

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for approval) DOCKET NO. 951311-SU
of increase in wastewater plant) ORDER NO. PSC-96-0935-FOF-SU
capacity charges in Brevard) ISSUED: July 18, 1996
County by Florida Cities Water)
Company (Barefoot Bay Division).)
_____)

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 providing water and wastewater service for a predominately residential area in Barefoot Bay, Florida. The utility's Barefoot Bay division was serving 4,458 water and 4,440 wastewater customers at year end December 31, 1994. For the twelve months ended December 31, 1994, the utility recorded operating revenues of \$671,582 for water service and \$823,463 for wastewater service. The utility recorded a net operating loss of \$73,769 for the water system and a net operating income of \$77,577 for the wastewater system. The Barefoot Bay system is in an area that has been designated by the St. Johns River Water Management District as a critical water supply use caution area.

On November 3, 1995, the utility filed this application for approval of interim and final increased wastewater plant capacity fees pursuant to Section 367.101, Florida Statutes, and our tariff approval procedures. November 3, 1995, was established as the official filing date for this proceeding. By Order No. PSC-94-0961-FOF-WS, issued August 9, 1994, in Docket No. 940106-WS, we established the initial water and wastewater plant capacity charges for this utility. The utility also applied on November 6, 1995, for approval of an interim and permanent increase in its water and wastewater rates in Docket No. 951258-WS, which is separate from this docket.

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

The utility's Barefoot Bay service area consists of a mobile home subdivision of approximately 5,000 lots, with water distribution lines and wastewater collection lines installed to all lots, plus 38 acres of undeveloped land zoned for commercial purposes. The utility's distribution and collection systems were installed by the developer and contributed to the utility. Accordingly, 5,000 lots have water and wastewater lines already in place. The proposed increased plant capacity charges are designed to recover, on a per equivalent residential connection (ERC) basis, the costs of investment in additional advanced treatment and reuse facilities for wastewater in order to comply with the Florida Department of Environment Protection (DEP) requirements.

Once the changes are made to comply with the DEP requirements for advanced wastewater treatment and reuse facilities, the plant will have a capacity of 750,000 gallons per day (GPD). The cost to comply with DEP is estimated to be \$5,968,843. By Order No. PSC-96-0043-FOF-SU, issued January 11, 1996, the utility's requested plant capacity charges were suspended pending further investigation. By this same Order, we granted the utility approval to charge a plant capacity charge of \$1,400 for wastewater per ERC on an interim basis subject to refund.

PLANT CAPACITY CHARGE

The utility's proposed increased plant capacity charges are designed to recover, on a per ERC basis, the costs of investment in additional advanced treatment and reuse facilities for wastewater. The utility is upgrading the wastewater treatment plant to advanced treatment standards and disposal of wastewater effluent through reuse at the direction of the DEP. This upgrade will decrease the capacity of its wastewater treatment plant from 900,000 gpd to 750,000 gpd. As of June 30, 1996, the utility's wastewater system is 20.27% contributed (net CIAC to net plant). This contribution level falls below the minimum contribution level, which we calculate to be 35.33%. The minimum level is required by Rule 25-30.580 (1) (b), Florida Administrative Code, which states:

The minimum amount of contribution-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.

However, pursuant to Rule 25-30.580 (2), Florida Administrative Code, the Commission may exempt the utility from this guideline where compliance introduces unusual hardship or unreasonable difficulty.

Based on historical data provided in the utility's application, we calculated the wastewater system's average growth to be 35 connections per year. If that growth continues, the wastewater plant will reach full capacity in about 10 years. Based upon a 150 gpd standard per residential connection, the plant will serve 4,934 ERCs. We estimate that the utility would need to charge a plant capacity charge of \$5,000 to place the utility at the minimum CIAC level at buildout. The estimated charge to place the utility at the maximum CIAC level pursuant to this rule would be \$51,000. We do not find these charges reasonable. Therefore, we find it appropriate to exempt the utility from the guidelines in Rule 25-30.580(1), Florida Administrative Code.

A significant feature of the Barefoot Bay service area is that the 5,000 lots have water distribution lines and wastewater collection lines already installed to each of these lots. These extensions of service were initially funded by developers which in turn contributed the systems to the utility. Therefore, the facilities and plant that are represented by the water transmission and distribution and sewage collection systems have been contributed.

Upon further review, we believe that the proposed charge will bring the utility more in line with Rule 25-30.580, Florida Administrative Code. It will also place a reasonable charge on future customers to pay for a pro rata portion of the cost to upgrade the existing facilities. While this proposed charge falls below the minimum amount at buildout pursuant to Rule 25-30.580, Florida Administrative Code, we find that a charge of \$5,000 to place the utility at the minimum level is not reasonable and would prevent future growth. Based on the foregoing, we find that the utility's proposed wastewater plant capacity charge of \$1,400 is appropriate. The attached schedules illustrate the basis for our calculation.

INTERIM REFUND

By Order No. PSC-96-0043-FOF-SU, we granted the utility approval to charge an initial plant capacity charge of \$1,400 for wastewater per ERC on an interim basis subject to refund. Pursuant to Section 367.082, Florida Statutes, the excess of interim rates over previously authorized rates shall be collected under guarantee subject to refund with interest. In this proceeding, the utility requested and received approval to provide a corporate undertaking

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in the amount of \$18,000 to guarantee potential refunds. Because we have approved the utility's proposed charge, the utility shall not be required to refund those charges collected during the interim period. Therefore, the corporate undertaking shall be released.

If there are no timely objections to the tariffs, no further action will be required and the docket shall be closed. In the event that a timely protest is filed, the tariff shall remain in effect and the applicable revenues shall be held subject to refund pending resolution of the protest. Further, in the event of such protest, the appropriate security of such funds shall be addressed at that time.

Based on the foregoing, it is

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 for connections made on or after the stamped approval date on the tariffs in accordance with Rule 25-30.475(2), Florida Administrative Code. 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 requirement set forth below, the tariff shall remain in effect with any increase in revenues held subject to refund pending resolution of the protest. It is further

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

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By ORDER of the Florida Public Service Commission, this 18th
day of July, 1996.

BLANCA S. BAYÓ, Director
Division of Records and Reporting

by: Kay Lynn
Chief, Bureau of Records

(S E A L)

TV

Commissioner J. Terry Deason dissented from the Commission's decision in this docket, stating that he would have voted to approve the \$5,000 plant capacity charge, to comply with the guidelines in Rule 25-30.580(1), Florida Administrative Code. However, he does not find the approved plant capacity charge of \$1,400 unreasonable.

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 August 8, 1996.

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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.

Florida Cities Water Company - Barefoot Bay Division
Docket No. 951311-SU
For Year Ended: December 31, 2005
Wastewater Operations

Schedule No. 1

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Plant Capacity (in gallons) 750,000
 Avg. Max. Month Flow (in gal. per day) 697,600

(max. month used was October 1994)

1996 ERCs 4,575
 Max. Demand/ERC (in gal. per day) 152
 Design Capacity (in ERCs) 4,934

(pg. 169 OF MFRs -Docket No. 951258-WS)

(Plant Capacity/Max. Demand per ERC)

Buildout # of ERCs 4,934
 Future ERCs 359
 Years to Buildout 10.26

(Expected number of ERCs at buildout)

Maximum Charge from inception per Rule 25-30.580

Utility Plant In Service, Year 2005 10,530,808
 x 75% to show upper range 0.75
 Total Possible Maximum CIAC 7,898,106
 Less: Net Lines at 2005 3,720,619
 Plant Dollars for Wastewater System 4,177,487

Plant Dollars 4,177,487
 Plant \$/ERC \$847

Minimum Charge from inception per Rule 25-30.580

Utility Plant In Service, Year 2005 10,530,808
 Net Lines at 2005 3,720,619
 Min. Level of CIAC per Rule 25-30.580 35.33%

Net Lines at 2005 3,720,619
 Net Lines at 2005/ERC \$754

Florida Cities Water Company - Barefoot Bay Division
Docket No. 951311-SU
For Year Ended: December 31, 2005
Wastewater Operations

Schedule No. 2

Commission Approved Plant Capacity Charge: \$1,400
 Tap-in Charge: \$40

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	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Capacity	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000
Demand	150 gpd/erc 702,850	708,100	713,350	718,600	723,850	729,100	734,350	739,600	744,850	750,100
% Used	93.71%	94.41%	95.11%	95.81%	96.51%	97.21%	97.91%	98.61%	99.31%	100.01%
Growth	35	35	35	35	35	35	35	35	35	35
Total Growth in ERCs	350									
Utility Plant	10,089,448	10,138,488	10,187,528	10,236,568	10,285,608	10,334,648	10,383,688	10,432,728	10,481,768	10,530,808
Accumulated Depreciation	(2,114,031)	(2,469,198)	(2,826,359)	(3,185,448)	(3,546,465)	(3,909,408)	(4,274,279)	(4,641,077)	(4,642,041)	(5,012,693)
Net Plant	<u>7,975,417</u>	<u>7,669,290</u>	<u>7,361,169</u>	<u>7,051,120</u>	<u>6,739,143</u>	<u>6,425,240</u>	<u>6,109,409</u>	<u>5,791,651</u>	<u>5,839,727</u>	<u>5,518,115</u>
CIAC	2,690,260	2,742,060	2,793,860	2,845,660	2,897,460	2,949,260	3,001,060	3,052,860	3,104,660	3,156,460
Accumulated Amortization	(1,071,251)	(1,171,639)	(1,280,420)	(1,391,237)	(1,504,089)	(1,618,977)	(1,735,901)	(1,854,861)	(1,975,856)	(2,098,887)
Net CIAC	<u>1,619,009</u>	<u>1,570,421</u>	<u>1,513,440</u>	<u>1,454,423</u>	<u>1,393,371</u>	<u>1,330,283</u>	<u>1,265,159</u>	<u>1,197,999</u>	<u>1,128,804</u>	<u>1,057,573</u>
Net Investment	<u>6,356,408</u>	<u>6,098,870</u>	<u>5,847,729</u>	<u>5,596,696</u>	<u>5,345,772</u>	<u>5,094,957</u>	<u>4,844,250</u>	<u>4,593,651</u>	<u>4,710,923</u>	<u>4,460,541</u>
CIAC Ratio	20.30%	20.48%	20.56%	20.63%	20.68%	20.70%	20.71%	20.68%	19.33%	19.17%

Present Service Availability Charge per ERC:	\$680
Level of CIAC at Design Capacity:	16.11%
Proposed Service Availability Charge per ERC:	\$1,400
Level of CIAC at Design Capacity:	19.17%
Minimum Service Availability Charge per ERC:	\$5,000
Level of CIAC at Design Capacity:	35.33%
Maximum Service Availability Charge per ERC:	\$51,000
Level of CIAC at Design Capacity:	75.00%