

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for) DOCKET NO. 921186-SU
Modification of Allowance for) ORDER NO. PSC-93-0654-FOF-SU
Funds Prudently Invested Charges) ISSUED: 4/28/93
by SOUTH BROWARD UTILITY, INC.)
in Broward County.)
_____)

The following Commissioners participated in the disposition of this matter:

J. TERRY DEASON, Chairman
THOMAS M. BEARD
JULIA L. JOHNSON
LUIS J. LAUREDO

ORDER APPROVING SOUTH BROWARD UTILITY INC.'S
SUBSTITUTE AFPI TARIFF

BY THE COMMISSION:

South Broward Utility, Inc. (South Broward or utility) is a Class B utility providing service to approximately 2,026 water and 1,633 wastewater customers in Broward County. The utility's 1991 income statement shows \$556,116 in wastewater operating revenue and a wastewater net operating loss of \$190,537. South Broward is in an area which has been designated by the South Florida Water Management District as a critical water supply area.

The utility's last rate case was in Docket No. 890360-WS, which culminated with the issuance of Order No. 22844 on April 23, 1990. The current service availability charges of the utility, including allowance for funds prudently invested (AFPI) wastewater charges, were approved by Order No. 22844.

On November 16, 1992, the utility filed a request for approval to modify its existing AFPI charges. This proposed modification is related to the completion of its expanded wastewater treatment plant. By Order No. PSC-93-0136-FOF-SU, issued January 26, 1993, the Commission suspended the utility's tariff and denied its request for interim charges. The utility has met its noticing requirements and no objections have been filed.

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PSC-REGULATORY REPORTING

AFPI Tariff

In its application, the utility submitted support for its AFPI calculation as well as a revised tariff sheet. The proposed AFPI charges will allow the recovery of carrying costs associated with the expanded wastewater treatment plant which are not included in the utility's rate base or in the previous AFPI wastewater charges.

An AFPI charge is designed to allow a utility to recover a fair rate of return on the portion of the plant facilities which were prudently constructed, but exceed the amount necessary to serve current customers. The AFPI charge includes a rate of return, depreciation, property taxes and regulatory assessment fees on this additional plant capacity. In this filing, the utility requests an overall rate of return of 8.24%, which utilizes the utility's last authorized return on equity of 13.95%. Based on our review, we believe that the requested capital structure and overall rate of return are reasonable and that no adjustments are necessary.

We have made two adjustments to the original AFPI tariffs. The first adjustment to the utility's filing is to reduce the annual depreciation expense. In the original filing, the annual depreciation expense was calculated as \$69,822 on the expanded wastewater treatment plant of \$1,683,655. The service lives used for a number of accounts were incorrectly stated. The utility filed an adjusted depreciation schedule using the correct service lives and reclassified \$212,629 from account 398 to account 380. The corrected depreciation expense is \$63,176; therefore, an adjustment is necessary to reduce depreciation expense by \$6,646.

The utility also requested \$5,674 in real estate taxes. In a letter to the Commission dated March 5, 1993, the utility stated that the real estate taxes in the current filing were recovered in the previous rate case. However, the utility does believe that \$885 for non-used and useful property taxes disallowed in the last rate case should be allowed in this filing. We have reviewed the workpapers for the last rate case in Docket No. 890360-WS. Our analysis reveals that the \$885 in non-used and useful property taxes were included in the calculation of the guaranteed revenue charge. As such these amounts have already been recovered. Therefore, an adjustment was necessary to remove the total amount of \$5,674 in real estate taxes from the AFPI calculation.

The utility states that the expansion of its wastewater treatment plant was needed since the original plant was operating at 90% of rated capacity and the service area was experiencing a 23% growth rate. Therefore, it appears that the wastewater treatment plant expansion was a prudent investment. The utility submitted documentation from the Florida Department of Environmental Regulation that indicates that the date the wastewater plant was placed in service was July 1, 1991. The utility further explained that the non-used and useful calculation of 100% was determined as of July 1, 1991, and therefore, the utility should accumulate AFPI charges from July, 1991. The total original cost of \$1,683,655 for the expanded wastewater plant was included as qualifying assets in the AFPI charge.

The present AFPI charge shall be discontinued because the allowed 242 wastewater equivalent residential connections (ERCs) have been connected. No ERCs have been connected to the expanded wastewater treatment plant as of February, 1993. The utility stated that no prepaid CIAC has been collected as of February, 1993.

In consideration of the foregoing, we believe that it is reasonable to allow the utility to accumulate AFPI charges as of July 1, 1991. The approved AFPI charges shall be applicable to future customers upon connection to the utility's expanded wastewater system or upon the prepayment of plant capacity charges, whichever comes first, and until the utility collects charges for 1,786 ERCs. It is Commission practice in establishing AFPI charges to calculate the charge for a five-year period. After June, 1996, the utility shall be entitled to collect AFPI, but the charge should remain fixed at the June, 1996, amount. This reflects that the utility shall bear the additional cost of carrying the excess plant after that date. The utility has not stated any extraordinary or unusual circumstances to justify an AFPI charge for a longer period.

On March 25, 1993, the utility filed a substitute tariff which reflects the adjustments discussed above. The utility's filing the substitute tariff has the effect of a withdrawal of the original tariff, which the Commission suspended by Order No. PSC-93-0136-FOF-SU. The utility's substitute tariff is hereby approved. The approved charges are contained on Schedule No. 3. Schedules Nos. 1 and 2 reflect our calculations for the approved charges; the adjustments referred to were adjustments to the utility's original request.

Effective Date

The tariff sheets will become effective for connections made on or after the stamped approval date on the tariffs. Case law also provides that substantially affected persons have a right to a hearing on the tariff filing if one is requested; therefore, substantially affected persons shall have 21 days from the date of this order to request a hearing. If a timely objection is filed, the utility may implement the tariff on a temporary basis, subject to refund. If no timely objection is filed, the Commission's approval of the tariff shall become final and the docket may be closed.

Based on the foregoing, it is, therefore,

ORDERED by the Florida Public Service Commission that South Broward Utility Inc.'s substitute AFPI tariff is hereby approved. It is further

ORDERED that South Broward Utility, Inc., shall accumulate AFPI charges as of July 1, 1991. The approved AFPI charges shall be applicable to future customers upon connection to the utility's expanded wastewater system or upon the prepayment of plant capacity charges, whichever comes first, and until the utility collects charges for 1,786 ERCs. It is further

ORDERED that after June, 1996, South Broward Utility, Inc., shall be entitled to collect AFPI, but the charge shall remain fixed at the June, 1996, amount. It is further

ORDERED that the tariff sheets will become effective for connections made on or after the stamped approval date on the tariffs. It is further

ORDERED that if a protest is not filed by a substantially affected person within 21 days this docket may be closed. It is further

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ORDERED that if a protest is filed, the utility may implement the tariff on a temporary basis, subject to refund.

By ORDER of the Florida Public Service Commission, this 28th day of April, 1993.



STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

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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 Commission's decision on this tariff is interim in nature and will become final, unless a person whose substantial interests are affected by the action proposed files a petition for a formal proceeding, as provided by Rule 25-22.036(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a)(d) and (e), 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 May 19, 1993.

In the absence of such a petition, this order shall become final on the day subsequent to the above date.

Any objection or protest filed in this docket before the issuance date of this Order is considered abandoned unless it

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satisfies the foregoing conditions and is renewed within the specified protest period.

If this Order becomes final 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 wastewater 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 date this Order becomes final, 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.

SOUTH BROWARD UTILITY, INC. DOCKET NO. 921186-SU		SCHEDULE 1		
Allowance for Funds Prudently Invested Calculation of Carrying Costs for Each ERC		AMOUNT PER UTILITY	STAFF ADJUSTMENTS	AMOUNT PER STAFF
Information Needed				
1.	Cost of Qualifying Assets	\$ 1,683,655		1,683,655
2.	Capacity of Qualifying Assets	500,000		500,000
3.	Number of Future Customers	1,786		1,786
4.	Annual Depreciation Expense	\$ 69,822	(6,646)	63,176
5.	Rate of Return	8.24%		8.24%
6.	Weighted Cost of Equity	2.49%		2.49%
7.	Federal Income Tax Rate	0.00%		0.00%
8.	State Income Tax Rate	0.00%		0.00%
9.	Annual Property Tax	\$ 21,975	(5,674)	16,301
10.	Other Costs	\$ 0		0
11.	Depreciation Rate of Assets	4.15%		3.75%
12.	Test Year	1991		1991

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SCHEDULE 2

Allowance for Funds Prudently Invested
Calculation of Carrying Cost Per ERC Per Year:

	1991	1992	1993	1994	1995
Unfunded Other Costs:	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Unfunded Annual Depreciation:	35.37	35.37	35.37	35.37	35.37
Unfunded Property Tax:	9.13	9.13	9.13	9.13	9.13
Subtotal Unfunded Annual Expense:	\$ 44.50	\$ 44.50	\$ 44.50	\$ 44.50	\$ 44.50
Unfunded Expenses Prior Year:	0.00	44.50	89.00	133.50	178.00
Total Unfunded Expenses:	\$ <u>44.50</u>	\$ <u>89.00</u>	\$ <u>133.50</u>	\$ <u>178.00</u>	\$ <u>222.50</u>
Return on Expenses Current Year:	3.67	3.67	3.67	3.67	3.67
Return on Expenses Prior Year:	0.00	3.67	7.33	11.00	14.67
Return on Plant Current Year:	77.68	74.77	71.85	68.94	66.03
Earnings Proir Year:	0.00	77.68	162.51	255.08	356.04
Compound Earnings from Prior Year:	0.00	6.40	13.39	21.02	29.34
Total Compounded Earnings:	\$ 77.68	\$ 162.51	\$ 255.08	\$ 356.04	\$ 466.08
Earnings Expansion Factor for Tax:	1.00	1.00	1.00	1.00	1.00
Revenue Required to Fund Earnings:	\$ 77.68	\$ 162.51	\$ 255.08	\$ 356.04	\$ 466.08
Revenue Required to Fund Expenses:	44.50	89.00	133.50	178.00	222.50
Subtotal:	\$ 122.18	\$ 251.51	\$ 388.58	\$ 534.04	\$ 688.58
Divided by Factor for Gross Receipts Tax:	0.955	0.955	0.955	0.955	0.955
ERC Carrying Cost for 1 Year:	\$ <u>127.94</u>	\$ <u>263.36</u>	\$ <u>406.89</u>	\$ <u>559.20</u>	\$ <u>721.03</u>

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SCHEDULE 3

Allowance for Funds Prudently Invested
Calculation of Carrying Cost Per ERC Per Month:

	1991	1992	1993	1994	1995	1996	1997	1998
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January	--	74.63	206.94	347.09	495.74	653.60	721.03	721.03
February	--	85.29	218.22	359.05	508.43	667.08	721.03	721.03
March	--	95.95	229.51	371.01	521.12	680.57	721.03	721.03
April	--	106.61	240.79	382.97	533.82	694.06	721.03	721.03
May	--	117.28	252.08	394.93	546.51	707.54	721.03	721.03
June	--	127.94	263.36	406.89	559.20	721.03	721.03	721.03
July	10.66	139.22	275.32	419.58	572.69	721.03	721.03	721.03
August	21.32	150.51	287.29	432.28	586.17	721.03	721.03	721.03
September	31.98	161.79	299.25	444.97	599.66	721.03	721.03	721.03
October	42.65	173.08	311.21	457.66	613.14	721.03	721.03	721.03
November	53.31	184.37	323.17	470.35	626.63	721.03	721.03	721.03
December	63.97	195.65	335.13	483.05	640.11	721.03	721.03	721.03