

FLORIDA PUBLIC SERVICE COMMISSION
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MEMORANDUM

SEPTEMBER 25, 1997

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING

FROM: DIVISION OF WATER & WASTEWATER (GALLOWAY, RENDELL) *OK*
DIVISION OF LEGAL SERVICES (FERGUSON) *RF*

RE: UTILITY: CRYSTAL RIVER UTILITIES COMPANY
DOCKET NO: ~~991072~~-WU
COUNTY: CITRUS AND SUMTER COUNTIES
CASE: DISPOSITION OF SERVICE AVAILABILITY CHARGES
FOR CRYSTAL RIVER UTILITIES, INC. (PINE
VALLEY, MEADOWS, AND WOODS WATER SYSTEMS)

AGENDA: OCTOBER 7, 1997 - REGULAR AGENDA - PROPOSED AGENCY ACTION
- INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: NONE

FILE NAME: I:\PSC\WAW\WP\971072.RCM

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

CASE BACKGROUND

Crystal River Utilities, Inc. (Crystal River or utility) is a Class B utility serving approximately 894 water customers and 152 wastewater customers according to its 1996 Annual Report. The utility also reported in its 1996 Annual Report, water revenues in the amount of \$90,769 and wastewater revenues in the amount of \$16,017.

The utility is currently comprised of 8 water systems and 2 wastewater systems. Recently, the Commission has approved several transfers of water and wastewater systems to Crystal River. For purposes of the present docket, staff is concerned with only three of these transfers: (1) Demetree Utilities transferred to Crystal River pursuant to Order No. PSC-96-1539-FOF-WU, issued December 17, 1996; (2) Seven Rivers transferred to Crystal River pursuant to Order No. PSC-97-0187-FOF-WU, issued February 18, 1997; and (3) Sumter Water Company transferred to Crystal River pursuant to Order No. PSC-97-0312-FOF-WS, issued March 24, 1997.

By letter dated July 16, 1997, the Commission staff notified the utility that, upon its comprehensive review of the utility's 1996 Annual Report, three of the utility's water systems' net contribution-in-aid-of-construction (CIAC) percentages are greater than allowed pursuant to Rule 25-30.580, Florida Administrative Code.

Staff specifically notified the utility that the three water systems which exceeded the maximum level of CIAC were the Pine Valley water system (part of Demetree Utilities transfer docket), the Meadows water system (part of Seven Rivers transfer docket), and the Woods water system (part of the Sumter Water Company transfer docket). The letter required that the utility provide justification for continuing to charge the service availability charges stated in the tariff for these three systems.

The utility responded on August 5, 1997 by letter which stated that it concurred with staff's assessment of the percentage levels of net CIAC for these three water systems. The utility further stated in its letter that it would no longer collect the service availability fees for new services as is presently allowed by the tariff.

Staff's recommendation regarding the service availability charges and the tariff sheets follows.

DOCKET NO. 971072-WU
September 25, 1997

ISSUE 1: Should the utility's current service availability tariff sheets for the Pine Valley, the Meadows, and the Woods systems be revised to reflect no service availability charges are applicable for these water systems?

RECOMMENDATION: Yes, the utility's current service availability tariff sheets for the Pine Valley, the Meadows, and the Woods systems should be revised to reflect no service availability charges are applicable for these water systems. Crystal River should be ordered to discontinue collection of all authorized service availability charges for these systems, as of the effective date of the Order. The utility should be ordered to file revised tariff sheets within 10 days of the effective 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. (GALLOWAY, FERGUSON)

STAFF ANALYSIS: As stated in the case background, upon review of the utility's 1996 Annual Report, staff calculated the percentage levels of CIAC for each water and wastewater system. The contribution levels for three of the utility's water systems exceeded the maximum amount of CIAC allowed by Rule 25-30.580, Florida Administrative Code.

The contribution levels, as calculated by staff for the Pine Valley, the Meadows, and the Woods water systems, follows:

SYSTEM	WATER/WASTEWATER	PERCENTAGE
Pine Valley	Water	89.46%
Meadows	Water	82.90%
Woods	Water	98.77%

Rule 25-30.580, Florida Administrative Code specifies the minimum and maximum level of CIAC for utilities. The maximum level is required by Rule 25-30.580 (1) (a) & (b), Florida Administrative Code and this rule states:

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.

The maximum level provides that the utility retain some investment in the utility assets as an incentive to continue ownership and operation. If the owner has no investment in the utility, and no rate base to earn a return on, any increase in operating expenses would result in losses which would discourage proper operation of the facilities.

Based on a review of the utility's history, specifically, the three systems mentioned above, staff believes that the levels of CIAC have reached the current level because these three systems are built-out. Reviewing information supplied in the utility's 1996 annual report, each of the three water systems are serving the maximum number of ERC's or very close to the maximum number of ERC's.

As stated earlier, the utility is in agreement with staff's assessment of the "percentage levels of net CIAC" for the Pine Valley, the Meadows, and the Woods water systems. In its letter dated August 5, 1997, the utility further states that it will "no longer collect service availability fees for new services as is presently allowed under (the) tariff for those systems."

Based on the foregoing, it is staff's recommendation that the utility's service availability tariff sheets which reflect a charge for customers of the Pine Valley, the Meadows, and the Woods water systems should be revised. Revised tariff sheets should be submitted which specifically exclude the Pine Valley, the Meadows and the Woods water systems from charging service availability charges. Since these three systems share service availability tariff sheets with other systems (included in the service area), the revised tariff should specify that the service availability charges set forth on each sheet exclude the applicable water system.

Further, should circumstances change, such as projected growth or capital improvements, the utility should notify the Commission and have staff review its service availability policy.

Therefore, staff is recommending that the utility's current service availability tariff sheets for the Pine Valley, the

DOCKET NO. 971072-WU
September 25, 1997

Meadows, and the Woods systems should be revised to reflect no service availability charges are applicable for these water systems. Further, Crystal River should be ordered to discontinue collection of all authorized service availability charges for these systems, as of the effective date of the Order. The utility should be ordered to file revised tariff sheets within 10 days of the effective 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.

DOCKET NO. 971072-WU
September 25, 1997

ISSUE 2: Should this docket be closed?

RECOMMENDATION: Yes, upon expiration of the protest period, this docket should be closed if no person, whose interests are substantially affected by the proposed action, files a protest within the 21 day protest period, and upon the utility's timely filing of revised tariffs consistent with the Commission's decision herein, and upon staff's verification that the tariffs reflect the Commission's decision. If a protest is filed, any charges collected under the existing tariff should be held subject to refund. (FERGUSON, GALLOWAY)

STAFF ANALYSIS: Upon staff's verification that the utility's timely filing of revised tariffs are in accordance with the Commission's decision, and if no substantially affected person files a protest to the tariff filing within the 21 day protest period, then the docket should be closed administratively. If a protest is filed, then any charges collected under the existing tariff should be held subject to refund.