and the utility's proposed tariffs which specified its service availability policy for its water division. The utility's proposed charges for its Spruce Creek service area are reflected on Schedule No. 1.

Spruce Creek Plant Capacity and Main Installation Charges

Marion stated the reason for its application was to recover part of the utility's investment in facilities to accommodate the fire flow requirement for new developments in its Spruce Creek service area. During the years 1997 and 1998, the utility completed the following additions: 1) a 12" well; 2) two 10,000 gallon hydropneumatic storage tanks; 3) the distribution system for Ocala Waterway Estates -- Phase I; and 4) the distribution system for Kingslands County Estates -- Whispering Pines and Forest Glen -- Phase I. Also, the utility expects the distribution systems for Ocala Waterway Estates -- Phase II & III, and Kingslands County Estates -- Whispering Pines and Forest Glen -- Phase II to be completed in 1999.

For the Spruce Creek service area, the utility, in addition to extinguishing its current system capacity charge of \$445, initially proposed a plant capacity charge and a main installation charge of \$150 and \$500, respectively. A system capacity charge is designed to defray a portion of the cost of the plant, as well as a portion of the cost of lines. A plant capacity charge represents the reimbursement by a developer or a customer to offset the cost of the plant. A main installation charge represents the reimbursement by a developer or a customer to offset the cost of the lines.

When calculating service availability charges, we believe it is more reasonable to have separate charges for the cost of plant and the cost of lines, instead of one system capacity charge. One reason for this delineation is to avoid a possible over-

contribution by a customer. For instance, when a utility accepts donated lines from a developer and only has an authorized system capacity charge, this could create a situation in which the utility would not only accept the donated lines but also collect system capacity charges from customers for those lines that had been donated. Thus, the utility's contributions-in-aid-of-construction (CIAC) associated with the donated lines would essentially be accounted for twice, which would reduce the utility's rate base on an accelerated basis. To avoid this, we believe it is prudent to discontinue system capacity charges when utilities request revised service availability charges. Therefore, Marion shall extinguish its current system capacity charge and implement a plant capacity charge and a main installation charge for its Spruce Creek service area.

In its application, the utility indicated that due to the comprehensive land plan and the land use plan, the fire flow requirement for its Spruce Creek service area is now 500 gallons per minute for a period of four hours. This equates to a fire flow requirement of 120,000 gallons per day (gpd). However, according to Marion County's Fire-Rescue Fire Prevention Division, the fire flow requirement for the Spruce Creek service area is 1,500 gallons per minute for a period of two hours. This requirement equates to a system demand of 180,000 gpd.

Pursuant to Rule 25-30.515(8)(b), Florida Administrative Code, an ERC means the number of gallons a utility demonstrates is the average daily flow for a single residential unit. The utility derived its 554 gpd per ERC for the Spruce Creek service area by dividing the 388,000 gpd average maximum day flow from July 1997 to June 1998 by its 700 average ERCs for the same period. With regard to the system demand from future ERCs to be connected to the Spruce Creek plant, it is appropriate to use this historical flow data from July 1997 to June 1998 for the purpose of calculating Spruce Creek's service availability charges. Thus, based on the 554 gpd per ERC, we calculated the appropriate service availability charges for the Spruce Creek service area.

In its application, the utility indicated that 550 future ERCs will be connected to its Spruce Creek system within two years. However, pursuant to Order No. PSC-98-0452-FOF-WU, issued March 31, 1998, titled <u>In Re: Application for amendment of Certificate No.</u>

<u>347-W to add territory in Marion County by Marion Utilities, Inc.</u>, we found the following:

There will be initially 400 residential homes built in this area with another 150 planned to be constructed. Ultimately the utility believes that 1,500 homes will be built in the area. With the expansion of the Spruce Creek water treatment plant the utility has adequate capacity to serve this area in the future.

Based on its responses to our staff's data requests, the utility anticipates that 148 ERCs from five older subdivisions and 825 ERCs from the new developments will connect to its Spruce Creek system within the next ten years. Also, the utility does not anticipate any changes or modifications to the Spruce Creek plant within the next ten years to accommodate these additional 973 ERCs. At present, the Spruce Creek plant has a rated capacity of 1,180,000 gpd. Based on our review of the average peak day and maximum peak day flows, we have determined that the Spruce Creek plant has the capacity to serve these additional 973 ERCs. It must be noted that 50 of the 973 ERCs will be connected prior to the effective date of the revised tariffs. Thus, we shall approve service availability charges based on 923 future ERCs to be connected to the Spruce Creek plant.

Pursuant to Rule 25-30.580(1)(a), Florida Administrative Code, the maximum amount of CIAC, net of amortization, should not exceed 75 percent of the total original cost, net of accumulated depreciation, of the utility's facilities and plant when the facilities and plant are at their design capacity. The purpose of this cut-off point is to ensure that the utility retains a 25 percent investment in its facilities so that it will maintain an interest in the facilities. Pursuant to Rule 25-30.580(1)(b), Florida Administrative Code, the minimum amount of CIAC should not be less than the percentage of such facilities and plant that is represented by the water transmission and distribution and sewage collection systems.

The utility's requested plant capacity charge of \$150 and main installation charge of \$500 for its Spruce Creek service area are inappropriate because these charges are projected to place the Spruce Creek system in excess of the 75 percent maximum CIAC level prescribed by Rule 25-30.580(1)(a), Florida Administrative Code. The new charges are designed so that the utility's contribution level will not exceed the maximum 75 percent limit prescribed by

Rule 25-30.580(1)(a), Florida Administrative Code, and, also, so that the utility will meet the minimum CIAC threshold requirement prescribed by Rule 25-30.580(1)(b), Florida Administrative Code. Therefore, the utility shall charge a plant capacity charge of \$95 and a main installation charge of \$510.

Spruce Creek Meter Installation and Backflow Preventor Fees

In its application, the utility requested revised meter installation fees for its Spruce Creek service area which included the installation of a backflow preventor as a cost component of the requested revised meter installation fees. The utility's proposed meter installation fees and the backflow preventor cost component of these proposed fees for each meter size installation is reflected below:

	Meter	Backflow Preventor
<u>Meter Size</u>	<u>Installation Fee</u>	<u>Cost Component</u>
5/8" X 3/4"	\$210	\$118
1"	\$247	\$125
1 1/2"	\$427	\$155
Over 1 1/2"	Actual Cost	Actual Cost

By Order No. PSC-93-1719-FOF-WU, issued November 30, 1993, titled In Re: Petition for a Limited Proceeding to Adjust Water Rates in Pasco County by Betmar Utilities, Inc., we found the following:

The DEP rules do not require that a backflow prevention device be used for detection purposes on every customer connection. Rules 17-555.360(2) and (3), Florida Administrative Code, state that "community water systems shall establish a routine cross-connection control program to detect and prevent cross-connections that create or may create an imminent and substantial danger to public health . . . " The Rule further states that "upon discovery of a prohibited cross-connection, public water systems shall either eliminate the cross-connection by installation of an appropriate backflow prevention device . . or shall discontinue service until the contaminant source is eliminated."

We believe that if the customer creates a crossconnection that presents an imminent and substantial

danger to public health, then that customer should bear the responsibility for its elimination.

Order No. PSC-93-1719-FOF-WU at 7.

Based on the reasoning above, the backflow preventor devices shall be removed as a cost component of the utility's proposed meter installation fees. However, the utility shall be allowed to install these backflow preventor devices when a cross-connection hazard is discovered that creates an imminent and substantial danger to public health or when a customer requests installation of a backflow preventor device.

The utility indicated that a company named U.S. Filter would be the primary vendor for the backflow preventors and that a double-check backflow preventor with ball values would be the type of backflow preventor used. Our staff requested and received a quote from U.S. Filter for double-check backflow preventors with ball values for 5/8" X 3/4", 1", and 1 1/2" meter connections, which is reflected in the table below.

	Quote From	Backflow
<u>Meter Size</u>	<u>US Filter</u>	<u>Preventor Fees</u>
5/8" X 3/4"	\$ 61.92	\$113
1"	\$ 69.12	\$120
1 1/2"	\$151.20	\$217

With regard to the backflow preventor fees for meter connections over 1 1/2", the utility requested that these fees be set at actual cost. Based on a comparative analysis of other utilities under our jurisdiction with authorized fees for backflow preventor devices, and using the labor and transportation costs provided in the utility's application, and also comparing these costs to other utilities, we find the requested fees to be reasonable.

The utility agrees with implementation of a separate fee for the backflow preventors. Further, the utility requested that it be allowed to continue charging its existing meter installation fees for the Spruce Creek service area. Spruce Creek's existing meter installation fees are the same scale of fees authorized for the utility's Turning Pointe and Woods and Meadows service areas. The existing meter installation fees also appear to be reasonable. Therefore, for the utility's Spruce Creek service area, the utility shall charge the fees as set out below:

	Meter	Backflow
<u>Meter Size</u>	<u>Installation Fees</u>	<u>Preventor Fees</u>
5/8" X 3/4"	\$100	\$113
1"	\$130	\$120
1 1/2"	\$180	\$217
Over 1 1/2"	Actual Cost	Actual Cost

Based on all the above, we deny, as it is filed, the utility's application for approval of revised service availability charges for its Spruce Creek service area. However, we approve service availability charges as shown on Schedule No. 1. If there is no timely protest to our proposed action by a substantially affected person, the utility shall file an appropriate revised tariff sheet within thirty days of the effective date of the Order, and our staff shall have administrative authority to approve the revised tariff sheet upon staff's verification that the tariffs are consistent with our decision. If a revised tariff sheet is filed and approved, the service availability charges shall become effective for connections made on or after the stamped approval date of the revised tariff sheet pursuant to Rule 25-30.475(2), Florida Administrative Code, if no protest is filed.

SERVICE AVAILABILITY POLICY

The utility requested approval of its proposed tariff sheets which specified its service availability policy for its entire water division. A service availability policy is a section of a utility's tariff which sets forth a uniform method of determining service availability charges to be paid and conditions to be met by applicants for service in order to obtain water or wastewater service. At the time of this Order, the utility did not have a tariffed service availability policy for either its water or wastewater division. However, because the utility only provides wastewater service to one subdivision which is built-out, there is no need to establish a policy for its wastewater division.

The utility agrees that its provisions for off-site facilities and on-site facilities on its initial proposed Tariff Sheets Nos. 31.0 and 32.0, respectively, were inconsistent with its developer agreements. As stated in the background, Marion filed revised tariffs on March 22, 1999 for Tariff Sheet Nos. 31.0 and 32.0. The utility modified the language contained in Sections 7.0 and 8.0 entitled off-site facilities and on-site facilities, respectively, which resolved the inconsistency with the developer agreements.

A review of the utility's proposed service availability policy for its water division shows several areas of concern. Therefore, we find that certain changes are appropriate. These changes affect all of the utility's proposed tariff sheets specifying its service availability policy for its water division.

First, the utility's proposed service availability policy has two Tariff Sheets Nos. 29.0 and two Tariff Sheets Nos. 40.0. This is simply a typographical error. The Tariff Sheet No. 29.0, which contains part of the index to the proposed policy, shall be labeled Tariff Sheet No. 28.1. Further, Tariff Sheet No. 40, which contains a table of daily flows, shall be renumbered as required based on all our other changes.

Second, the utility has proposed provisions for the Calculation of Plant Capacity Charges, Treatment Plant Capacity Allocations, Calculation of System Capacity Charges, and System Capacity Allocations which state that each single family residence in the Spruce Creek service area shall be equal to 1.58 ERCs. The utility derived its 554 gpd per ERC for the Spruce Creek service area by dividing the 388,000 gpd average maximum day flow from July 1997 to June 1998 by its 700 average ERCs for the same period. Then it divided the 554 gpd per ERC by the industry standard of 350 gpd to equate a 1.58 ERCs for each single family residence in the Spruce Creek service area. According to Exhibit VI of its application, these single family residences in the Spruce Creek service area have a 5/8" x 3/4" meter size. Pursuant to industry standards, a 5/8" x 3/4" meter equals one ERC. We find that it is inappropriate for the utility to redefine an ERC. Accordingly, the reference of 1.58 ERCs in the provisions stated above shall be removed.

Third, we have approved new plant capacity and main installation charges, and have canceled the existing system capacity charge for the Spruce Creek service area. Therefore, no reference shall be made to the Calculation of System Capacity Charges and System Capacity Allocations provisions for the Spruce Creek service area.

Fourth, the utility's proposed provision for a Customer Service Line Installation Charge states the following:

When it is necessary to install a customer service line from an existing main to the point of delivery, a customer service line installation charge will be paid by

> the individual customer. The amount of the charge will be the actual cost as determined by whether or not a road crossing is required. This charge will be imposed only when facilities previously installed have no service line to the Contributor's property.

This provision is a request for a new charge. Based on our analysis, this charge at actual cost is reasonable. This will allow the utility to collect from the customer causing the expense, instead of from the general body of ratepayers. Since this charge is applicable to the utility's entire water division, the charge should also be reflected in the tariff schedules of fees and charges for the utility's Turning Pointe (21.1), Windgate Estates and Bordering Oaks Estates (21.2), Woods and Meadows (21.3), and Spruce Creek (21.4) service areas.

Lastly, because we have approved backflow preventor fees for the Spruce Creek service area, the utility's service availability policy for its water division shall include a provision for the installation of such devices. Specifically, the backflow preventor provision shall include the following:

The installation of a backflow preventor device shall be required when a cross-connection hazard is discovered that creates an imminent and substantial danger to public health. Also, the installation of a backflow preventor device is permitted upon customer request. The fees required for backflow preventor devices are as shown on Sheets 21.1 through 21.4.

In addition, Sheets 21.1 through 21.4 shall contain a reference to the above-noted provision.

Based on the changes above, the utility's service availability policy for its water division will contain sufficient detail to inform prospective customers of activities and charges for which they will be responsible. Thus, we deny, as they were filed on September 30, 1998 and March 22, 1999, the utility's proposed tariff sheets which were to specify its service availability policy for its water division. However, with the changes noted above, the utility's service availability policy is approved. If there is no timely protest to our proposed action by a substantially affected person, the utility shall file appropriate revised tariff sheets within thirty days of the effective date of the Order, and our staff shall have administrative authority to approve the revised

tariff sheets upon staff's verification that the tariffs are consistent with our decision. If revised tariff sheets are filed and approved, the service availability charges shall become effective for connections made on or after the stamped approval date of the revised tariff sheets pursuant to Rule 25-30.475(2), Florida Administrative Code.

If no timely protest is filed by a substantially affected person, the docket shall remain open for thirty days from the effective date of the Order to allow the utility time to file revised tariff sheets. In the event of a protest, our staff will prepare an additional recommendation to address additional issues in this docket.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the Tariff Sheet No. 21.4, filed by Marion Utilities, Inc., for its Spruce Creek service area, is denied. It is further

ORDERED that the approved service availability charges, including the meter installation fees, back flow preventor installation fees, and customer service line installation charges for the Spruce Creek service area shall be as shown on Schedule No. 1, which is attached to and made a part of this Order. 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 28-106.201, 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 Marion Utilities, Inc.'s proposed tariff sheets which specify its service availability policy for its water division, filed on September 30, 1998, and March 22, 1999, are denied. It is further

ORDERED that Marion Utilities, Inc.'s service availability policy for the water division is approved as set forth in the body of this Order. It is further

ORDERED that Marion Utilities, Inc., shall file appropriate revised tariff sheets reflecting the service availability charges and policy approved herein within thirty days of the effective date of the Order. It is further

ORDERED that our staff shall have administrative authority to approve the revised tariff sheets upon staff's verification that the tariffs are consistent with our decision. It is further

ORDERED that the service availability charges and policy shall become effective for connections made on or after the stamped approval date of the revised tariff sheets pursuant to Rule 25-30.475(2), Florida Administrative Code. It is further

ORDERED that this docket shall remain open for thirty days from the effective date of this Order to allow Marion Utilities, Inc., time to file the appropriate revised tariff sheets.

By ORDER of the Florida Public Service Commission this <u>7th</u> day of <u>June</u>, <u>1999</u>.

BLANCA S. BAYÓ, Director Division of Records and Reporting

Kay Flynn, Chief Bureau of Records

(SEAL)

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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 Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on June 28, 1999.

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 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.

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Marion Utilities, Inc. - Spruce Creek Schedule No. 1 Docket No. 981243-WU

Service Availability Charges - Water Only

	Present	Company <u>Proposed</u>	Commission <u>Approved</u>
System Capacity Charge:	\$ 445.00	No Charge	No Charge
Plant Capacity Charge:			
Residential-per ERC (554 gpd) All other-per gallon	None None	\$ 150.00 \$ 0.4286	\$ 95.00 \$ 0.1715
Main Installation Charge:			
Residential-per ERC (554 gpd) All other-per gallon	None None	\$ 500.00 \$ 1.4286	\$ 510.00 \$.9206
<u>Plan Review Charge</u> :	Actual Cost	No Change	No Change
Inspection Charge:	Actual Cost	No Change	No Change
Meter Installation Fees:			
5/8" X 3/4" 1" 1 1/2" 2" Over 2"	\$ 100.00 \$ 130.00 \$ 180.00 Actual Cost Actual Cost	No Change No Change No Change No Change No Change	No Change No Change No Change No Change No Change
Back Flow Preventor Installat	<u>ion Fee</u> :		
5/8" X 3/4" 1" 1 1/2" 2" Over 2" A	None \$ None \$ None \$ None Ac Actual Cost N	169.00 176.00 221.00 tual Cost o Change	\$ 113.00 \$ 120.00 \$ 217.00 Actual Cost No Change
Customer Service Line Install	ation Charge:		
All meter sizes	None Ac	tual Cost	Actual Cost

MEMORANDUM

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June 7, 1999

RECORDS AND REPORTING

DIVISION OF RECORDS AND REPORTING TO: DIVISION OF LEGAL SERVICES (JAEGE FROM:

DOCKET NO. 981243-WU - APPLICATION BY MARION UTILITIES, RE: INC. FOR APPROVAL OF REVISED SERVICE AVAILABILITY CHARGES FOR SPRUCE CREEK SERVICE AREA AND NEW SERVICE AVAILABILITY POLICY FOR WATER DIVISION IN MARION COUNTY.

Attached is a NOTICE OF PROPOSED AGENCY ACTION ORDER APPROVING SERVICE AVAILABILITY CHARGES AND POLICY, to be issued in the above-referenced docket.

(Number of pages in order - 14)

RRJ/lw/dr

Attachment

cc: Division of Water and Wastewater (Fletcher, Munroe)

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