

## BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for limited	)	DOCKET NO. 900729-WU
proceeding rate increase in Broward	)	ORDER NO. 24133
County by BROADVIEW PARK WATER COMPANY	)	ISSUED: 2/18/91
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The following Commissioners participated in the disposition of this matter:

THOMAS M. BEARD, Chairman  
 BETTY EASLEY  
 FRANK S. MESSERSMITH  
 MICHAEL MCK. WILSON

NOTICE OF PROPOSED AGENCY ACTIONORDER GRANTING PETITION FOR  
 LIMITED PROCEEDING RATE INCREASE

BY THE COMMISSION:

NOTICE IS HEREBY GIVEN by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for formal proceedings pursuant to Rule 25-22.029, Florida Administrative Code.

Broadview Park Water Company (Broadview or utility) is a Class B water utility operating in Broward County. According to the 1989 Annual Report, the utility has approximately 1,734 water customers. The 1989 Annual Report showed operating revenue of \$459,738 and operating income of \$30,240. The utility's last rate case was processed in Docket No. 860726-WU. The utility was authorized a return on equity of 13.55%, with an overall rate of return of 12.17%.

By Order No. 21363, issued on June 9, 1989, the Commission ordered Broadview Park to "pursue a permanent interconnection with the City of Plantation, the City of Fort Lauderdale, or both." Similarly, the Florida Department of Environmental Regulation issued a Notice of Violation And Order For Corrective Action on February 26, 1990, and on May 10, 1990, issued its Final Order requiring correction of the deficiencies with the utility's source of supply and treatment facilities. In accordance with both orders, the utility has now come to an agreement with the City of Fort Lauderdale for a permanent interconnect with the City's water system, and the provision of bulk service from the City. Broadview will discontinue operation of its present treatment and source facilities and will retire those items from operation. Because of

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the substantial change in operating costs which will result from this interconnection, Broadview filed, on August 29, 1990, its application for a limited proceeding rate increase to increase its water rates in order for it to continue operating, recover its costs, and earn a fair return on its investment after the interconnection. The utility is seeking a 36.92% increase in existing rates, based on a revenue requirement of \$169,056.

We made several adjustments to the utility's filing regarding rate base, capital structure, and net operating income to reflect changes resulting from the interconnection to the City of Ft. Lauderdale. These adjustments are discussed below and are reflected in Schedule No. 1, attached and made a part hereof.

#### RATE BASE

We have not set rate base. However, we updated certain components of rate base to incorporate changes in plant in service and depreciation resulting from the interconnection. We used the plant in service amount, established in 1985 as adjusted for plant additions since 1985, and then adjusted for plant retirement as a result of the interconnection. Based on our calculated plant balances and the depreciation rates approved in the last rate case, we updated depreciation, increasing the depreciation to reflect new plant items and decreasing for the plant retirements.

#### CAPITAL STRUCTURE

Our calculation of the required rate of return was determined using the last authorized return on equity of 13.55%, with adjustments consistent with the capital structure established in the last rate case. Based on current debt balances and cost rates, customer deposits, and common equity, we calculated an overall rate of return of 11.52%. Since this rate is higher than the utility's requested rate of return of 10%, we have calculated the return on rate base items at 10% as requested by the utility.

#### NET OPERATING INCOME

We accept the utility's reductions to operation and maintenance expenses for source of supply, water treatment, salaries, employee benefits, insurance, property and payroll taxes, and prior rate case expense, and these adjustments have been incorporated into the calculation of net operating income.

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During the audit, we noted that an eliminated uniform expense was deducted twice by the utility. We have made an adjustment to correct for this double reduction to expenses. Additionally, the audit disclosed that two additional categories of expenses needed adjusting. Account 635.8 - Contractual Services includes expenses for four beepers for plant employees. This account was not deleted from operation and maintenance expenses by the utility. The Chief Administrative Officer stated that there will only be a need for two beepers after the interconnection, instead of the four now used. Thus, we have removed \$503 in beeper expense. Account 615.5 - Purchased Power/Transmission and Distribution includes \$21,053 in allocated power expense, which the utility did not adjust. By letter dated November 6, 1990, the Broward County Public Health Unit stated that, "This interconnect will supply adequate pressure to Broadview Park Water Company's entire distribution system, and eliminate the need for Broadview's water treatment plant storage tank and high service pumps." The utility agrees that these items will not be required, and therefore, we have removed these power costs.

We also adjusted the amount of the amortization of the loss on abandonment. The utility calculated the amortization based on a ratio of the net loss divided by the life of the asset. This calculation is not consistent with Commission policy. Commission policy is to calculate the write off period by dividing the net loss by the sum of the annual depreciation expense, plus the dollar rate of return that would have been allowed. We calculated the amortization consistent with Commission policy.

#### RATES

In determining the amount of the rate increase, we recalculated the utility's annualized revenue based on the currently approved rates which reflect a pass-through rate increase which was approved for service rendered on or after December 9, 1990. Our calculation resulted in annualized revenue of \$466,610. The total effect on revenue requirement of the interconnection is \$157,364 as reflected on Schedule No. 1. This results in an increase to rates of 33.72%.

We hereby approve the rates set forth below which we find to be fair, just, and reasonable.

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RESIDENTIAL AND GENERAL SERVICE RATES  
MONTHLY RATES

<u>METER SIZE</u>	<u>EXISTING RATE</u>	<u>APPROVED RATE</u>
5/8" x 3/4"	\$ 6.04	\$ 8.08
3/4"	9.07	12.13
1"	15.11	20.21
1-1/2"	30.22	40.41
2"	48.33	64.63
3"	96.67	129.27
4"	151.03	201.96
6"	302.07	403.93
Gallonage Charge: Per 1,000 Gallons	\$ 1.64	\$ 2.19

PRIVATE FIRE PROTECTION SERVICE  
MONTHLY RATE

<u>LINE SIZE</u>	<u>EXISTING RATE</u>	<u>APPROVED RATE</u>
2"	\$ 16.09	\$ 21.52
3"	32.20	43.06
4"	50.30	67.26
6"	100.59	134.51
8"	160.94	215.21

Effective Date

The water rates approved in this Order shall be effective for meters read 30 days on or after the stamped approval date of this Order, subject to the utility's filing and staff's approval of the appropriate tariff sheet revisions and a proposed customer notice.

Based on the foregoing, it is therefore

ORDERED by the Florida Public Service Commission that this Order is issued as proposed agency action, and as such, 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 at his office at 101

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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 the application of Broadview Park Water Company for a limited proceeding rate increase to compensate for increased costs relating to the interconnection with the City of Ft. Lauderdale is hereby granted to the extent reflected in this Order. It is further

ORDERED that Broadview Park Water Company is authorized to charge the new rates as set forth in the body of this Order. It is further

ORDERED that the water rates approved in this Order shall be effective for meters read 30 days on or after the stamped approval date of this Order, subject to the utility's filing and staff's approval of the appropriate tariff sheet revisions and a proposed customer notice. It is further

ORDERED that, in the event this Order becomes final, the utility shall notify each affected customer of the increased water rates, and shall explain the reasons for such increase. The form of this notice shall be submitted to this Commission for prior approval. It is further

ORDERED that in the event no protest is timely received, this docket shall be closed.

By ORDER of the Florida Public Service Commission, this  
18th day of FEBRUARY, 1991.

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STEVE TRIBBLE, Director  
Division of Records and Reporting

( S E A L )

CB

by: Kay Helton  
Chief, Bureau of Records

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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.

The action proposed herein 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 11, 1991.

In the absence of such a petition, this order shall become effective on the day subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

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 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 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.

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BROADVIEW PARK WATER COMPANY

SCHEDULE NO. 1

	DESCRIPTION	ITEM AMOUNT	EFFECT ON RB / NOI	EFFECT ON REVENUE REQ	AUDIT DISCL
1	A. COSTS TO INTERCONNECT:				
2	1. PLANT	23,464	2,346 \$	2,457	2
3	2. DEPR ON NEW PLANT				
4	ACCT 331 - 2.33% RATE	5,484	128	134	2
5	ACCT 334 - 5.00% RATE	17,980	899	941	2
6	3. ANNUAL INCREASE TO ACCUM				
7	DEPR	(1,027)	(103)	(108)	
8					
9	B. PLANT RETIREMENT:				
10	1. PLANT	(297,016)	(29,702)	(31,101)	
11	2. ACCUM DEPR (ACTUAL)	147,446	14,745	15,439	
12	3. ELIMINATE DEPR EXP	(11,830)	(11,830)	(12,388)	
13					
14	C. O & M EXPENSES ADDED:				
15	1. PURCHASED WATER COSTS	293,913	293,913	307,762	
16					
17	D. O & M EXPENSES ELIMINATED:				
18	1. SOURCE OF SUPPLY	(2,613)	(2,613)	(2,736)	
19	2. WATER TREATMENT EXP	(97,646)	(97,646)	(102,247)	
20	3. REDUCE SALARY REQUIREMENTS	(12,114)	(12,114)	(12,685)	
21	4. REDUCED EMP BENEFITS REQ	(12,039)	(12,039)	(12,606)	
22	5. REDUCED INSURANCE COVERAGE	(4,530)	(4,530)	(4,743)	
23	6. REDUCED PROPERTY TAXES	(2,986)	(2,986)	(3,127)	11
24	7. REDUCED PAYROLL TAXES	(4,188)	(4,188)	(4,385)	
25	8. REDUCED BEEPER EXPENSE	(503)	(503)	(527)	6
26	9. ADDIT ELECTRIC REDUCTION	(21,053)	(21,053)	(22,045)	10
27					
28	E. LOSS ON ABANDONMENT:				
29	1. ANNUAL AMORTIZATION	41,498	41,498	43,453	
30					
31	F. OTHER ADJUSTMENTS:				
32	1. REMOVE PRIOR RATE CASE				
33	EXPENSE FULLY AMORT IN '89	(4,783)	(4,783)	(5,008)	8
34	2. CORRECT FOR UNIFORM				
35	REDUCTION TAKEN TWICE	844	844	884	5
36					
37	TOTAL EFFECT ON REVENUE REQUIREMENT			\$ 157,364	
38				-----	
39	DIVIDE BY ANNUALIZED REVENUE			\$ 466,610	
40				-----	
41	PERCENTAGE INCREASE TO RATES			33.72%	
42				-----	