

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application of CONTINENTAL)	DOCKET NO. 881178-WS
COUNTRY CLUB, INC. for a rate increase)	ORDER NO. 20639
in Sumter County)	ISSUED: 1-20-89
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The following Commissioners participated in the disposition of this matter:

- MICHAEL MCK. WILSON, CHAIRMAN
- THOMAS M. BEARD
- GERALD L. GUNTER
- JOHN T. HERNDON

ORDER SUSPENDING PROPOSED RATES, DENYING
INTERIM RATES, AND GRANTING INTERIM
SERVICE AVAILABILITY CHARGES SUBJECT TO REFUND

BY THE COMMISSION:

CASE BACKGROUND

On January 13, 1987, the Sumter County Board of Commissioners adopted a resolution transferring jurisdiction over its privately-owned water and wastewater utilities to this Commission, pursuant to Section 367.171, Florida Statutes. By Order No. 19854, issued on August 22, 1988, this Commission granted Continental Country Club, Inc. (Continental or the utility) water and wastewater certificates under the grandfathering provisions of Section 367.171, Florida Statutes.

Continental serves approximately 780 mobile home lots, -a 104-unit master-metered condominium complex called Sandalwood Condominium, a clubhouse, sales and maintenance offices, and a pool. The cost of water and wastewater service is presently included in the monthly maintenance fee for the mobile home lots. These maintenance fees were previously established by court order for most lot owners. The maintenance fee is an aggregate charge for various community services, including garbage collection, lawn care, pool maintenance, street lighting, and recreational and boat storage facilities. The customers in the condominium complex are charged a per unit amount and a gallonage charge for water and wastewater service. The general service customers are not billed for water and wastewater service.

In its grandfather application, Continental asked the Commission to set separate utility rates for the mobile home lot owners, but new utility rates were not requested for general service customers or for the Sandalwood Condominium. In Order No. 19854, we agreed that revision of utility rates was probably needed. However, previously existing rates are generally retained in a grandfather proceeding and, therefore, we denied the requested revision of utility rates.

However, Continental was ordered to file minimum filing requirements (MFRs) by November 20, 1988, to permit this Commission to make a full examination of all matters relating to the setting of reasonable rates for the utility's customers. A filing extension to November 23, 1988, was subsequently requested. On that date, the utility filed its

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completed MFRs, and November 23, 1988, was accordingly established as the official date of filing.

The utility's filing is based on the projected test year ending March 31, 1990, using actual data for the base period ended June 30, 1988, and expected expansion costs for the water system. Completion of the water plant expansion by January, 1989, is expected.

SUSPENSION OF PROPOSED RATES

Section 367.081(6), Florida Statutes, provides that the rate schedules proposed by the utility shall become effective within sixty days after filing unless this Commission issues an order withholding consent to the implementation of the proposed rates. Further, the statute permits the proposed rates to go into effect, under bond, eight months after filing unless final action has been taken by this Commission.

We have reviewed the utility's filing and note that we have never established rate base or a rate of return for this utility. In addition, the proposed rates would be the initial rates for some customers and a rate increase for others. The utility's test year revenues represent revenues generated from only a portion of the existing customers. Some customers were not charged for utility service and others were charged through a monthly maintenance fee which included several other services, and which is not included in test year revenues.

We have considered the proposed rates, the amount of revenues sought, and the supporting data. We find that it is reasonable and necessary to require further amplification, explanation and cross-examination of the data filed by the utility, as well as additional and/or corroborative data. A hearing in this matter is, therefore, scheduled for May 31 and June 1, 1989. In consideration of the above, the proposed rates of the utility are hereby suspended.

INTERIM RATES

On November 23, 1988, Continental filed an application for interim and permanent rates. The filing, which was required by Commission Order No. 19854, was made pursuant to Sections 367.081 and 367.082, Florida Statutes. The proposed final rates are designed to produce revenues of \$263,549 and \$223,281 for water and wastewater, respectively.

The proposed interim rates are designed to produce revenues of \$197,789 and \$242,129 for water and wastewater, respectively. This represents an annual increase of \$185,369 for water and \$226,663 for wastewater. The majority of the proposed increase represents revenues which will be generated from the mobile home lots and general service customers.

Since the utility's application does not disclose what charges are currently paid by park residents for water and wastewater services, those charges being intermingled with other community service fees, the revenue deficiency or excess for the utility standing alone is indeterminable. A utility seeking permission to collect interim rates must demonstrate that its existing rates provide inadequate earnings. This

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proof of underearnings involves a comparison between the utility's "achieved rate of return" and its "required rate of return," terms which require knowledge about the utility's actual revenues, operating expenses, investment in used and useful facilities (rate base), and sources of capital funding (cost of capital). This utility's achieved rate of return for the base year ending June 30, 1988, (the test period) cannot be measured since residential customers were billed for utility services in an overall community service fee, and that revenue fraction is presently unknown. Because the utility did not demonstrate that its earnings are inadequate, we hereby deny its petition for collection of interim rates.

While our denial of the utility's request for interim rates is principally due to incomplete information regarding residential revenues, other problems of special concern were also observed. Proposed acquisition adjustments would account for about 25% of the requested rate base totals, but the application does not include any showing of the extraordinary conditions that would support such rate base treatment.

Further, because the utility did not bill most of its customers separately for water and wastewater service during the test year, an actual billing analysis is not available to help develop initial rates. The assumptions used to estimate billing conditions for previously unmetered customers (residential and general services) were not explained. The application of unequal gallonage factors for water and wastewater billing purposes indicates a potentially significant error.

In conclusion, Section 367.082, Florida Statutes, provides that the utility shall make a prima facie showing to demonstrate that it is earning outside the range of reasonableness on rate of return. The utility's filing, however, does not show what rate of return the jurisdictional water and wastewater systems achieved during the test year. No prima facie showing has been made and, therefore, we are compelled to deny the utility's request for interim rates.

INTERIM SERVICE AVAILABILITY CHARGES

Continental had no service availability policy or charges when it came under this Commission's jurisdiction. Further, the utility made no request for approval of a service availability policy or charges in its application. However, because we believe it is important for a utility to collect appropriate service availability charges to achieve an equitable rate structure, we hereby authorize Continental to begin collecting the service availability charges set forth herein on an interim basis.

Because the utility has previously had no service availability policy, over 800 customers in the mobile park have connected with no service availability charge. A \$10,000 connection fee was collected from the Sandalwood Condominium in 1975. The remaining contributions-in-aid-of-construction (CIAC) shown in the utility's rate base is imputed pursuant to Rule 25-30.570, Florida Administrative Code.

There are approximately 100 lots which remain to be

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developed within the mobile home park and a tract of land adjacent to the park and condominium is planned for development. The utility has installed all lines necessary to serve the remaining 100 lots in the mobile home park. Therefore, we authorize the utility to collect a main extension charge from new customers in that area. The proposed charges are based on an estimate of the average cost per equivalent residential connection (ERC) of those lines.

No lines have been installed in the area which remains to be developed. The utility has indicated that it is seeking outside developers to develop that property. We find it appropriate to authorize the utility to require donated on-site and off-site lines in those areas where the utility has not already installed lines.

The utility did propose meter installation fees, but only for larger size meters. We believe that all new customers should be required to pay a meter installation charge. It should be noted that the existing customers in the mobile home park were previously unmetered. The utility is in the process of installing meters, at its expense, for all existing customers.

The approved plant capacity charges are designed to represent the type of charges which might have been authorized for this utility had it been under this Commission's jurisdiction from its inception. These interim charges are designed to achieve a 75% contribution level, pursuant to Rule 25-30.580, Florida Administrative Code.

We hereby authorize the utility to collect the following interim service availability charges, subject to refund, pursuant to Rule 25-30.360, Florida Administrative Code. The utility shall file tariff sheets reflecting the authorized service availability policy and charges no later than two weeks from the issuance of this Order. The tariffs will be effective upon our verification that they are consistent with our decision.

<u>Meter Size</u>	<u>Meter Installation Charge</u>
5/8" x 3/4"	\$100.00
3/4"	100.00
1"	125.00
1-1/2"	150.00
2" and over	Actual Cost
Water Plant Capacity Charge	\$340.00 per ERC
Wastewater Plant Capacity Charge	\$350.00 per ERC
Water Main Extension Charge ⁽¹⁾	\$500.00 per ERC
Wastewater Main Extension Charge ⁽¹⁾	\$750.00 per ERC

OR

Donated On-site and Off-site lines⁽²⁾

- (1) In those areas where the utility has installed lines
 (2) In those areas where the utility has not installed lines

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Pursuant to Rule 25-30.360, Florida Administrative Code, the utility must provide a guarantee to secure the interim collection of plant capacity charges. To fulfill this requirement, the utility shall deposit the interim collections into an escrow account, to be established no later than two weeks from the issuance of this Order. The escrow account chosen must be submitted for our approval. The utility shall provide a monthly report of the collections made subject to refund, as required by Rule 25-30.360, Florida Administrative Code.

Based on the foregoing, it is therefore

ORDERED by the Florida Public Service Commission that the final rate schedules proposed by Continental Country Club, Inc., are hereby suspended pursuant to Section 367.081(6), Florida Statutes. It is further

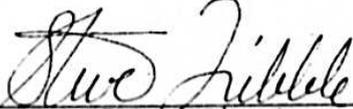
ORDERED that the request of Continental Country Club, Inc., for increased interim water and wastewater rates is hereby denied as set forth in the body of this Order. It is further

ORDERED that Continental Country Club, Inc., shall collect the interim service availability charges approved herein, effective for connections made on or after the stamped approval date on the revised tariff sheets, as set forth in the body of this Order. These will be approved upon our verification that the tariffs are consistent with our decision. It is further

ORDERED that the interim service availability charges collected shall be deposited in an escrow fund with interest, pursuant to Rule 25-30.360, Florida Administrative Code. It is further

ORDERED that Continental Country Club, Inc., shall file a report no later than the 20th day of each month that the interim service availability charges are being collected, showing the amount of revenue collected as a result of the interim service availability charges.

By ORDER of the Florida Public Service Commission,
this 20th day of January, 1989.



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.

Any party adversely affected by this order, which is preliminary, procedural or intermediate in nature, may request: 1) reconsideration within 10 days pursuant to Rule 25-22.038(2), Florida Administrative Code, if issued by a Prehearing Officer; 2) reconsideration within 15 days pursuant to Rule 25-22.060, Florida Administrative Code, if issued by the Commission; or 3) judicial review by the Florida Supreme Court, in the case of an electric, gas or telephone utility, or the First District Court of Appeal, in the case of a water or sewer utility. A motion for reconsideration shall be filed with the Director, Division of Records and Reporting, in the form prescribed by Rule 25-22.060, Florida Administrative Code. Judicial review of a preliminary, procedural or intermediate ruling or order is available if review of the final action will not provide an adequate remedy. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.