

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for approval of)	DOCKET NO. 881339-WS
the transfer of water and sewer)	
facilities from Twin County Utility)	ORDER NO. 21836
Company to Southern States Utilities,))	
Inc.)	ISSUED: 9-5-89
_____)	

The following Commissioners participated in the disposition of this matter:

MICHAEL McK. WILSON, Chairman
 THOMAS M. BEARD
 JOHN T. HERNDON
 GERALD L. GUNTER

NOTICE OF PROPOSED AGENCY ACTION

ORDER ESTABLISHING RATE BASE AND IMPUTING
ADDITIONAL SERVICE AVAILABILITY
CHARGES ON THE ADULT CONGREGATE LIVING FACILITY

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 formal proceeding pursuant to Rule 25-22.029, Florida Administrative Code.

Background

On October 12, 1988, Southern States Utilities, Inc. (Southern States) filed an application with this Commission seeking approval of the transfer of water and sewer certificates and facilities from Twin County Utility Company (Twin County or Utility). As a result of action taken at the July 11, 1989 agenda conference, this Commission issued Order No. 21631, on August 2, 1989, approving the transfer. That Order also cancelled Certificates Nos. 187-W and 131-S, held by Twin County, and amended Certificates Nos. 189-W and 134-S, held by Southern States.

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Rate Base was not set by Order No. 21631, but was deferred until the Commission could determine the proper amount of service availability charges paid by the Adult Congregate Living Facility (ACLF). This issue was raised by the Cypress and Oak Villages Association (COVA), which was granted leave to intervene in this Docket by Order No. 20731, issued February 13, 1989. This matter was considered at the August 15, 1989 Agenda Conference.

Adult Congregate Living Facility

As stated previously, COVA is concerned that the utility did not collect the proper amount of service availability from ACLF. The utility's attorney responded to COVA's concerns as follows:

The charges collected by Twin County Utility Company sometime prior to the closing of the contract for sale to Southern States Utilities totaled \$11,859. That sum is composed of the following:

Sewer Tap-In	\$ 600.00	(Actual Cost)
1 1/2" Water Meter	\$ 205.00	(From Tariff)
Main Extension Charge	\$ 856.00	(See Below)
Sewer Service Availability	<u>\$10,198.00</u>	(See Below)

Total: \$11,859.00

The calculations were made by Mr. William Frieze, who is no longer with the company. When I reviewed the tariffs and Order No. 15440, issued in Docket No. 840206-WS on December 12, 1985, I came up with slightly different numbers. . . .

In this instance, Mr. Frieze used a 31-day average of water consumption at the nursing home (ACLF) to arrive at an average daily water consumption of 1,529 gallons of water. Using the 500 gpd ERC from Order 15440, I get 3.058 ERC's. When that is multiplied by the \$280 per ERC main extension charge, the result is \$856.24. Mr. Frieze apparently calculated by a different method, but arrived at the same result.

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The sewer service availability charge is \$1,700 per 255-gallon ERC (Order No. 15440). Using 1,529 gallons average daily flow, this results in 5.996 ERC's. That multiplied by \$1,700, on my calculator, works out to \$10,193.33. It appears to me that the nursing home (ACLF) may have been overcharged by \$4.67. . . .

On July 17, 1989, a meeting was held at the Twin County Utility Office between Southern States, ACLF and the Commission Staff. After the meeting, an on-site inspection of the ACLF was conducted. There are approximately 54 beds available at ACLF, with 39 beds currently occupied. The Department of Health and Rehabilitative Services (HRS), Division of Adult Congregate Living Facilities, indicated that ACLF's permitted capacity is 70 beds; however, ACLF's application for a new license requested only 60 beds. Since it appears that ACLF intends to use 60 beds, the service availability calculation should be based on 60 beds.

The amount of water generated based on the Utility's tariff may be calculated by using the square feet of the building, or by using a gallonage on a per capita basis, engineering estimates for expected flow, or actual flows. The Utility used engineering estimates. This method is acceptable as long as the assumptions used in the estimates are reasonable. In this case, the amount of water per person was estimated to be 60 gallons per capita per day (gpcd), which appears to be low. Normally, one person generates 100 gallons per day (gpd). The service availability charges are based on 60 gpcd and 30 beds. Since ACLF intends to have 60 beds, the total charge, based on 60 beds, is \$26,833.00. Our calculation is as follows:

1 1/2" Water Meter	\$ 205.00 (From Tariff)
Main Extension Charge	\$ 2,016.00 (See Below)
Sewer Tap-In	\$ 600.00 (Actual Cost)
Sewer Service Availability	\$24,012.00 (See Below)
Total =	\$26,833.00

Amount of Water Generated

$$\frac{60 \text{ gpd} \times (60 \text{ residents})}{\text{resident}} = 3,600 \text{ gallons}$$

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Main Extension Charge = 3,600 gallons x \$.56/gallon = \$2,016

Sewer System Capacity Charge = 3,600 gallons x \$6.67/gallon = \$24,012

The actual flow (73,000 gallons) for April 1, 1989 to May 1, 1989, has been compared to the estimates provided by the owner of ACLF. The calculation is shown below:

$\frac{73,000 \text{ gallons}}{30 \text{ days}} = 2,433 \text{ gpd (37 people now there)}$

$2,433 \text{ gpd } \left(\frac{60 \text{ people}}{37 \text{ people now there}} \right) = 3,945 \text{ gpd}$

Based on the above information, we find that the method used by the engineer for ACLF is reasonable when the charge is based on 60 beds. Therefore, the utility undercharged ACLF \$14,974, as follows:

Main Extension Charge =	\$1,160 (\$2016 - \$856 = \$1,160)
Sewer Service Availability =	<u>\$13,814 (\$24,012 - \$10,198 = \$13,814)</u>
Total =	<u>\$14,974</u>

We have, therefore, imputed CIAC in the amount of \$1,160 for the water system and \$13,814 for the sewer system.

Rate Base

As stated previously herein, the number of beds has been reduced to 60 and imputed CIAC is \$1,160 and \$13,814, respectively, for the water and wastewater systems. Amortization of CIAC has been calculated in accordance with the 2.5% rate authorized by the Commission in Order No. 10226. The amortization associated with the imputed CIAC is \$15 and \$173, for the water and wastewater systems, respectively.

As a result of the adjustments noted herein, we find rate base for the water and wastewater systems is \$2,063,604 and

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(\$698,035), respectively. Rate base for wastewater is negative due to the prepaid CIAC received for plant that has not been constructed. Our calculations of rate base are shown on Schedules 1 and 2, with adjustments shown on Schedule 3.

The rate base calculations for Twin County do not include the normal ratemaking used and useful adjustments and working capital calculations. The rate base calculations are used purely to establish the book value of the property being transferred.

It is, therefore,

ORDERED by the Florida Public Service Commission that the transfer, approved in Order No. 21631, of facilities from Twin County Utility Company 92 Cypress Boulevard West, Homosassa, Florida 32646, to Southern States Utilities, Inc., 1000 Color Place, Apopka, Florida 32703, is hereby affirmed. It is further

ORDERED that cancellation of Certificates Nos. 187-W and 131-S, held by Twin County, and as set forth in Order No. 21631, is hereby affirmed. Further, amendment of Certificates Nos. 189-W and 134-S, held by Southern States, to include the territory served by Twin County, is hereby affirmed. It is further

ORDERED that since the Utility undercharged the Adult Congregate Living Facility by \$14,974, CIAC has been imputed in the amount of \$1,160 for the water system and \$13,814 for the sewer system. It is further

ORDERED that rate base, for the purpose of this transfer, is \$2,063,604 and (\$698,035), respectively, for the water and wastewater systems.

ORDERED that the provisions of this Order, issued as Proposed Agency Action, 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, 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on the date set forth in the "Notice of Further Proceeding" attached hereto.

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By ORDER of the Florida Public Service Commission,
this 5th day of September, 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.

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 September 26, 1989. In the absence of such a petition, this order shall become effective the following day as provided by Rule 25-22.029(6), Florida Administrative Code, and as reflected in a subsequent order.

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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, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or 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.

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Schedule 1

Twin County Utility Company
 Schedule of Water Rate Base
 Per Commission Calculation as of December 5, 1988

Description	Balance per 6/29/89 Recommendation	Commission Adjustments	Balance per Commission
Utility Plant in Service	\$3,468,970		\$3,468,970
Land	0		0
Accumulated Depreciation	(523,129)		(523,129)
CIAC	(1,020,951)	\$336	(1,020,615)
CIAC Amortization	138,363	15	138,378
Rate Base	<u>\$2,063,253</u>	<u>\$351</u>	<u>\$2,063,604</u>

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Schedule 2

Twin County Utility Company
 Schedule of Sewer Rate Base
 Per Commission Calculation as of December 5, 1988

Description	Balance per 6/29/89 Recommendation	Commission Adjustments	Balance per Commission
Utility Plant in Service	\$6,420,122		\$6,420,122
Land	61,550		61,550
Accumulated Depreciation	(1,139,832)		(1,139,832)
CIAC	(6,848,308)	4,002	(6,844,306)
CIAC Amortization	804,258	173	804,431
Rate Base	<u>(\$702,210)</u>	<u>\$4,175</u>	<u>(\$698,035)</u>

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Schedule 3

Twin County Utility Company
Rate Base Adjustments

Explanation	Water	Sewer
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1) Contributions in Aid of Construction		
To reduce the imputation of CIAC on Sugarmill Woods Adult Home.	<u>\$336</u>	<u>\$4,002</u>
2) CIAC Amortization		
To recognize the amortization associated with the imputed CIAC on Sugarmill Woods.	<u>\$15</u>	<u>\$173</u>