

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 21, 2005

TO: Director, Division of the Commission Clerk & Administrative Services (Bayó)

FROM: Division of Economic Regulation (Hudson, Rendell)
Office of the General Counsel (Jaeger)

RE: Docket No. 050318-WU – Request for increase in service connection charges in Highlands County by Placid Lakes Utilities, Inc.

AGENDA: 08/02/05 – Regular Agenda – Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 01/08/06 (8-Month Effective Date)

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\ECR\WP\050318.RCM.DOC

Case Background

Placid Lakes Utilities, Inc. (Placid Lakes or utility) is a Class B water-only utility which serves 1,718 water customers in Highlands County. The utility's service area is located in a water use caution area in the Southwest Florida Water Management District (SWFWMD). Placid Lakes is a wholly-owned subsidiary of Lake Placid Holding Company (LPHC), the primary developer of the Placid Lakes subdivision. In its annual report, the utility reported net operating revenues of \$492,352 and a net operating income of \$41,691.

On May 9, 2005, the utility filed an application requesting approval of a service connection charge. At the Agenda Conference, on July 5, 2005, the Commission voted to suspend the tariff filing pending further investigation. This recommendation addresses the

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requested service connection charge. The Commission has jurisdiction pursuant to Section 367.091, Florida Statutes.

Discussion of Issues

Issue 1: Should Placid Lakes' proposed tariff sheet to implement a service connection charge be approved as filed?

Recommendation: No, Fourth Revised Sheet No. 23.0, filed on May 16, 2005, should be denied as filed. Staff recommends that the appropriate service connection charge should be \$460.15 and the meter installation charge should be \$283.06. If the utility files a revised tariff sheet within 30 days of the effective date of the Order, which is consistent with the Commission's vote, staff should be given administrative authority to approve the revised tariff sheet upon staff's verification that the tariff is consistent with the Commission's decision. If the revised tariff sheet is filed and approved, the service connection charge and meter installation fee should become effective for connections made on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(2), Florida Administrative Code, if no protest is filed. (Hudson)

Staff Analysis: According to Land Development Regulations in Highlands County (county), the utility is required to extend pipes under existing pavement by jack and bore instead of by pushunder as it had done in the past. The utility filed a tariff request for the approval to implement a service connection charge to comply with county regulations.

Section 367.091(6), Florida Statutes, authorizes the utility to file an application to establish, increase, or change a rate or charge other than monthly rates or service availability charges, which must be accompanied by a cost justification. For its service connection charge, the utility provided staff with the following cost justification:

Service Connection Charge

Saddles	\$23.84
1" Brass Corp Stop	\$23.35
1" x 3/4" x 3/4" Y	\$17.42
3/4" FIP	\$8.08
2 x 8 x 16 Block	\$1.15
10' 1" Poly	\$3.10
5' 3/4" Poly	\$1.00
Tax & Shipping	\$5.33
Storage and Handling	\$15.60
Labor	\$250.00
Jack and Bore (\$507.50/4)	\$126.88
	<u>\$475.75</u>

The utility provided actual invoices from their suppliers which show the costs of the material. The utility has added shipping, tax, storage and handling. The labor cost includes the man hours plus the use of a truck and equipment. In order to keep costs down, the utility is proposing to divide the cost of the jack and bore by lots on both sides of the road to keep the cost fair to all customers and has divided it by four service connections. The utility indicated that

there would be additional costs for recordkeeping and locating lines if the jack and bore cost were only divided by two lots on one side of the road. Staff has reviewed the invoices provided by the utility which contain the actual costs of the materials plus taxes and shipping. Staff believes the utility's cost justification for those items is appropriate. The utility indicated the storage and handling covers the costs of monthly rent, utilities, insurance and upkeep of the storage space required for the inventoried material. The costs that the utility is seeking to recover as a storage and handling fee are operation and maintenance expenses that should be recovered through rates if they are prudent. By Order No. PSC-01-0327-PAA-WU, issued February 6, 2001, in Docket No. 000295-WU, In re: Application for increase in water rates in Highlands County by Placid Lakes Utilities, Inc., the Commission approved operation and maintenance expenses for this utility which included rent for office space and storage, insurance and purchased power. If the utility is allowed to collect the storage and handling fee as part of its service connection charge, it would be double recovery. Further, staff has not found an instance where charges of this nature have been approved based on anything other than actual cost of material and labor. Based on the above, staff does not believe that the 20% storage and handling added to the actual material cost is appropriate and it should not be included as part of the utility's costs for the service connection charge. Therefore, staff believes that the appropriate service connection charge should be \$460.15 (\$475.75-\$15.60).

The Commission has approved charges related to jack and bore of \$625 by Order No. PSC-97-1620-FOF-WS, issued December 30, 1997, in Docket No. 971041-WS, In re: Application for increased service availability charges in Lee County by Gulf Utility Company.

For pushunders and meter installations, the utility has been charging its meter installation/tap-in charge of \$330, which was established by Order No. PSC-95-0848-FOF-WU, issued July 17, 1995, in Docket No. 950486-WU, In re: Request for adjustment in meter installation and tap-in charges in Highlands County by Placid Lakes Utilities, Inc. Since the utility is no longer performing pushunders, the meter installation/tap-in charge should be a meter installation charge reflective of the costs for the installation of meter and meter boxes only. The utility is not requesting a change in this charge. The utility provided the following cost justification for meter installations:

Meter Installation Charge

Meter	\$78.50
Meter Box	\$92.58
Tax & Shipping	\$11.98
Storage & Handling	\$34.22
Labor	\$100.00
	\$317.28

The utility's cost justification is for the installation of touch read meters. The utility underwent a meter replacement program. By Order No. PSC-02-1657-PAA-WU, issued November 26, 2002, in Docket No. 011621-WU, In re: Petition for limited proceeding to implement an increase in water rates in Highlands County, by Placid Lakes Utilities, Inc., the Commission found that there

were meters in need of replacement and that it was prudent to replace meters with the touch read meters at a cost of \$239. Staff has reviewed the utility's cost justification. For the same reason discussed above, staff believes the 20% storage and handling fee added to the meter installation charge is not appropriate. Therefore, staff believes that the appropriate meter installation charge should be \$283.06 (\$317.28-\$34.22).

The Commission approved a meter installation charge of \$250 by Order No. PSC-03-0740-PAA-WS, issued June 23, 2003, in Docket No. 021067-WS, In re: Application for staff assisted rate case in Polk County by River Ranch Water Management, L.L.C., and a \$200 fee by Order No. PSC-04-1256-PAA-WU, issued December 20, 2004, in Docket No. 041040-WU, In re: Application for certificate to operate water utility in Baker and Union Counties by B & C Water Resources, L.L.C. Further, by Order No. PSC-03-1474-TRF-WU, issued December 31, 2003, in Docket No. 030956-WU, In re: Application for approval of revised service availability charges to increase meter installation fees in Osceola County by O&S Water Company, Inc., the Commission approved a \$300 meter installation fee for radio read meters. Therefore, staff believes that a meter installation charge of \$283.06 is reasonable and consistent with meter installation charges for other utilities.

Based on above, staff recommends that Fourth Revised Sheet No. 23, filed May 16, 2005, should be denied as filed. Staff recommends that the appropriate service connection charge should be \$460.15 and the meter installation charge should be \$283.06. If the utility files a revised tariff sheet within 30 days of the effective date of the Order, which is consistent with the Commission's vote, staff should be given administrative authority to approve the revised tariff sheet upon staff's verification that the tariff is consistent with the Commission's decision. If the revised tariff sheet is filed and approved, the service connection charge and meter installation fee should become effective for connections made on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(2), Florida Administrative Code, if no protest is filed.

Issue 2: Should this docket be closed?

Recommendation: No. Upon expiration of the protest period, if a timely protest is not filed, a Consummating Order should be issued and the docket should remain open for 30 days from the issuance date of the Consummating Order, to allow the utility time to file the revised tariff sheet. Upon staff's verification that the tariff sheet complies with the order, the tariff sheet should be stamped approved and the docket should be closed administratively. In the event that a timely protest is filed, and the utility files revised tariff sheets reflecting the approved charges, the tariff should remain in effect with any increases held subject to refund pending resolution of the protest. If no protest is filed and the utility does not file another revised tariff sheet consistent with the approved service connection charge and meter installation charge within 30 days of the Consummating Order, the Third Revised Tariff Sheet No. 23.0 should remain in effect, and this docket should be closed administratively. (Jaeger)

Staff Analysis: Upon expiration of the protest period, if a timely protest is not filed, a Consummating Order should be issued and the docket should remain open for 30 days from the issuance date of the Consummating Order, to allow the utility time to file the revised tariff sheet. Upon staff's verification that the tariff sheet complies with the order, the tariff sheet should be stamped approved and the docket should be closed administratively. In the event that a timely protest is filed, and the utility files revised tariff sheets reflecting the approved charges, the tariff should remain in effect with any increases held subject to refund pending resolution of the protest. If no protest is filed and the utility does not file another revised tariff sheet consistent with the approved service connection charge and meter installation charge within 30 days of the Consummating Order, the Third Revised Tariff Sheet No. 23.0 should remain in effect, and this docket should be closed administratively.