



Public Service Commission

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DATE: OCTOBER 22, 2003

TO: DIRECTOR, DIVISION OF THE COMMISSION CLERK & ADMINISTRATIVE SERVICES (BAYÓ)

FROM: DIVISION OF ECONOMIC REGULATION (RIEGER, JOHNSON) *SOR*
OFFICE OF THE GENERAL COUNSEL (BRUBAKER) *SB* *WAT* *JDS*

RE: DOCKET NO. 020928-WU - APPLICATION FOR AMENDMENT OF CERTIFICATE NO. 347-W TO EXTEND TERRITORY AND APPLICATION TO INCREASE SERVICE AVAILABILITY CHARGES FOR SUMMER BROOKE SERVICE AREA IN MARION COUNTY BY MARION UTILITIES, INC. COUNTY: MARION

AGENDA: NOVEMBER 03, 2003 - REGULAR AGENDA - PROPOSED AGENCY ACTION FOR ISSUE NO. 2 - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\ECR\WP\020928.RCM

CASE BACKGROUND

Marion Utilities, Inc. (Marion or utility) is a Class A utility which provides service in Marion County to approximately 5,032 water and 118 wastewater customers. The utility is primarily in the St. Johns River Water Management District, all of which is considered a water use caution area. The utility's 2002 annual report shows a combined water and wastewater annual operating revenue of \$1,154,173, and a total utility operating income of \$157,085.

The Commission assumed jurisdiction over the privately-owned utilities in Marion County on May 5, 1981. In Order No. 10566, issued February 3, 1982, in Docket No. 820018-W, the utility was granted Certificate No. 347-W. Over the years, there have been

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approximately twenty-eight additional territory amendments to the utility's certificate.

Pursuant to Section 367.045, Florida Statutes, on August 28, 2002, the utility applied for an amendment to Water Certificate No. 347-W to include a planned 38 equivalent residential connections (ERCs) residential area known as Summer Brooke. The utility intends to provide water service to Summer Brooke by interconnecting with its Fore Acres system. In conjunction with the amendment application, on January 31, 2003, the utility filed a developer agreement with the Commission which included new service availability charges for the proposed Summer Brooke development. The utility currently has service availability charges for the Fore Acres system to which the Summer Brooke development will be connected. In the instant case, the utility is requesting new service availability charges for the new customers in the proposed Summer Brooke development.

Pursuant to Section 367.091, Florida Statutes, on March 25, 2003, Order No. PSC-03-0408-PCO-WU was issued suspending the proposed tariff for service availability charges for the Summer Brooke area pending further investigation. The suspension order kept this docket open pending completion of staff's investigation into the service availability charges and for the processing of the amendment application.

This recommendation addresses the utility's proposed amendment and changes in service availability charges for the Summer Brooke development. The Commission has jurisdiction pursuant to Section 367.091, 367.101, and 367.045, Florida Statutes.

DISCUSSION OF ISSUES

ISSUE 1: Should Marion Utilities, Inc.'s application for amendment of Certificate No. 347-W be granted?

RECOMMENDATION: Yes, Marion's application for amendment to expand its territory as described in Attachment A is in the public interest and should be granted. The utility should charge the customers in the territory added herein the monthly service rates contained in its current tariff until authorized to change by the Commission. The appropriate service availability policy and charges are discussed in Issue 2. (RIEGER)

STAFF ANALYSIS: Pursuant to Section 367.045 (2), Florida Statutes, and Rule 25-30.036, Florida Administrative Code, on August 28, 2002, the utility applied for an amendment to Water Certificate No. 347-W to include a planned 38 ERC residential area known as Summer Brooke in Marion County.

The utility's application is in compliance with the governing statute, Section 367.045, Florida Statutes, and other pertinent statutes and administrative rules concerning applications for amendment of certificate. The application contained a check in the amount of \$100, which is the correct filing fee pursuant to Rule 25-30.020, Florida Administrative Code.

Staff believes that the utility has demonstrated that it has the necessary financial and technical expertise. The utility reported that it has four C and one D class operators on staff to assure that it has sufficient technical capabilities. In addition, the Department of Environmental Protection (DEP) has no outstanding violations, citations, or notices of violation issued to the utility. The utility's 2002 annual report shows a combined water and wastewater annual operating revenue of \$1,154,173, and a total utility operating income of \$157,085.

The application contains proof of compliance with the noticing provisions set forth in Rule 25-30.030, Florida Administrative Code. No objections were received and the time for filing objections has expired. Pursuant to Rule 25-30.036(3)(c), Florida Administrative Code, the utility states that the provision of water service will be consistent with Marion County's comprehensive land plan and development regulations. In addition, a letter received on September 20, 2002, from the Department of Community Affairs

(DCA) noted that the utility's proposed area expansion is consistent with the Marion County comprehensive plan. As a result, DCA had no objection to the utility's proposed extension of service.

The applicant has provided evidence that the utility owns the land upon which the utility's facilities are located as required by Rule 25-30.036(3)(d), Florida Administrative Code. Also, adequate service territory and system maps, as well as a territory description have been provided as prescribed by Rule 25-30.036(3)(e), (f) and (i), Florida Administrative Code. A description of the proposed territory is appended to this recommendation as Attachment A.

Pursuant to Rule 25-30.036(3)(j), (k), (l), (m) and (n), Florida Administrative Code, the utility reported that the water supply to Summer Brooke will be provided from the utility's Fore Acres water treatment plant located approximately three-quarters of a mile from the development. In order to accommodate the additional demand placed on the utility's system, the utility has indicated that the Summer Brooke developer will be providing most of the funding for the necessary expansion. The expansion includes the abandonment of a small existing well; the installation of a new 10-inch well which will be large enough to accommodate the additional demand, including fire flow; interconnection of the new well and another existing well that supplies the Fore Acres development; and upgrade of an electrical panel. In addition to the above, a new water supply main will connect the utility's existing Fore Acres well and service area with the new development. The utility has applied for and received the appropriate permitting necessary to accomplish this project from the DEP and the St. Johns River Water Management District. The utility projected no impact on rates due to the extension. However, it indicated that service availability charges will need to be addressed as a result of a developer's agreement.

Pursuant to Rule 25-30.036(3)(o), (p), (q) and (r), Florida Administrative Code, the utility provided a sample tariff sheet reflecting the additional service area, and supplied its certificate for possible amendment. Also, the utility provided the number of the most recent Commission order establishing its rates and charges. Finally, the utility stated that its tariffs and annual reports are on file with the Commission.

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Based on the above information, staff recommends that Marion's application to amend its territory, as described in Attachment A, is in the public interest and should be granted. The utility should charge the customers in the territory added herein the monthly service rates contained in its current tariff until authorized to change by the Commission. The appropriate service availability policy and charges are discussed in Issue 2.

ISSUE 2: Should the tariff filing to modify the service availability charges for the Summer Brooke development be approved as filed by Marion Utilities, Inc.?

RECOMMENDATION: No. Original Tariff Sheet No. 42.0 filed on August 29, 2002 should be denied. The utility should be authorized to collect a distribution line charge of \$846 per ERC, a transmission main charge of \$222 per ERC, and a plant capacity charge of \$161 per ERC from future customers in the Summer Brooke development. Additional connections to the transmission main outside the Summer Brooke development should also be required to pay a transmission main charge of \$222 per ERC. In addition, staff recommends the utility's proposed meter installation and backflow preventor fees be approved. The utility should file a revised tariff within thirty days of the effective date of the Order. The tariffs should become effective, upon staff's verification that they are consistent with the Commission's decision, for connections made on or after the stamped approval date of the tariff sheets pursuant to Rule 25-30.475(2), Florida Administrative Code. In the event a timely protest is filed, the tariff should remain in effect and the charges collected held subject to refund pending resolution of the protest. (JOHNSON, RIEGER)

STAFF ANALYSIS: On March 25, 2003, the Commission issued Order No. PSC-03-0408-PCO-WU, suspending the utility's proposed service availability charge tariff for the Summer Brooke development. The utility's proposed charges include:

Plant Capacity Charge	\$401 per ERC
Distribution Line Charge	\$635 per ERC
Transmission Main Charge	\$193 per ERC

The utility's proposed plant capacity charge of \$401 per ERC is based on 75 percent of the estimated cost of \$20,318 to install a new well to serve the additional 38 ERCs in the Summer Brooke development. The developer plans on paying for the installation of a new well and donating it to the utility. The utility's existing well and treatment facilities used to serve the Fore Acres development will also be used to serve the Summer Brooke development. The utility plans on paying for the modification of the electrical panel and interconnection of the existing and new well.

The utility's proposed distribution line charge of \$635 per ERC is based on 75 percent of the estimated cost of \$32,151 to install the distribution lines in the Summer Brooke development. The developer plans on installing and donating the distribution lines to the utility which will have the capacity to serve the 38 ERCs in the Summer Brooke development.

The utility's proposed transmission main charge of \$193 per ERC is based on 75 percent of the estimated cost of \$44,165 to install the transmission main from the existing Fore Acres development to the Summer Brooke development. The developer will install and donate the main to the utility. It is being oversized to serve a total of 172 ERCs in anticipation of future development outside the Summer Brooke development.

In addition, the utility requested meter installation and backflow preventor charges which are designed to recover the cost to the utility for the meter, the backflow preventor, and the installation cost. The utility's proposed meter installation fees and backflow preventor fees are:

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

According to the proposed developer agreement, the utility will reimburse the developer for a portion of his costs by collecting the service availability charges (plant capacity, distribution line, and transmission main charges) from the customers as they connect and passing those charges on to the developer. In the event there are connections to the transmission main, in addition to the Summer Brooke development, the utility will also collect and pass on to the developer those transmission main charges.

Subsequent to the utility's filing, the developer and the utility completed construction of the lines, well installation, and plant upgrades. The utility reported that the total actual cost was \$100,759, which includes the additional capacity in the transmission main. The developer's investment in the new well and

lines, which will be donate to the utility, was \$91,549. The utility's investment was \$9,210.

Pursuant to Rule 25-30.580(1)(b), Florida Administrative Code, at a minimum the cost of the lines should be contributed to the utility. Pursuant to Rule 25-30.580(1)(a), Florida Administrative Code, the maximum utility contribution level is 75 percent. According to its 2002 annual report, the utility is currently approximately 52 percent contributed on a total company basis. The utility does not separately maintain the cost of the assets and Contribution In Aid of Construction for each system that it serves.

Based on all of the above, staff recommends that the terms of the developer agreement regarding the developer installing and donating facilities to the utility and recovering a portion of his costs as customers connect are reasonable and consistent with the utility's approved service availability policy. Since the impact on the utility's contribution level will result from the assets constructed by the developers and donated to the utility, this reimbursement arrangement will have no net impact on the utility's contribution level. Instead, it will shift the contributions from the developer to the customers. The impact on the utility's contribution level will result from the assets constructed by the developer and donated to the utility.

However, staff recommends that the transmission and distribution line charges should be based on 100 percent of the estimated cost of the lines, instead of 75 percent of the cost of the lines. This will result in the customers paying for 100 percent of the cost of the lines, consistent with the minimum guidelines in Rule 25-30.580, Florida Administrative Code. Therefore, staff recommends that a transmission main charge of \$222 per ERC and a distribution line charge of \$846 per ERC be approved. Further, staff recommends that the plant capacity charge should be based on the difference between the total amount the utility originally proposed to reimburse the developer (\$1229 per ERC) as customers connect and the staff recommended transmission and distribution line charges ($\$1229 - \$222 - \$846 = \161).

As previously indicated, these service availability charges will have no impact on the utility's overall contribution level because they will be remitted to the developer to allow him to recover a portion of his costs from future customers. If all 38 ERCs connect to the utility and additional development occurs so

that the excess capacity of the transmission line is utilized, the developer could recover as much as \$76,450 of his costs.

Staff recommends that the utility's proposed service availability charges for the Summer Brooke development be denied. Staff recommends that the utility should be authorized to collect the following service availability charges from future customers in the Summer Brooke development:

Plant Capacity Charge	\$161 per ERC
Distribution Line Charge	\$846 per ERC
Transmission Main Charge	\$222 per ERC

Additional connections to the transmission main outside the Summer Brooke development should also be required to pay a transmission main charge of \$222 per ERC. In addition, staff recommends the utility's proposed meter installation and backflow preventor fees be approved. The utility should file revised tariffs within thirty days of the effective date of the Order. The tariffs should become effective, upon staff's verification that they are consistent with the Commission's decision, for connections made on or after the stamped approval date of the tariff sheets pursuant to Rule 25-30.475(2), Florida Administrative Code. In the event a timely protest is filed, the tariff should remain in effect and the charges collected held subject to refund pending resolution of the protest.

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ISSUE 3: Should this docket be closed?

RECOMMENDATION: No, this docket should remain pending expiration of the protest period. If a timely protest is not filed, a Consummating Order should be issued and the docket closed. (RIEGER, JOHNSON, BRUBAKER)

STAFF ANALYSIS: This docket should remain pending expiration of the protest period. If a timely protest is not filed, a Consummating Order should be issued and the docket closed.

Marion Utilities Inc.
Amended Water Territory Description
Marion County

Summer Brooke
Township 14 South, Range 22 East
Sections 28 & 29

The North 12-1/2 chains of the SW 1/4 of the SW 1/4, Section 28, Township 14 South, Range 22 East, West of Anthony Road, plus the North 12-1/2 chains of the SE 1/4 of the SE 1/4, Section 29, Township 14 South, Range 22 East, LESS AND EXCEPT: Beginning at the intersection of the South boundary of the North 12-1/2 chains of the SW 1/4 of the SW 1/4 of Section 28, Township 14 South, Range 22 East, with the Westerly right of way line of the Anthony Road (U.S. 301 Alternate), from the Point of Beginning thus described proceed Northerly along said Westerly right of way line, a distance of 275.0 feet; thence departing from said right of way line West parallel to the South boundary of said North 12-1/2 chains of the SW 1/4 of the SW 1/4, a distance of 520.73 feet; thence South 267.42 feet more or less to an intersection with the South boundary of the North 12-1/2 chains of the SE 1/4 of the SE 1/4 of Section 29, Township 14 South, Range 22 East, thence East along said South boundary and along the South boundary of the aforesaid North 12-1/2 chains of the SW 1/4 of the SW 1/4 of Section 28, a distance of 456.61 feet more or less to the Point of Beginning. All lying and being situated in Marion County, Florida.