

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Request for approval of)	DOCKET NO.	900999-WS
tariff to implement a guaranteed)		
revenue charge in Brevard, Collier)	ORDER NO.	24655
and Lee Counties by FLORIDA CITIES)		
WATER COMPANY)	ISSUED:	6/11/91
)		

The following Commissioners participated in the disposition of this matter:

THOMAS M. BEARD, Chairman
 J. TERRY DEASON
 BETTY EASLEY
 GERALD L. GUNTER
 MICHAEL MCK. WILSON

ORDER APPROVING TARIFFS FOR GUARANTEED REVENUE CHARGES

BY THE COMMISSION:

Florida Cities Water Company (utility) is a Class A water and wastewater utility with operating divisions in Brevard, Collier and Lee Counties. Based on the 1989 annual report on file at the Commission, operating revenue for the company totalled \$8,415,110 for the water systems and \$5,945,464 for the wastewater systems. Net operating income was reported as \$2,817,374 for the water systems and \$2,013,338 for the wastewater systems. The utility has approximately 21,700 water customers and 13,003 wastewater customers.

On December 20, 1990, Florida Cities filed an application requesting approval of tariffs to permit the implementation of a guaranteed revenue charge on taxes paid by the utility related to advances for construction and contributions-in-aid-of-construction (CIAC). The utility is requesting separate rates for each of its systems in Brevard, Collier and Lee County. The proposed rates were suspended pending further review by the Commission by Order No. 24130, issued on February 18, 1991.

We requested additional information from the utility. As a result, on March 1, 1991, the utility submitted revised calculations. The utility updated the return on equity authorized in each system's last rate case, to reflect the return in the leverage formula approved in Order No. 23318, issued August 7,

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1990. This resulted in a slight reduction of the originally requested guaranteed revenue charges.

By Order No. 16971, issued December 18, 1986, this Commission authorized corporate utilities subject to the Commission's jurisdiction to amend their service availability policies to gross-up CIAC. The purpose of that order was to address the tax impact of CIAC being included as gross taxable income for federal tax purposes as a result of the repeal of Section 118(b), Internal Revenue Code. As an alternative to CIAC gross-up, the utility proposes to initially recover the carrying cost on the investment in said taxes by implementing a guaranteed revenue charge which would start upon receipt of the CIAC and terminate when a water meter is set. The utility states that this will permit recovery of the carrying cost on the investment until active customers are connected to the system. The development of the guaranteed revenue charge includes three items: a return; associated income taxes; and the regulatory assessment fees.

We have reviewed the application and associated rate calculations, and have made several adjustments. Initially, the utility filed its application based on equity rates last authorized in each system's rate case. These rates ranged from 13.98 percent to 14.19 percent. On March 1, 1991, the utility submitted revised calculations which updated (reduced) these rates to the leverage formula approved in Order No. 23318, which resulted in a return on equity of 12.70 percent. Subsequently, a new leverage formula was adopted by the Commission by Order No. 24246, effective April 9, 1991. This new leverage formula results in an equity return of 12.35 percent and we have revised the calculations to reflect the 12.35 percent equity return. In addition, several items appeared to be rounded incorrectly in the calculations. We have rounded all items to 4 decimal places, which resulted in revisions to some of the items. These adjustments resulted in rates which were less than the revised numbers submitted and requested by the utility in its March 1, 1991, supplemental filing. The utility has agreed with our adjustments and has filed revised tariff sheets which reflect the calculated charges. We hereby approve the revised tariff sheets. The Commission approved guaranteed revenue charges are reflected on Schedule No. 1, which by reference is incorporated herein. The charges will be effective but interim in nature upon the stamped approval date on the tariff sheets. The charges will become final at the conclusion of the 21 day protest period, if no timely protests are filed.

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If no protests are filed in a timely manner with the Division of Records and Reporting, this docket may be closed.

It is, therefore

ORDERED by the Florida Public Service Commission that the request of Florida Cities Water Company for approval of tariffs permitting implementation of guaranteed revenue charges on taxes related to advances for contributions-in-aid-of-construction is hereby granted as set forth in the body of this Order. It is further

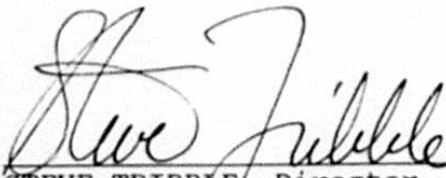
ORDERED that each of the findings made in the body of this Order and in the schedule attached hereto are by reference incorporated herein. It is further

ORDERED that the charges will be effective but interim in nature upon the stamped approval date on the tariff sheets. It is further

ORDERED that if no timely protests are filed, the charges will be effective and final. It is further

ORDERED that this docket will be closed if no timely protest is received from a substantially affected person.

By ORDER of the Florida Public Service Commission this ~~11th~~
day of JUNE, 1991.



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 Commission's decision on this tariff is interim in nature and will become final, unless a person whose substantial interests are affected by the action proposed files a petition for a formal proceeding, as provided by Rule 25-22.036(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a)(d) and (e), 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 July 2, 1991.

In the absence of such a petition, this Order shall become final on the day subsequent to the above date.

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 on the date described above, 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 date this Order becomes final, 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.

FLORIDA CITIES WATER COMPANY
Guaranteed Revenue Charges

Line	Description	Golden Gate		Lee County			Barefoot Bay	
		W	WW	W	NFW	SFW	W	WW
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	Plant Capacities Charges/ERC							
2	Charges	\$825	\$431	\$625	\$350	\$570	NONE	
3	Combined Fed. & State Income Tax Rate-%	37.63%	37.63%	37.63%	37.63%	37.63%	NONE	
4	Capital Cost-% (a)	13.32%	13.32%	13.32%	13.32%	13.32%	NONE	
5	Monthly Charges (2)x(3)x(4)/12	\$3.45	\$1.80	\$2.61	\$1.46	\$2.38	NONE	
6	Distribution/Collection Facilities/ERC							
7	Investment	Cost	Cost	Cost	Cost	Cost	Cost	Cost
8	Combined Fed. & State Income Tax Rate-%	37.63%	37.63%	37.63%	37.63%	37.63%	37.63%	37.63%
9	Capital Cost-% (a)	13.32%	13.32%	13.32%	13.32%	13.32%	13.32%	13.32%
10	Monthly Charges (8)x(9)/12-%	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%	0.42%

(a) Source: Sch 2, Line 25