

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for Change) DOCKET NO. 921235-WS
of Service Availability Charges) ORDER NO. PSC-93-1440-FOF-WS
in Glades and Hendry Counties by) ISSUED: October 4, 1993
GENERAL DEVELOPMENT UTILITIES,)
INC. (Port LaBelle Division).)
_____)

The following Commissioners participated in the disposition of this matter:

JULIA L. JOHNSON
LUIS J. LAUREDO

ORDER DENYING UTILITY'S TARIFF, AND
APPROVING CERTAIN SERVICE AVAILABILITY AND
GUARANTEED REVENUE CHARGES

BY THE COMMISSION:

BACKGROUND

General Development Utilities, Inc. (GDU or utility) is a Class A utility which operates water and wastewater systems in Florida. On December 3, 1992, the utility filed an application requesting modification of the service availability charges for its Port LaBelle (PLB) Division, stating that increases are necessary to reflect current conditions.

The Commission recently considered PLB's monthly service rates in the utility's most recent rate case, Docket No. 920734-WS, which resulted in Order No. PSC-93-1113-FOF-WS, issued July 30, 1993. The service availability charges were not reviewed during the rate case because the utility filed this separate service availability case. By Order No. PSC-93-0144-FOF-WS, issued January 27, 1993, we suspended the utility's requested service availability charges pending further review.

The utility's current contribution level is 23.63 percent for water and 34.06 percent for wastewater. Although these percentages appear to be very low, the utility has a very high portion of its assets which are nonused and useful. The water system can serve approximately 587 additional equivalent residential connections (ERCs) and the wastewater system can serve approximately 431 additional ERCs. The systems were constructed approximately 20 years ago. The service area is experiencing very slow growth at an average of 15 ERCs annually.

SEARCHED _____ DATE _____

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SERVICE AVAILABILITY CHARGES

Guidelines for contribution levels are set forth in Rule 25-30.580, Florida Administrative Code. These guidelines state that the recommended contribution level should be no less than the percentage of such facilities and plant that is represented by the water transmission and distribution and wastewater collection systems. The guidelines also state that the maximum contribution level should not exceed seventy-five percent of the total original cost, net of accumulated depreciation, of the utility's facilities and plant when the facilities and plant are at their designed capacity.

The utility's requested changes include uniform service availability charges for Glades and Hendry Counties, increases in meter installation, plant capacity and main extension charges and approval to collect tap-in charges for the wastewater system. GDU also requested reserve capacity charges, or guaranteed revenues.

Calculation of the charges based on the maximum contribution level guidelines would result in a minimal charge due to the significant amount of depreciation of these systems and slow growth in the service area. Therefore, we chose to use the more practical approach and set charges based on the guidelines for minimum contribution level. This rule provides that, at a minimum, future customers should pay for the cost of the lines. In addition, the customers should pay for some portion of the cost of the water plant and wastewater treatment and disposal facilities.

Meter Installation and Tap-In Charges

GDU submitted information indicating that current installation expenses have increased since the meter installation charge was initially approved. The utility requested approval to increase the installation costs from \$100 to \$230 for a 5/8" x 3/4" meter. The utility also requested approval of a wastewater tap-in charge of \$114 per connection.

Although GDU requested a combined meter installation and tap-in charge, we believe it is more appropriate to separate the charges. The tap-in charge covers the cost of installing the service line between the meter and the main extension for water

service and installing the sewer lateral for wastewater service. While these costs frequently occur at the same time, there are instances when this may not be the case and a combined charge could result in overpayment to the utility. For example, when a customer exchanges a meter for one of a different size and the current service line is adequate, the customer should not be required to pay for a service line that is not installed. Separation of the charges also provides for additional flexibility for developers who may desire to choose to install the service lines concurrently with the main extension lines.

Our analysis of the utility's cost of meter installation and tap-in reveals that while GDU's estimated cost of materials seems reasonable, the cost of equipment and labor has been overestimated. GDU requested a 40 percent allowance in overhead labor costs which appears to be exceedingly high. We find that overhead costs are approximately 15-20 percent and that the utility's existing meter installation charges are reasonable and consistent with the approved charge for other utilities. Therefore, we find it appropriate that the utility continue to charge the existing meter installation charges. In addition, we find that it is reasonable that the utility collect a tap-in charge for both water and wastewater. The approved charges are set forth in Schedule No. 1, which is attached and incorporated herein by reference.

Main Extension Charges

GDU requested increases in their main extension charges. For the water service, GDU requested an increase from \$6.85 per front footage in Hendry County and \$5.50 per front footage in Glades County, to \$10.18 in both counties. For the wastewater service, GDU requested an increase from \$13.25 per front footage in Hendry County and \$11.00 per front footage in Glades County, to \$19.62 in both counties.

The utility's proposed main extension charges for water and wastewater are based on the utility's sharing 35 percent of the cost of the lines which is not consistent with the minimum guidelines. We find that it is more appropriate for the customers to pay a main extension charge which represents the average historical cost of lines per ERC. In addition, the utility's proposed charges are based on front footage. We find that the main extension charges should be based on a per ERC basis to be consistent with main extension charges for other utilities.

The average cost per ERC for water transmission and distribution lines, as proposed by GDU is \$940. We have analyzed GDU's calculations and agree that this is an average cost per connecting customers to the PLB water system. We disagree with GDU's calculation of \$2,353 as the cost for connecting wastewater customers. According to our calculations, the average historical cost per ERC for wastewater collection lines is \$1,563. Therefore, we find that the appropriate main extension charges are \$940 per ERC for water and \$1,563 per ERC for wastewater.

Plant Capacity Charges

The utility requested increases in water plant capacity charges from \$1.00 per gallon or \$350.00 per ERC for Hendry County and \$0.75 per gallon or \$262.50 per ERC for Glades County to \$2.27 per gallon or \$431.30 per ERC for future customers in both counties. The utility also requested an increase in wastewater plant capacity charges from \$1.50 per gallon or \$525.55 per ERC for Hendry County and \$1.25 per gallon or \$437.50 per ERC for Glades County to \$3.05 per gallon or \$549.00 per ERC for future customers in both counties.

The guidelines for a minimum contribution level do not address any contributions towards plant capacity charges. We believe future customers should also share in the cost of the water and wastewater treatment plants. Since this utility was constructed more than 20 years ago, and environmental regulations of water and wastewater systems are becoming more and more stringent, there will be additional capital improvements which will be needed to keep up with the increasing requirements. Therefore, we find it appropriate to approve a minimal contribution for plant capacity to be paid by future customers.

The average historical cost per ERC of the utility's existing water treatment system is approximately \$1,300 per ERC. The average historical cost per ERC of the utility's existing wastewater treatment and disposal system is approximately \$1,100 per ERC. Therefore, we find that the appropriate plant capacity charges are \$125 per ERC for water and \$150 per ERC for wastewater. These approved charges will allow the utility to recover a portion of the costs associated with its treatment and disposal facilities while retaining a portion of the investment in rate base.

Summary

In consideration of the foregoing, we hereby deny the utility's tariffs, as filed. However, GDU is authorized to collect the service availability charges discussed herein and set forth in Schedule No. 1 upon filing the appropriate tariff sheets within thirty days of the effective date of this Order. The approved charges will result in total service availability charges for customers requesting a 5/8" x 3/4" meter of \$1,230 for water and \$1,827 for wastewater.

GUARANTEED REVENUE CHARGES

Guaranteed revenues are amounts paid by developers or others to reserve a portion of the utility's capacity for future connections. The calculation is mechanical in nature and similar to that for an Allowance for Funds Prudently Invested (AFPI). Further, guaranteed revenues are collected after service availability charges and AFPI have been paid, but before actual connection to the system is made.

In its application, the utility requested guaranteed revenues of \$6.20 for water and \$8.52 for wastewater. These calculations were based on the information presented in the utility's recent rate case MFRs.

We calculated the utility's guaranteed revenue charge based on the number of ERCs related to non-used and useful net plant and property taxes. Several adjustments were made to the utility's filing in order to use amounts that are consistent with Order No. PSC-93-1113-FOF-WS. Accordingly, we used a cost of capital rate of 8.04 percent and a weighted cost of equity of 4.50 percent. The utility included several expense items in its filing that we believe are inappropriate. These expenses are recovered through the rates paid by current customers and should not be paid through the guaranteed revenue charge. An amount for non-used and useful property taxes was included by in calculating the charge because this amount is not included in the final rates approved by the Commission in Order No. PSC-93-1113-FOF-WS.

The utility requested that the charges be implemented after three months have lapsed since capacity was initially reserved. Upon the expiration of the three month period, the guaranteed revenue charges will be assessed to the contributor on a monthly basis for each remaining ERC of capacity not connected. We agree

with the utility's request since it would not be administratively feasible to require payments of less than three months.

Upon consideration, we find that the appropriate guaranteed revenue charges are \$16.82 for water and \$13.79 for wastewater. If the utility files revised tariff sheets within thirty days of the effective date of this Order, which are consistent with the decision herein, Staff shall have administrative authority to approve the revised tariff sheets upon its verification that the tariffs are consistent with the Commission's decision. If no protest is filed, the effective date of the new charges shall be for connections made on or after the stamped approval date on the revised tariff sheets.

If no timely protests are filed, this docket shall remain open for thirty days from the effective date of this Order to allow the utility sufficient time to file revised tariff sheets reflecting the Commission's decision.

Based on the foregoing, it is, therefore,

ORDERED by the Florida Public Service Commission that General Development Utilities, Inc.'s tariffs, as filed, are denied. It is further

ORDERED that all matters contained in the body of this Order and in the schedule attached hereto are by reference incorporated herein. It is further

ORDERED that each of the findings herein are approved in every respect. It is further

ORDERED that prior to its implementation of the charges approved herein, General Development Utilities, Inc., shall submit revised tariff sheets within thirty days of the effective date of this Order reflecting the decision herein. The revised tariff sheets will be approved upon Staff's verification that the pages are consistent with our decision herein and that the protest period has expired. It is further

ORDERED that if revised tariff sheets are filed and approved, the new charges will become effective for connections made on or after the stamped approval date of the revised tariff sheets, if no protest is filed. It is further

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ORDERED that if the revised tariff sheets are filed and approved, the new charges will become effective for connections made on or after the stamped approval date of the revised tariff sheets, if no protest is filed. It is further

ORDERED that the docket shall remain open for thirty days from the effective date of this Order to allow the utility time to file revised tariff sheets, if no timely protest is filed.

By ORDER of the Florida Public Service Commission this 4th day of October, 1993.

STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

LAJ

by: Kay Flynn

Chief, Bureau of Records

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

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Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on October 25, 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 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.

UTILITY: GENERAL DEVELOPMENT UTILITIES, INC.
 SYSTEM: PORT LABELLE
 COUNTY: GLADES AND HENDRY COUNTIES
 PROJECTED TEST YEAR ENDED: DECEMBER 31, 1992

Schedule No. 1

SERVICE AVAILABILITY CHARGES

	<u>Current</u>		<u>Utility Requested</u>	<u>Commission Approved</u>
	<u>Glades County</u>	<u>Hendry County</u>	<u>Uniform</u>	<u>Uniform</u>
Meter Installation Charges				
Meter Size (Per Connection):				
5/8"x3/4"	\$100.00	\$100.00	\$230.00	\$55.00
1"	\$150.00	\$150.00	\$475.00	\$150.00
1-1/2"	\$250.00	\$250.00	\$640.00	\$250.00
2"	\$350.00	\$350.00	\$715.00	\$300.00
Over 2"	Actual Cost	Actual Cost	Actual Cost	Actual Cost
Tap-In Charge				
Water				
5/8"x3/4"	N/A	N/A	(Included in meter installation charge)	\$110.00
1"	N/A	N/A		\$180.00
1-1/2"	N/A	N/A		\$240.00
2"	N/A	N/A		\$285.00
Over 2"	Actual Cost	Actual Cost		Actual Cost
Wastewater				
All customers, per connection	N/A	N/A	\$114.00	\$114.00
Plant Capacity Charges:				
Water				
Residential	\$262.50	\$350.00	\$431.30	\$125.00
ERC equivalent (350 GPD)	350	350	190	350
All others, per gallon	\$0.75	\$1.00	\$2.27	\$0.36
Wastewater				
Residential	\$437.50	\$525.00	\$59.00	\$150.00
ERC equivalent (200 GPD)	350	350	180	200
All others, per gallon	\$1.25	\$1.50	\$3.05	\$0.75
Main Extension and Collection System Charges				
Water				
All customers, per front footage (60 ft.avg.)	\$5.50	\$6.85	\$10.18	N/A
Residential customers, per ERC	\$330.00	\$411.00	\$610.80	\$940.00
All other customers, per gallon	N/A	N/A	N/A	\$2.69
Wastewater				
All customers, per front footage (60 ft.avg.)	\$11.00	\$13.25	\$19.62	N/A
Residential customers, per ERC	\$660.00	\$795.00	\$1,177.20	\$1,563.00
All other customers, per gallon	N/A	N/A	N/A	\$7.82