

FLORIDA PUBLIC SERVICE COMMISSION
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MEMORANDUM

DECEMBER 4, 1997

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TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING

FROM: DIVISION OF WATER & WASTEWATER (GALLOWAY, FUCHS, RENDELL)
DIVISION OF LEGAL SERVICES (FERGUSON) *CF* *HE* *BP*

RE: UTILITY: GULF UTILITY COMPANY
DOCKET NO: 971041-WS
COUNTY: LEE COUNTY
CASE: PETITION FOR INCREASED SERVICE AVAILABILITY CHARGES

AGENDA: DECEMBER 16, 1997 - REGULAR AGENDA - TARIFF FILING - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: 60-DAY SUSPENSION DATE: OCTOBER 4, 1997
8-MONTH EFFECTIVE DATE: MAY 5, 1998

SPECIAL INSTRUCTIONS: NONE

FILE NAME: I:\PSC\WAW\WP\971041.RCM

DOCUMENT NUMBER-DATE

12374 DEC-45

FPSC RECORDS/REPORTING

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CASE BACKGROUND

Gulf Utility Company (Gulf or utility) is a Class A utility which serves approximately 7,254 water customers and 2,584 wastewater customers in Lee County, Florida, according to its 1996 Annual Report. The utility also reported in its 1996 Annual Report, water revenues in the amount of \$2,153,240 and wastewater revenues in the amount of \$1,250,181. The utility is located in a water use caution area as designated by the South Florida Water Management District.

By Order No. PSC-96-0501-POF-WS, issued April 11, 1996, an overearnings investigation was initiated by the Commission holding water revenues subject to refund. On June 27, 1996, Gulf filed an application for an increase in wastewater rates, approval of a decrease in water rates, and approval of service availability charges. Both the overearnings docket and the rate proceeding docket were combined.

By Order No. PSC-97-0847-POF-WS, issued July 15, 1997, the Commission approved an increase in wastewater revenues of 10.06% and a decrease in water revenues of 10.64%. By the same order, the Commission approved plant capacity charges for the water and wastewater systems in the amount of \$550 and \$800, respectively.

On July 30, 1997, the utility filed a Motion for Reconsideration of Order No. PSC-97-0847-POF-WS. While various aspects of the order were under reconsideration by the utility's motion, the service availability charges were not under reconsideration.

However, on August 5, 1997, the utility filed the present application requesting approval of a jack and bore charge, as part of their service availability policy. In its application, the utility states that "Gulf's current jack and bore rig is unable to perform many service installations due to the width of pavement that has to be crossed." The utility further states that some of these services have been contracted out at a loss to Gulf. Therefore, Gulf is proposing the charge be included in its tariff.

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ISSUE 1: Should the utility's service availability tariff filing which proposes to include a jack and bore charge be approved as filed?

RECOMMENDATION: Yes, the tariffs filed on August 5, 1997 should be approved as filed. The utility should be allowed to implement jack and bore charges of \$625 for only those connections which require the utility to contract performance of the service with a capable entity (other than the utility) as requested by Florida's Department of Transportation. This charge should be implemented for connections made after the stamped approval date of the tariff sheets pursuant to Rule 25-30.475(2), Florida Administrative Code. (GALLOWAY, FUCHS)

STAFF ANALYSIS: Pursuant to Section 367.101, Florida Statutes, the Commission shall set just and reasonable charges and conditions for service availability. The utility has requested that a jack and bore charge be included as part of its service availability tariff for several reasons.

According to the utility, for certain new connections in an older area of its service territory, the utility must hire an outside company to perform the jack and bore service. The utility's current jack and bore rig is unable to adequately perform the service in that particular area due to the size of the road. The utility has indicated that while the lines are on one side of the road which serves this area, a connection may be on the opposite side of the road.

Therefore, when the connection is on the opposite side of the road, a larger jack and bore rig is required to extend the line under the road. Because of the size of the utility's current jack and bore rig, Florida's Department of Transportation has requested that the utility hire an outside company with an adequate jack and bore rig perform the service to avoid damaging the road. The utility contends that while the service is not performed frequently, the costs associated with the service have been borne by the utility.

Staff has reviewed the filing and has considered the utility's proposed charges and the information filed in support of the application. Staff verified with several businesses which are familiar with the service and perform such a service that their rate charged is similar to that charge proposed by the utility. Staff believes that the proposed charge is fair, just and reasonable. Staff also believes that, under these circumstances, the utility should be allowed to charge only the connections which

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require the utility to hire an outside company for the jack and bore service.

The residence served by the line requiring the jack and bore service described above is the sole beneficiary of the service. The utility indicated that in some instances the line may serve two residences. In that case, the jack and bore service costs would be shared by the two connections. Staff believes that the jack and bore costs should not be the responsibility of the utility since this service does not benefit the general body of ratepayers. It has been Commission practice that the cost causer pay the additional cost incurred by the utility. (See Order Nos. PSC-97-0130-FOF-SU, PSC-97-0833-FOF-WU, and PSC-96-1147-FOF-WS)

Since staff believes it is reasonable and necessary to allow the utility to recover these costs from the new connections requiring the service, we are recommending that the proposed tariff to increase service availability charges for a jack and bore charge for Gulf Utility Company should be approved as filed.

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ISSUE 2: Should the docket be closed?

RECOMMENDATION: Yes. If Issue 1 is approved, this tariff should become effective in accordance with Rule 25-30.475(2), Florida Administrative Code. If a protest is filed within 21 days of the issuance of the Order, this tariff should remain in effect with any increase held subject to refund pending resolution of the protest. If no timely protest is filed, this docket should be closed.
(GALLOWAY, FERGUSON)

STAFF ANALYSIS: If there are no timely objections to the tariffs, no further action will be required and the docket should be closed. In the event that a timely protest is filed the tariff should remain in effect and the applicable revenues should be held subject to refund pending resolution of the protest. Further, in the event of such protest, staff will prepare an additional recommendation to address the appropriate security of such funds.