

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application of General) DOCKET NO. 900052-WS
 Development Utilities, Inc., Pt. Labelle)
 Division, for a 1989 Price Index and Ad) ORDER NO. 22661
 Valorem Pass Through Rate Increase in)
 Glades and Hendry Counties.) ISSUED: 3-8-90
)

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 ACKNOWLEDGING PRICE INDEX AND PASS THROUGH OF
 INCREASE IN AD VALOREM TAXES FROM 1988 TO 1989

AND

NOTICE OF PROPOSED AGENCY ACTION

ORDER DISALLOWING PASS THROUGH OF INCREASE IN ADVALOREM
 TAXES FROM 1987 TO 1988 AND SETTING APPROPRIATE RATES

BY THE COMMISSION:

Notice is hereby given by the Florida Public Service Commission that the action discussed herein is final except for the disallowing the pass through of the increase in ad valorem taxes from 1987 to 1988 and the setting of appropriate rates, which is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for formal proceeding pursuant to Rule 25-22.029, Florida Administrative Code.

On January 2, 1990, General Development Utilities, Inc. (GDU or Utility) notified the Commission of its intent to implement a price index and ad valorem pass through pursuant to Section 367.081(a) and (b), Florida Statutes. The application, as submitted, did not meet the requirements of Rule 25-30.425(b), Florida Administrative Code. By letter dated January 5, 1990, the Utility was notified of the deficiency in its application. GDU filed a revision to the application on January 24, 1990 and that date has been established as the official date of filing.

DOCUMENT NUMBER-DATE

02160 MAR -8 1990

FPSC-RECORDS/REPORTING

ORDER NO. 22661
DOCKET NO. 900052-WS
PAGE 2

The application, as filed, requests a rate change to reflect an increase in ad valorem taxes from the tax year 1987 to 1988. The Utility paid the 1988 ad valorem tax bill on March 24, 1989. The payment date falls within the 12-month period before filing as referred to in Section 367.081(4)(b), Florida Statutes. Therefore, the Utility does not believe the pass through violates the statute. The statute, in pertinent part, states:

A utility may not use this procedure to increase its rates as a result of water-quality or wastewater-quality testing, or an increase in the cost of purchased water services, sewer services, or electric power or in assessed ad valorem taxes, which increase was initiated more than 12 months before the filing by the utility. (Emphasis added)

We do not believe that the payment date is relevant in considering the pass-through of the ad valorem taxes paid by the Utility. The tax bill paid on March 24, 1989, was for the calendar year 1988. The increase which the utility is seeking to pass through is the increase from 1987 to 1988, which falls outside of the twelve-month period referenced in Section 367.081(4)(b), Florida Statutes.

We believe that an appropriate reading of the statute leads to the conclusion that the amount of increase is determined based on the date the taxes are first due, that is November, 1988. The November 1988 date is beyond the twelve-month time frame referred to in the statute. Therefore, the pass through of the increase in ad valorem taxes from 1987 to 1988 is disallowed because it violates the twelve-month time frame set forth to in Section 367.081(4)(b), Florida Statutes.

In addition to the data filed by the Utility to comply with the requirements of Rule 25-30.425(4)(b), Florida Administrative Code, GDU also supplied the 1989 ad valorem tax bill. Since this increase falls within the twelve-month time frame referred to in the statute, we find it appropriate to acknowledge the pass through increase based on the 1989 tax bill.

The pass through has been calculated based on the increase from the 1988 tax bill to the 1989 tax bill at the November initial due date. The Utility calculated used and useful

ORDER NO. 22661
 DOCKET NO. 900052-WS
 PAGE 3

percentages based on the plant balances. We have recalculated the percentages using the methodology employed in rate cases. The percent used and useful of the water and sewer treatment plants is calculated using the limited data available. Since this system has had no prior rate case, the necessary valuations have been taken from flow data and the 1988 annual report. Based on our calculations, the water treatment plant is 80 percent used and useful and the sewer treatment plant is 35 percent used and useful. Accordingly, the ad valorem pass through calculation is as follows:

AD VALOREM PASS THROUGH CALCULATION

	<u>WATER</u>	<u>SEWER</u>
1989 Property Tax Bill	\$ 40,245	\$ 43,063
less 1988 Property Tax Bill	<u>36,527</u>	<u>38,898</u>
Ad Valorem Increase	\$ 3,718	\$ 4,165
Times Percentage Used and Useful	x <u>.80</u>	x <u>.35</u>
Ad Valorem Pass Through	<u>\$ 2,974</u>	<u>\$ 1,458</u>

The data presented in this application was based upon 1988 operation and maintenance expenses, 1988 revenues, and the 1989 tax bill. The price index and pass through rate adjustment formula is presented on Schedule No. 1 attached to this Order.

An adjustment has been made to the expansion factor for regulatory assessment fees. Newly amended Rule 25-30.120, Florida Administrative Code, addresses the rate at which regulatory assessment fees are calculated. The amendment reflects the statutory increase of the rate from 2.5% to 4.5%. The rule provides that for the year beginning January 1, 1990, each utility shall pay a regulatory assessment fee in the amount of 2.5% of its gross revenues for the first six months of the year and 4.5% for the second six months of the year. Thereafter, beginning January 1, 1991, each utility shall pay a regulatory assessment fee in the amount of 4.5% for the entire year. We have calculated an effective regulatory assessment fee rate of 4.00%, which results in an expansion factor of 96%. In addition, an engineering investigation was conducted

ORDER NO. 22661
 DOCKET NO. 900052-WS
 PAGE 4

to determine the quality of service. This investigation revealed that there are no current complaints on file against GDU in Consumer Affairs and DER presently has no enforcement actions pending against the Utility.

GDU was contacted regarding the changes to the calculation and rates, and the utility stated that it had no objection to the revisions based on the new regulatory assessment fee.

The following rates were calculated based on the rates approved in the utility's certificate application (Docket No. 891313-WS), the disallowance of the 1988 ad valorem tax, and the increased factor contained in Schedule No. 1. These rates shall become effective for service rendered on or after March 25, 1990, or upon approval of the revised tariff sheets. The existing and new rates for Glades and Hendry Counties are as follows:

Port LaBelle System - Glades County
Monthly Residential Service Water Rates

Base Facility Charge

<u>Meter Size</u>	<u>Existing Rates</u>	<u>New Rates</u>
5/8"x3/4"	\$ 8.06	\$ 8.50
1"	20.15	21.25
1 1/2"	40.30	42.50
2"	64.48	68.00

Gallage Charge per 1,000 gallons	\$ 2.14	2.26
-------------------------------------	---------	------

Port LaBelle System - Glades County
Monthly General Service Water Rates

Base Facility Charge

<u>Meter Size</u>	<u>Present Rates</u>	<u>New Rates</u>
5/8"x3/4"	\$ 8.06	\$ 8.50
1"	20.15	21.25
1 1/2"	40.30	42.50
2"	64.48	68.00
3"	128.96	136.00

Gallage Charge per 1,000 gallons	\$ 2.14	\$ 2.26
-------------------------------------	---------	---------

ORDER NO. 22661
 DOCKET NO. 900052-WS
 PAGE 5

Port LaBelle System - Glades County
Monthly Residential Service Sewer Rates

BASE FACILITY CHARGE

<u>Meter Size</u>	<u>Existing Rates</u>	<u>New Rates</u>
All	\$ 8.00	\$ 8.44

Gallonge Charge per 1,000 gallons (maximum 6,000 gallons per month)	\$ 1.51	\$ 1.59
---	---------	---------

Port LaBelle System - Glades County
Monthly General Service Sewer Rates

Base Facility Charge

<u>Meter Size</u>	<u>Existing Rates</u>	<u>New Rates</u>
5/8"x3/4"	\$ 8.00	\$ 8.44
1"	20.00	21.10
1 1/2"	40.00	42.20
2"	64.00	67.52
3"	128.00	135.04

Gallonge Charge per 1,000 gallons	\$ 1.82	\$ 1.92
--------------------------------------	---------	---------

Port LaBelle System - Hendry County
Monthly Residential Service Water Rates

Base Facility Charge

<u>Meter Size</u>	<u>Existing Rates</u>	<u>New Rates</u>
5/8"x3/4"	\$ 9.19	\$ 9.69
1"	22.97	24.22
1 1/2"	45.94	48.45
2"	73.51	77.52

Gallonge Charge per 1,000 gallons	\$ 1.55	\$ 1.63
--------------------------------------	---------	---------

ORDER NO. 22661
DOCKET NO. 900052-WS
PAGE 6

Port LaBelle System - Hendry County
Monthly General Service Water Rates

<u>Base Facility Charge</u>	<u>Existing Rates</u>	<u>New Rates</u>
<u>Meter Size</u>		
5/8"x3/4"	\$ 9.19	\$ 9.69
1"	22.97	24.22
1 1/2"	45.94	48.45
2"	73.51	77.52
3"	147.01	155.04
 Gallonage Charge per 1,000 gallons	 \$ 1.55	 \$ 1.63

Port LaBelle System - Hendry County
Monthly Residential Service Sewer Rates

<u>Base Facility Charge</u>	<u>Existing Rates</u>	<u>New Rates</u>
<u>Meter Size</u>		
All	\$ 9.12	\$ 9.62
 Gallonage Charge per 1,000 gallons (maximum 6,000 gallons per month)	 \$.93	 \$.98

Port LaBelle System - Hendry County
Monthly General Service Sewer Rates

<u>Base Facility Charge</u>	<u>Existing Rates</u>	<u>New Rates</u>
<u>Meter Size</u>		
5/8"x3/4"	\$ 9.12	\$ 9.62
1"	22.80	24.05
1 1/2"	45.60	48.11
2"	72.96	76.97
3"	145.92	153.95
 Gallonage Charge per 1,000 gallons	 \$ 1.12	 \$ 1.18

It is, therefore

ORDERED by the Florida Public Service Commission that the increase in rates sought by of General Development Utilities, Inc., 1111 South Bayshore Drive, Miami, Florida 33131, through

ORDER NO. 22661
DOCKET NO. 900052-WS
PAGE 7

the pass through of the increase in ad valorem taxes from 1987 to 1988 is hereby disallowed. It is further

ORDERED that the price index and pass through of the increase in ad valorem taxes from 1988 to 1989 is hereby acknowledged. It is further

ORDERED that the appropriate increase factors are 5.46 percent for water and 5.50 percent for sewer. It is further

ORDERED that the new rates for General Development Utilities, Inc.'s systems in Glades and Hendry Counties are as set forth in the body of this Order. These rates shall become effective for service rendered on or after March 25, 1990, or upon approval of revised tariff sheets. It is further

ORDERED that General Development Utilities, Inc. shall submit revised tariff sheets reflecting the rates set forth herein within 20 days of the effective date of this Order. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective unless an appropriate petition in the form provided by Rule 25-22.36, 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 the date set forth in the "Notice of Further Proceedings or Judicial Review" attached hereto. It is further

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

By ORDER of the Florida Public Service Commission
this 8th day of March, 1990.


STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

ALC

ORDER NO. 22661
DOCKET NO. 900052-WS
PAGE 8

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 disallowing the pass through of an increase in ad valorem taxes from 1987 to 1988 and setting appropriate rates 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 Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on March 29, 1990. In the absence of such a petition, this order shall become effective on the date subsequent to the above date 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 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 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

ORDER NO. 22661
DOCKET NO. 900052-WS
PAGE 9

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.

ORDER NO. 22661
 DOCKET NO. 900052-WS
 Page 10

Schedule No. 1

	<u>WATER</u>	<u>SEWER</u>
1988 Operation and Maintenance Expenses	\$ 161,190	\$ 153,666
Less:		
(a) Pass Through Items:		
1. Purchased Power	<u>13,117</u>	<u>32,358</u>
Costs to be Indexed	\$ 148,073	\$ 121,308
Multiply by change in GNP Implicit Price Deflator Index	<u>x .0435</u>	<u>x .0435</u>
Additional O & M Expenses	\$ 6,441	\$ 5,277
Ad Valorem Increase	<u>+ 2,974</u>	<u>+ 1,458</u>
Total Additional Expenses	\$ 9,415	\$ 6,735
Divide by Expansion Factor for Regulatory Assessment Fees	<u>÷ .96</u>	<u>÷ .96</u>
Increase in Revenue	\$ 9,807	\$ 7,016
Divide by 1988 Revenue	<u>÷ 179,743</u>	<u>÷ 127,619</u>
Percentage Increase in Rates	<u>5.46%</u> =====	<u>5.50%</u> =====