

BEFORE THE PUBLIC SERVICE COMMISSION

In re: Request for increase in service connection charges in Highlands County by Placid Lakes Utilities, Inc. | DOCKET NO. 050318-WU  
ORDER NO. PSC-05-0858-TRF-WU  
ISSUED: August 22, 2005

The following Commissioners participated in the disposition of this matter:

BRAULIO L. BAEZ, Chairman  
J. TERRY DEASON  
RUDOLPH "RUDY" BRADLEY  
LISA POLAK EDGAR

ORDER DENYING TARIFF SHEET AS FILED AND APPROVING SERVICE CONNECTION AND METER INSTALLATION CHARGES

BY THE COMMISSION:

Background

Placid Lakes Utilities, Inc. (Placid Lakes or utility) is a Class B water-only utility which serves 1,718 water customers in Highlands County. The utility's service area is located in a water use caution area in the Southwest Florida Water Management District. Placid Lakes is a wholly-owned subsidiary of Lake Placid Holding Company, the primary developer of the Placid Lakes subdivision. In its annual report, the utility reported net operating revenues of \$492,352 and a net operating income of \$41,691.

On May 9, 2005, the utility filed an application requesting approval of a service connection charge. By Order No. 05-0768-PCO-WU, issued July 25, 2005, we suspended the tariff filing pending further investigation. This Order addresses the requested service connection charge and a related change in the meter installation charge. We have jurisdiction pursuant to Section 367.091, Florida Statutes.

Service Connection and Meter Installation Charges

The Land Development Regulations in Highlands County now require the utility to extend pipes under existing pavement by jack and bore instead of by pushunder as it had done in the past. The utility filed a tariff request for the approval to implement a service connection charge to comply with county regulations.

Section 367.091(6), Florida Statutes, authorizes the utility to file an application to establish, increase, or change a rate or charge other than monthly rates or service availability charges, which must be accompanied by a cost justification. For its service connection charge, the utility provided the following cost justification:

DOCUMENT NUMBER-DATE

08123 AUG 22 05

FPSC-COMMISSION CLERK

Saddles	\$23.84
1" Brass Corp Stop	\$23.35
1" x 3/4" x 3/4" Y	\$17.42
3/4" FIP	\$8.08
2 x 8 x 16 Block	\$1.15
10' 1" Poly	\$3.10
5' 3/4" Poly	\$1.00
Tax & Shipping	\$5.33
Storage and Handling	\$15.60
Labor	\$250.00
Jack and Bore (\$507.50/4)	\$126.88
	<u>\$475.75</u>

The utility provided actual invoices from its suppliers which show the costs of the material. The utility added shipping, tax, storage and handling. The labor cost includes the man hours plus the use of a truck and equipment. These costs do not include the costs for the installation of the meter or the cost of the meter box. In order to keep costs down, the utility is proposing to divide the cost of the jack and bore by lots on both sides of the road to keep the cost fair to all customers and has divided it by four service connections. The utility indicated that there would be additional costs for recordkeeping and locating lines if the jack and bore cost were only divided by two lots on one side of the road. A review of the invoices provided by the utility, which contain the actual costs of the materials plus taxes and shipping, shows that the utility's cost justification for those items is appropriate.

The utility indicated the storage and handling covers the costs of monthly rent, utilities, insurance and upkeep of the storage space required for the inventoried material. The costs that the utility is seeking to recover as a storage and handling fee are operation and maintenance expenses that should be recovered through rates if they are prudent. By Order No. PSC-01-0327-PAA-WU, issued February 6, 2001, in Docket No. 000295-WU, In re: Application for increase in water rates in Highlands County by Placid Lakes Utilities, Inc., we approved operation and maintenance expenses for this utility which included rent for office space and storage, insurance and purchased power. If the utility is allowed to collect the storage and handling fee as part of its service connection charge, we find that it would constitute double recovery. Further, we have not found an instance where we have approved charges of this nature based on anything other than the actual cost of material and labor. Based on the above, we find that the 20% storage and handling added to the actual material cost is not appropriate, and it should not be included as part of the utility's costs for the service connection charge. Therefore, we find that the appropriate service connection charge is \$460.15 (\$475.75 - \$15.60).

For pushunders and meter installations, the utility has been charging its meter installation/tap-in charge of \$330, which was established by Order No. PSC-95-0848-FOF-WU, issued July 17, 1995, in Docket No. 950486-WU, In re: Request for adjustment in meter installation and tap-in charges in Highlands County by Placid Lakes Utilities, Inc. Because the

utility is no longer performing pushunders, the meter installation/tap-in charge should be a meter installation charge reflective of the costs for the installation of meter and meter boxes only. The utility provided the following cost justification for meter installations:

Meter Installation Charge

Meter	\$78.50
Meter Box	\$92.58
Tax & Shipping	\$11.98
Storage & Handling	\$34.22
Labor	\$100.00
	<u>\$317.28</u>

Pursuant to Order No. PSC-02-1657-PAA-WU, issued November 26, 2002, in Docket No. 011621-WU, In re: Petition for limited proceeding to implement an increase in water rates in Highlands County, by Placid Lakes Utilities, Inc., we found that there were meters in need of replacement and that it was prudent to replace meters with the touch read meters at a cost of \$239. In accordance with that finding, the utility underwent a meter replacement program and the above cost justification is for the installation of touch read meters. A review of the utility's cost justification shows that it also included a 20% storage and handling fee in the meter installation charge. For the same reasons noted above, we find that this is not appropriate. Therefore, we find that the appropriate meter installation charge shall be calculated by removing the storage and handling fee ( $\$317.28 - \$34.22 = \$283.06$ ).

We have approved a meter installation charge of \$250 by Order No. PSC-03-0740-PAA-WS, issued June 23, 2003, in Docket No. 021067-WS, In re: Application for staff assisted rate case in Polk County by River Ranch Water Management, L.L.C., and a \$200 fee by Order No. PSC-04-1256-PAA-WU, issued December 20, 2004, in Docket No. 041040-WU, In re: Application for certificate to operate water utility in Baker and Union Counties by B & C Water Resources, L.L.C. Further, by Order No. PSC-03-1474-TRF-WU, issued December 31, 2003, in Docket No. 030956-WU, In re: Application for approval of revised service availability charges to increase meter installation fees in Osceola County by O&S Water Company, Inc., we approved a \$300 meter installation fee for radio read meters. Therefore, we find that a meter installation charge of \$283.06 is reasonable and consistent with meter installation charges for other utilities.

Based on above, the Fourth Revised Sheet No. 23, filed May 16, 2005, shall be denied as filed. We find that the appropriate service connection charge is \$460.15, and the appropriate meter installation charge is \$283.06. If the utility files a revised tariff sheet within 30 days of the effective date of the Order, which is consistent with our findings above, our staff shall have administrative authority to approve the revised tariff sheet upon verification that the tariff is consistent with our decision. If the revised tariff sheet is filed and approved, the service connection charge and meter installation charge shall become effective for connections made on

or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(2), Florida Administrative Code, if no protest is filed.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Fourth Revised Sheet No. 23.0, filed on May 16, 2005, is hereby denied as filed. It is further

ORDERED that the appropriate service connection charge is \$460.15, and the appropriate meter installation charge is \$283.06. It is further

ORDERED that if Placid Lakes Utilities, Inc. files a revised tariff sheet within 30 days of the effective date of the Order, our staff shall have administrative authority to approve the revised tariff sheet upon our staff's verification that the tariff is consistent with our decision. It is further

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ORDERED that if the revised tariff sheet is filed and approved, the service connection charge and meter installation fee shall become effective for connections made on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(2), Florida Administrative Code, if no protest is filed. It is further

ORDERED that upon expiration of the protest period, if a timely protest is not filed, a Consummating Order shall be issued and the docket shall remain open for 30 days from the issuance date of the Consummating Order, to allow the utility time to file the revised tariff sheet. It is further

ORDERED that upon our staff's verification that the tariff sheet complies with our decision, the tariff sheet shall be stamped approved and the docket shall be closed administratively. It is further

ORDERED that in the event that a timely protest is filed, and the utility files revised tariff sheets reflecting the approved charges, the revised tariff shall remain in effect with any increases held subject to refund pending resolution of the protest. It is further

ORDERED that if no protest is filed and the utility does not file another revised tariff sheet consistent with the approved service connection charge and meter installation charge within 30 days of the Consummating Order, the Third Revised Tariff Sheet No. 23.0 shall remain in effect, and this docket shall be closed administratively.

By ORDER of the Florida Public Service Commission this 22nd day of August,  
2005.

BLANCA S. BAYÓ, Director  
Division of the Commission Clerk  
and Administrative Services

By: Kay Flynn  
Kay Flynn, Chief  
Bureau of Records

( S E A L )

RRJ

NOTICE OF FURTHER PROCEEDINGS

The Florida Public Service Commission is required by Section 120.569(1), 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.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

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 proposed action files a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Director, Division of the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on September 12, 2005.

In the absence of such a petition, this Order shall become final and effective upon the issuance of a Consummating Order.

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.