

State of Florida



# Public Service Commission

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**-M-E-M-O-R-A-N-D-U-M-**

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COMMISSION  
CLERK

**DATE:** July 5, 2012

**TO:** Office of Commission Clerk (Cole)

**FROM:** Division of Accounting and Finance (Fletcher, M. Brown, Maurey)  
Office of the General Counsel (Jaeger)

*Handwritten initials: ALM, JSC, MCB, CRB, and a signature.*

**RE:** Docket No. 100048-WU – Application for increase in water rates in Marion County by Sunshine Utilities of Central Florida, Inc.

**AGENDA:** 07/17/12 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

**COMMISSIONERS ASSIGNED:** All Commissioners

**PREHEARING OFFICER:** Balbis

**CRITICAL DATES:** 8-Month Effective Date Waived Through July 17, 2012

**SPECIAL INSTRUCTIONS:** None

**FILE NAME AND LOCATION:** S:\PSC\ECR\WP\100048.RCM.DOC

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

### **Case Background**

Sunshine Utilities of Central Florida, Inc. (Sunshine or Utility) is a Class B utility providing water service in 23 certificated service areas in Marion County. The 23 systems are composed of 20 systems that are combined under a uniform rate structure (Unified Systems) and three stand-alone systems: Quail Run, Sandy Acres, and Ponderosa Pines. In the test year ended December 31, 2010, the Utility recorded total operating revenues of \$951,110. Sunshine reported a net operating loss for the test year of \$59,876. During the test year, 3,798 water customers received service from the Utility's 23 water systems.

Water rates were last established for the Unified Systems in a rate case initiated in 1990.<sup>1</sup> The Quail Run system was transferred to Sunshine in 2002, and rate base and rates were grandfathered in.<sup>2</sup> The Sandy Acres system was also transferred to Sunshine in 2002, rates were grandfathered in, and rate base was established as a result of the transfer.<sup>3</sup> The Ponderosa Pines system was transferred to Sunshine in 2003, rates were grandfathered in, and rate base was established as zero because the water facilities were contributed by the customers.<sup>4</sup>

On June 1, 2011, Sunshine filed its application for a rate increase at issue in the instant docket. On June 7, 2012, staff filed its proposed agency action (PAA) recommendation which addressed the Utility's application with the exception of Sunshine's requested uniform service availability charges (SACs). On June 19, 2012, the Commission approved staff's PAA recommendation.

On June 14, 2012, the Utility waived the statutory time frame to address its requested SACs through the July 17, 2012, Commission Conference. As such, this recommendation addresses those requested charges. The Commission has jurisdiction pursuant to Sections 367.081, 367.082, and 367.091, Florida Statutes (F.S.).

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<sup>1</sup> See Order No. 25722, issued February 13, 1992, in Docket No. 900386-WU, In re: Application for rate increase in Marion County by Sunshine Utilities of Central Florida, Inc.

<sup>2</sup> See Order No. PSC-02-1292-PAA-WU, issued September 23, 2002, in Docket No. 020256-WU, In re: Application for transfer of Certificate No. 380-W from A. P. Utilities, Inc. in Marion County to Sunshine Utilities of Central Florida, Inc., holder of Certificate No. 363-W, for amendment of Certificate No. 363-W, and for cancellation of Certificate No. 380-W.

<sup>3</sup> See Order No. PSC-02-1832-PAA-WU, issued December 20, 2002, in Docket No. 011632-WU, In re: Application for transfer of Certificate No. 364-W from Linadale Water Company in Marion County to Sunshine Utilities of Central Florida, Inc.

<sup>4</sup> See Order No. PSC-03-1333-PAA-WU, issued November 24, 2003, in Docket No. 030340-WU, In re: Application for transfer of facilities of Community Water Co-Op, Inc., an exempt utility in Marion County, to Sunshine Utilities of Central Florida, Inc. (holder of Certificate No. 363-W); and for amendment of Certificate No. 363-W to add territory.

**Discussion of Issues**

**Issue 1:** What are the appropriate service availability charges for the Utility?

**Recommendation:** Sunshine's current system capacity charge should be discontinued. In addition, the appropriate meter installation and customer connection tap-in charges are set forth below:

Meter Installation Charges	
<u>Meter Size</u>	<u>Charge</u>
5/8"x3/4"	\$115
1"	\$195
1-1/2"	\$530
2"	\$700
3"	\$1,030
4"	\$2,035
6"	\$3,560
Customer Connection Tap-In Charges	
Same Side of Road	\$750
Opposite Side of Road	\$1,115

Further, the Utility should file revised tariff sheets which are consistent with the Commission's decision. Staff should be given administrative authority to approve the revised tariff sheets upon verification that the tariffs are consistent with the Commission's decision. Once the revised tariff sheets and customer notice are filed and approved, the revised service availability charges should become effective for connections made on or after the stamped approval date of the revised tariff sheets, if no protest is filed. (Fletcher, M. Brown)

**Staff Analysis:** According to its current tariff, the Utility has the following authorized service availability charges: (1) system capacity charges of \$420 for residential-per ERC and \$1.20 for others per gallon per day (gpd) for its Unified Systems; (2) meter installation charges of \$100 and \$150 for its Unified Systems and Sandy Acres system, respectively; and (3) a customer connection tap-in charge of \$500 for its Unified Systems and Ponderosa Pines system.

**System Capacity Charges**

In its filing, Sunshine requested uniform system capacity charges of \$480 for residential-per ERC and \$1.37 for others per gpd. Pursuant to Rule 25-30.580, F.A.C.:

A utility's service availability policy shall be designed in accordance with the following guidelines:

- (1) 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

(2) The minimum amount of contributions-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 Utility's total current net contributions-in-aid-of-construction (CIAC) ratio is approximately 80 percent, which is in excess of the 75 percent maximum amount of the contribution level established by Rule 25-30.580(1), F.A.C. Therefore, staff recommends that Sunshine's current system capacity charge be discontinued.

Meter Installation Charge

Initially, in its filing, Sunshine requested a uniform meter installation charge of \$100 for a 5/8"x3/4" meter size. However, based on a discussion with the Utility, Sunshine's requested uniform meter installation charge was below the actual cost to install a 5/8"x3/4" meter. It was also discovered that the Utility failed to request meter installation charges for larger meter sizes. Upon staff's request for cost justification for the Utility's revised request for these charges, Sunshine provided the itemized cost breakdowns for several meter sizes which are reflected in the tables below:

Table 1-1

Item	Cost for 5/8"x3/4" Meter	Cost for 1" Meter	Item	Cost for 1-1/2" Meter	Cost for 2" Meter
Meter	\$42.82	\$120.00	Meter	\$411.00	\$577.00
Meter Connectors	10.78	11.90	Flange Set	53.41	60.70
Washers	0.10	0.18	Gaskets	0.62	0.88
Labor	25.62	25.62	Nuts & Bolts	1.84	1.84
Workers Comp Ins	4.39	4.39	Labor	25.62	25.62
Truck Ins	3.49	3.49	Workers Comp Ins	4.39	4.39
Gas	23.22	23.22	Truck Ins	3.49	3.49
Payroll Taxes	2.33	2.33	Gas	23.22	23.22
UCT6 Taxes	0.39	0.39	Payroll Taxes	2.33	2.33
940 Taxes	<u>0.20</u>	<u>0.20</u>	UCT6 Taxes	0.39	0.39
Total Costs	\$113.34	\$191.72	940 Taxes	<u>0.20</u>	<u>0.20</u>
Requested Amount	\$115.00	\$195.00	Total Costs	\$526.51	\$700.06
			Requested Amount	\$530.00	\$700.00

Table 1-2

Item	Cost for 3" Meter	Item	Cost for 4" Meter	Cost for 6" Meter
Meter	\$937.00	Meter	\$1,825.00	\$3,285.00
Flanges	21.88	Mega Flange Kits	146.40	214.98
Flange Acc.	9.26	Labor	25.62	25.62
Labor	25.62	Workers Comp Ins	4.39	4.39
Workers Comp Ins	4.39	Truck Ins	3.49	3.49
Truck Ins	3.49	Gas	23.22	23.22
Gas	23.22	Payroll Taxes	2.33	2.33
Payroll Taxes	2.33	UCT6 Taxes	0.39	0.39
UCT6 Taxes	0.39	940 Taxes	<u>0.20</u>	<u>0.20</u>
940 Taxes	<u>0.20</u>	Total Costs	\$2,031.04	\$3,559.62
Total Costs	\$1,027.78	Requested Amount	\$2,035.00	\$3,560.00
Requested Amount	\$1,030.00			

Because the charges reflected in the tables above are cost based, staff recommends the requested meter installations charges be approved.

#### Customer Connection Tap-in Charge

Initially, in its filing, Sunshine requested a uniform customer connection tap-in charge of \$500. However, based on a discussion with the Utility, Sunshine's requested uniform customer connection tap-in charge was below the actual cost for its customer connection tap-ins. Upon staff's request for cost justification for the Utility's revised request of these charges, Sunshine provided the itemized cost breakdowns which are reflected in the tables below:

Table 1-3

Breakdown for Tap-In on Same Side of Road as Meter	
Item	Cost
Saddle	\$68.96
Corp Stop	59.36
15ft Poly	9.00
U-Branch	135.30
Inserts	4.52
Large Meter Box	78.18
3 Service men - 4hrs	153.72
Payroll Taxes	13.99
UCT6 Taxes	2.32
940 Taxes	1.23
Gas	81.29
Workers Comp	60.37
Truck Ins	47.94
County Permit	<u>30.75</u>
Total Costs	\$746.93
Requested Amount	\$750.00

Table 1-4

Breakdown for Tap-In on Opposite Side of Road as Meter	
Item	Cost
Saddle	\$68.96
Corp Stop	59.36
40ft Poly	24.00
U-Branch	135.30
Inserts	4.52
Large Meter Box	78.18
3 Service men - 4hrs	153.72
Payroll Taxes	13.99
UCT6 Taxes	2.32
940 Taxes	1.23
Gas	81.29
Workers Comp	60.37
Truck Ins	47.94
35ft Missile Shot	350.00
County Permit	<u>32.00</u>
Total Costs	\$1,113.18
Requested Amount	\$1,115.00

Because the charges reflected in the tables above are cost based, staff recommends the requested customer connection tap-in charges be approved.

Summary

Based on the above, staff recommends that Sunshine's current system capacity charge be discontinued. In addition, because the Utility has demonstrated that its other requested charges are cost based, staff recommends the following meter installation and customer connection tap-in charges be approved.

Table 1-5

Meter Installation Charges	
Meter Size	Charge
5/8"x3/4"	\$115
1"	\$195
1-1/2"	\$530
2"	\$700
3"	\$1,030
4"	\$2,035
6"	\$3,560
Customer Connection Tap-In Charges	
Same Side of Road	\$750
Opposite Side of Road	\$1,115

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Further, the Utility should file revised tariff sheets which are consistent with the Commission's decision. Staff should be given administrative authority to approve the revised tariff sheets upon verification that the tariffs are consistent with the Commission's decision. Once the revised tariff sheets and customer notice are filed and approved, the revised service availability charges should become effective for connections made on or after the stamped approval date of the revised tariff sheets, if no protest is filed.

**Issue 2:** Should this docket be closed?

**Recommendation:** No. If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, a consummating order will be issued. The docket should remain open for staff's verification that the revised tariff sheets and customer notice have been filed by the Utility and approved by staff, and that the interim refund has been completed and verified by staff. Once these actions are complete, this docket should be closed administratively, and the escrow account that was utilized to secure interim refunds should be released. (Jaeger, Fletcher)

**Staff Analysis:** If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, a consummating order will be issued. The docket should remain open for staff's verification that the revised tariff sheets and customer notice have been filed by the Utility and approved by staff, and that the interim refund has been completed and verified by staff. Once these actions are complete, this docket should be closed administratively, and the escrow account that was utilized to secure interim refunds should be released.