

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Request of SANIBEL SEWER SYSTEM)	DOCKET NO. 880420-SU
PARTNERS, LTD. for a review of its)	
service availability policy in Lee)	ORDER NO. 20748
County.)	
_____)	ISSUED: 2-15-89

The following Commissioners participated in the disposition of this matter:

THOMAS M. BEARD
 BETTY EASLEY
 GERALD L. GUNTER
 JOHN T. HERNDON

NOTICE OF PROPOSED AGENCY ACTION
ORDER REVISING SERVICE AVAILABILITY POLICY

BY THE COMMISSION:

BACKGROUND

By Order No. 18529, issued December 11, 1987 in Docket No. 861112-SU, the Commission required Sanibel Sewer System Partners, Ltd. (utility) to file a request for review of its service availability policy. Pursuant to that Order, the utility, among other things, was authorized to collect a service availability charge of \$300 per Equivalent Residential Connection (ERC), was required to discontinue acceptance of contributed lines, and was required to refund with interest previously collected cash service availability charges in the amount of \$179,562.50.

The utility filed its request for review on March 10, 1988. Due to certain deficiencies, further information was required. By April 25, 1988, the minimum filing requirements had been met in accordance with Rule 25-30.565, Florida Administrative Code.

REVISED SERVICE AVAILABILITY POLICY

The utility has requested authorization to continue the collection of its \$300 per ERC service availability charge from all new connections to its system and to implement a policy whereby sewer collection facilities will be constructed as necessary by developers and contributed to the utility. In addition, the utility has requested approval of a main extension charge in the amount of \$346 per ERC that would be collected from a specified number of new connections to a specific line installation along a section of road called West Gulf Drive. We reject the utility's proposals as set forth below and establish what we find to be appropriate plant capacity charges, main extension charges and customer connection charges.

In its filing, the utility proposed a \$300 per ERC service availability charge, authority to implement its long-standing policy of having on-site facilities constructed and contributed by developers, and a main extension charge of \$346 per ERC limited to West Gulf Drive. We believe that acceptance by the utility of contributed collection facilities and a main extension charge of \$346 per ERC for a specific line extension are clearly related to the utility's collection system, as opposed to its treatment plant facilities. However, it appears

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

ORDER NO. 20748
DOCKET NO. 880420-SU
PAGE 2

that the \$300 per ERC service availability charge is actually a system capacity charge designed to defray the utility's investment in both treatment plant facilities and collection facilities. Therefore, if all new connections were required to pay a system capacity charge, a portion of which represents the utility's investment in collection facilities, and some new connections were also required to either contribute collection facilities or pay a main extension charge, an obvious inequity would exist.

Further, we believe that a main extension charge that applies only to a select number of new connections for a specific line installation would be discriminatory. Unless some genuinely unique circumstances are evident that would warrant a main extension charge for an individual line extension, such a charge would not be warranted. Since the West Gulf Drive line installation does not elicit any particular characteristics to distinguish it from that of any other line installation, we do not believe that it is appropriate for it to be afforded special treatment.

We also find no evidence to suggest that the utility should be permitted to accept contributed lines from developers. We therefore reaffirm the requirement set forth in Order No. 18529 that the utility discontinue the practice of accepting contributed lines from developers. However, by continuing this requirement, we are not saying that the utility should be denied any compensation for its investment in collection facilities. Thus we have developed a main extension charge for this purpose, in addition to a plant capacity charge. Both charges would be applicable to all new connections to the utility's system, and would eliminate the possibility of any confusion, discriminatory practices, or inequities. Development of these charges was influenced by two major factors.

First, as previously stated, we required the utility, in Docket No. 86112-SU, to refund, with interest, previously collected cash service availability charges in the amount of \$179,562.50. By Order No. 20723, issued February 10, 1989, we denied the utility's request to be relieved of \$98,750.00 of that refund and ordered the completion of the refund by February 17, 1989. In contemplation of completion of the refund in that docket, we have in this docket, reduced the utility's contribution-in-aid-of-construction (CIAC) balance by \$179,563 to allow for this transaction. We have also adjusted the utility's accumulated amortization balance accordingly.

Secondly, we increased the utility's investment in its sewage treatment plant facilities by \$329,000. Due to a 1987 DER Consent Order, and a 1988 City of Sanibel Resolution that grants the utility a three year conditional wastewater disposal permit, the utility was required to make a number of improvements to its existing treatment facilities, none of which will increase capacity. A field inspection on July 7, 1988 by the Staff engineer verified that improvements totaling \$153,000 had already been completed.

As previously discussed, we concluded that it would be inappropriate to consider a separate charge expressly for the West Gulf Drive line extension. Instead, we have included the cost of the extension with the utility's total investment in collection facilities, from which we then developed the

ORDER NO. 20748
DOCKET NO. 880420-SU
PAGE 3

system-wide main extension charge. The West Gulf Drive line extension was a joint program that involved the utility, three condominiums, and the City of Sanibel. It was designed primarily to eliminate the need for these customers to obtain sewer service from small, inefficient package plants that would be costly to design, build, and operate under the City's standards. The project was constructed in two phases, for a total cost of \$245,975. In order to finance this extension, the utility received cash contributions from the three condominiums that totaled \$98,750 and obtained a loan from an affiliated organization, Mariner Properties, Inc., for the remaining \$147,225 of extension costs. This loan was to be repaid by means of a main extension charge designed specifically for this line.

The utility had determined that the capacity of this line was 500 ERCs and that the three condominiums would utilize a combined total of 75 ERCs, thus leaving a balance of 425 ERCs. Under the utility's proposal, new connections to this line would be assessed a main extension charge in the amount of \$346 per ERC (\$147,225 divided by 425 ERCs). Once the amount of \$147,225 has been collected, the main extension charge would cease.

Our analysis indicates that the West Gulf Drive line extension was installed to serve the three condominiums, as well as others, but since these condominiums have already connected to the line, no further service availability charges may be collected from them. Future connections would then be paying higher charges because the total cost of the line would be spread over fewer connections.

To compensate for this, we have included in our calculations of a main extension charge the 75 ERCs represented by the three condominiums, thereby increasing the utility's remaining ERCs from 714 to 789. Also, since the utility had collected \$22,500 (75 ERCs times \$300 per ERC) in service availability charges from the three condominiums, the utility's CIAC balance was reduced by that amount, and the accumulated amortization balance was adjusted accordingly. These adjustments serve to eliminate subsidization of the three condominiums by future connections, since the main extension charge is reduced to the amount that would have been collected had the three condominiums been required to pay the same charge.

The uniform plant capacity charge and main extension charge we have calculated are for all future connections to the utility's system, regardless of the location. If the sewage collection system is extended in the future to serve customers in the utility's authorized service territory, it will be done as utility investment, with only the collection of the approved plant capacity and main extension charges allowed.

Upon consideration of the foregoing, we find the following service availability charges to be appropriate. The existing and utility proposed charges are shown for comparison purposes. The approved charges result in a contribution level of 73.35%, which is within the guidelines of Rule 25-30.580, Florida Administrative Code.

ORDER NO. 20748
 DOCKET NO. 880420-SU
 PAGE 4

Schedule of Fees, Charges, and CIAC Levels

	<u>Existing</u>	<u>Utility Proposed</u>	<u>Commission Approved</u>
<u>System Capacity Charge</u>			
Residential - per ERC (265 GPD)	\$300.00	\$300.00	N/A
All others - per gallon	\$ 1.1321	\$ 1.1321	N/A
<u>Plant Capacity Charge</u>			
Residential - per ERC (265 GPD)	N/A	N/A	\$335.00
All others - per gallon	N/A	N/A	\$ 1.2642
<u>Main Extension Charge</u>			
Residential - per ERC (265 GPD)	N/A	\$346.00(1)	\$405.00
All others - per gallon	N/A	\$ 1.3057(1)	\$ 1.5283
<u>Customer Connection (Tap-in) Charge</u>			
All size laterals	N/A	N/A	Actual Cost
Levels of CIAC	74.70%	72.19%	73.35%

(1) This amount was only applicable to the first 425 ERC's that connected to the West Gulf Drive line extension.

The revised service availability charges and policy shall become effective for connections made on or after the stamped approval date on the revised tariff sheets. The revised tariff sheets will be approved upon Commission Staff's verification that they are consistent with our decision herein, and that the utility has complied with the provisions established in Docket No. 861112-SU for the refund of \$179,562.50 of previously collected cash service availability charges.

Based on the foregoing, it is

ORDERED that the Request of Sanibel Sewer System Partners, Ltd. for review of its service availability policy is disposed of as set forth in the body of this Order. It is further

ORDERED that the revised service availability policy and charges shall be effective for connections made on or after the stamped approval date on the revised tariff sheets. The revised tariff sheets shall be approved upon Staff's verification that the revisions are consistent with our decisions stated herein and that the \$179,562.50 refund ordered in Docket No. 861112-SU has been completed. It is further

ORDER NO. 20748
DOCKET NO. 880420-SU
PAGE 5

ORDERED that the provisions of this Order are issued as proposed agency action and shall become final 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, at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on March 9, 1989. It is further

ORDERED that this docket shall be closed when the provisions of this order become final.

By ORDER of the Florida Public Service Commission,
this 15th day of FEBRUARY, 1989.

STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

NSD

by Kay Seligson
Chief, Bureau of Records

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.

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 at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on March 9, 1989. In the absence of such a petition, this order shall become effective March 10, 1989 as provided by Rule 25-22.029(6), Florida Administrative Code, and as reflected in a subsequent 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.

If this order becomes final and effective on March 10, 1989, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or

ORDER NO. 20748
DOCKET NO. 880420-SU
PAGE 6

telephone utility or by the First District Court of Appeal in the case of a water or sewer 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.