

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for approval of a new bulk raw water classification of service and approval of revised service availability policy and charges in Baker and Union Counties by B & C Water Resources, L.L.C.

DOCKET NO. 080197-WU  
ORDER NO. PSC-08-0800-TRF-WU  
ISSUED: December 3, 2008

The following Commissioners participated in the disposition of this matter:

MATTHEW M. CARTER II, Chairman  
LISA POLAK EDGAR  
KATRINA J. McMURRIAN  
NANCY ARGENZIANO  
NATHAN A. SKOP

ORDER APPROVING NEW SERVICE CLASSIFICATION,  
NEW AVAILABILITY POLICY, AND REVISED CHARGES

BY THE COMMISSION:

BACKGROUND

B & C Water Resources L.L.C. (B & C or Utility) is a Class C utility which provides water service to eight residential customers in Baker and Union Counties. The Utility was granted its original certificate in 2004.<sup>1</sup> B & C's 2007 annual report shows an annual operating revenue of \$1,623 and a net operating loss of \$14,930. The service area is located in both the St. Johns River Water Management District and the Suwannee River Water Management District. None of the service area is in a water use caution area.

On April 2, 2008, the Utility filed an application for a new bulk raw water classification of service and a revised service availability policy and charges to reflect the new service classification. B & C anticipates industrial development within its service area. Consequently, the Utility is requesting approval of a new classification of service to enable it to provide industrial customers with bulk raw water service. B & C also requested a revised service availability policy and charges for the requested bulk raw water class of service. By Order No. PSC-08-0376-PCO-WU, issued June 4, 2008, we suspended the tariff filing pending further investigation. We have jurisdiction pursuant to Sections 367.091 and 367.101, Florida Statutes (F.S.).

<sup>1</sup> See Order No. PSC-04-1256-PAA-WU, issued December 20, 2004, in Docket No. 040140-WU, In re: Application for certificate to operate water utility in Baker and Union Counties by B & C Water Resources, L.L.C.

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

## DISCUSSION AND DECISION

The Utility anticipates industrial development within its service area and the industrial customers will be in need of bulk raw water. Pursuant to Sections 367.091 and 367.101 F.S., and Rule 25-30.565, Florida Administrative Code (F.A.C.), B & C filed for approval of a new bulk raw water classification of service, a revised service availability policy, and charges to reflect the new service classification.

### Rate Base

The raw water facilities consist of three 10-inch wells which will produce raw water and well pumps that will pressurize the raw water. The pressurized raw water will be sent through 8-inch and 10-inch PVC pipes to the customer. A mobile power generation unit will be used in case of a power outage. B & C's projected bulk raw water rate is based on the rate base calculation shown on Schedule No. 1. The projected rate base for bulk raw water services is \$394,723. We find that the Utility's projected rate base is reasonable and it shall be approved. Projected rate base is established only as a tool to aid us in setting initial rates and is not intended to formally establish rate base.

### Cost of Capital

B & C's projected capital structure, shown on Schedule No. 2, consists of 60 percent debt and 40 percent equity. The return on equity is 12.01 percent pursuant to the current leverage graph formula.<sup>2</sup> The cost of long term debt will be 6.80 percent, which we believe is reasonable. Therefore, the Utility's proposed rate shall reflect an overall cost of capital of 8.88 percent based on 40 percent equity at 12.01 percent and 60 percent debt at 6.80 percent.

### Return on Investment

The projected return on investment is shown on Schedule No. 3 as net operating income. Based on the projected rate base for the bulk raw water and the projected overall cost of capital of 8.88 percent, B & C's calculated return on investment for bulk water shall be \$35,051.

### Revenue Requirement

The projected revenue requirement, operating and maintenance expenses, depreciation and amortization, and taxes other than income are shown on Schedule 3. The Utility's proposed operating and maintenance expenses, including purchased power, contractual services, and rental royalties for use of land, are reasonable. As a limited liability company, B & C has no income tax expense. Therefore, we find that the revenue requirement for bulk raw water services of \$324,565 is reasonable and it shall be approved.

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<sup>2</sup> See Order No. PSC-07-0472-PAA-WS, issued June 1, 2007, in Docket No. 070006-WS, In Re: Water and wastewater industry annual reestablishment of authorized range of return on common equity for water and wastewater utilities pursuant to Section 367.081(4)(f), F.S.

### Rates

The calculation of the bulk raw water rate is consistent with our findings in other matters. The proposed bulk raw water rate is a monthly base facility charge of \$2,529.42 and a gallonage charge per 1,000 gallons of usage of \$0.8061. In 1992, we approved a monthly bulk raw water rate of \$2,137.25 with a gallonage charge of \$0.1712 for East Central Florida Services, Inc. (East Central), and in 2004, approved a bulk raw water rate of \$54,473.40 per 500,000 gallons with a gallonage charge of \$0.3043 for Farmton Water Resources, L.L.C. (Farmton).<sup>3</sup> The Utility's proposed rate is shown on Schedule No. 4.

We find that the Utility's proposed rate is reasonable and it shall be approved. Therefore, the First Revised Sheet No. 14.0, filed on April 2, 2008, to establish bulk raw water charges shall be approved as filed. B & C shall file a proposed notice to reflect our decision for approval. The approved tariffs shall be effective for services rendered on or after the stamped approval date provided that the Utility has issued notices to all persons who have filed a written request for bulk raw water service or who have been provided a written estimate for bulk raw water service within the 12 calendar months prior to the month B & C filed its petition. The Utility shall provide proof that those persons have received notice within 10 days after the date that the notice was sent.

### Service Availability Policy and Charges

Pursuant to Rule 25-30.580(1), F.A.C., the maximum amount of contributions-in-aid-of-construction, net of amortization, shall not exceed 75 percent of the total original cost, net of depreciation, of the utility's facilities and plant when the facilities and plant are at their designed capacity.

According to its proposed service availability policy, the Utility will be responsible for providing the raw water service to the closest hydraulically capable point to the customer's raw water transmission system. B & C will provide any future customer the raw water transmission to the Utility's proposed service area boundary line, at which point the raw water meter will be located. It will be the responsibility of the customer to deliver the water to its desired destination beyond the raw water meter. B & C's proposed plant capacity charge for bulk raw water service of \$311.14 per ERC is based on the estimated capital costs for the construction of the raw water facilities. The plant capacity charge provides for a contribution level of 70 percent, which is within the guidelines of Rule 25-30.580(1), F.A.C. In 1992, we approved a service ability charge of \$75.00 per ERC for East Central, and in 2004, approved a service availability charge of \$421.51 per ERC for Farmton. We find that the Utility's proposed service availability charge is reasonable and it shall be approved. The proposed service availability charge is shown on Schedule No. 4.

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<sup>3</sup> See Order Nos. PSC-92-0104-FOF-WU, issued March 27, 1992, in Docket No. 910114-WU, In re: Application of East Central Florida Services, Inc., for an original certificate in Brevard, Orange and Osceola Counties and PSC-04-0980-FOF-WU, issued October 4, 2004, in Docket No. 021256, In re: Application for certificate to provide water service in Volusia and Brevard Counties by Farmton Water Resources LLC.

B & C would like to revise the narrative provisions of its service availability policy to make the provisions consistent with the policies that we approved for the Utility's affiliate, D & E Water Resources, Inc.<sup>4</sup> The proposed service availability policy provides the terms and conditions for donated lines from developers and a refundable advance for on-site or off-site lines that are oversized in anticipation of future development. This is reasonable and it is therefore approved.

Based on the above, we find that First Revised Sheet No. 18.0 and First Revised Sheet No. 25.0, filed on April 2, 2008, to establish a service availability charge for bulk raw water service and update B & C's service availability policy shall be approved as filed. B & C shall file a proposed notice to reflect our decision for approval. The approved tariffs shall be effective for services rendered on or after the stamped approval date provided that the Utility has issued notice to all persons who have filed a written request for bulk raw water service or who have been provided a written estimate for bulk raw water service within the 12 calendar months prior to the month B & C filed its petition. The Utility shall provide proof that those persons have received notice within 10 days after the date that the notice was sent.

If no protest is filed by a person whose interest are substantially affected within 21 days of the issuance of this Order, the Tariff Order will become final upon the issuance of a Consummating Order and the docket shall be closed. If a protest is filed within 21 days of the issuance of the Order, the tariff shall remain in effect pending the resolution of the protest, and this docket shall remain open.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the application of B & C Water Resources, L.L.C. for a new bulk raw water classification of service is hereby granted. It is further

ORDERED that the B & C's initial rates and charges shall be those set forth in the body of this order. It is further

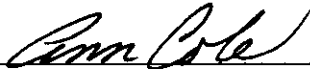
ORDERED that B & C's revised bulk service availability policy and charges as set forth in the body of this order is hereby granted. It is further

ORDERED that if no timely protest is received to the issues regarding the new bulk raw water rates classification, the revised bulk service availability policy, and the initial rates and charges, this order will become final and docket shall be closed upon the issuance of a Consummating Order.

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<sup>4</sup> See Order No. PSC-07-0274-PAA-WS, issued April 2, 2007, in Docket No. 060694-WS, In re: Application of D & E Water Resources, L.L.C. to operate a water and wastewater utility in Flagler and Volusia Counties, Florida.

By ORDER of the Florida Public Service Commission this 3rd day of December, 2008.

  
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ANN COLE  
Commission Clerk

( S E A L )

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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 Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on December 24, 2008.

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.

<b>BULK RAW WATER</b>	
<b>B &amp; C WATER RESOURCES, L.L.C.</b>	<b>SCHEDULE NO. 1</b>
<b>SCHEDULE OF WATER RATE BASE</b>	<b>DOCKET NO. 080197-WU</b>
<b>DESCRIPTION</b>	<b>TOTAL</b>
1. UTILITY PLANT IN SERVICE	\$1,269,965
2. LAND & LAND RIGHTS	0
3. NON-USED AND USEFUL COMPONENTS	0
4. CIAC	(888,971)
5. ACCUMULATED DEPRECIATION	(63,488)
6. AMORTIZATION OF CIAC	44,441
7. WORKING CAPITAL ALLOWANCE	<u>32,776</u>
8. WATER RATE BASE	<u>\$394,723</u>

<b>BULK RAW WATER</b>				
<b>B &amp; C WATER RESOURCES, L.L.C.</b>			<b>SCHEDULE NO. 2</b>	
<b>SCHEDULE OF CAPITAL STRUCTURE</b>			<b>DOCKET NO. 080197-WU</b>	
<b>CAPITAL COMPONENT</b>	<b>AMOUNT</b>	<b>WEIGHT</b>	<b>COST</b>	<b>WEIGHTED COST</b>
1. COMMON EQUITY	\$157,889	40.00%	12.01%	4.80%
2. LONG TERM DEBT	236,834	60.00%	6.80%	4.08%
3. CUSTOMER DEPOSITS	<u>0</u>	<u>0.00%</u>	6.00%	<u>0.00%</u>
TOTAL	<u>\$394,723</u>	<u>100.00%</u>		<u>8.88%</u>
RETURN ON COMMON EQUITY		<u>LOW</u> <u>11.01%</u>	<u>HIGH</u> <u>13.01%</u>	

<b>BULK RAW WATER</b>	
<b>B &amp; C WATER RESOURCES, L.L.C.</b>	<b>SCHEDULE NO. 3</b>
<b>SCHEDULE OF WATER OPERATING INCOME</b>	<b>DOCKET NO. 080197-WU</b>
	<b>REVENUE REQUIREMENT</b>
1. <b>OPERATING REVENUES</b>	<u>\$324,565</u>
<b>OPERATING EXPENSES:</b>	
2. OPERATION & MAINTENANCE	\$259,840
3. DEPRECIATION (NET)	42,325
4. AMORTIZATION	(29,627)
5. TAXES OTHER THAN INCOME	16,975
6. INCOME TAXES	<u>0</u>
7. <b>TOTAL OPERATING EXPENSES</b>	<u>\$289,513</u>
8. <b>OPERATING INCOME/(LOSS)</b>	<u>\$35,051</u>
9. <b>WATER RATE BASE</b>	<u>\$394,723</u>
10. <b>RATE OF RETURN</b>	<u>8.88%</u>



<b>BULK RAW WATER</b>	
<b>B &amp; C WATER RESOURCES, L.L.C.</b>	
<b>MONTHLY WATER RATES</b>	<b>DOCKET NO. 080197-WU</b>
	<b>RATES</b>
<b>Bulk Raw Water</b>	
Base Facility Charge:	\$2,529.42
<b><u>Gallonage Charge</u></b>	
All gallons per 1,000	\$.08061

<b>BULK RAW WATER</b>	
<b>B &amp; C WATER RESOURCES, L.L.C.</b>	
<b>SERVICE AVAILABILITY CHARGE</b>	<b>DOCKET NO. 080197-WU</b>
	<b>RATES</b>
Plant Capacity Charge per ERC (350 GPD)	\$311.14