



Public Service Commission

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-M-E-M-O-R-A-N-D-U-M-

DATE: January 10, 2001
TO: Dr. Mary Bane, Deputy Executive Director/Technical
FROM: Marshall Willis, Bureau Chief *(initials)*
RE: Docket No. 000295-WU, Placid Lakes Utilities, Inc. - Item No. 12 on the January 16, 2001 agenda.

Staff would like to substitute page 12 of the recommendation with a new page. The purpose is to replace the paragraph under the heading of Water Treatment Plant with the correct version. During the process of putting the recommendation together, apparently the wrong version of this issue was inserted in the final recommendation. This change has no effect on the recommendation. It only correctly explains how the water treatment plant used and useful was calculated.

This docket can not be deferred as it has a statutory five month deadline for a decision by the Commission. Staff would therefore like permission to replace the Commissioners copies of page 12 with the attached highlighted paragraphs and orally indicate this change at the agenda conference on January 16, 2001.

cc: Division of Records and Reporting
 Division of Legal Services
 Division of Economic Regulation (Devlin, Tudor, Binford, Monroe, Crouch, Merchant, Lingo)

OK
MWB
Provide to Commissioner under RAR.

DOCUMENT NUMBER-DATE

00510 JAN 11 5

FPSC-RECORDS, REPORTING

ISSUE 6: What are the used and useful percentages for the water treatment plant and water distribution system?

RECOMMENDATION: The water treatment plant should be considered 100% used and useful. The distribution system should be considered 76.37% used and useful. As a result, rate base should be decreased by \$31,432, with corresponding decreases to depreciation expense of \$1,120 and property taxes of \$239. (MUNROE, BINFORD)

STAFF ANALYSIS:

Water Treatment Plant

The water plant consists of two 150,000 gallon ground storage tanks with 4 wells. Treatment of raw water includes aeration, addition of polyphosphate and chlorination. The wells yield (less the largest) is 466,000 gpd. The ground storage capacity, less 10% for dead storage, adds 240,000 gpd to the plant capacity. This results in a firm reliable capacity of 706,000 gpd.

The demand for the maximum month, 5 max day average, was 487,400 gpd. With a 120,000 gpd required fire flow and 100,106 gpd growth allowance, the system demand was 707,506 gpd. These values resulted in a plant used and useful of 100%. The calculation is summarized in Attachment A, page 1, following this issue.

The utility used the same method in its MFRs to calculate a requested 100% with the exception of using maximum day demand instead of maximum month max 5 day average demand and failed to include the required 5-year growth allowance.

Water Distribution System

Usage indicates that a lot to lot or equivalent residential connection (ERC) to ERC calculation would be immaterially different. This is because there are no general service customers with high consumption. Therefore, staff has used lot to lot in the calculation of the water distribution system used and useful.

The utility engineer, Mr. Guastella, furnished staff with a detailed street by street analysis of the distribution system. Along with this data, Mr. Guastella proposed exceptions to be made in the used and useful calculation: (1) all lines 6 inches to 10 inches in diameter be considered transmission mains and, therefore, should be considered 100%; (2) all streets with a lot count of 50% or greater should be considered 100%; and (3) a minimum of 10% be used for all streets with less than 10% of available lots occupied.