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February 22, 1991

Mr. Steve Tribble, Director  
Division of Records and Reporting  
Florida Public Service Commission  
101 East Gaines Street  
Tallahassee, Florida 32399-0850

Re: PSC Docket No. 910114-WU;  
East Central Florida Services, Inc.;  
Application for original water certificate  
Our File No. 27018.01

Dear Mr. Tribble:

On February 6, 1991, I filed on behalf of East Central Florida Services, Inc., an application for original water certificate with your office. After further review, we have made some slight changes to a few specific pages within the exhibits attached to that application. I am attaching the following revised sheets, which should replace the corresponding sheets filed with the original application. The changes are very minor and do not in any way affect the substantive or procedural requests outlined in the original application.

ACK	Exhibit	Page No.
✓	A	2
✓	B	1
✓	H	12
✓	K	22, 27, 31
✓	L	1

Should you or any members of your Staff have any questions in this regard, please let me know.

Sincerely,

*F. Marshall Deterding*  
F. Marshall Deterding  
For the Firm

FMD:lcb  
Enclosure

DOCUMENT NUMBER-DATE

01813 FEB 22 1991

PSC-RECORDS/REPORTING

22.1

30.55(1)(b), F.A.C. Table 1 shows the appropriate meter size for each potable water facility. All of these water meter connections will be classified as residential service.

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The raw water facilities will consist of supply wells and raw water transmission lines. These facilities will be constructed on an as needed basis depending upon negotiated contracts with utilities outside the service area. The first phase is anticipated to be facilities to provide five millions gallons per day of raw water to a utility outside the territory of the applicant for treatment and use by that outside utility. Using the standard Florida Public Service Commission definition of an equivalent residential connection being 350 gallons per day, this raw water connection will be approximately 14,286 equivalent residential connections. A thirty-six inch water meter will be installed in the raw water transmission main prior to the line crossing onto the water treatment facility site.

Thus, in summary, the agricultural water facilities cannot be identified as equivalent residential connections nor meter size, but the 224 water supply facilities will be rated for billing purposes based upon facilities type and size. The potable water facilities will have water meters installed based upon the number of connections served. The total capacity of the existing facilities is 104 equivalent residential connections. The first phase of the raw water facilities will be a raw water supply of five million gallons per day to an outside utility or treatment facility through a thirty-six inch water meter.

25-30.033 (l)(i) Florida Administrative Code

"a description of the types of customers anticipated, i.e., single family homes, mobile homes, duplexes, golf course clubhouse commercial, etc.;"

East Central Florida Services, Inc. will be providing three types of water service. The first type of water service is the agricultural water service. The agricultural water service will supply agricultural water for the Deseret Ranches. This water will be used for the raising of livestock and various crop production activities. Thus the customer will be the Deseret Ranches.

The potable water service will supply the various domestic needs of the people living and working within the service area. These potable water connections range from single family residential units to a rodeo arena. Table 1 provides a breakdown of the types of customers for each of the twenty-seven potable water facilities.

The raw water service customers will be utilities purchasing bulk raw water supplies to serve customers outside East Central Florida Services proposed service area. Each raw water service customers needs will be different.



The typical installation includes a well, well pump, aerator, hypochlorination unit, service pump, hydropneumatic tank and small building with electrical connection and switchgear. The number of aerator units is based on the number of equivalent residential connections served. Approximately one (1) aerator unit for every four equivalent residential connections is necessary, Table 2 indicates information on each individual well such as well depth, casing depth, etc. There is no information available concerning the capacity of each of these facilities other than that they have sufficient capacity to serve the current number equivalent residential connections currently being served. The size of the well has no relation to its capacity to serve its customers. Within East Central Florida Services, Inc. proposed service area, the potable water quantity and quality varies significantly for location to location. In some areas, large diameter wells are needed to supply sufficient quantities of water and in other areas the water is plentiful and a small well is all that is necessary. There are no distribution lines that East Central Florida Services, Inc. owns. The utility's responsibility stop at the edge of the utility's leased well site. The service line from this point on is the responsibility of the ranch or the home owner. This will also be the location where the water meters will be installed. All the above described facilities are existing and there are currently no proposed expansions.

#### **RAW WATER FACILITIES**

The proposed raw water facilities consist of eleven intermediate aquifer wells with depths ranging from 100 to 180 feet deep and capacities of approximately 200 gallons per minute each. In addition, three Upper Florida aquifer wells with depths of 250 to 450 feet deep and capacities of approximately 450 gpm will be constructed. The location of these wells is shown on the facilities map. The wells will be tied together into a raw water transmission main which will pump the water into the water transmission system of the raw water customer. These are currently all the raw water facilities planned until such time as a specific request for bulk raw water service is made. At that time additional raw water facilities will be constructed to meet those needs.

**RAW WATER SERVICE**  
**COST OF SERVICE STUDY**

Water Rate Base and Capital Structure

The raw water service water rate base will be divided into five components: water utility plant in service, accumulated depreciation, contributions in aid of construction, amortization of CIAC and working capital. Since the raw water facilities are not existing the water utility plant in service is based upon an engineering cost estimate which is presented in the following section of this application. Thus, the total raw water facilities water utility plant in service total is \$1,540,300.

The accumulated depreciation for the raw water facilities is based upon the recommended Florida Public Service Commission service lives stated in 25-30.140 F.A.C. The accumulated depreciation has been computed through 1992 based upon the average estimated age of the facilities. Table 13 indicated the results of this depreciation study. The total accumulated depreciation of the raw water facilities is \$61,679.

The contributions in aid of construction for the raw water service will be based upon a service availability charge of \$75.00 per equivalent residential connection. An equivalent residential connection will be defined as 350 gallons per day, thus the proposed five million gallons per day of raw water service in the first phase will provide \$1,071,429 in contributions in aid of construction. This provides for a contribution level of approximately seventy percent. This contribution is projected to be paid January 1, 1992.

Based upon the composite depreciation rate of approximately four percent the amortization of the contributions in aid of construction for one year will be \$42,857. The working capital for the raw water rate base is based upon one eighth of the annual projected operation and maintenance expenses. The water rate base for the raw water service is \$476,437. Table 14 provides a summary of the components of the water rate base.

Table 15 indicates the capital structure for the raw water service. A 60 percent to 40 percent debt to equity ratio will be maintained by the utility. The cost of the long term debt will be ten percent and the return on the owner's equity is based upon the FPSC leverage formula. The overall rate of return is 11.58 percent.

### Expenses

The operational and maintenance expenses associated with the raw water facilities are discussed in a following section of this application. The other expenses associated with the raw water facilities include depreciation, CIAC amortization adjustment, property taxes, regulatory assessment fees, payroll taxes and state and federal income taxes. The annual depreciation expense is based upon the same service lives used to determine the accumulated depreciation. The CIAC amortization adjustment is a deduction from the revenue requirement based upon the amortization rate of the contributions in aid of construction.

The personal property taxes in Brevard, Orange and Osceola County range between \$17 and \$20 per \$1,000 assessed valuation. For purposes of projecting utility expenses, a rate of \$18 per \$1,000 assessed valuation will be used to determine the property tax expenses. The assessed value will be assumed to be the same as the source of supply and transmission and distribution plant in service. Thus, the utility's personal property taxes will be \$27,315. Since East Central Florida Services, Inc., will be leasing the utility sites, no real estate taxes will be projected. The regulatory assessment fees are based upon 4.5 percent of the gross revenues required to operate the agricultural facilities. The payroll taxes, in the form of social security is calculated based upon the employer contributing 7.65 percent of the employee's gross salary. The state tax is based upon a state income tax rate of 5.5 percent on the utility's return on owner equity and the federal rate is 34 percent.

### Revenue Requirement and Rates

The revenue requirement for the raw water service for 1992 is shown in Table 16 using the overall rate of return of 11.58 percent. Table 17 indicates the allocation of the various revenue component items to the base facility charge and gallonage charge. The monthly rates indicated on Table 18 are based upon a single bill to the anticipated first customer and average daily usage of five million gallons.

### Service Availability Policy

The proposed raw water facilities will be 100 percent useful at the time the raw water service is made available and no additional facilities are projected at this time. Assuming similar types and sizes of facilities are constructed for any future raw water customers, the \$75 per

equivalent residential connection of 350 gallons per day will be maintained. East Central Florida Services, Inc., wishes to maintain the ability to negotiate the service availability charge with the raw water customer depending upon its needs in an effort to maintain the level of contributions in aid of construction at approximately 75 percent of the construction costs.

Due to the existing conditions within the proposed service area, East Central Florida Services, Inc., will be providing the raw water service to the closest hydraulically capable point of the raw water customer's water transmission system. Any future raw water customer will be provided the raw water transmission service to the utility's proposed service area boundary line at which point the raw water meter will be located. Beyond this point it will be the responsibility of the raw water service customer to transmit the water to its ultimate destination.

"a schedule showing the projected cost of the proposed system(s) by NARUC account numbers and the related capacity of each system in ERCs and gallons per day. If the utility will be built in phases, this shall apply to the first phase;"

The agricultural facilities are all existing and the cost of the construction is not known since there are no records available. An original cost valuation was performed to determine the cost of these facilities for rate making purposes. Unit costs for the various components of each type of facility were determined and a replacement cost calculated for each facility. Based upon an approximated age of the facilities, the replacement cost was trended back using the Handy-Whitman Construction Cost Indices in order to determine original cost. The results of this cost study are shown on Tables 1 through 3. The total estimated original cost of the agricultural facilities is \$612,400. These total facilities cost have been segregated into the various NARUC accounts shown on Table 4.

The general plant account balances shown are allocations of the general plant equipment between the three types of water service. Table 5 shows the results of these allocations.

An original cost study was also performed for the potable water facilities since there were no records available concerning their construction costs. A similar process as described above was conducted and the results are shown in Table 6. The segregation of the facilities into the NARUC accounts is shown in Table 7.

The projected costs of the raw water facilities for the five million gallons per day are shown in Table 8 by NARUC accounts. The proposed date of completion of these facilities is December 31, 1991.

