

FLORIDA PUBLIC SERVICE COMMISSION  
Gunter Building, 2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850

MEMORANDUM

October 17, 1996

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING

FROM: DIVISION OF WATER AND WASTEWATER (RENDELL, STARLING, WASHINGTON) *RM*  
DIVISION OF LEGAL SERVICES (AGARWAL) *RS LS*

RE: UTILITY: PALM COAST UTILITY CORPORATION  
DOCKET NO.: 951593-WS  
COUNTY: FLAGLER  
CASE: PETITION FOR REVISED SERVICE AVAILABILITY CHARGES

AGENDA: OCTOBER 29, 1996 - REGULAR AGENDA - TARIFF FILING AND PORTION OF ISSUE 1 LOWERING SERVICE AVAILABILITY CHARGES IS PROPOSED AGENCY ACTION - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: 60-DAY SUSPENSION DATE: FEBRUARY 26, 1996  
8-MONTH DEADLINE: AUGUST 27, 1996 - WAIVED BY UTILITY

LOCATION OF FILE: I:\PSC\WAW\WP\951593.RCM

CASE BACKGROUND

Palm Coast Utility Corporation (PCUC or utility) is a Class A utility providing water and wastewater service in Flagler County. PCUC is located in a critical use area as designated by the St. Johns River Water Management District (SJRWMD). According to its December 31, 1995 annual report, the utility was serving 15,290 water customers (approximately 16,569 equivalent residential connections (ERCs)) and 10,436 wastewater customers (approximately 15,942 ERCs). During the twelve months ending December 31, 1995, the utility recorded operating revenues of \$6,424,127 for water service and \$3,166,855 for wastewater service.

On December 27, 1995, the utility filed an application for authority to increase its system capacity charges for water and wastewater service pursuant to Section 367.101, Florida Statutes. The filing fee was paid on December 27, 1995, which was designated the official filing date for this proceeding pursuant to Section 367.083, Florida Statutes. By Order No. PSC-96-0346-FOF-WS, issued

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FPSC-RECORDS/REPORTING

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March 11, 1996, the Commission suspended the proposed changes to system capacity charges in the utility's tariff. It should be noted that pursuant to Section 367.091, Florida Statutes, the statutory 8-month time limitation has passed. However, by a letter dated October 8, 1996, the utility has agreed to waive the time limitation through the October 29, 1996 agenda conference and not implement the requested charges in the interim.

The utility's present service availability charges were established in Docket Nos. 810485-WS and 840092-WS, Orders Nos. 12957 and 14174, issued February 6, 1984 and March 14, 1985, respectively. The test year for this proceeding is the projected year 1995. The utility has requested approval of system capacity charges of \$1,500 and \$1,600 per ERC for its water and wastewater systems, respectively. The current charges are \$766 for water and \$1,466 for wastewater.

The utility states that the basis for the requested change in charges is to move it toward the guideline maximums set out in Rule 25-30.580, Florida Administrative Code, based on the adjusted cost of plant in service established for the projected year 1995 and contributions projected to be received through the buildout years of the treatment plants.

DISCUSSION OF ISSUES

ISSUE 1: Should the Utility's tariff filing to modify its service availability charges be approved as filed?

RECOMMENDATION: The utility should be allowed to implement the system capacity charge of \$1,500 for water connections. The water tariff sheet filed on December 27, 1995 should be approved as filed. The water system capacity charge should become effective for connections made on or after the stamped approval date of the tariff sheet pursuant to Rule 25-30.475(2), Florida Administrative Code. The appropriate wastewater system capacity charge should be \$1,390. Therefore, the wastewater tariff sheet filed on December 27, 1995, should be denied as filed. If the utility files revised tariff sheets within thirty days of the issuance date of the order which are consistent with the Commission's vote, staff should be given administrative authority to approve the revised tariff sheets upon staff's verification that the tariffs are consistent with the Commission's decision. If the revised tariff sheets are filed and approved, the wastewater system capacity charge should become effective for connections made on or after the stamped approval date of the revised tariff sheets. (WASHINGTON)

STAFF ANALYSIS: As stated in the case background, on December 27, 1995, PCUC filed an application to increase its system capacity charges for water and wastewater service pursuant to Section 367.101, Florida Statutes. By Order No. PSC-96-0346-FOF-WS, issued March 11, 1996, the Commission suspended the changes in the proposed system capacity charges to the utility's tariff.

The utility has requested approval of system capacity charges of \$1,500 and \$1,600 per ERC for its water and wastewater systems respectively. The current charges are \$766 for water and \$1,466 for wastewater. The utility states that the basis for the requested change in charges is to move it toward the guideline maximums set out in Commission Rule 25-30.580, Florida Administrative Code, based on the adjusted cost of plant in service established for the projected year 1995 and contributions projected to be received through the buildout years of the treatment plants.

According to staff's calculations based on year-end amounts, the utility's water system is 30.19% contributed (net CIAC to plant) and the wastewater system is 52.96%. (Schedule Nos. 1-A & 1-B) These contribution levels fall below the minimum/maximum contribution levels as required by Rule 25-30.580(1)(a) & (b), Florida Administrative Code, which states:

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(a) The maximum amount of contributions-in-aid-of-construction, net of amortization, should not exceed 75% 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; and (b) The minimum amount of contribution-in-aid-of-construction should not be less than the percentage of such facilities and plant that is represented by the water transmission and distribution and sewage collection systems.

Based on the data provided in the utility's application, the average growth for the utility's water system will be 813 connections per year through 2001 and 725 connections through 2005 for the wastewater system. Further analysis of information provided in the utility's application revealed that the company has outstanding guaranteed revenue agreements which will not result in contributed property within the next 24 months, other than approved capacity charges that have not already been included in CIAC for 1995.

PCUC also proposes to place into the service a 1 million gallon per day water treatment plant in the amount of \$1.6 million. This plant is needed to meet the additional demand of the projected 4,880 ERCs.

We have included supporting schedules that illustrate the basis for our recommendation that a system capacity charge of \$1,500 and a wastewater system capacity charge of \$1,390 is appropriate. These schedules show that the collection of a \$3,065 charge will yield a 75.00% contribution level for water in 2001 and collection of a charge of \$1,390 will yield a 75.00% contribution level for wastewater in 2005, assuming historical growth continues. The \$1,500 proposed system capacity charge for water is within the 75% contribution level maximum. But the proposed \$1,600 system capacity charge for wastewater is above the 75% contribution level maximum at 81.23%. The utilities existing \$1,466 wastewater system capacity is also above the allowed maximum at 77.25% when considering its proposed growth. According to staff's calculation, the appropriate wastewater system capacity charge should be \$1,390. This would bring PCUC to the maximum level of 75.00%

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Since staff is recommending that the proposed water system capacity charge be approved, the water tariff sheet filed on December 27, 1995 for the system capacity charge should be approved as filed. The water system capacity charge should become effective for connections made on or after the stamped approval date of the tariff sheets pursuant to Rule 25-30.475(2), Florida Administrative Code. However, considering staff's recommendation regarding the appropriate wastewater system capacity charge of \$1,390, the wastewater tariff sheet filed on December 27, 1995 for the wastewater system capacity charge should be denied as filed. If the utility files revised tariff sheets within thirty days of the issuance date of the order which are consistent with the Commission's vote, staff should be given administrative authority to approve the revised tariff sheets upon staff's verification that the tariffs are consistent with the Commission's decision. If the revised tariff sheets are filed and approved, the wastewater system capacity charge should become effective for connections made on or after the stamped approval date of the revised tariff sheets.

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**ISSUE 2:** Should the docket be closed?

**RECOMMENDATION:** Yes, the docket should be closed upon the utility's timely filing of revised tariffs according to the Commission's order, staff's verification that the tariffs reflect the Commission's order, and if no protests are filed by a substantially affected person within 21 days of the issuance of the order. If any timely protest is filed, the docket should not be closed. If a protest is filed regarding the denial of the proposed wastewater tariff or the Commission's approval of the proposed water tariff, as addressed in Issue No. 1, the utility's proposed tariff may be implemented. If the utility's proposed tariff is implemented then all charges collected under the proposed tariff should be held subject to refund pending resolution of the protest. If a protest is filed regarding the proposed agency action portion of the Order as addressed in Issue No. 1, then that portion of the Order will be null and void and any revenues collected under the existing tariff should be held subject to refund. (AGARWAL, RENDELL, WASHINGTON)

**STAFF ANALYSIS:** If any timely protest by a substantially affected person is filed, the docket should not be closed. If a protest is filed regarding the denial of the proposed wastewater tariff or the Commission's approval of the proposed water tariff, as addressed in Issue No. 1, the utility's proposed tariff may be implemented. If the utility's proposed tariff is implemented then all charges collected under the proposed tariff should be held subject to refund pending resolution of the protest. If a protest is filed regarding the proposed agency action portion of the Order as addressed in Issue No. 1, then that portion of the Order will be null and void and any revenues collected under the existing tariff should be held subject to refund.

If no timely protest is filed, this docket should be closed upon the utility's timely filing of revised tariff sheets according to the Commission's Order, and staff's verification that the tariffs reflect the Commission's order.



SERVICE AVAILABILITY CHARGE ANALYSIS

**WATER**

YEAR END GROSS BOOK VALUE	\$	63,481,952
LAND		504,632
YEAR END DEPRECIABLE ASSETS		<u>62,977,320</u>
YEAR END ACCUMULATED DEPRECIATION TO DATE		19,922,373
ACCUMULATED DEPRECIATION AT DESIGN CAPACITY		<u>32,121,710</u>
NET PLANT AT DESIGN CAPACITY	\$	<u>31,360,242</u>
YEAR END TRANSMISSION & DISTRIBUTION LINES	\$	27,239,401
MINIMUM LEVEL OF C.I.A.C.		42.91%
YEAR END C.I.A.C. TO DATE	\$	16,390,083
YEAR END ACCUMULATED AMORTIZATION OF C.I.A.C. TO DATE		3,241,580
NET C.I.A.C. TO DATE		<u>13,148,503</u>
YEAR END LEVEL OF C.I.A.C. TO DATE		30.19%
ACCUMULATED AMORTIZATION OF C.I.A.C. AT DESIGN CAPACITY	\$	<u>6,378,019</u>
FUTURE CUSTOMERS (ERC) TO BE CONNECTED		4.880
COMPOSITE DEPRECIATION RATE		3.30%
COMPOSITE C.I.A.C. AMORTIZATION RATE		3.26%
NUMBER OF YEARS TO DESIGN CAPACITY		5.87

<b>EXISTING SERVICE AVAILABILITY CHARGE PER ERC</b>	\$	<b>766.00</b>
<b>LEVEL OF C.I.A.C. AT DESIGN CAPACITY</b>		<b>42.69%</b>
<b>NET C.I.A.C. AT DESIGN CAPACITY</b>	\$	<b>13,387,403</b>
<b>REQUESTED SERVICE AVAILABILITY CHARGE PER ERC</b>	\$	<b>1,500.00</b>
<b>LEVEL OF C.I.A.C. AT DESIGN CAPACITY</b>		<b>53.00%</b>
<b>NET C.I.A.C. AT DESIGN CAPACITY</b>	\$	<b>15,621,736</b>
<b>MINIMUM SERVICE AVAILABILITY CHARGE PER ERC</b>	\$	<b>781.64</b>
<b>LEVEL OF C.I.A.C. AT DESIGN CAPACITY</b>		<b>42.91%</b>
<b>NET C.I.A.C. AT DESIGN CAPACITY</b>	\$	<b>13,456,332</b>
<b>MAXIMUM SERVICE AVAILABILITY CHARGE PER ERC</b>	\$	<b>3,065.53</b>
<b>LEVEL OF C.I.A.C. AT DESIGN CAPACITY</b>		<b>75.00%</b>
<b>NET C.I.A.C. AT DESIGN CAPACITY</b>	\$	<b>23,520,182</b>

SERVICE AVAILABILITY CHARGE ANALYSIS

**WASTEWATER**

YEAR END GROSS BOOK VALUE	\$	59,005,467
LAND		627,977
DEPRECIABLE ASSETS		<u>58,377,490</u>
YEAR END ACCUMULATED DEPRECIATION TO DATE		19,093,869
ACCUMULATED DEPRECIATION AT DESIGN CAPACITY		<u>38,351,144</u>
NET PLANT AT DESIGN CAPACITY	\$	<u>20,654,323</u>
YEAR END COLLECTION LINES	\$	35,523,684
MINIMUM LEVEL OF C.I.A.C.		80.20%
YEAR END C I A C TO DATE	\$	18,480,830
YEAR END ACCUMULATED AMORTIZATION OF C.I.A.C. TO DATE		5,466,297
NET C I A C TO DATE		<u>13,014,533</u>
LEVEL OF C.I.A.C. TO DATE		32.61%
ACCUMULATED AMORTIZATION OF C I A C AT DESIGN CAPACITY	\$	<u>11,525,145</u>
FUTURE CUSTOMERS (ERC) TO BE CONNECTED		7,354
COMPOSITE DEPRECIATION RATE		3.25%
COMPOSITE C.I.A.C. AMORTIZATION RATE		3.23%
NUMBER OF YEARS TO DESIGN CAPACITY		10 15

EXISTING SERVICE AVAILABILITY CHARGE PER ERC	\$	1,466.00
LEVEL OF C.I.A.C. AT DESIGN CAPACITY		77.25%
NET C.I.A.C. AT DESIGN CAPACITY	\$	15,954,897
REQUESTED SERVICE AVAILABILITY CHARGE PER ERC	\$	1,500.00
LEVEL OF C.I.A.C. AT DESIGN CAPACITY		81.23%
NET C.I.A.C. AT DESIGN CAPACITY	\$	16,777,472
MINIMUM SERVICE AVAILABILITY CHARGE PER ERC	\$	892.56
LEVEL OF C.I.A.C. AT DESIGN CAPACITY		80.20%
NET C.I.A.C. AT DESIGN CAPACITY	\$	12,434,740
MAXIMUM SERVICE AVAILABILITY CHARGE PER ERC	\$	1,390.39
LEVEL OF C.I.A.C. AT DESIGN CAPACITY		75.00%
NET C.I.A.C. AT DESIGN CAPACITY	\$	15,490,743