

MEMORANDUM

November 19, 1996

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3:30

FPSC-RECORDS/REPORTING

TO: DIVISION OF RECORDS AND REPORTING
FROM: DIVISION OF LEGAL SERVICES (AGARWAL) *RJA*
RE: DOCKET NO. 951593-WS - APPLICATION OF PALM COAST UTILITY CORPORATION FOR APPROVAL OF REVISED SERVICE AVAILABILITY CHARGES IN FLAGLER COUNTY, FLORIDA

1430-FOF

Attached is an ORDER APPROVING INCREASED WATER PLANT CAPACITY CHARGES DENYING INCREASED WASTEWATER PLANT CAPACITY CHARGES AND NOTICE OF PROPOSED AGENCY ACTION ORDER LOWERING WASTEWATER PLANT CAPACITY CHARGES, with attachments, to be issued in the above-referenced docket. (Number of pages in Order - 8)

*Attachments
not on-line*

RKA/mw

Attachment

cc: Division of Water and Wastewater (Washington, Starling)

I: 951593OR.RA

*Ken's faxed
a H. memo*

877-9031

*R. Tanski (904) 445-1820
114*

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for approval) DOCKET NO. 951593-WS
of revised service availability) ORDER NO. PSC-96-1430-FOF-WS
charges in Flagler County by) ISSUED: November 21, 1996
Palm Coast Utility Corporation)
_____)

The following Commissioners participated in the disposition of this matter:

SUSAN F. CLARK, Chairman
J. TERRY DEASON
JOE GARCIA
JULIA L. JOHNSON
DIANE K. KIESLING

ORDER APPROVING INCREASED WATER PLANT CAPACITY CHARGES
DENYING INCREASED WASTEWATER PLANT CAPACITY CHARGES

AND

NOTICE OF PROPOSED AGENCY ACTION
ORDER LOWERING WASTEWATER PLANT CAPACITY CHARGES

BY THE COMMISSION:

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

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. According to its December 31, 1995 annual report, the utility served 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

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FPSC-RECORDS/REPORTING

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 March 11, 1996, we suspended the proposed changes to system capacity charges in the utility's tariff. We note 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 waived the time limitation through the October 29, 1996 agenda conference and agreed not to implement the requested charges in the interim.

We established the utility's present service availability charges 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.

PLANT CAPACITY CHARGES REQUEST

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.

According to our calculations based on year-end amounts, the utility's water system is 30.19% contributed (net contributions-in-aid-of-construction to plant) and the wastewater system is 52.96%. (see attached 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:

- (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 the year 2001 and 725 connections through the year 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 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 that a water system capacity charge of \$1,500 and a wastewater system capacity charge of \$1,390 is appropriate. Assuming historical growth continues, the attached schedules show that the collection of a \$3,065 charge will yield a 75.00% contribution level for water in the year 2001 and collection of a charge of \$1,390 will yield a 75.00% contribution level for wastewater in the year 2005. 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 utility's existing \$1,466 wastewater system capacity charge is also above the allowed maximum at 77.25% when considering its proposed growth. According to our calculations, the appropriate wastewater system capacity charge to bring PCUC to the maximum level of 75.00% shall be \$1,390.

The water tariff sheet filed on December 27, 1995 for the system capacity charge shall be approved as filed. The water system capacity charge shall 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 our decision 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 shall 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 our vote, staff shall be given administrative authority to approve the revised tariff sheets upon staff's verification that the tariffs are consistent with our decision. If the revised tariff sheets are filed and approved, the wastewater system capacity charge shall become effective for connections made on or after the stamped approval date of the revised tariff sheets.

The docket shall 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 a protest is filed regarding the denial of the proposed wastewater tariff or our approval of the proposed water tariff, the utility's proposed tariff may be implemented. If the utility's proposed tariff is implemented then all charges collected under the proposed tariff shall be held subject to refund pending resolution of the protest. If a protest is filed regarding the proposed agency action portion of this Order, then that portion of the Order will be null and void and any revenues collected under the existing tariff shall be held subject to refund.

Based on the foregoing, it is,

ORDERED by the Florida Public Service Commission that Palm Coast Utility Corporation's application for increased water plant capacity charges is hereby approved, and application for increased wastewater plant capacity charges is hereby denied as filed. It is further

ORDERED that the water system capacity charge shall 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. It is further

ORDERED that Palm Coast Utility Corporation shall file a revised wastewater plant capacity charge tariff consistent with our decision herein, within thirty days of the issuance date of this order. It is further

ORDERED that upon Palm Coast Utility Corporation's filing of revised wastewater plant capacity charge tariff sheets consistent with our decision herein, our staff shall have authority to administratively approve the revised sheets upon staff's verification that the tariffs are consistent with our decision herein. It is further

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DOCKET NO. 951593-WS
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ORDERED that the approved tariffs are interim in nature and shall become final unless a substantially affected person files a petition for a formal proceeding which is received by the Director, Division of Records and Reporting, by the date set forth in the Notice of Further Proceedings or Judicial Review set forth below. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective 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, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, 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 if no timely protest is filed, this docket shall be closed upon Palm Coast Utility Corporation's timely filing of revised tariffs and staff's verification that the tariffs reflect the decision herein.

By ORDER of the Florida Public Service Commission, this 21st day of November, 1996.



BLANCA S. BAYO, Director
Division of Records and Reporting

(S E A L)

RKA

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. As identified in the body of this order, our action regarding the lowering of wastewater plant capacity charges 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. The petition must be received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on December 12, 1996.

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.

PALM COAST UTILITY CORPORATION
DOCKET NO. 951593-WS
TEST YEAR ENDED DECEMBER 31, 1995

SCHEDULE NO. 1-A

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 | | 32,121,710 |
| NET PLANT AT DESIGN CAPACITY | \$ | <u>31,380,242</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 |

| | | |
|--|-----------|-------------------|
| EXISTING SERVICE AVAILABILITY CHARGE PER ERC | \$ | 766.00 |
| LEVEL OF C.I.A.C. AT DESIGN CAPACITY | | 42.69% |
| NET C.I.A.C. AT DESIGN CAPACITY | \$ | 13,387,403 |
| | | |
| REQUESTED SERVICE AVAILABILITY CHARGE PER ERC | \$ | 1,500.00 |
| LEVEL OF C.I.A.C. AT DESIGN CAPACITY | | 63.00% |
| NET C.I.A.C. AT DESIGN CAPACITY | \$ | 16,621,736 |
| | | |
| MINIMUM SERVICE AVAILABILITY CHARGE PER ERC | \$ | 781.64 |
| LEVEL OF C.I.A.C. AT DESIGN CAPACITY | | 42.91% |
| NET C.I.A.C. AT DESIGN CAPACITY | \$ | 13,456,332 |
| | | |
| MAXIMUM SERVICE AVAILABILITY CHARGE PER ERC | \$ | 3,065.53 |
| LEVEL OF C.I.A.C. AT DESIGN CAPACITY | | 75.00% |
| NET C.I.A.C. AT DESIGN CAPACITY | \$ | 23,520,182 |

PALM COAST UTILITY CORPORATION
DOCKET NO. 951593-WS
TEST YEAR ENDED DECEMBER 31, 1995

SCHEDULE NO. 1-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 | <u>32.61%</u> |
| 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 | \$ 1,600.00 |
| 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 |