

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for Change) DOCKET NO. 921236-WS
of Service Availability Charges) ORDER NO. PSC-93-1458-FOF-WS
in Marion County by GENERAL) ISSUED: October 7, 1993
DEVELOPMENT UTILITIES, INC.)
_____)

The following Commissioners participated in the disposition of this matter:

JULIA L. JOHNSON
LUIS J. LAUREDO

ORDER DENYING TARIFFS, BUT PROVIDING FOR
STAFF ADMINISTRATIVE APPROVAL OF NEW TARIFFS REFLECTING
CERTAIN SERVICE AVAILABILITY AND
GUARANTEED REVENUE CHARGES

BY THE COMMISSION:

Background

General Development Utilities, Inc. (GDU or utility) is a Class A utility which operates water and wastewater systems in several counties in Florida. On December 3, 1992, the utility filed an application requesting a change in the service availability charges for its Silver Springs Shores (SSS) Division. In support thereof, the utility stated that increases were necessary to reflect current conditions. The application, as filed, met the minimum filing requirements found in Rule 25-30.565, Florida Administrative Code, and December 3, 1992, was established as the official filing date. The existing service availability charges were approved by Orders Nos. 11241 and 11241-A, issued October 12, 1982 and November 15, 1982, respectively.

The Commission recently considered SSS's monthly service rates in its most recent rate case, Docket No. 920733-WS, which resulted in Order No. PSC-93-1113-FOF-WS, issued July 30, 1993. The service availability charges were not reviewed during the rate case because the utility filed this separate service availability case. The utility used the same information to prepare the rate case and service availability applications. The Commission determined that a number of decisions would be made in the rate case that could impact the service availability case, and therefore by Order No. PSC-93-0159-FOF-WS, issued February 1, 1993, voted to suspend the proposed service availability charges pending further review.

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Service Availability Charges

The utility's current service availability charges are \$449.95 for water per equivalent residential connection (ERC) and \$750 for wastewater per ERC, or a combined total of \$1,199.95. The utility's proposed charges are \$1,000 for water and \$1,900 for wastewater, or a combined total of \$2,900. This represents an increase of 122 percent and 153 percent for water and wastewater, respectively.

Rule 25-30.580, Florida Administrative Code, establishes the guidelines for service availability policies. Rule 25-30.580(1)(a), Florida Administrative Code, states that the maximum amount of contributions-in-aid-of-construction (CIAC), net of amortization, should not exceed 75 percent of the total original cost, net of accumulated depreciation, of the utility's facilities and plant when the facilities and plant are at the designed capacity. Rule 25-30.580(1)(b), Florida Administrative Code, states that the minimum amount of CIAC should not be less than the percentage of such facilities and plant that is represented by the water transmission and distribution and sewage collection systems.

As of December 31, 1992, the CIAC level for SSS was 30.87 percent for water and 21.31 percent for wastewater. The minimum contribution level required by Rule 25-30.580(1)(b), Florida Administrative Code, based on the utility's investment in water transmission and distribution facilities was approximately 37.13 percent for the water system. The minimum required contribution level based on the utility's investment in collection facilities was 29.48 percent for the wastewater system.

Ideally, service availability charges should be calculated based upon design capacity at build-out. However, based upon an expected growth rate of 100 ERCs per year, the water treatment plant will reach build-out in approximately 22 years. The wastewater treatment plant and effluent disposal system will be built-out in 27 years and 44 years, respectively. The transmission/distribution and collection lines are currently built-out. Due to the length of time before these systems reach build-out and the number of assumptions that must be made, we believe it is not practical to set service availability charges based upon design capacity at complete build-out. Instead, we believe it would be more appropriate to use a shorter time period, such as 10

years. Therefore, our findings in this Order are based upon plant, lines, and ERCs which have been adjusted to represent the capacity that can be realistically achieved in the next 10 years. Furthermore, we have made adjustments to plant, lines, and ERCs, consistent with Order No. PSC-93-1113-FOF-WS.

Using the figures adjusted for capacity in 10 years, the required minimum contribution level will be approximately 51.63 percent for water and 50.23 percent for wastewater. If the utility maintains its present charges, the contribution levels at that point in time will be 39.41 percent for water and 28.39 percent for wastewater. The utility is currently below the minimum contribution level required by Rule 25-30.580(1)(b), Florida Administrative Code, and will continue to be below the required minimum if it maintains its current charges.

The utility's proposed service availability charges would result in contribution levels of 59.89 percent for water and 45.71 percent for wastewater in 10 years. The utility's proposed water charges will bring the utility into compliance with Rule 25-30.580, Florida Administrative Code, by exceeding the minimum required contribution level. However, after adjusting the plant, lines, and ERCs to be consistent with the rate case, the proposed wastewater charges are no longer sufficient to achieve the minimum required contribution level.

The utility's application indicates that the proposed charges were designed to achieve a contribution level slightly above the required minimum. According to GDU, it did not request charges sufficient to achieve the 75 percent maximum contribution level because it believes those charges are too high. Additionally, GDU reviewed the service availability charges that are assessed by other utilities near the SSS service territory when preparing its application. The utility believes the proposed charges meet the requirements of Rule 25-30.580, Florida Administrative Code, and are comparable to charges assessed by other utilities in that region.

Our calculations indicate that the total service availability charges necessary to achieve the 75 percent maximum contribution level are \$1,405.70 for water and \$3,845.05 for wastewater, for a total of \$5,250.75. This represents increases over present charges of 212 percent for water, 413 percent for wastewater, and 338 percent for water and wastewater combined. We agree with the utility that those increases would be excessive and that it would

be more appropriate to establish charges at a point less than the 75 percent contribution level.

Therefore, upon reviewing the utility's proposed water charges, we find that these charges are appropriate with the exception of the proposed meter installation and tap-in charge. SSS currently has a separate water meter installation charge and tap-in charge. The utility proposed combining these two charges into a single charge. We believe this would not be appropriate because there may be occasions when a customer should not be charged for both the meter installation and tap-in costs. For example, if a customer decides to replace his 5/8" x 3/4" meter with a 1" meter, he would only be subject to the meter installation costs in most cases. Therefore, it is more appropriate to maintain the separate meter installation and tap-in charges. At our request, the utility provided a separation of the proposed charges showing the portion that is attributable to the meter installation cost and the portion that represents the tap-in cost. We have reviewed the revised charges and find that the separated charges provided by the utility are appropriate. However, we believe that the equipment and labor costs included in those charges should be reduced slightly. A comparison of the utility's present, requested and our approved water meter installation and water tap-in charges are shown on Schedule No. 1, which is attached and incorporated herein by reference.

Unlike the water service availability charges, the wastewater service availability charges are not sufficient to achieve the minimum required contribution level. We have determined that an increase of \$300.50 in the total proposed wastewater service availability charges is necessary to achieve the minimum required contribution level. We believe it is appropriate to increase the wastewater main extension charge by \$300.50. Therefore, the approved wastewater main extension charge is \$1,830.50. The appropriate wastewater main extension charge for non-residential customers is \$22.88 per front foot.

Guaranteed Revenue Charges

In its filing, the utility also requested approval of a guaranteed revenue charge for water and wastewater. Guaranteed revenues are amounts paid by developers or others to reserve a portion of the utility's capacity for future connection. The calculation is mechanical in nature and similar to that for an Allowance for Funds Prudently Invested (AFPI). Further, guaranteed

revenues are collected after service availability charges and AFPI have been paid, but before actual connection to the system is made.

The utility requested guaranteed revenue charges of \$3.52 for water and \$10.87 for wastewater. Again, these calculations were based on the information presented in the utility's recent rate case MFRs. We calculated the utility's guaranteed revenue charge based on the number of ERCs related to non-used and useful net plant and property taxes. Several adjustments were made to the utility's filing in order to use amounts that are consistent with the utility's last rate case. Accordingly, we used a cost of capital rate of 8.66 percent and a weighted cost of equity of 4.84 percent. The utility included several expense items in its filing that we believe are inappropriate. These expenses are recovered through the rates paid by current customers and should not be paid through the guaranteed revenue charge. We did include in this instance an amount for non-used and useful property taxes because this amount is not included in the final rates approved by the Commission in Order No. PSC-93-1113-FOF-WS. We also reduced non-used and useful plant for the amount of CIAC that will be collected from future customers.

The wastewater treatment plant capacity currently exceeds that of the effluent and disposal system. Therefore, it was necessary to impute additional wastewater effluent and disposal plant so that each portion of wastewater plant has the same capacity. The additional plant was calculated by dividing total gross effluent and disposal plant by total related ERCs and then multiplying the product by the additional ERCs needed to equalize capacities. Amounts for depreciation expense and property taxes were also increased accordingly.

In its filing, the utility also requested that the charges be implemented after three months have lapsed since capacity was initially reserved. Upon the expiration of the three month period, the guaranteed revenue charges will be assessed to the contributor on a monthly basis for each remaining ERC of capacity not connected. We agree with the utility's request since it would not be administratively feasible to require payments for periods of three months or less.

Therefore, the appropriate guaranteed revenue charge shall be \$2.29 per ERC per month for water and \$4.47 per ERC per month for wastewater. The charges shall be assessed for any contributor or

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developer that reserves capacity for a period in excess of three months from the date on which capacity was initially reserved.

Based on our findings above, we find that it is appropriate to deny the utility's tariffs, as filed. However, if the utility files revised tariff sheets within thirty days of the effective date of this Order and the tariff sheets are consistent with the provisions and findings herein, Staff shall have administrative authority to approve the revised tariff sheets upon verification that the tariffs are consistent with this Order. If revised tariff sheets are filed and approved, the new charges shall become effective for connections made on or after the stamped approval date of the revised tariff sheets, if no protest is filed.

This docket shall remain open for thirty days from the effective date of this Order to allow the utility sufficient time to file revised tariff sheets consistent with the Commission's decision herein.

Based on the foregoing, it is, therefore,

ORDERED by the Florida Public Service Commission that General Development Utilities, Inc.'s tariffs, as filed, are denied. It is further

ORDERED that all matters contained in the body of this Order and in the schedule attached hereto are by reference incorporated herein. It is further

ORDERED that each of the findings herein are approved in every respect. It is further

ORDERED that if revised tariff sheets are filed and approved, the new charges will become effective for connections made on or after the stamped approval date of the revised tariff sheets, if no protest is filed. It is further

ORDERED that this docket shall remain open for thirty days from the issuance of this Order to allow General Development Utilities, Inc., sufficient time to file revised tariff sheets reflecting our decisions herein. It is further

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ORDERED that if General Development Utilities, Inc., submits revised tariff sheets within thirty days of the effective date of this Order reflecting our decisions herein, the revised tariff sheets will be administratively approved upon Staff's verification that the pages are consistent with our decisions herein and that the protest period has expired.

By ORDER of the Florida Public Service Commission this 7th day of October, 1993.



STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

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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 October 28, 1993.

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

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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 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 wastewater 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.

UTILITY: GENERAL DEVELOPMENT UTILITEIS, INC.
 SYSTEM: SILVER SPRINGS SHORES
 COUNTY: MARION
 PROJECTED TEST YEAR ENDED: DECEMBER 31, 1992

SERVICE AVAILABILITY CHARGES

	<u>Current</u>	<u>Utility Requested</u>	<u>Commission Approved</u>
Meter Installation Charges			
Meter Size (Per Connection):			
5/8" x 3/4"	\$ 43.00	\$230.00	\$ 55.00
1"	\$ 64.00	\$475.00	\$157.90
1-1/2"	\$100.00	\$640.00	\$263.00
2"	\$187.00	\$715.00	\$292.00
Over 2"	Actual Cost	Actual Cost (Includes Tap-in)	Actual Cost (Excludes Tap-in)
Tap-in Charge			
Water			
5/8" x 3/4"	N/A	N/A	\$108.00
1"	\$80.00	N/A	\$179.41
1-1/2"	N/A	N/A	\$242.00
2"	\$80.00	N/A	\$284.00
Over 2"	Actual Cost	N/A	Actual Cost
Wastewater			
4"	\$96.00	\$114.00	\$114.00
Over 4"	Actual Cost	Actual Cost	Actual Cost
Plant Capacity Charges			
Water			
Residential, per ERC	\$26.95	\$159.00	\$159.00
ERC equivalent (240 GPD)	350	240	240
All others, per gallon	\$.077	\$.66	\$.66
Wastewater			
Residential, per ERC	\$105.00	\$256.00	\$256.00
ERC equivalent (190 GPD)	350	190	190
All others, per gallon	\$.30	\$ 1.35	\$ 1.35
Main Extension and Collection System Charges			
Water			
Residential, per lot (80 FT. AVG.)	\$300.00	\$611.00	\$611.00
Residential, per front foot	N/A	\$ 7.64	\$ 7.64
All others, per front foot	N/A	\$ 7.64	\$ 7.64
Wastewater			
Residential, per lot (80 FT. AVG.)	\$549.00	\$1,530.00	\$1,830.50
Residential, per front foot	N/A	\$ 19.13	\$ 19.13
All others, per front foot	N/A	\$ 19.13	\$ 22.88