

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for approval ) DOCKET NO. 950586-SU  
of increase in wastewater plant ) ORDER NO. PSC-95-1351-FOF-SU  
capacity charges in North Fort ) ISSUED: November 1, 1995  
Myers Division in Lee County, by )  
Florida Cities Water Company. )  

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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

ORDER APPROVING INCREASED PLANT CAPACITY CHARGES

BY THE COMMISSION:

BACKGROUND

Florida Cities Water Company (FCWC or utility) is a Class A utility that provides wastewater service for two communities in Ft. Myers, Florida: a northern and a southern sector. The North Ft. Myers wastewater system, the applicant in this proceeding, was serving approximately 2,559 customers on December 31, 1994. Because many multi-family units are master metered, about 4,590 equivalent residential connections (ERCs) were actually being served. The utility serves an area that has been designated by the South Florida Water Management District as a critical use area. During the twelve months ended December 31, 1994, the utility recorded operating revenues of \$2,085,157 for wastewater service; the corresponding income amount was \$474,319.

On April 7, 1995, the utility filed an application for authority to increase its plant capacity charge for wastewater service pursuant to Section 367.101, Florida Statutes. The filing fee was paid on May 19, 1995, which was designated the official filing date for this proceeding pursuant to Section 367.083, Florida Statutes.

The Utility's present service availability plant capacity fee is \$350 per ERC. Its present main extension charge is \$640 per ERC. The utility has requested approval of a \$1,800 plant capacity charge per ERC and has proposed no change to the main extension

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charge. The utility calculates that its proposed charge reflects a pro rata portion of the cost of treatment plant facilities, determined as of October 1, 1995, when completion of a plant expansion project is expected.

The plant's capacity will be expanded from 1,000,000 gallons per day (gpd) to 1,250,000 gpd. The estimated cost of this expansion is \$1.612 million.

#### PLANT CAPACITY CHARGE

As stated earlier, on April 7, 1995, FCWC filed an application for approval to modify its plant capacity charges. By Order No. PSC-95-0948-FOF-SU, issued August 7, 1995, the Commission suspended the proposed plant capacity charge.

The utility is expanding the capacity of its wastewater treatment plant from 1,000,000 gpd to 1,250,000 gpd. Plant improvements are scheduled to be completed by October 1995. At that time, the utility's wastewater system will be 21.31 percent contributed (net CIAC to net plant). However, Rule 25-30.580(1)(b), Florida Administrative Code, states:

The minimum amount of contributions-in-aid-of-construction 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.

Based on this rule, the minimum contribution level is calculated to be 26.04 percent.

A review of the historical data provided in the utility's application, shows the wastewater system's average growth to be 74 connections per year. Further analysis of information provided in the utility's application reveals that the company has outstanding developer agreements which yield additional committed connections of 306 ERCs. These additional connections will pay the service availability charges in effect at the time that they actually are connected to the system. Therefore, we have included in our calculations of average growth these additional connections associated with the developer agreements. These additional connections increase average growth by 51 connections per year.

The developers shall pay the applicable Service Availability Charges per ERC, in effect at the time of the actual connection. This is required by the Florida Supreme Court's ruling in the case

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of H. Miller & Sons, Inc. v. Hawkins, 373 So.2d 913 (Fla. 1979), where the court said on page 916:

The crucial time in regard to service availability charges must be the date of connection since there can be no ascertainment of the actual cost of maintaining sufficient capacity until that date.

Total average growth is then calculated to be 125 connections per year. If that growth continues, the wastewater plant will reach full capacity in about six years. Based upon a 250 gpd standard per residential connection, the plant will serve 5,000 ERCs.

Based on information presented in this application, the plant capacity charge is calculated to be \$1,779. However, the utility proposed a plant capacity charge of \$1,800. Since the calculation of service availability charges is based in part on customer growth projections, there is a degree of uncertainty associated with those projections and the resulting charges. Therefore, we find that a \$21 adjustment to the utility's proposed charge is not warranted. Therefore, we find it appropriate to approve the utility's request to increase the plant capacity charge to \$1,800.

The attached schedules show the basis for our calculation that a \$1,800 plant capacity charge is appropriate. The schedules show that collection of the \$1,800 charge, together with the existing main extension charge will yield a 42.02 percent contribution level in the year 2001, assuming historical growth continues. This contribution level falls well below the maximum 75 percent contribution level.

If a protest is filed within 21 days of the issuance of the Order, this tariff shall remain in effect with any increased revenues held subject to refund pending resolution of the protest. If no timely protest is filed, this tariff shall become effective in accordance with Rule 25-30.475(2), Florida Administrative Code, and the docket shall be closed. Further, in the event of such protest, the appropriate security for the funds shall be addressed at that time.

Based on the foregoing, it is, therefore,

ORDERED by the Florida Public Service Commission that Florida Cities Water Company's application for increased wastewater plant capacity charges is hereby approved. It is further

ORDERED that the tariff shall become effective in accordance with Rule 25-30.475(2), Florida Administrative Code. It is further

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ORDERED that the tariff shall become effective for connections made on or after the stamped approval date on the tariff sheets. The tariff shall be approved after our staff's approval of the customer notice. It is further

ORDERED that the tariff is interim in nature and shall become final unless a substantially affected person files a petition for a formal proceeding which is received by the Director, Division of Records and Reporting, by the date set forth in the Notice of Further Proceedings or Judicial Review set forth below. It is further

ORDERED that if a timely protest is filed in accordance with the requirements set forth below, this tariff shall remain in effect subject to refund pending resolution of the protest. It is further

ORDERED that if no timely protest is filed, this docket shall be closed.

By ORDER of the Florida Public Service Commission, this 1st day of November, 1995.

A handwritten signature in black ink, reading "Blanca S. Bayó", is written over a horizontal line.

BLANCA S. BAYÓ, Director  
Division of Records and Reporting

( 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 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, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on November 22, 1995.

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 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.

Schedule No. 1  
Wastewater Operation

Plant Capacity Charge:	\$1,800
Main Extension Charge:	\$640
Meter Installation Chrg	\$0
Tap-in Charge:	\$0

	Current Year						
	1995	1996	1997	1998	1999	2000	2001
Capacity	1,250,000	1,250,000	1,250,000	1,250,000	1,250,000	1,250,000	1,250,000
Demand	1,000,000	1,032,125	1,064,250	1,096,375	1,128,500	1,160,625	1,186,325
% Used	80.00%	82.57%	85.14%	87.71%	90.28%	92.85%	94.91%
Growth		125	125	125	125	125	100
Utility Plant	13,122,575	13,202,575	13,282,575	13,362,575	13,442,575	13,522,575	13,586,575
Accumulated Depreciation	(3,092,834)	(3,792,817)	(4,497,056)	(5,205,551)	(5,918,302)	(6,635,309)	(7,356,146)
Net Plant	<u>10,029,741</u>	<u>9,409,758</u>	<u>8,785,519</u>	<u>8,157,024</u>	<u>7,524,273</u>	<u>6,887,266</u>	<u>6,230,429</u>
CIAC	3,663,658	3,968,658	4,273,658	4,578,658	4,883,658	5,188,658	5,432,658
Accumulated Amortization	(1,354,712)	(1,557,732)	(1,776,977)	(2,012,449)	(2,264,146)	(2,532,070)	(2,814,597)
Net CIAC	<u>2,308,946</u>	<u>2,410,926</u>	<u>2,496,681</u>	<u>2,566,209</u>	<u>2,619,512</u>	<u>2,656,588</u>	<u>2,618,061</u>
Net Investment	<u>7,720,795</u>	<u>6,998,832</u>	<u>6,288,838</u>	<u>5,590,815</u>	<u>4,904,761</u>	<u>4,230,678</u>	<u>3,612,368</u>
CIAC Ratio	<u>23.02%</u>	<u>25.62%</u>	<u>28.42%</u>	<u>31.46%</u>	<u>34.81%</u>	<u>38.57%</u>	<u>42.02%</u>

Comparative Investment and CIAC Provisions		Schedule 2	
<u>Gross Plant Investment</u>			
Gross Plant Total		Present	Buildout
ERCs		11,394,243	13,122,575
Average plant investment per ERC		<u>4,581</u>	<u>5,000</u>
		<u>2,487</u>	<u>2,625</u>
<u>Transmission and Distribution/Collection Plant</u>			
ERCs		3,417,058	3,417,058
Average plant investment per ERC		<u>4,581</u>	<u>5,000</u>
		<u>746</u>	<u>683</u>
<u>Contributions in Aid of Construction</u>			
	Present	Growth	Total
Amount – current CIAC	3,183,620	414,810	3,598,430
#customers	<u>4,581</u>	<u>419</u>	<u>5,000</u>
average CIAC per customer	<u>695</u>	<u>990</u>	<u>720</u>
Amount – requested/proposed CIAC	3,183,620	1,022,360	4,205,980
#customers	<u>4,581</u>	<u>419</u>	<u>5,000</u>
average CIAC per customer	<u>695</u>	<u>2,440</u>	<u>841</u>
Amount – minimum CIAC	3,183,620	773,831	3,957,451
#customers	<u>4,581</u>	<u>419</u>	<u>5,000</u>
average CIAC per customer	<u>695</u>	<u>1,847</u>	<u>791</u>
Amount – 75% CIAC condition	3,183,620	4,490,321	7,673,941
#customers	<u>4,581</u>	<u>419</u>	<u>5,000</u>
average CIAC per customer	<u>695</u>	<u>10,717</u>	<u>1,535</u>
<u>Review of Relative Plant/CIAC at Buildout</u>			
	Current	Proposed	75% ratio
Gross Plant	13,122,575	13,122,575	13,122,575
Accumulated Depreciation	<u>(6,682,692)</u>	<u>(6,682,692)</u>	<u>(6,682,692)</u>
Net Plant	6,439,883	6,439,883	6,439,883
CIAC	<u>(3,598,430)</u>	<u>(4,205,980)</u>	<u>(7,673,941)</u>
Accumulated Amortization	<u>2,226,100</u>	<u>2,318,217</u>	<u>2,844,029</u>
Net CIAC	<u>(1,372,330)</u>	<u>(1,887,763)</u>	<u>(4,829,912)</u>
Net Investment	<u>5,067,553</u>	<u>4,552,120</u>	<u>1,609,971</u>
Net CIAC Ratio	21.31%	29.31%	75.00%
<u>Investment in Treatment Plant</u>			
3/95 investment (p. 20)		Sewer	
test year additions (MFR page 14)		7,015,700	
force main		1,672,673	
adjusted gross plant investment		<u>0</u>	
		<u>8,688,373</u>	
capacity	1,250,000		
investment per gallon		<u>6.9507</u>	
usage per customer	256		
potential customers	4,883		
Pro Rata Charge		<u>1,779</u>	