

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application of Lucky Hills,) DOCKET NO. 881419-WU
Inc. for a water certificate in Citrus) ORDER NO. 20943
County, Florida.) ISSUED: 3-27-89
_____)

The following Commissioners participated in the disposition of this matter:

MICHAEL MCK. WILSON, Chairman
THOMAS M. BEARD
BETTY EASLEY
GERALD L. GUNTER
JOHN T. HERNDON

ORDER GRANTING CERTIFICATE

AND

NOTICE OF PROPOSED AGENCY ACTION
ORDER ESTABLISHING RATES AND CHARGES AND RATE BASE

BY THE COMMISSION:

Notice is hereby given by the Florida Public Service Commission that the actions discussed herein are final, except for the establishment of rates and charges and rate base, which are 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

Lucky Hills, Inc. (Lucky Hills or Utility) is a utility, which has been providing water service in Citrus County since 1977. The Commission learned of Lucky Hills' existence in July, 1988 when the Utility attempted to raise its rates and a customer contacted the Commission protesting the increase. After investigating the matter, we advised the Utility that it was subject to Commission jurisdiction and could not increase its rates without prior approval. An application form was sent to Lucky Hills in August, 1988. Lucky Hills filed its application in October, 1988.

Application

Lucky Hills' application, as filed, was incomplete. The Utility failed to provide proof of land ownership of the treatment plant site, a system map and evidence of compliance with the noticing requirements of Rule 25-30.030, Florida Administrative Code. Upon being notified by the Commission that its application was deficient, Lucky Hills provided the additional information.

The application is now in compliance with Section 367.041, Florida Statutes, and Rule 25-30.035, Florida Administrative Code. The information provided by the Utility is as follows:

1. The correct filing fee as prescribed by Section 367.141, Florida Statutes.

DOCUMENT NUMBER-DATE

03143 MAR 27 1989

FPSC-RECORDS/REPORTING

2. Adequate maps (territory and system) and proper territory description of the area proposed to be served as required by Rule 25-30.035(3)(h)(1) and (i), Florida Administrative Code. Said territory to be served is described as being in Citrus County and more particularly described in Attachment A attached hereto.
3. Proof of notice to all interested governmental and regulatory agencies, and all utilities within a four mile radius of the territory to be served, as well as proof of advertisement in a newspaper of general circulation in the county as prescribed in Rule 25-30.030, Florida Administrative Code. No objections have been filed and the time period for filing such has expired.
4. Evidence that the Utility owns the land on which the Utility's facilities will be located as required by Rule 25-30.035(3)(f), Florida Administrative Code.

Lucky Hills, is a Florida corporation, a developer and land sales company. Lucky Hills owns a water plant in Citrus County, which currently provides water service to approximately 30 single family residential customers. The Utility has installed water lines throughout the subdivision, which will contain approximately 80 single family residences at buildout.

Based on the foregoing, we find that it is in the public interest to grant Lucky Hills, Inc. Water Certificate No. 513-W to serve the area described in Attachment A.

Rates and Charges

As mentioned previously, Lucky Hills has been in operation since 1977. The current rates of the Utility are as follows:

0-2,000 Gallons per month:	\$5.00 (Minimum charge)
All additional usage:	\$.80 per 1,000 Gallons

Customers are billed on a quarterly basis. The Utility collects a \$25.00 customer deposit and a violation reconnection fee of \$10.00. These rates and charges have been assessed since the Utility began operation. Upon review, we find the rates to be reasonable, and they are, therefore, approved.

Lucky Hills currently charges a \$500.00 tap-in and meter installation fee. According to the audit performed by Commission Staff, the Utility's tap-in fee was \$200.00 prior to 1987. Since this Utility was subject to the jurisdiction of this Commission in 1987, the increase in the tap-in fee represents an illegal rate change. However, according to the audit, this tap-in fee is the only source of contributions-in-aid-of-construction (CIAC) collected by Lucky Hills. There have been no donated lines or other property through the years of operation. As a result, the contribution level of this Utility is quite low.

Rule 25-30.580, Florida Administrative Code, which provides certain guidelines for designing service availability policies for water and sewer utilities, states that the minimum amount of CIAC should not be less than the percentage of such facilities and plant that is represented by the transmission and distribution systems. Based on the information gained from the audit, Lucky Hills is not in compliance with the minimum guidelines set forth in this Rule. Schedule 1, attached to this Order, shows net plant in service as of October 31, 1988. This Schedule indicates that the percentage of CIAC to plant in

service is approximately 17.5%. The audit revealed that the investment in transmission and distribution plant is approximately \$27,220, or 68.8% of utility plant in service.

Because of the low percentage of CIAC, we find it appropriate to allow the Utility to continue to collect the \$500 CIAC charge from all new connections, separated into a \$200 meter installation/tap-in fee and a \$300 plant capacity charge. Since the Utility did not notice the change in its service availability charge prior to the increase, the Utility is directed to file an application within six months of the effective date of this Order for approval of modification of service availability charges in accordance with Rule 25-30.565, Florida Administrative Code.

The Utility is also directed to file a water tariff reflecting the rates and charges, approved by the Commission, within thirty days of the effective date of this Order.

Books and Records

Although this Utility has been in existence since 1977, it was not aware that it was subject to the jurisdiction of the Public Service Commission. As stated previously, an audit was performed and records were examined from November, 1977 to October, 1988, the date of filing. The audit indicates that the Utility's books and records are not maintained in accordance with the NARUC Uniform System of Accounts. Rule 25-30.115, Florida Administrative Code, requires water and sewer utilities to maintain their accounts and records in conformity with the 1984 NARUC Uniform System of Accounts adopted by the National Association of Regulatory Utility Commissioners. Therefore, Lucky Hills is directed to comply with the requirements of Rule 25-30.115, Florida Administrative Code.

Rate Base

The Utility's books indicate that Utility Plant in Service (UPIS) is \$43,540. The Utility could not, however, provide sufficient documentation to support this amount; UPIS was adjusted accordingly. Invoices for one of the utility sheds, fencing, and land clearing could not be located. However, since the shed and fencing were observed and are physically located on the property, \$900 and \$100, respectively, has been determined to be the original cost. Since the Utility's fiscal year ended March 31, 1988, plant additions in the amount of \$1,057 had not been recorded; therefore, UPIS has been increased by \$1,057. Further, plant has been reduced by \$6,052 for unsupported plant. Due to the adjustments, the Utility's plant balance has been reduced by \$3,995. UPIS is found to be \$39,545.

The Utility purchased a tract of land for development purposes in 1977 for \$55,000. This tract was subsequently divided into 123 lots. The Utility dedicated a lot near the center of the tract for utility service in the same year. Lucky Hills stated that after the land was developed, an average lot sold for \$4,950. The cost of the land could not be found in the tax returns, nor in any of the documentation provided by the Utility. Therefore, we find \$447 (\$55,000 divided by 123) to be the cost of the lot dedicated to utility service. This amount represents the cost of undeveloped land

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and excludes the cost of clearing, paving of roads, and other such costs necessary to ready the land for residential occupancy.

The Utility recorded \$14,067 as accumulated depreciation and used federal income tax methods for calculating depreciation. First, we reduced the Utility's balance by \$5,859 to reflect the difference in calculating depreciation using Commission approved depreciation rates. Secondly, the Utility's balance has been reduced by \$1,675 to remove the depreciation associated with unsupported plant. Finally, accumulated depreciation has been increased by \$1,096 to reflect the period from March 31, 1988 to October 31, 1988. These adjustments result in a net adjustment of \$6,438 to the Utility's balance of accumulated depreciation. Accumulated depreciation is, therefore, found to be \$7,629.

The Utility's balance of CIAC is \$5,100. CIAC was determined from federal income tax return workpapers and from the Utility's deposit slips. As stated previously, in accordance with agreements found, the amount collected per connection prior to 1987 was \$200; in 1987 the connection charge was increased to \$500. \$5,100 applies to 21 of the Utility's 30 connections; therefore, we have imputed CIAC for the other 9 customers at \$200 each and assumed these 9 customers connected between 1982 and 1986. The Utility's CIAC balance has been increased by \$1,800. Therefore, CIAC has been found to be \$6,900.

The Utility did not amortize CIAC and, therefore, had a balance of \$0. Accumulated amortization of CIAC has been calculated by applying the same rates used in calculating accumulated depreciation. CIAC Amortization is found to be \$1,039.

The rate base calculations do not include any rate making adjustments normally performed in rate cases, such as used and useful adjustments and working capital calculations. The rate base calculation is used purely to establish the book value of the property being certificated. Therefore, rate base for Lucky Hills, as of October 31, 1988, the filing date, is found to be \$26,502. Our calculation of rate base is shown on Schedule 1, with an explanation of the adjustments shown on Schedule 2.

It is, therefore,

ORDERED by the Florida Public Service Commission that Lucky Hills, Inc., 5265 South Isabel Terrace, Homosassa, Florida 32646, is hereby granted Certificate No. 513-W to serve the territory described in Attachment A of this Order. It is further

ORDERED that the rates set forth in the body of this Order are hereby approved. It is further

ORDERED that Lucky Hill shall be allowed to collect \$500 for all new connections, separated into a \$200 meter installation/tap-in fee and a \$300 plant capacity charge, as set forth in the body of this Order. it is further

ORDERED that Lucky Hills shall file an application for modification of service availability charges within six months of the date of this Order. It is further

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ORDERED that Lucky Hills shall file a tariff within 30 days of the date of this Order reflecting the rates and charges set forth in the body of this Order. It is further

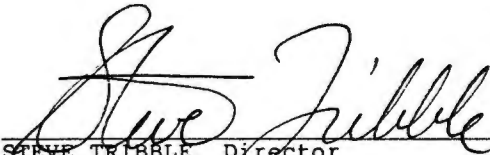
ORDERED that rate base, which reflects the net book value of this Utility at the date of filing, is \$26,502. It is further

ORDERED that Lucky Hills shall maintain its books and records in accordance with the NARUC Uniform System of Accounts. It is further

ORDERED that the provisions of this Order, issued as Proposed Agency Action, shall become final unless an appropriate petition in the form provided by Rule 25-22.036, Florida Administrative Code, is received by the Director, Division of Records and Reporting, 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on April 17, 1989. It is further

ORDERED that in the event this Order becomes final, this docket shall be closed.

By ORDER of the Florida Public Service Commission,
this 27th day of MARCH, 1989.



STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

ALC

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.

As identified in the body of this order, our action regarding the establishment of rates and charges and rate base 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

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Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on April 17, 1989. In the absence of such a petition, this order shall become effective April 18, 1989, as provided by Rule 25-22.029(6), Florida Administrative Code, and as reflected in a subsequent 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.

If the relevant portion of this order becomes final and effective on April 18, 1989, 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 sewer 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.

Any party adversely affected by the Commission's final action in this matter may request: 1) reconsideration of the decision by filing a motion for reconsideration with the Director, Division of Records and Reporting within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or 2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water or sewer 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 after the issuance 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.

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ATTACHMENT A

LUCKY HILLS, INC.
CITRUS COUNTY, FLORIDA
SERVICE TERRITORY DESCRIPTION

Township 19 South, Range 17 East, Section 36

LUCKY HILLS SUBDIVISION

All the Southeast 1/4 of the Northwest 1/4 and the East 1/2 of the Southwest 1/4 of the Northeast 1/4 of the Northwest 1/4, less and except the East 166 feet of the North 241 feet of Section 36.

SCHEDULE 1

LUCKY HILLS, INC.
SCHEDULE OF RATE BASE
AS OF OCTOBER 31, 1988

<u>Description</u>	<u>Balance Per Books</u>	<u>Commission Adjustments</u>	<u>Balance Per Commission</u>
Utility Plant In Service	\$ 43,540	\$ 1,000 (1) 1,057 (1) (6,052) (1)	\$ 39,545
Land	0	447 (2)	447
Accumulated Depreciation	(14,067)	5,859 (3) 1,675 (3) (1,096) (3)	(7,629)
Contributions-in-aid-of Contributions	(5,100)	(1,800) (4)	(6,900)
CIAC Amortization	0	1,039 (5)	1,039
Rate Base Total	<u>\$ 24,373</u>	<u>\$ 2,129</u>	<u>\$ 26,502</u>

SCHEDULE 2

LUCKY HILLS, INC.
RATE BASE ADJUSTMENTS

<u>Explanation</u>	<u>Adjustment</u>
<u>Utility Plant In Service</u>	
1) To reflect the original cost of utility shed and fence	\$ 1,000
1) To reflect plant additions from 03/31/88 to 10/31/88	1,057
1) To reduce plant for lack of documentation	<u>(6,052)</u>
Net Adjustment	<u>\$ (3,995)</u>
<u>Land</u>	
2) To reflect cost of raw land dedicated to utility service	<u>\$ 447</u>
<u>Accumulated Depreciation</u>	
3) To reflect accumulated depreciation using Commission approved rates	\$ 5,859
3) Depreciation associated with unsupported plant	1,675
3) To reflect depreciation from 03/31/88 to 10/31/88	<u>(1,096)</u>
Net Adjustment	<u>\$ 6,438</u>
<u>Contributions-In-Aid-Of-Construction</u>	
4) Imputation of CIAC for nine customers at \$200	<u>\$ (1,800)</u>
<u>CIAC Amortization</u>	
5) To reflect CIAC Amortization using Commission approved rates	<u>\$ 1,039</u>