

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for limited) DOCKET NO. 950636-WU
proceeding to adjust rates to) ORDER NO. PSC-95-1165-FOF-WU
recover expense of changing) ISSUED: September 20, 1995
water storage tanks in Lake)
County by Theodore S. Jansen)
d/b/a Ravenswood Water System.)
_____)

The following Commissioners participated in the disposition of this matter:

SUSAN F. CLARK, Chairman
J. TERRY DEASON
JOE GARCIA
JULIA L. JOHNSON
DIANE K. KIESLING

NOTICE OF PROPOSED AGENCY ACTION ORDER APPROVING APPLICATION
FOR LIMITED PROCEEDING AND APPROVING NEW RATES

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

BACKGROUND

Theodore S. Jansen, d/b/a Ravenswood Water System (Ravenswood or utility) is a Class C water utility located in Lake County. Ravenswood provides service to Ravenswood Park, a subdivision composed of 41 residential customers. The utility's annual report for 1994 shows operating revenues of \$11,894 and net operating income as \$4,004.

The utility's rates were last adjusted in Docket NO. 921102-WU, a staff-assisted rate case, with the rates becoming effective July 7, 1993, pursuant to Order No. PSC-93-0901-FOF-WU, issued June 14, 1993. As part of that proceeding, the utility was authorized a return on equity of 10.44%, with an overall rate of return of 10.44% as well.

DOCUMENT NUMBER DATE
09268 SEP 20 1995
FPSC REG. REPORTING

LIMITED PROCEEDING

On June 9, 1995, Ravenswood filed a petition for a limited proceeding pursuant to Section 367.0822, Florida Statutes, and paid the correct filing fee pursuant to Section 367.145, Florida Statutes. In its petition, the utility requests that it be allowed to increase its rates to recover the cost of a new hydropneumatic tank.

A new hydropneumatic tank was required to replace the old tank which was over thirty years old. As part of the application, the utility submitted invoices detailing the cost of the installed hydropneumatic tank. According to the invoices, the cost, including installation, of the new hydropneumatic tank is \$5,423. Additionally, the utility requested an allowance of \$41 annually for rate case expense. A review of the invoices shows the costs to be reasonable. Accordingly, we find it appropriate to approve the utility's request.

Taking into account the removal of the old tank and the addition of the new tank, and making appropriate adjustments for accumulated depreciation, the increase to rate base is \$4,602. Based on a previously authorized overall rate of return of 10.44 percent, the increased annual revenue requirement, prior to the addition of rate case expense, depreciation expense, and the appropriate regulatory assessment fees, is \$480.

Taking into account a total rate case expense of \$164, and amortizing that amount over four years, as required by Section 367.0816, Florida Statutes, the annual revenue requirement shall be increased by \$41. Further, the net depreciation expense for the hydropneumatic tanks is \$88. Therefore, the total revenue requirement, prior to the addition of the regulatory assessment fees, is \$609. With the addition of the regulatory assessment fees (4.5 percent), the increased annual revenue requirement is \$638.

Based on this increase, the 1994 annualized revenues of \$11,764 shall be increased to \$12,402, or by 5.42 percent. The calculation of the required increase in revenue is reflected on Schedule No. 1, attached to this Order.

To obtain this required revenue increase of \$638, the utility's current rate structure shall be maintained, but the rates shall be increased by 5.42 percent. The rates set forth below are designed to produce revenues of \$12,402. Upon this order becoming final, the utility shall file revised tariff sheets and a proposed

customer notice to reflect the appropriate rates set out below. The approved rates shall be effective for service rendered on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475(1), Florida Administrative Code, provided the customers have received notice. The rates may not be implemented until proper notice has been received by the customers. The utility shall provide proof of the date notice was given within 10 days after the date of notice.

The original rates and the new approved rates are as follows:

RESIDENTIAL SERVICE RATES

MONTHLY RATES

<u>METER SIZE</u>	<u>ORIGINAL RATES</u>	<u>APPROVED RATES</u>
5/8" x 3/4"	\$ 11.10	\$ 11.70
3/4"	16.65	17.55
1"	27.75	29.25
1 1/2"	55.50	58.51
2"	88.80	93.61
3"	177.60	187.23
4"	277.50	292.54
6"	555.00	585.08
<u>GALLONAGE CHARGE</u>		
Per 1,000 Gallons	\$ 1.57	\$ 1.66
<u>MINIMUM CHARGE</u>	\$ 11.10	\$ 11.70

Once the utility complies with all of the above requirements, the utility shall begin charging the approved rates.

Included in the above-noted rates is an allowance for rate case expense and the associated regulatory assessment fees (\$43 annually). Section 367.0816, Florida Statutes, entitled "Recovery of Rate Case Expense", states:

The amount of rate case expense determined by the Commission pursuant to the provisions of this chapter to be recovered through a public utilities rate shall be apportioned for recovery over a period of four years. At the conclusion of the recovery period, the rate of the public utility shall be reduced immediately by the amount of rate case expense previously included in rates.

The rate case expense incurred by the utility for this case is \$164. Based on the above mentioned statute, the appropriate recovery period for these expenses is four years which allows the utility to recover approximately \$41 per year through its rates. Once the annual rate case expense recovery is grossed up to reflect regulatory assessment fees, the annual recovery increases to \$43.

Therefore, immediately following the expiration of the four-year recovery period, rates shall be reduced so that annual revenues will be decreased by \$43. The utility shall be required to file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the reduction not later than one month prior to the actual date of the required rate reduction.

Assuming no change in the utility's current revenues, expenses, capital structure and customer base, the effect of this revenue reduction is an approximate rate reduction of \$.04 in the base facility charge for a 5/8" x 3/4" meter (see Schedule 2 for all meter sizes) and a reduction of \$.01 in the gallonage charge. If the utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data shall be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense.

Upon expiration of the protest period, if a timely protest is not received from a substantially affected person, no further action is required in this docket and it shall be closed.

Based on the foregoing, it is, therefore,

ORDERED by the Florida Public Service Commission that the petition for a limited proceeding to implement increased rates is granted as set out in the body of this Order. It is further

ORDERED that, prior to implementing the rates approved herein, Theodore S. Jansen, d/b/a Ravenswood Water System, shall submit revised tariff pages reflecting the rates approved herein. It is further

ORDERED that, prior to implementing the rates approved herein, Ravenswood Water System shall submit for approval by our Staff a proposed notice to its customers of the rates approved herein. It is further

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ORDERED that, in accordance with Rule 25-30.475, Florida Administrative Code, the rates approved herein shall be effective for services rendered on or after the stamped approval date on the revised tariff pages, provided the customers have received notice. It is further

ORDERED that the revised tariff pages shall be approved upon Staff's verification that they are consistent with our decision herein and that the proposed customer notice is adequate. It is further

ORDERED that Ravenswood Water System shall submit written proof that notice was given to its customers no later than ten days after notice is given. It is further

ORDERED that upon expiration of the four-year recovery period, Ravenswood Water System shall reduce rates, provide customer notice, and file revised tariff pages as set out in the body of this order. It is further

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

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective unless a person whose interests are substantially affected by the action proposed herein files an appropriate petition in the form provided by Rule 25-22.036, Florida Administrative Code, with the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings or Judicial Review" attached hereto. It is further

ORDERED that if no timely protest is filed, and this Order becomes final, this docket shall be closed.

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By ORDER of the Florida Public Service Commission, this 20th
day of September, 1995.

BLANCA S. BAYÓ, Director
Division of Records and Reporting

by: Kay Hagan
Chief, Bureau of Records

(S E A L)

RRJ

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, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on October 11, 1995.

In the absence of such a petition, this order shall become effective on the day subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

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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 on the date described above, any party substantially 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 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.

SCHEDULE NO. 1

<u>DESCRIPTION</u>	<u>ACCOUNT NUMBER</u>	<u>AMOUNT INCREASE/(DECREASE)</u>	<u>RATE OF RETURN</u>	<u>REVENUE REQUIREMENT EFFECT</u>
<u>RATE BASE (RB)</u>				
1 PLANT IN SERVICE				
2 Hydro. Tank (Old)	330	\$ (2,498)	10.44%	\$ (251)
3 Hydro. Tank (New)	330	\$ 5,423	10.44%	\$ 566
4 _____	_____	_____	_____	_____
5 _____	_____	_____	_____	_____
6 _____	_____	_____	_____	_____
7 ACCUM. DEPREC.				
8 Hydro. Tank (Old)	330	\$ 1,757	10.44%	\$ 183
9 Hydro. Tank (New)	330	\$ (82)	10.44%	\$ (8)
10 _____	_____	_____	_____	_____
11 _____	_____	_____	_____	_____
12 _____	_____	_____	_____	_____
13 CON. IN AID CONSTR				
14 _____	_____	_____	_____	_____
15 _____	_____	_____	_____	_____
16 _____	_____	_____	_____	_____
17 ACCUM AMORT CIAC				
18 _____	_____	_____	_____	_____
19 _____	_____	_____	_____	_____
20 _____	_____	_____	_____	_____
21 TOTAL (RB) ADJUST.		\$ 4,602		\$ 480
22 _____				
23 _____				
24 <u>OPERATING INCOME</u>				
25 _____				
26 O & M EXPENSES				
27 Rate Case Expense	665	\$ 41		\$ 41
28 _____	_____	_____	_____	_____
29 _____	_____	_____	_____	_____
30 _____	_____	_____	_____	_____
31 _____	_____	_____	_____	_____
32 DEPREC. EXP. (NET)				
33 Hydro. Tank (Old)	403	\$ (76)		\$ (76)
34 Hydro. Tank (New)	403	\$ 164		\$ 164
35 _____	_____	_____	_____	_____
36 TAXES OTHER				
37 _____	_____	_____	_____	_____
38 _____	_____	_____	_____	_____
39 _____	_____	_____	_____	_____
40 TOTAL NOI ADJUSTS.		\$ 129		\$ 129
41 _____				
42 TOTAL REVENUE EFFECT				\$ 609
43 _____				
44 REG. ASSESS. FEES				955
45 _____				
46 INC. REVENUES REQ.				\$ 638
47 _____				
48 1994 ANNUALIZED REVENUE				\$11,764
49 _____				
50 PERCENTAGE INCREASE				5.42%

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RAVENSWOOD WATER SYSTEM
TEST YEAR ENDED DECEMBER 31, 1994

SCHEDULE NO. 2
RATE REDUCTION AFTER
RECOVERY OF RATE
CASE EXPENSE

RESIDENTIAL SERVICE RATES

MONTHLY RATES

<u>METER SIZE</u>	<u>COMMISSION APPROVED RATES</u>	<u>APPROVED RATE DECREASE</u>
5/8" X 3/4"	\$ 11.70	\$.04
3/4"	17.55	.06
1"	29.25	.10
1-1/2"	58.51	.20
2"	93.61	.32
3"	187.23	.65
4"	292.54	1.01
6"	585.08	2.03
<u>GALLONAGE CHARGE</u>		
Per 1,000 Gallons	\$ 1.66	\$.01