

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

JULY 2, 1996

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO)

FROM: DIVISION OF WATER & WASTEWATER (AUSTIN, WALDEN) *SAW AW*
DIVISION OF LEGAL SERVICES (REYES) *BR JS*

RE: DOCKET NO. 960408-WU - OCALA OAKS UTILITIES, INC. -
APPLICATION FOR INCREASE IN PLANT CAPACITY CHARGES IN
MARION COUNTY BY OCALA OAKS UTILITIES, INC.
COUNTY: MARION

AGENDA: 07/16/96 - REGULAR AGENDA - TARIFF FILING - INTERESTED
PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: S:\PSC\WAW\WP\960408WU.RCM

CASE BACKGROUND

Ocala Oaks Utilities, Inc. (Ocala Oaks or utility) is a Class B utility providing water in Marion County. According to its December 31, 1994 annual report, the utility was serving approximately 1,112 customers. During the twelve months ended December 31, 1994, the utility recorded operating revenues of \$274,415. Its recorded operating income was \$9,885.

On April 2, 1996, the utility filed an application for authority to increase its plant capacity charges for water service pursuant to Section 367.101, Florida Statutes. The filing fee was paid on April 2, 1996, which was designated the official filing date for this proceeding pursuant to Section 367.083, Florida Statutes. The utility's present service availability plant capacity fee of \$200.00 per equivalent residential connection (ERC) was established in Docket No. 820046-W, Order No. 12134, issued June 13, 1983. The utility has requested approval of a \$430.00 plant capacity charge per ERC. By Order No. PSC-96-0780-FOF-WU, issued June 17, 1996, the Commission suspended Ocala Oaks' proposed changes in service availability charges.

DOCUMENT NUMBER-DATE

07026 JUL-196

PSC-RECORDS/REPORTING

DOCKET NO. 960408-WU
DATE: JULY 2, 1996

DISCUSSION OF ISSUES

ISSUE 1: Should the Ocala Oaks' tariff filing to modify its service availability charges be approved as filed?

RECOMMENDATION: Yes. The Utility should be allowed to implement plant capacity charges of \$430 per ERC, for connections made after the stamped approval date of the tariff sheets pursuant to Rule 25-30.475(2), Florida Administrative Code. (AUSTIN)

STAFF ANALYSIS: As stated in the case background, on April 2, 1996, Ocala Oaks filed an application for approval to modify its plant capacity charges. By Order No. PSC-96-0780-FOF-WU, issued June 17, 1996, the Commission suspended the proposed plant capacity charges to the utility's tariff allowing staff to thoroughly review the application.

In the utility's last rate case (Docket No. 881098-WU), the utility's level of Contribution-in-aid-of-Construction (CIAC) at test year ended December 31, 1987 was 58%. The utility has undergone steady plant expansion and customer growth since its last rate case. The utility's growth is primarily the result of the addition of the Tanglewood Water Plant in 1992 and the purchase of Belleview Hills Estates Water System in 1994. As a result of the utility's investment in plant in service, its level of CIAC has decreased to 53% as of November 30, 1995. The utility is requesting an increase in its plant capacity charge to offset the acquisition, improvement and construction costs incurred and also to achieve a 75% CIAC level at design capacity.

The utility's existing plant has the capacity to serve approximately 1,689 ERCs at design capacity. The utility reported in its application that it is currently serving 1,276 ERCs. At the time of application, the utility did not have any proposed plant expansions. The utility will reach its design capacity after the remaining 413 ERCs have been utilized. Based upon an expected growth rate of 85 ERCs per year, the utility expects to reach its design capacity in 5 years. As stated previously, the utility desires to achieve a 75% CIAC level at design capacity.

Rule 25-30.580, Florida Administrative Code, establishes the guidelines for service availability policies. Subsection (1) (a) of the rule states that the maximum amount of contribution-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 the designed capacity.

DOCKET NO. 960408-WU
DATE: JULY 2, 1996

The utility's current plant capacity charge is \$200 per ERC. The utility is requesting a plant capacity charge of \$430 per ERC. This requested plant capacity charge was designed to achieve the 75% maximum contribution level specified in Rule 25-580(1)(a), Florida Administrative Code. Based on staff's analysis in Schedule No. 1, if the charge were to remain unchanged, the utility's level of CIAC would be 63% at design capacity. A plant capacity charge of \$430 would bring the utility to a 74.67% level of CIAC at design capacity which is in line with Rule 25-30.580(1)(a), Florida Administrative Code. Therefore, staff is recommending that the proposed plant capacity charge of \$430 be approved.

DOCKET NO. 960408-WU
DATE: JULY 2, 1996

ISSUE 2: Should this docket be closed?

RECOMMENDATION: Yes, if Issue 1 is approved, this tariff should become effective on or after the stamped approval date of the tariff sheets, pursuant to Rule 25-30.475, 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. (REYES, AUSTIN)

STAFF ANALYSIS: 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.

OCALA OAKS UTILITIES, INC.
DOCKET NO.: 960408-WU
TEST YEAR ENDED: NOVEMBER 30, 1995

WATER SERVICE AVAILABILITY ANALYSIS

SCHEDULE NO. 1

GROSS BOOK VALUE	\$1,293,264
LAND	\$96,802
DEPRECIABLE ASSETS	\$1,196,462
ACCUMULATED DEPRECIATION TO DATE	\$384,241
ACCUMULATED DEPRECIATION AT DESIGN CAPACITY	\$533,799
NET PLANT AT DESIGN CAPACITY	\$759,465
TRANSMISSION & DISTRIBUTION/COLLECTION LINES	\$587,002
MINIMUM LEVEL OF C.I.A.C.	45.39%
C.I.A.C. TO DATE	\$676,187
ACCUMULATED AMORTIZATION OF C.I.A.C. TO DATE	\$190,848
NET C.I.A.C. TO DATE	\$485,339
LEVEL OF C.I.A.C. TO DATE	53.39%
ACCUMULATED AMORTIZATION OF C.I.A.C. AT DESIGN CAPACITY	\$275,371
FUTURE CUSTOMERS (ERC) TO BE CONNECTED	413
COMPOSITE DEPRECIATION RATE	2.50%
COMPOSITE C.I.A.C. AMORTIZATION RATE	2.50%
NUMBER OF YEARS TO DESIGN CAPACITY	5
EXISTING CHARGE PER ERC	\$200
LEVEL OF C.I.A.C. AT DESIGN CAPACITY	62.96%
NET C.I.A.C. AT DESIGN CAPACITY	478,167
REQUESTED CHARGE PER ERC	\$430
LEVEL OF C.I.A.C. AT DESIGN CAPACITY	74.67%
NET C.I.A.C. AT DESIGN CAPACITY	567,121
MINIMUM CHARGE PER ERC	\$0
LEVEL OF C.I.A.C. AT DESIGN CAPACITY	45.39%
NET C.I.A.C. AT DESIGN CAPACITY	400,816
MAXIMUM CHARGE PER ERC	\$436
LEVEL OF C.I.A.C. AT DESIGN CAPACITY	75.00%
NET C.I.A.C. AT DESIGN CAPACITY	569,599