

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application of TREASURE COVE)	DOCKET NO. 881161-WU
WATER COMPANY for a water certificate)	ORDER NO. 21433
in Martin County)	ISSUED: 6-26-89
)	

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 NO. 520-W,
 REQUIRING REGULATORY ASSESSMENT FEES AND
 ANNUAL REPORT FOR 1988, REQUIRING COMPLIANCE
 WITH NARUC UNIFORM SYSTEM OF ACCOUNTS AND

NOTICE OF PROPOSED AGENCY ACTION

ORDER ESTABLISHING RATE BASE
 AND APPROVING RATES AND CHARGES

BY THE COMMISSION:

NOTICE IS HEREBY GIVEN by the Florida Public Service Commission that our actions establishing rate base and approving current rates and charges 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

Treasure Cove Water Company (Treasure Cove) is a utility in Martin County which has been providing water service to a residential subdivision since approximately 1968. In July, 1987, we learned of this utility through an inquiry regarding a customer deposit. Upon further investigation, we determined that Treasure Cove is subject to our jurisdiction and informed it of the need to obtain a certificate. Treasure Cove currently serves approximately 50 residential customers and has facilities in place to serve a total of 92 lots.

On August 22, 1988, Treasure Cove published and served notice of its intent to apply for a water certificate. On September 2, 1988, Hydratech Utilities, Inc. (Hydratech) filed an objection to the notice on the basis that Treasure Cove's proposed service area is within Hydratech's certificated territory. On January 24, 1989, Treasure Cove filed an application for a water certificate. By letter dated February 3, 1989, Hydratech withdrew its objection. We acknowledged Hydratech's withdrawal of its objection by Order No. 21035, issued April 12, 1989.

DOCUMENT NUMBER DATE

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APPLICATION FOR CERTIFICATE

Treasure Cove's application is in compliance with the requirements of Section 367.041, Florida Statutes, and Rules 25-30.020 through 25-30.035, Florida Administrative Code. In particular, its application contains:

- 1) A check in the amount of \$150, which equates to the correct filing fee under Section 367.141, Florida Statutes;
- 2) An adequate description of its service territory, as required by Rule 25-30.035(i), Florida Administrative Code;
- 3) Proof of notice to all interested governmental and regulatory agencies, all utilities within a four-mile radius of the territory to be served and proof of advertisement in a newspaper of general circulation in Martin county, as prescribed by Rule 25-30.030, Florida Administrative Code.

As discussed above, Hydratech filed an objection which it subsequently withdrew. No other objections have been filed and the time for doing such has expired.

Pursuant to Rule 25-30.035(3)(f), Florida Administrative Code, Treasure Cove is required to provide evidence that it owns the land upon which the treatment facilities are located or a copy of an agreement which provides for its continued use of the land. Accordingly, Treasure Cove filed a Title Certificate which indicates that the land is owned by Mr. George Spicer, the owner of Treasure Cove. In addition, Mr. Spicer provided an affidavit stating that, in the event of a transfer of Treasure Cove, he would transfer the land as an integral part of the utility assets. We believe that these documents are satisfactory.

We have also conducted an inspection of the utility plant site and it appears that the facilities are being operated properly. In addition, there are no outstanding notices of violations or other corrective actions against this utility by the Department of Environmental Regulation.

Based upon the discussion above, we find that it is in the public interest to grant Treasure Cove a certificate to serve the territory described on Attachment "A". Further, since Treasure Cove's approved territory is within Hydratech's current certificated territory, we also find it appropriate to require Hydratech to return Certificate No. 337-W to this Commission, within twenty days of the date of this Order, so that we may delete the territory approved for Treasure Cove.

RATE BASE

In order to establish the appropriate rate base for this utility, we conducted an audit of Treasure Cove's books and records. In doing so, we determined that Treasure Cove does not maintain its books and records in accordance with the NARUC Uniform System of Accounts. Accordingly, it was necessary to make a number of adjustments. Our rate base calculation does

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not include any adjustments normally performed for ratemaking purposes, such as used and useful or working capital. The rate base calculation is used purely to establish the net book value of the property being certificated.

Our calculation of Treasure Cove's rate base is attached as Schedule No. 1, with our adjustments itemized on Schedule No. 2. Those adjustments which are self explanatory or which are essentially mechanical in nature are set forth on those schedules without further discussion in the body of this Order. The major adjustments are discussed below.

Plant-In-Service

Treasure Cove's books reflected \$201,737 in utility plant-in-service and \$92,245 in accumulated depreciation, resulting in a rate base of \$109,492. We have reduced plant-in-service by \$65,000 for a house for the plant operator, by \$10,072 for non-utility fencing and by \$3,500 for office furniture for an affiliated developer. Treasure Cove also failed to provide sufficient documentation to support an additional \$754 for office furniture. We have, therefore, reduced plant-in-service by this amount. Finally, we have increased plant-in-service by \$3,473 to include fencing around the utility plant and wells that was not recorded on the utility's books. Based upon Treasure Cove's records and these adjustments, we find that the appropriate level of utility plant-in-service is \$125,884.

Land

The developer of Treasure Cove originally purchased eight acres of land in 1967 for \$32,500, or \$4,062.50 per acre, which it subsequently subdivided. The utility plant was constructed on one-half of one of these lots. We have determined that 19,698 square feet of land are devoted to utility service. Accordingly, we find that the value of land devoted to utility service is \$1,869.

Accumulated Depreciation

As for accumulated depreciation, we have reduced the balance to remove amounts associated with non-utility and unsupported utility plant. We have also increased the balance to account for depreciation associated with the fencing that was not recorded on the utility books. We have also recalculated accumulated depreciation using the guideline rates under Rule 25-30.140, Florida Administrative Code. Based upon the above adjustments, we have reduced accumulated depreciation by a net amount of \$47,200. Accordingly, we find that the appropriate balance of accumulated depreciation is \$45,045.

Contributions-in-Aid-of-Construction (CIAC)

According to Treasure Cove's records, it collected \$10,240 from customers for hook-up fees, which it did not record as CIAC. In addition, Treasure Cove expensed plant in the amount of \$2,422. Since the utility did not record any CIAC on its books, we have increased CIAC by \$12,622. In addition, we have increased the balance of amortization of CIAC by \$3,003 to account for the amortization associated with the above contributions.

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Rate Base

Based upon the information provided by Treasure Cove and the adjustments discussed above, we find that the appropriate rate base for Treasure Cove, as of December 31, 1988, is \$73,049.

RATES AND CHARGES

Monthly Service Rates

Treasure Cove's current rates are based upon a minimum charge for usage up to 3,000 gallons per month, plus an excess gallonage charge for all usage over 3,000 gallons, as follows:

MONTHLY WATER RATES

Residential and General Service

0 - 3,000 Gallons per Month	\$4.50
All additional gallons per 1,000 Gallons	\$1.00

Although these rates do not conform to our preferred base facility/gallonage charge rate structure, they have been in effect since September, 1980 and are quite low. Since we do not have sufficient information to change Treasure Cove's rate structure in this docket, we hereby approve its current rates. We will, however, address the issue of rate structure in any future rate proceeding involving this system.

Service Availability Charges

Treasure Cove currently charges a \$350 meter installation and tap-in fee for all new connections. According to the utility's tariff, a one-inch water meter is installed at each lot. We find the meter installation/tap-in fee to be reasonable for a meter of this size. Accordingly, we hereby approve Treasure Cove's current service availability charge.

Miscellaneous Service Charges

Treasure Cove's current miscellaneous service charges are as follows:

	<u>During</u> <u>Business Hours</u>	<u>After</u> <u>Business Hours</u>
Initial Connection	\$20.00	N/A
Normal Reconnection	20.00	\$35.00
Violation Reconnection	35.00	\$50.00
Premises Visit (in lieu of disconnection)	25.00	N/A

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These charges are higher than those normally approved, however, if we lowered these charges at this time, such action would impact Treasure Cove's operating revenues. Since we do not have enough information as to what effect such action would have on operating revenues and since these charges are not unreasonably excessive, we do not believe it is appropriate to change the utility's miscellaneous service charges at this time. However, as with Treasure Cove's rate structure, these charges will be reexamined in the next rate proceeding involving this system.

1988 REGULATORY ASSESSMENT FEES

As discussed above, although we first advised Treasure Cove of its jurisdictional status and the need to obtain a certificate in 1987, it did not initiate the certification process until 1988. Since Treasure Cove was aware of its jurisdictional status throughout 1988, we believe that it is appropriate to require it to file an annual report and pay regulatory assessment fees for 1988. We do not believe it is appropriate to fine this utility for its failure to pay the 1988 regulatory assessment fees, because we did not provide written notice of the date the fees are due in accordance with Section 350.113(4), Florida Statutes. However, we do find it appropriate to require Treasure Cove to file its annual report and regulatory assessment fees for 1988 within forty-five days of the date of this Order.

COMPLIANCE WITH NARUC SYSTEM OF ACCOUNTS

Finally, pursuant to Rule 25-30.115, Florida Administrative Code, water and sewer utilities are required to maintain their accounts and records in accordance with the 1984 NARUC Uniform System of Accounts. As discussed above, Treasure Cove's books and records do not so comply. We, therefore, find that it is appropriate to require this utility to bring its books and records into compliance and maintain them in accordance with the NARUC Uniform System of Accounts, prior to its coming in for a rate case.

Upon consideration of the above, it is

ORDERED by the Florida Public Service Commission that Treasure Cove Water Company be and is hereby granted Certificate No. 520-W for the territory described in Attachment A to this Order. It is further

ORDERED that Treasure Cove Water Company shall remit its regulatory assessment fees for the year 1988 no later than forty-five (45) days from the date of this Order. It is further

ORDERED that Treasure Cove Water Company shall file a 1988 annual report no later than forty-five (45) days from the date of this Order. It is further

ORDERED that Treasure Cove Water Company shall bring its books and records into compliance and maintain such in accordance with the NARUC Uniform System of Accounts, as set forth in the body of this Order. It is further

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ORDERED that the remaining provisions of this Order are issued as proposed agency action and will become final unless an appropriate petition is received by the Director of the Division of Records and Reporting, 101 East Gaines Street, Tallahassee, Florida, 32399-0870, by the close of business on July 17, 1989. It is further


ORDERED that Treasure Cove Water Company's rate base, for the purpose of granting Certificate No. 520-W, is hereby established to be \$73,049. It is further

ORDERED that the current rates and charges of Treasure Cove Water Company are hereby approved. It is further

ORDERED that Hydratech Utilities, Inc. shall return Certificate No. 337-W to this Commission, within twenty (20) days of the date of this Order, so that we may delete the territory approved for Treasure Cove Water Company. It is further

ORDERED that, after July 17, 1989, this Commission shall issue either a notice of further proceedings or an order indicating that the provisions of this Order have become final and effective.

By ORDER of the Florida Public Service Commission
this 26th day of JUNE, 1989.


STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

RJP

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.

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As identified in the body of this order, our actions establishing rate base and approving rates and charges are 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 Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on July 17, 1989. In the absence of such a petition, this order shall become effective July 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 July 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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SCHEDULE NO. 1

TREASURE COVE WATER COMPANY

SCHEDULE OF RATE BASE
As of December 31, 1988

<u>Description</u>	<u>Book</u> <u>Balance</u>	<u>Commission</u> <u>Adjustments</u>	<u>Balance per</u> <u>Commission</u>
Plant in Service	\$201,737	\$(75,853)	\$125,884
Land	0	1,869	1,869
Accumulated Depreciation	(92,245)	47,200	(45,045)
CIAC	0	(12,662)	(12,662)
CIAC Amortization	0	3,003	3,003
TOTAL	<u>\$109,492</u>	<u>\$(36,443)</u>	<u>\$ 73,049</u>

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SCHEDULE NO. 2

TREASURE COVE WATER COMPANY
SCHEDULE OF RATE BASE ADJUSTMENTS

<u>EXPLANATION</u>	<u>ADJUSTMENT</u>
<u>Utility Plant in Service</u>	
To remove non-utility plant and non-supported plant items	\$ (79,326)
To include cost of fence	3,473
Net Adjustment	<u>(75,853)</u>
<u>Land</u>	
To record value of land	1,869
<u>Accumulated Depreciation</u>	
To remove depreciation associated with non-utility and unsupported plant and to include depreciation for utility fence	47,200
<u>Contributions-in-aid-of-construction</u>	
To record CIAC for hook-up fees collected	(10,240)
To record CIAC for expensed plant	(2,422)
Net Adjustment	<u>(12,662)</u>
<u>CIAC Amortization</u>	
To reflect CIAC amortization not recorded on utility's books	3,003

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ATTACHMENT "A"

TERRITORIAL DESCRIPTION

TREASURE COVE WATER COMPANY

MARTIN COUNTY

A subdivision of a part of Lot 21 (less the North 4 acres described as the North 108.15 feet), and Lot 20, Plat of the Gomez Grant, lying west of the intercoastal waterway and east of Gomez Avenue bounded on the North by Banyan Street and on the South by Mangrove Street.

AND

Begin at the point of intersection of the South line of Lot 61 Gomez Grant, according to Plat recorded in Plat Book 1, Page 61, Public Records of Palm Beach County (now Martin County), Florida and the Easterly Right of Way line of the F.E.C. Railway; thence run North 21°10'06" West a distance of 330.15 feet to the North line of the South one-half of said Lot 62, Gomez Grant; thence run North 68°52'16" East along the North line of the South one half of said Lot 62 for a distance of 1287.97 feet; thence run South 21°08'19" East a distance of 329.87 feet; thence run South 68°51'30" West a distance of 1287.80 feet, to the Point of Beginning.