State of Florida

Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

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

DATE: July 28, 2014

TO: Carlotta S. Stauffer, Commission Clerk, Office of Commission Clerk

FROM: Stanley D. Rieger, Utilities System/Engineering Specialist, Division of Engineering SDR

RE: Doc. No. 130209-SU -- Application for expansion of certificate (CIAC) (new wastewater line extension charge) by North Peninsula Utilities Corp.

Please place into the above referenced docket file, the attached July 18, 2014 letter from Tara Hollis to Bob Hillman. Thank you.

Stan -
This is the SAC
Tara calculated
$1,050 as shown
on attached. Please use
that. Docket No.
130209-SU
Thx Gerry

WILLDAN
Celebrating 50 years of service

July 18, 2014

WFS #7014038

Mr. Bob Hillman
North Peninsula Utilities Corporation
115 E. Granada Blvd., Suite 12
Ormond Beach, FL 32176

North Peninsula Utilities Corporation
Service Availability Charge Development

Dear Mr. Hillman:

Willdan Financial Services (WFS), is pleased to present herein the development of the Service Availability Charge including the Main Extension Charge for North Peninsula Utilities Corporation (NPUC). These charges have been developed based on the Guidelines for Designing the Service Availability Policy, Section 25-30.580, Florida Administrative Code as required by the Florida Public Service Commission (FPSC). This letter will discuss the development of the Service Availability Charge as well as several of the items needed to file the Application for Approval of New or Revised Service Availability Policy or Charges with the FPSC (Section 25-30.565, Florida Administrative Code). **Attachment A** includes a copy of both of these sections from the Florida Administrative Code.

Development of Service Availability Charge – Main Extension Charge

A Wastewater Facilities Plan ("Plan") for North Peninsula Utilities Corporation was completed in July 2014. As included in the Plan prepared by Hartman Consultants, LLC, the Utility will need a 3 Phase plan to provide service in its expanded service area. Phase 1 is expected to meet the immediate needs of the expanded service area and provide infrastructure to accommodate future phases. The Phase 1 activities are anticipated to cost approximately $658,000 and are expected to be implemented in the 2015 to 2017 timeframe. The Phase 2 plan is provided to meet the anticipated growth, build out of the existing projects, and to accommodate the flows from the Volusia

County Utility Department service area. The Phase 2 project is anticipated to cost approximately $683,000 and be completed in the 2018 to 2020 timeframe. The Phase 3 project again provides for build out, growth, and an existing area in the southern portion of the expanded NPUC service area. This phase completes the locations where central wastewater service has been desired. The Phase 3 project is anticipated to cost approximately $332,000 and is expected to be implemented within the 2021 to 2025 timeframe. Additionally, throughout the projection period, other upgrades of approximately $372,000 are anticipated to continue to maintain and improve the system.

Schedule 1 included in **Attachment B**, presents the Utility Plant in Service by NARUC Account. The beginning balance is based on information contained in the 2013 Annual Report. As shown, the Utility Plant in Service costs for the system are $898,717. After the aforementioned improvements are put in place, the Utility Plant in Service will total approximately $2,944,495. **Schedule 2** presents the anticipated annual depreciation for the 10-year projection period. **Schedule 3** presents the current and projected Accumulated Depreciation for the Plant in service for each year in the projection period. **Schedule 4** presents the Net Utility Plant in Service based on the annual and accumulated depreciation calculated on **Schedules 2** and **3**.

Based on the Guidelines for Designing a Service Availability Charge (Section 25-30.580, Florida Administrative Code):

> *(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 current collection system has the hydraulic capacity to serve approximately 600 ERCs. With the additions of the 8.0" force main and the 6.0" force main, that total hydraulic capacity of the system will be increased to 1,241 ERCs. With these two improvements in place, the total Utility Plant in Service for the Sewage Collection System will be approximately $1,190,046 (Accounts 360 and 361 on **Schedule 1**).

Dividing the sewage collection system costs by the total hydraulic capacity of the sewage collection system ($1,190,046 / 1,241 ERCs) results in a Service Availability Charge related to the Main Extensions of approximately $959.00 per ERC or $5.48 per gpd). As stated in NPUC's application to extend its Certificated Service Area, the Utility will not pursue a plant charge at the present time.

As of July 1, 2014, the Utility provides service to 571 connections which represent 585 ERCs. Of these 571 meters, 570 are provided service through 3/4" meters with 1 utilizing a 3.0" meter. As shown on **Schedule 5**, through Year 10 of the projection period, it is anticipated that there will be approximately 1,194 ERCs connected to the system. While there are existing developer agreements, they are minimal and represent approximately 10 of the over 600 ERCs anticipated to connect to the system throughout the projection period.

Based on the Utility Plant in Service in Year 10, the Minimum level of Contributions in Aid of Construction (CIAC) is 40.42%. **Schedule 5** presents the CIAC Analysis for the 10-year projection period including annual projections for Utility Plant in Service, Accumulated Depreciation, Contributions in Aid of Construction, Accumulated Amortization of CIAC, and the Contribution Level. For the 10 years included in the analysis, the maximum calculated contribution level is 74.99% which is projected in Year 10.

Summary

Based on our analysis, we recommend that NPUC update its Service Availability Policy and related Main Extension Charge to $1,050.00 per ERC. As calculated above, this charge will recover the costs associated with the sewage collection system as is provided for in the Florida Administrative Code Guidelines.

We appreciate the opportunity to provide technical expertise you desire. If you have any questions, comments, or need additional information, please do not hesitate to contact me.

Respectfully submitted,
WILLDAN FINANCIAL SERVICES

Tara Hollis

Tara L. Hollis, CPA, MBA
Principal Consultant

Attachment A – Section 25-30.565, Florida Administrative Code and Section 25-30.580, Florida Administrative Code

Attachment B – Supporting Schedules

cc: Gerald C. Hartman, PE, BCEE, ASA – Hartman Consultants, LLC

ATTACHMENT A

Section 25-30.565, Florida Administrative Code, *Application for Approval of New or Revised Service Availability Policy or Charges*

Section 25-30.580, Florida Administrative Code, *Guidelines for Designing Service Availability Policy*

25-30.565 Application for Approval of New or Revised Service Availability Policy or Charges.

(1) Each application for a service availability policy or charges shall be filed in original and six copies.

(2) Upon filing an application for a new or revised service availability charge or policy, the utility shall provide notice pursuant to Rule 25-30.4345, F.A.C.

(3) A filing fee as required in Rule 25-30.020, F.A.C., shall be submitted at the time of application.

(4) Each application shall include the following, if applicable:

(a) A statement describing how the notice provisions have been complied with, including a copy of the actual notice(s).

(b) The name of the applicant, the applicant's principal place of business and each local office from which company operations are conducted. The applicant's name shall be as it appears on the certificate issued by the Commission if one has been issued.

(c) The number of the Commission order, if any, which previously considered the charges or service availability policy for the system involved.

(d) A statement explaining the basis for the requested changes in charges and conditions.

(e) A schedule showing the original cost of any existing treatment plants, the water transmission and distribution system, and the sewage collection system, by Uniform System of Accounting account numbers as required by Rule 25-30.115, F.A.C., and the related capacity of each system as of 90 days prior to application.

(f) A detailed statement of accumulated depreciation for the plant listed in paragraph (e) above as of 90 days prior to application.

(g) A schedule showing the number of active customers on line 90 days prior to the time of application by meter size, by customer class, and the related equivalent residential connections (ERC) as defined in subsection 25-30.515(8), F.A.C. Describe the method by which an ERC is defined.

(h) A detailed statement defining the capacity of the treatment facilities in terms of ERCs as used in developing the proposed service availability charges.

(i) A detailed statement defining the capacity of the distribution or collection system in terms of ERCs as used in developing the proposed service availability charges.

(j) Provide a list of outstanding developer agreements.

(k) For each developer agreement state whether the agreement is designed to result in contributed property, other than the approved system capacity charge, within the next 24 months; an estimate of the value of the contributed property to be added to the utility's books; and a description of the property.

(l) A schedule showing total collections of contributions-in-aid-of-construction (CIAC) as of 90 days prior to the date of application. Detail any prepaid CIAC by amount, the related reserved ERCs, and the anticipated connection date. Reference any appropriate developer agreements.

(m) A detailed statement of accumulated amortization of CIAC as listed in (l) above as of 90 days prior to application.

(n) Copies of approvals or permits for construction and operation of treatment facilities.

(o) A detailed statement by a registered professional engineer showing the cost, by Uniform System of Accounting account numbers, and capacity of proposed plant expansion, and a timetable showing projected construction time.

(p) A detailed statement by a registered professional engineer showing how the proposed construction will affect the capacity of the existing systems.

(q) If the expansion or plant upgrading is being undertaken to comply with the mandates of local, state or federal regulatory authorities, copies of the order(s) or correspondence directing the expansion or upgrading.

(r) A schedule showing the projected growth rate for utilization of the existing plant and line capacity and future plant and line capacity.

(s) A summary schedule of how the proposed service availability charge was calculated.

(t) A schedule showing, by meter size, the cost of meters, connecting fittings, meter boxes or enclosures and also showing sufficient data on labor and any other applicable costs to allow the determination of an average cost for meter installation by type.

(u) A statement of the existing and proposed on-site and off-site main installation charges or policy.

(v) The company's present capital structure, including the cost of debt in the present capitalization. The availability and cost of other sources of financing the proposed expansion or upgrading of the system also shall be given.

(w) An original and three copies of the proposed tariff sheets.

(5) Upon filing of the application and supporting exhibits, the utility shall place copies thereof at its local office of the utility

serving the area affected by the charges and conditions, and such copies shall be made available for public inspection.

(6) Each utility shall demonstrate the appropriateness of the requested service availability charges and conditions.

Specific Authority 367.121(1), 367.101 FS. Law Implemented 367.101 FS. History–New 6-14-83, Amended 11-10-86, 11-30-93, 5-29-08.

25-30.580 Guidelines for Designing Service Availability Policy.

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.

Specific Authority 367.101, 367.121(1) FS. Law Implemented 367.101 FS. History–New 6-14-83, Formerly 25-30.58, 25-30.058, Amended 1-31-00.

ATTACHMENT B

Supporting Schedules

Schedule 1
North Peninsula Utilities Corporation (249S)
Wastewater Utility Plant Accounts - Utility Plant in Service

NARUC Account		Beginning Balance (1)	Year 1 (2014)	Year 2 (2015)	Year 3 (2016)	Year 4 (2017)	Year 5 (2018)	Year 6 (2019)	Year 7 (2020)	Year 8 (2021)	Year 9 (2022)	Year 10 (2023)
351	Organization	$ -	$ -	$ 93,087	$ 93,087	$ 93,087	$ 93,087	$ 93,087	$ 93,087	$ 93,087	$ 93,087	$ 93,087
352	Franchises	6,310	6,310	36,310	36,310	36,310	36,310	36,310	36,310	36,310	36,310	36,310
353	Land and Land Rights	46,800	46,800	46,800	46,800	46,800	46,800	46,800	46,800	46,800	46,800	46,800
354	Structures and Improvements	163,469	163,469	203,021	203,021	203,021	203,021	203,021	213,021	213,021	213,021	213,021
355	Power Generation Equipment	-	-	41,200	41,200	41,200	93,726	108,726	116,226	116,226	116,226	116,226
360	Collection Sewers - Force	321,528	321,528	571,676	571,676	596,676	875,589	910,589	950,589	1,013,955	1,033,955	1,053,955
361	Collection Sewers - Gravity	5,410	5,410	14,510	14,510	14,510	96,601	116,601	116,601	136,091	136,091	136,091
363	Services to Customers	29,139	29,139	80,839	80,839	80,839	136,773	136,773	136,773	194,593	194,593	194,593
370	Receiving Wells	14,124	14,124	14,124	14,124	14,124	14,124	14,124	14,124	14,124	14,124	14,124
371	Pumping Equipment	14,913	14,913	157,813	157,813	187,813	309,909	309,909	329,909	500,043	500,043	500,043
380	Treatment and Disposal Equipment	297,024	297,024	297,024	297,024	297,024	388,945	433,945	458,945	500,245	500,245	540,245
	Total	$ 898,717	$ 898,717	$ 1,556,404	$ 1,556,404	$ 1,611,404	$ 2,294,885	$ 2,409,885	$ 2,512,385	$ 2,864,495	$ 2,884,495	$ 2,944,495

Note (1): As shown in the 2013 Annual Report.

Schedule 2
North Peninsula Utilities Corporation (249S)
Wastewater Utility Plant Accounts - Annual Depreciation

	NARUC Account	Average Service Life in Years	Depreciation Rate	Year 1 (2014)	Year 2 (2015)	Year 3 (2016)	Year 4 (2017)	Year 5 (2018)	Year 6 (2019)	Year 7 (2020)	Year 8 (2021)	Year 9 (2022)	Year 10 (2023)
351	Organization	40	2.500%	$ -	$ 2,327	$ 2,327	$ 2,327	$ 2,327	$ 2,327	$ 2,327	$ 2,327	$ 2,327	$ 2,327
352	Franchises	40	2.500%	158	908	908	908	908	908	908	908	908	908
353	Land and Land Rights			-	-	-	-	-	-	-	-	-	-
354	Structures and Improvements	27	3.704%	-	7,519	7,519	7,519	7,519	7,519	7,890	4,067	-	-
355	Power Generation Equipment	17	5.882%	-	2,424	2,424	2,424	5,513	6,396	6,837	6,837	6,837	6,837
360	Collection Sewers - Force	27	3.704%	-	21,173	21,173	22,099	32,429	33,726	35,207	37,554	38,295	39,035
361	Collection Sewers - Gravity	40	2.500%	135	363	363	363	2,415	2,915	2,915	3,402	3,402	3,402
363	Services to Customers	35	2.857%	390	2,310	2,310	2,310	3,908	3,908	3,908	5,560	5,560	5,560
370	Receiving Wells	25	4.000%	565	565	565	565	565	565	565	565	565	565
371	Pumping Equipment	17	5.882%	877	9,283	9,283	11,048	18,230	18,230	19,406	29,414	29,414	29,414
380	Treatment and Disposal Equipment	15	6.667%	-	-	-	-	25,930	28,930	30,596	33,350	33,350	36,016
	Total			$ 2,125	$ 46,872	$ 46,872	$ 49,563	$ 99,744	$ 105,424	$ 110,559	$ 123,984	$ 120,658	$ 124,064
	Percent of Total Utility Plant in Service			0.236%	3.012%	3.012%	3.076%	4.346%	4.375%	4.401%	4.328%	4.183%	4.213%

Schedule 3
North Peninsula Utilities Corporation (249S)
Wastewater Utility Plant Accounts - Accumulated Depreciation

NARUC Account		Beginning Balance (1)	Year 1 (2014)	Year 2 (2015)	Year 3 (2016)	Year 4 (2017)	Year 5 (2018)	Year 6 (2019)	Year 7 (2020)	Year 8 (2021)	Year 9 (2022)	Year 10 (2023)
351	Organization	$ -	$ -	$ 2,327	$ 4,654	$ 6,981	$ 9,308	$ 11,635	$ 13,962	$ 16,289	$ 18,616	$ 20,943
352	Franchises	5,674	5,832	6,740	7,648	8,556	9,464	10,372	11,280	12,188	13,096	14,004
353	Land and Land Rights	-	-	-	-	-	-	-	-	-	-	-
354	Structures and Improvements	163,469	163,469	170,988	178,507	186,026	193,545	201,064	208,954	213,021	213,021	213,021
355	Power Generation Equipment	-	-	2,424	4,848	7,272	12,785	19,181	26,018	32,855	39,692	46,529
360	Collection Sewers - Force	321,528	321,528	342,701	363,874	385,973	418,402	452,128	487,335	524,889	563,184	602,219
361	Collection Sewers - Gravity	2,773	2,908	3,271	3,634	3,997	6,412	9,327	12,242	15,644	19,046	22,448
363	Services to Customers	28,749	29,139	31,449	33,759	36,069	39,977	43,885	47,793	53,353	58,913	64,473
370	Receiving Wells	(64)	501	1,066	1,631	2,196	2,761	3,326	3,891	4,456	5,021	5,586
371	Pumping Equipment	1,116	1,993	11,276	20,559	31,607	49,837	68,067	87,473	116,887	146,301	175,715
380	Treatment and Disposal Equipment	297,024	297,024	297,024	297,024	297,024	322,954	351,884	382,480	415,830	449,180	485,196
	Total	$ 820,269	$ 822,394	$ 869,266	$ 916,138	$ 965,701	$ 1,065,445	$ 1,170,869	$ 1,281,428	$ 1,405,412	$ 1,526,070	$ 1,650,134

Note (1): As shown in the 2013 Annual Report.

Schedule 4
North Peninsula Utilities Corporation (249S)
Wastewater Utility Plant Accounts - Net Utility Plant in Service

NARUC Account		Beginning Balance (1)	Year 1 (2014)	Year 2 (2015)	Year 3 (2016)	Year 4 (2017)	Year 5 (2018)	Year 6 (2019)	Year 7 (2020)	Year 8 (2021)	Year 9 (2022)	Year 10 (2023)
351	Organization	$ -	$ -	$ 90,760	$ 88,433	$ 86,106	$ 83,779	$ 81,452	$ 79,125	$ 76,798	$ 74,471	$ 72,144
352	Franchises	636	478	29,570	28,662	27,754	26,846	25,938	25,030	24,122	23,214	22,306
353	Land and Land Rights	46,800	46,800	46,800	46,800	46,800	46,800	46,800	46,800	46,800	46,800	46,800
354	Structures and Improvements	-	-	32,033	24,514	16,995	9,476	1,957	4,067	-	-	-
355	Power Generation Equipment	-	-	38,776	36,352	33,928	80,941	89,545	90,208	83,371	76,534	69,697
360	Collection Sewers - Force	-	-	228,975	207,802	210,703	457,187	458,461	463,254	489,066	470,771	451,736
361	Collection Sewers - Gravity	2,637	2,502	11,239	10,876	10,513	90,189	107,274	104,359	120,447	117,045	113,643
363	Services to Customers	390	-	49,390	47,080	44,770	96,796	92,888	88,980	141,240	135,680	130,120
370	Receiving Wells	14,188	13,623	13,058	12,493	11,928	11,363	10,798	10,233	9,668	9,103	8,538
371	Pumping Equipment	13,797	12,920	146,537	137,254	156,206	260,072	241,842	242,436	383,156	353,742	324,328
380	Treatment and Disposal Equipment	-	-	-	-	-	65,991	82,061	76,465	84,415	51,065	55,049
	Total	$ 78,448	$ 76,323	$ 687,138	$ 640,266	$ 645,703	$ 1,229,440	$ 1,239,016	$ 1,230,957	$ 1,459,083	$ 1,358,425	$ 1,294,361

Note (1): As shown in the 2013 Annual Report.

Schedule 5
North Peninsula Utilities Corporation (249S)
Wastewater Utility Plant Accounts - CIAC Analysis

	Beginning Balance (1)	Year 1 (2014)	Year 2 (2015)	Year 3 (2016)	Year 4 (2017)	Year 5 (2018)	Year 6 (2019)	Year 7 (2020)	Year 8 (2021)	Year 9 (2022)	Year 10 (2023)
Capacity (ERCs)	600	600	900	900	900	1,241	1,241	1,241	1,241	1,241	1,241
Existing Connections	585	585	585	617	732	867	1,017	1,064	1,122	1,146	1,170
Additional Connections (ERCs)		-	32	115	135	150	47	58	24	24	24
Utility Plant In Service	$ 898,717	$ 898,717	$ 1,556,404	$ 1,556,404	$ 1,611,404	$ 2,294,885	$ 2,409,885	$ 2,512,385	$ 2,864,495	$ 2,884,495	$ 2,944,495
Accumulated Depreciation	$ 820,269	$ 822,394	$ 869,266	$ 916,138	$ 965,701	$ 1,065,445	$ 1,170,869	$ 1,281,428	$ 1,405,412	$ 1,526,070	$ 1,650,134
Contributions in Aid of Construction	$ 640,944	$ 640,944	$ 869,144	$ 989,894	$ 1,131,644	$ 1,597,625	$ 1,646,975	$ 1,707,875	$ 1,860,185	$ 1,885,385	$ 1,910,585
Accumulated Amortization of CIAC	$ 640,944	$ 640,944	$ 644,380	$ 653,071	$ 665,984	$ 697,438	$ 740,369	$ 785,980	$ 835,456	$ 886,984	$ 939,948
Contribution Level		0.00%	32.71%	52.61%	72.12%	73.22%	73.17%	74.89%	70.23%	73.50%	74.99%

Requested Charge:	
Plant Charge	$ -
Main Extension Charge	1,050
Total	$ 1,050
Minimum CIAC	40.42%
Maximum CIAC	75.00%

Note (1): As shown in the 2013 Annual Report.