

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for rate ) DOCKET NO. 960305-WS  
increase in Sumter County by ) ORDER NO. PSC-96-1132-FOF-WS  
LITTLE SUMTER UTILITY COMPANY. ) ISSUED: September 10, 1996

The following Commissioners participated in the disposition of this matter:

SUSAN F. CLARK, Chairman  
J. TERRY DEASON  
JOE GARCIA  
JULIA L. JOHNSON  
DIANE K. KIESLING

ORDER GRANTING CERTIFICATES

AND

NOTICE OF PROPOSED AGENCY ACTION  
ORDER SETTING RATES AND CHARGES

BY THE COMMISSION:

NOTICE IS HEREBY GIVEN by the Florida Public Service Commission that the action discussed herein, except for the granting of water and wastewater certificates, is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

BACKGROUND

On March 8, 1996, Little Sumter Utility Company (LSU or utility) filed its application for original water and wastewater certificates in Sumter County. The application deficiencies were corrected on May 3, 1996, which became the official filing date. The utility anticipates serving a total of approximately 8,800 equivalent residential connections (ERCs) when it reaches buildout in 19 years. The estimated operating revenues of the utility at buildout will be approximately \$1,540,000 for water and \$2,340,000 for wastewater based upon our approved rates, making this a Class A utility. The estimated net operating income for the utility based upon our approved rates will be approximately \$338,000 and \$665,000 for water and wastewater, respectively.

LSU was incorporated on November 17, 1994. The affiliated developer, The Villages of Lake-Sumter, Inc. (developer or VLS),

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will be developing the proposed service territory. The developer plans to construct single family conventionally built retirement homes, recreational and mail pickup facilities, golf course clubhouses, neighborhood shopping centers, and a health care and wellness center. The developer and utility anticipate that the first residents will be moving into the service area in April, 1997.

The utility's facilities will consist of one water treatment plant, one water transmission and distribution system, one wastewater treatment plant, and one wastewater collection system. The application indicates that the utility will be built in three phases. The utility plans to serve approximately 2,931 ERCs during the first phase of development and anticipates reaching buildout of Phase I in 6 years. It is the goal of the utility to treat wastewater to levels acceptable for public-access reuse via golf course irrigation. Backup disposal will be to percolation ponds during periods of wet weather or when effluent criteria are not met for golf course irrigation.

#### APPLICATION FOR CERTIFICATES

The application states that there are no other utilities in close proximity to the area able to provide service to this territory or which have the ready ability to expand their capacity to meet the immediate and anticipated needs of this area. The three utilities which are closest to the service area are the Village Center CDD (CDD), the City of Wildwood (City), and Spruce Creek South Utilities, Inc. (Spruce Creek).

The CDD currently serves the areas which were previously developed by VLS. In expectation of needing initial wastewater services for the first few customers, the utility has made arrangements with the CDD to obtain temporary bulk wastewater service during the start-up phase of the development. The applicant has provided a letter from the Chairman of the CDD that states that the CDD does not have the capacity to enable it to meet the demands of the new development and it does not plan to construct such capacity to provide service outside the areas where it is currently committed for service.

It further states that the CDD is willing to assist LSU in its start-up phase and to provide temporary wastewater service during this phase in recognition of the fact that the new utility cannot begin operation of a treatment plant with only one, two or very few customers. The CDD will provide temporary bulk service until such time as wastewater flows will allow operation of LSU's own treatment and disposal facilities. However, the CDD is not willing

to provide that service on a long-term basis nor expand it to allow connection of customers beyond those necessary for start-up of LSU's own treatment operation.

As far as obtaining service from the City is concerned, the application states that the City's facilities are over five miles from the proposed service area. Also, the City's charges and impact fees exceed those proposed by the utility. Therefore, the applicant believes that obtaining service from the City is not a viable option.

Finally, the application states that the Spruce Creek development is approaching buildout and is also approaching the limits of its capacity. Further, Spruce Creek does not plan to expand its wastewater treatment plant nor is it in a position to be able to expand those facilities to provide service outside its development.

The application states that the utility reviewed all viable options prior to its decision to seek a certificate and has found that no such viable alternatives exist. The applicant believes it is in a position, because of its experience and its available land and resources to construct the necessary facilities to provide the least cost service to the proposed service territory.

The application is in compliance with Section 367.045, Florida Statutes, and other pertinent statutes and administrative rules. The utility has submitted the correct filing fee. Pursuant to Rule 25-30.033(1)(j), Florida Administrative Code, the applicant has submitted a contract for the purchase and sale of the land with an unexecuted copy of the warranty deed. The rule requires that the applicant file an executed and recorded copy of the deed, or executed copy of the lease, within 30 days after the Order granting the certificates. The application states that the deed will be executed immediately upon approval of the certificates by the Florida Public Service Commission. Further, the deed will provide for the continuous use of the land on which the utility treatment facilities are located.

Adequate service territory and system maps and a territory description have been provided as prescribed by Rule 25-30.033(1)(l), (m) and (n), Florida Administrative Code. The territory the utility has requested to serve is described in Attachment A of this Order, which by reference is incorporated herein.

In addition, the application contains proof of compliance with the noticing provisions set forth in Rule 25-30.030, Florida

Administrative Code. No objections to the notice of application have been received and the time for filing such has expired.

The application states that the applicant has the financial and technical ability to provide water and wastewater service to the proposed service area. Regarding the applicant's financial ability, the application states that the developer will provide financial support and backing to ensure the safe, efficient, and sufficient provision of water and wastewater service to the territory applied for and the expansion of that service as needed. The applicant provided an affidavit from Mr. Harold S. Schwartz, President of VLS, to assure the Commission that the developer will provide or assist the utility in securing necessary funding to meet all reasonable capital needs and any operating deficits which may arise as the result of the utility's operation. The affidavit states that the funding will be provided on an as and when needed basis. Additionally, the applicant provided the consolidated financial statements for the developer for the years 1993 through 1995. We have reviewed the financial statements of VLS and believe it has adequate resources to support the utility during the initial years of operation.

Regarding the applicant's technical ability, related parties owned and operated Sunbelt Utilities, Inc. from its formation in 1976 until its sale in November, 1993. At that time, the utility was providing service to approximately 8,000 ERCs in Lake and Sumter Counties. The utility was regulated by the Commission during many of those years. Additionally, the application states that the utility will employ operations, maintenance, technical and management personnel necessary to ensure the efficient provision of water and wastewater service to the various customers of the utility. The application states that the provision of service in the proposed service territory, as outlined in the application, is consistent with the water and wastewater sections of the local comprehensive plan for Sumter County, as approved by the Department of Community Affairs.

Based on the foregoing, we find that it is in the public interest to grant LSU Water Certificate No. 580-W and Wastewater Certificate No. 500-S, to serve the territory described in Attachment A of this order. The utility is required to file an executed and recorded copy of the warranty deed within thirty days of the issuance date of this Order.

RATES AND CHARGES

Inclining Block Rate Structure

LSU proposed the implementation of an inclining block rate structure. The utility states that such a rate structure is required by the Southwest Florida Water Management District (SWFWMD) as a condition of obtaining a consumptive use permit (CUP). The utility states that the inclining block rate structure is appropriate due to the high water consumption per ERC in this area and the SWFWMD's attempts to reduce water consumption. LSU's service area will be developed as an adult residential golfing community similar to the existing Villages developments in Lake and Sumter counties. According to the utility, actual average daily usage per ERC has been 488 gallons per day (gpd) in these other areas of The Villages development, equating to almost 15,000 gallons per month per ERC.

In the CUP application, the utility is projecting a usage of 238 gallons per capita per month, which equates to approximately 14,000 gallons per month per ERC. Since the 1994 public supply water use database indicates an average usage of only about 140 gpd in Sumter County, SWFWMD asked for additional information to justify the 238 gpd per capita requested by the utility. Additionally, SWFWMD requested that the utility submit a plan as to what conservation measures it would be taking to reduce water consumption.

LSU's proposed service area is totally within Sumter County, but borders Lake County to the east and Marion County to the north. This location also places it on the border between the two water management districts. When a utility's service area crosses into both water management districts, the districts have agreed that it is where the water distribution system originates that determines which district regulates the utility with regard to water resources. Therefore, utilities that are near the LSU service area and even within Sumter County may be regulated by SJRWMD and not SWFWMD.

We were informed by the SJRWMD that there are utilities located in this part of the St. John's district with consumption similar to that projected by LSU. These utilities usually serve adult golf course communities, similar to that planned by LSU. According to information provided by SJRWMD, the Villages developments in Lake and Sumter counties, used 301 gpd per capita in 1994, equating to more than 17,000 gallons per month per ERC. Furthermore, according to the annual reports, the average usage of customers of Spruce Creek South Utilities, Inc. in Marion County,

a utility regulated by us and located immediately adjacent to LSU's proposed service territory, was 14,000 gallons per month in 1994 and 15,000 in 1995.

Based on the above discussion, we find that an inclining block rate structure is appropriate in this case. Although it is our policy to approve a base facility charge rate structure with a uniform gallonage charge, we have authorized other rate structures in the past. We have approved an inclining block rate structure in three utility proceedings, but never in an original certificate case. Those three utilities are: Hobe Sound Water Company (Dockets No. 900656-WU and 940475-WU); Sanlando Utilities Corporation (Docket No. 900338-WS); and General Development Corporation (Dockets No. 920733-WS and 920734-WS). While we have never approved an inclining block rate structure in an original certificate case, we find there is a clear indication that usage may be high in this service area and, thus, a stronger conservation price signal is warranted. However, we disagree with the utility's proposed inclining block rates for the reasons discussed below.

#### Calculation of the Inclining Block Rate

The Company's proposed water rates are as follows:

Base Facility Charge	\$5.26
0-9,000 gallons	\$ .46 per 1,000 gallons
Over 9,000 gallons	1.27 per 1,000 gallons

These rates are based on expected consumption of 410 gpd per ERC, or approximately 12,500 gallons per month. Normally, original certificate rates are based on consumption of 350 gpd per ERC, or approximately 10,000 gallons per month, which is the Department of Environmental Protection (DEP) estimated usage for new plants. The utility proposes a breakpoint in the usage blocks of 9,000 gallons based on SWFWMD's target consumption of 285 gpd per connection (150 gpd per capita x 1.9 persons). Further, the utility proposes to set the rate in the second tier 2.75 times higher than the gallonage rate in the first block. The utility states that the second tier must be sufficiently higher than the first to have any impact on water usage. Additionally, the utility proposes to implement the inclining block rate structure for the residential and general service customers.

We find that the price signal sent by the above inclining gallonage rates will be of minimal value since the rate levels are so low, even at the second block. Conservation cannot be achieved by rate structure alone if the resulting rates are too low to

impact usage. In an effort to send a strong price signal, we have modified the rate structure filed and approve the following rate structure, changing the gallons on which the rate is based, the usage block breakpoint, and the rate tier factor.

Usage Assumptions and Usage Block Breakpoint

We find that the rates shall be calculated to assume usage of 350 gpd as is customary in original certificate cases, rather than the 410 gpd that the utility proposes. Reducing the consumption over which to spread the gallonage revenue has the effect of raising the gallonage rate. Further, we find the breakpoint shall be set at 10,000 gallons and that the entire gallonage revenue requirement be recovered from the first tier rate. In this way, if customers truly do change to the expected consumption patterns, the utility will still recover its total revenue requirement. The utility shall escrow the difference between the first and second tier rates for all consumption over 10,000 gallons per month for conservation programs approved by the water management district. As mentioned earlier, the SWFWMD has asked the utility to design conservation measures to help reduce the expected consumption in this golf course community. By using the funds collected from usage in the second tier, the customers responsible for the excess consumption will be paying for the conservation programs targeted to make them reduce their usage.

The escrow account shall be established between the utility and an independent financial institution pursuant to a written escrow agreement. The Commission shall be a party to the written escrow agreement, and this agreement shall contain the following conditions:

- 1) The escrow account is established by the direction of the Florida Public Service Commission for the purpose set forth in its order requiring such account. Pursuant to Cosentino v. Elson, 263 So. 2d 253 (Fla. 3d DCA 1972), escrow accounts are not subject to garnishments.
- 2) The amount of revenue, in excess of the gallonage revenue requirement, from the second tier rate shall be deposited in the escrow account within seven days of receipt.
- 3) The escrow account shall be an interest bearing account.
- 4) All information on the escrow account shall be available from the holder of the escrow account to a Commission representative at all times.

- 5) All withdrawals from the escrow account must have prior approval of the Commission through the Director of the Division of Records and Reporting.

Any requests for withdrawals from the escrow account shall be accompanied by an explanation of the specific use of the funds, and documentation that the funds will be used to further the conservation program approved by the water management district for this utility.

#### Quarterly Reports

In order to adequately monitor this escrow fund and evaluate the conservation effects of this rate structure, we find it appropriate to require the utility to file quarterly reports containing the following information for the months included in the quarter: the number of customer bills, gallons billed and revenue collected, separated by usage block. This information shall be provided for each customer class and meter size. The utility shall file this information for a period of two years from the effective date of the rates. At that time, the rate structure shall be reevaluated, as well as the need for the escrow account.

#### Rate Tier Factor

The methodology described above results in a first tier rate of \$.85 per 1,000 gallons, using the revenue requirement discussed later in this Order. We believe a rate tier factor of 2.0 will be sufficient to affect a proper conservation signal. However, if data we collect in monitoring this rate structure indicates that a 2.0 tier factor is ineffective in promoting conservation, we will open a separate docket to adjust the differential between the first and second block, whenever we find such a need arises.

#### Applicability

The utility proposed applying the inclining block rate structure to both the general service and residential classes of customers. According to the application, the general service customers will consist of recreational and mail pickup facilities, golf course clubhouses, neighborhood shopping centers, and a health care and wellness center. Irrigation on the golf course is expected to be through reuse of reclaimed water. We find it is appropriate to implement this rate structure for the residential class only since the need for a conservation rate is based on the expected excess usage due to irrigation of the residential customers within the community. There is no indication that the

proposed general service customers will use excessive amounts of water.

Conclusion of Inclining Block Rate Structure

Based on the above discussion and using the revenue requirement calculated in this Order, we approve the following inclining block water rates for the residential customer class in this case:

Base Facility Charge	\$5.26
0-10,000 gallons	\$ .85 per 1,000 gallons
Over 10,000 gallons	1.70 per 1,000 gallons

This will cause the utility proposed bills to increase as follows:

	<u>Utility Proposed</u>	<u>Commission Approved</u>	<u>Diff.</u>	<u>%</u>
3,000 Gallons	\$ 6.64	\$ 7.81	\$ 1.17	18%
5,000 Gallons	7.56	9.51	1.95	26%
10,000 Gallons	10.67	13.76	3.09	29%
15,000 Gallons	17.02	22.26	5.24	31%
30,000 Gallons	36.07	47.76	11.69	32%
50,000 Gallons	61.47	81.76	20.29	33%

Reuse Rates

According to the utility's master plan, wastewater effluent will be reused as much as possible via golf course irrigation, consistent with the requirements of the SWFWMD. An estimated six golf courses will be constructed in the LSU service area. We note that the wastewater treatment facility will not be in operation until December, 1998.

The utility has not requested that a reuse rate be established. In essence, the utility is proposing to provide this service at no cost, or a zero rate. The utility should explore whether and how much the end users should be charged for the reuse irrigation service. However, since the utility will not be providing wastewater service until December, 1998, it would be premature to attempt that analysis in this docket. Rather, the utility is put on notice that prior to providing any reuse service, it must file a proposed reuse rate with the Commission. Such filing shall contain a justification for the requested rate, including a reuse cost analysis, as well as a discussion of both

the utility's alternatives for effluent disposal and the irrigation alternatives available to the potential reuse customers.

Furthermore, in Section 367.0817, Florida Statutes, the Legislature finds that reuse benefits water, wastewater and reuse customers. In light of this statute, the utility shall also, as part of the subsequent filing addressing a reuse rate, provide an analysis of whether and how much of the costs associated with the reuse facilities should be spread to its water customers, and the impact this would have on the utility's wastewater rates.

#### Rates and Return on Equity

The utility facilities will be built in three phases. The water treatment plant will have an ultimate capacity of 10.0 million gallons per day (mgd) with three 3.26 mgd wells plus one standby well, four 3.5 mgd high service pumps plus one standby pump, chlorination equipment, and a 2 million gallon storage tank. The wastewater treatment plant will have an ultimate capacity of 1.35 mgd to be achieved through three 0.45 mgd plant expansions.

The utility anticipates serving 2,750 residential customers and 47 general service customers in the first phase. The utility anticipates that Phases II and III will be comprised of a similar mix of residential and general service customers.

Normally, in original certificate applications, we determine rates which will allow the utility the opportunity to earn a fair rate of return on investment when the treatment plant reaches 80% of capacity. When the utility is built in phases, the rates are calculated based upon the projected costs for the first phase. From the information supplied by the applicant, we were able to calculate proforma schedules of rate base, operating income and capital structure to be used in determining initial rates.

We have reviewed the utility's preliminary cost estimates for Phase I and believe they are reasonable for the purpose of calculating initial rates and charges. Water and wastewater rate bases appear on Schedules Nos. 1 and 3, respectively. We determined that no adjustments were necessary to the utility's preliminary rate base estimates.

Similarly, we have reviewed the utility's projected operating expenses and believe they are reasonable. Our Schedules of Operations appears on Schedules Nos. 2 and 4 for water and wastewater, respectively.

Likewise, we reviewed the utility's proforma capital structure and determined that no adjustments were necessary. We calculated the return on common equity to be 11.88% using our current leverage formula, authorized by Order No. PSC-95-0982-FOF-WS, effective September 1, 1995. The utility's proforma capital structure appears on Schedule No. 5.

The above schedules are presented only as a tool to aid in establishing initial rates and are not intended to establish rate base. However, we do establish a return on equity of 11.88% to be used in future proceedings involving such things as calculation of interim rates.

We calculated water rates using an inclining block rate structure for residential service and the base facility charge rate structure for general service. The private fire protection rates were calculated in accordance with Rule 25-30.465, Florida Administrative Code, which states in part that the rate shall be one-twelfth of the current base facility charge of the utility's meter sizes.

We calculated wastewater rates using the base facility charge rate structure for residential and general service. The utility used 329 gpd per ERC in its wastewater gallonage charge calculation. Our practice has been to estimate residential wastewater flows at 80% of the estimated residential water flows. Accordingly, the standard wastewater usage utilized in original certificate cases is 280 gpd (80% x 350 water gpd.) In conjunction with using the standard 350 gpd to calculate water rates, it is appropriate to use the corresponding 280 gpd estimate for calculating wastewater rates.

Additionally, we establish a general service gallonage charge which is 20% higher than the residential wastewater gallonage charge to recognize that general service customers typically return a higher volume of wastewater to the wastewater system. The utility requested the same rate for both classes of service because it believed that incorporating the rate differential into the calculation would lower the residential gallonage charge which would discourage conservation. We will not have actual usage statistics for these customers for quite some time. Therefore, it will be more appropriate to maintain the current practice of establishing a higher general service gallonage charge at this time. Furthermore, we find that incorporating the rate differential in this instance does not materially affect the residential gallonage charge.

Customer Deposits and Miscellaneous Revenue Charges

The utility's proposed customer deposits were calculated in compliance with Rule 25-30.311(7), Florida Administrative Code, and thus are approved. Also, we find that the utility's proposed miscellaneous service charges are reasonable, and thus are approved.

Rate Summary

The utility's proposed and Commission approved rates, customer deposits, and miscellaneous service charges are shown on Schedule No. 6. We find the rates to be fair, just and reasonable. The rates are based on a revenue requirement of \$405,048 and \$625,470, for the water and wastewater systems, respectively.

Service Availability Charges

Rule 25-30.580(1)(a), Florida Administrative Code, states that the maximum amount of contributions-in-aid-of-construction (CIAC), 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. Rule 25-30.580(1)(b), Florida Administrative Code, states that the minimum amount of CIAC should not be less than the percentage of such facilities and plant that is represented by the water transmission and distribution and wastewater collection systems.

In its application, the utility requested approval of service availability charges designed to result in the minimum CIAC levels as allowed by Rule 25-30.580(1)(b), Florida Administrative Code. Additionally, the application contained the utility's proposed service availability policy. The policy stated that the utility will construct all on-site, off-site, and treatment facilities and will access main extension and meter installation charges. The utility's requested charges will result in minimum CIAC levels of 55.55% for water and 37.31% for wastewater, in accordance with Rule 25-30.580(1)(a) and (b), Florida Administrative Code.

Although the utility's proposed policy and charges will not result in a 75% contribution level, they will result in contribution levels which are within the guidelines of Rule 25-30.580(1), Florida Administrative Code. Also, we find that establishing service availability charges designed to achieve the maximum 75% CIAC level would result in lower monthly service rates, which may discourage water conservation. Further, although the requested charges will only achieve the minimum CIAC levels, this

utility's minimum levels are high compared to the minimum levels which are seen with many utilities. And finally, the requested charges result in total service availability charges to the customers which are in line with service availability charges we have approved for other utilities. In consideration of these factors, we find that the utility's requested service availability policy and charges are reasonable and shall be approved, with one exception.

The utility used daily usage estimates, and service availability calculations which are different from those normally used in original certificate cases. Specifically, the utility used 410 gpd for its water ERCs and 109 gpd for its wastewater ERCs. In keeping with our estimated gpd used to calculate the initial rates, we adjust the utility's proposed service availability charges to reflect the same gpd estimates. The approved service availability charges are shown below. These charges shall be effective for services rendered on or after the stamped approval date on the tariff sheets.

	<u>Utility Proposed Charges</u>	<u>Commission Approved Charges</u>
<u>Main Extension Charge</u>		
Water:		
Residential - per ERC	\$780.00	\$780.00
All others - per gallon		
At 410 GPD per ERC	1.90	---
At 350 GPD per ERC	---	2.23
Wastewater:		
Residential - per ERC	\$840.00	\$840.00
All others - per gallon		
At 109 GPD per ERC	7.71	---
At 280 GPD per ERC	---	3.00
<u>Meter Installation Fee</u>		
5/8" x 3/4"	\$100.00	\$100.00
Over 5/8" x 3/4"	Actual Cost	Actual Cost

Allowance for Funds Used During Construction (AFUDC)

Rule 25-30.033(4), Florida Administrative Code, states that "utilities obtaining initial certificates pursuant to this rule are

authorized to accrue allowance for funds used during construction for projects found eligible pursuant to Rule 25-30.116(1), FAC." In its application, LSU proposed an annual AFUDC rate of 10.60%, discounted to a monthly rate of .843100%. The application states that this rate would be applied to all future construction until changed by the Commission.

Rule 25-30.033(4)(a), Florida Administrative Code, states, "The applicable AFUDC rate shall be determined as the utility's projected weighted cost of capital as demonstrated in its application for original certificate and initial rates and charges." Further, Rule 25-30.033(4)(b), Florida Administrative Code, states that "a discounted monthly AFUDC rate calculated in accordance with Rule 25-30.116(3), FAC, shall be used to insure that the annual AFUDC charged does not exceed authorized levels." We have reviewed the utility's calculation and determined that it is in compliance with these rules. Therefore, we find that the utility's proposed AFUDC rate of 10.60%, discounted to a monthly rate of .843100% shall be approved.

Rule 25-30.033(4)(c), Florida Administrative Code, also states that "the date the utility shall begin to charge the AFUDC rate shall be the date the certificate of authorization is issued to the utility so that such rate can apply to the initial construction of the utility facilities." Accordingly, we find that the utility's AFUDC rate shall be effective for eligible construction projects beginning on the date the certificate of authorization is issued.

#### Effective Date

The utility shall file revised tariff sheets reflecting the approved rates and charges within thirty days of the effective date of the Order. The approved rates will be effective for services rendered on or after the stamped approval date of the tariff sheets.

Based on the foregoing, it is, therefore,

ORDERED by the Florida Public Service Commission that Little Sumter Utility Company, 1100 Main Street, Lady Lake, Florida 32159, is hereby granted Water Certificate No. 580-W and Wastewater Certificate No. 500-S to provide water and wastewater service to the territory described in Attachment A of this Order. It is further

ORDERED that all remaining provisions of this Order are issued as proposed agency action and shall become final, unless an appropriate petition in the form provided by Rule 25-22.036,

Florida Administrative Code, is received by the Director of the Division of Records and Reporting at 2540 Shumard Oak Boulevard, Tallahassee, Florida, 32399-0850, by the date set forth in the Notice of Further Proceedings below. It is further

ORDERED that Little Sumter Utility Company shall establish an escrow account pursuant to the body of this Order. It is further

ORDERED that Little Sumter Utility Company shall submit quarterly reports as set forth in the body of this Order. It is further

ORDERED that Little Sumter Utility Company shall charge the rates and charges, customer deposits, and miscellaneous revenue charges approved in the body of this Order until authorized to change by this Commission in a subsequent proceeding. The rates and charges shall be effective for service rendered and/or connections made on or after the stamped approval date on the tariff sheets. It is further

ORDERED that, Little Sumter Utility Company shall file revised tariff sheets and an executed and recorded copy of the warranty deed within thirty days of the issuance date of this Order. It is further

ORDERED that Little Sumter Utility Company shall charge service availability charges pursuant to the body of this Order. It is further

ORDERED that Little Sumter Utility Company is authorized to accrue an allowance for funds used during construction pursuant to the body of this Order. It is further

ORDERED that each of the findings made in the body of this Order is hereby approved in every respect. It is further

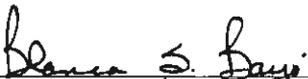
ORDERED that all matters contained in the schedules attached hereto are by reference incorporated herein. It is further

ORDERED that prior to providing any reuse service, Little Sumter Utility Company shall file a proposed reuse rate with the information as stated in the body of this Order. It is further

ORDERED that if a substantially affected person does not file a protest to request a formal proceeding concerning the rates and charges established herein within 21 days of issuance of this Order, this Order will become final, and this docket shall be closed.

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By ORDER of the Florida Public Service Commission, this 10th  
day of September, 1996.

  
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BLANCA S. BAYÓ, Director  
Division of Records and Reporting

( S E A L )

RA

Dissenting Opinion

Commissioner Deason dissents in a separate opinion as follows:

I respectfully dissent from the decision to establish an inverted rate structure for this brand-new company for the purpose of generating extra revenue in order to create a fund for a conservation program. We have done this once before in the case of Sanlando Utilities in Order No. 23809, issued on November 27, 1990, in Docket No. 900338-WS; and Order No. PSC-93-1771-POF-WS, issued on December 10, 1993, in Docket No. 930256-WS. In Sanlando's case, I supported the rate structure-based departure from cost based ratemaking because of the difficulties the long-time company was having with water conservation. Furthermore, I would take note of the Commission's statement in PAA Order No. PSC-93-1771-POF-WS, proposing a disposition of the excess collections:

Our approval of this utility's plan is a departure from the Commission's practice in setting rates in that the Commission has not approved rate increases for the purpose of funding future capital investment related solely to conservation. However, Sanlando has always been considered one of the better run utilities regulated by this Commission. Further, the utility has won numerous community service and environmental awards. Based on the utility's performance, we find that the management of this utility is such that we can rely on this utility to responsibly manage this substantial, long-term project. Accordingly, we find that Sanlando's low water rates, its location in a water supply problem area, and its exemplary performance as a regulated utility, make this utility a viable candidate for such an innovative and far-reaching conservation plan. We find this utility to be in a unique position to serve the overall public interest while at the same time inducing conservation by customers who might not otherwise reduce their water consumption. Based on the foregoing, and the facts specific to this docket, we approve the utility's petition for a limited proceeding to implement the conservation plan.

Even though I ultimately voted against the specific chosen method of benefitting neighboring golf courses (Order No. PSC-93-1771A-POF-WS, issued on December 13, 1993, in Docket No. 930256-WS), I generally concurred that the well-managed, established utility was better positioned to devise a conservation plan utilizing excess revenues from the inverted rate structure.

This case presents an entirely different set of circumstances. This utility will not serve its first customer until 1997. There are no usage patterns established. Likewise, we have no experience with this company's management. I think it is premature to even consider this option at this time. Having expressed these reservations, I would urge that we insure that the excess collections are spent -- if at all -- for the express intended purpose of development of a bona fide conservation plan and not to fund a "rainy day" fund that may need to be raided when pre-service optimism does not pan out. I am not suggesting that this will happen. Nevertheless, when departing from cost-based ratemaking we must be extremely careful to limit our experimentation to the narrowest allowances under the law.

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

As identified in the body of this order, except for the granting of water and wastewater certificates, our actions are preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting, at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on October 1, 1996. In the absence of such a petition, this order shall become effective on the date subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

If the relevant portion of this order becomes final and effective on the date described above, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or wastewater utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the effective date of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

Any party adversely affected by the Commission's final action in this matter may request: (1) reconsideration of the decision by filing a motion for reconsideration with the Director, Division of Records and Reporting within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or (2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water or wastewater utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

ATTACHMENT A

Little Sumter Utility Company

TERRITORY DESCRIPTION

The following described lands located in portions of Sections 1, 2, 3, 4, 9, 10, 11, 12, 15 and 16, Township 18 South, Range 23 East, Sumter County, Florida:

Begin at the Southwest corner of the S 1/2 of the SE 1/4 of Section 9; from said Point of Beginning run North to the Northwest corner of aforesaid S 1/2 of SE 1/4; thence East to the Southwest corner of the NE 1/4 of the SE 1/4 of Section 9; thence North to the Northwest corner of the SE 1/4 of the NE 1/4 of Section 9; thence West to the Southwest corner of the N 1/2 of the NE 1/4; thence North to the Southeast corner of the E 1/2 of the SW 1/4 of Section 4; thence West to the Southwest corner of said E 1/2 of SW 1/4; thence North to the Northwest corner of said E 1/2 of SW 1/4; thence East to the Northeast corner of said E 1/2 of SW 1/4; thence North to the Southeast corner of the NE 1/4 of the NW 1/4 of Section 4; thence West to the Southwest corner of said NE 1/4 of NW 1/4; thence North to the Northwest corner of said NE 1/4 of NW 1/4; thence East along the North line of Section 4 to the Northwest corner of Section 3; thence continue East along the North line of Section 3 to the Northeast corner of the NW 1/4 of Section 3; thence South to the Northwest corner of the S 1/2 of the NE 1/4 of Section 3; thence East to the Northwest corner of the NE 1/4 of the SE 1/4 of the NE 1/4 of Section 3; thence South to the Southwest corner of said NE 1/4 of SE 1/4 of NE 1/4; thence East to the Northwest corner of the S 1/2 of the S 1/2 of the NW 1/4 of Section 2; thence continue East along the North line of said S 1/2 of S 1/2 of NW 1/4 to a point that is 330 feet West of the East line of the NW 1/4 of Section 2; thence parallel with said East line run South to the East-West mid-section line of Section 2; thence along said mid-section line run East to the Northwest corner of the N 1/2 of the SW 1/4 of Section 1; thence continue East to the Northeast corner of said N 1/2 of SW 1/4; thence Northeast to an intersection of the East line of the W 1/2 of SW 1/4 of NE 1/4 of Section 1 with the Southwesterly Right-of-Way line of U.S. Highway 441/27 (being 200 feet wide); thence S41° 21' 52"E along said Southwesterly Right-of-Way line of U.S. Highway 441/27, 2497.32 feet, more or less, to a point that is N41° 21' 52"W, 533.33 feet from an intersection with the East line of Section 1; thence departing said Right-of-Way, S27° 37' 55"W, 1006.24 feet; thence N89° 05' 33"W,

979.95 feet; thence S76° 37' 00"W, 512.93 feet; thence S53° 39' 25"W, 661.67 feet; thence S38° 28' 11"W, 29.14 feet, more or less, to an intersection with the North line of Section 12; thence continue S38° 28' 11"W, 740.59 feet, more or less; thence S22° 00' 48"W, 346.72 feet to a point on a non-tangent curve concave Easterly, having a radius of 745.00 feet and a central angle of 06° 46' 35"; thence Southerly, along the arc of said curve, 88.11 feet to a point of tangency; thence S00° 05' 27"E, 449.53 feet; thence N89° 16' 28"W, 79.53 feet; thence N74° 00' 58"W, 254.18 feet; thence S80° 26' 07"W, 75.25 feet to a curve concave Southeasterly, having a radius of 100.00 feet and a central angle of 35° 58' 33"; thence Southwesterly, along the arc of said curve, 62.79 feet; thence S44° 27' 34"W, 186.05 feet to a curve concave Northerly, having a radius of 450.00 feet and a central angle of 78° 06' 55"; thence Westerly, along the arc of said curve, 613.51 feet; thence N57° 25' 31"W, 159.55 feet to a curve concave Southerly, having a radius of 100.00 feet and a central angle of 63° 09' 25"; thence Westerly, along the arc of said curve, 110.23 feet; thence S59° 25' 04"W, 277.28 feet to a curve concave Northerly having a radius of 450.00 feet and a central angle of 64° 09' 50"; thence Westerly, along the arc of said curve, 323.53 feet, more or less, to an intersection with the East line of Section 11; thence continue Westerly, along said arc, 180.41 feet, more or less; thence N73° 22' 28"W, along a non-tangent line, 781.39 feet; thence S69° 02' 49"W, 253.31 feet; thence S67° 46' 25"W, 639.15 feet; thence S22° 53' 09"W, 97.61 feet; thence S43° 31' 09"W, 81.52 feet; thence S83° 16' 40"W, 64.19 feet; thence S58° 25' 29"W, 611.18 feet; thence S16° 09' 24"W, 786.28 feet; thence N89° 34' 18"W, 16.11 feet, more or less, to an intersection with the North-South mid-section line of Section 11; thence North, along said mid-section line, to the Southeast corner of the W 1/2 of Section 2; thence along the East line of the W 1/2 of Section 2, run N00° 04' 27"W, 109.72 feet, more or less, to the Southwesterly Right-of-Way line of a Florida Power Corporation transmission line easement; thence along said Southwesterly Right-of-Way line run N44° 26' 00"W, 622.28 feet; thence S00° 04' 35"E, 506.40 feet to a point that is 50.00 feet North of the South line of the SW 1/4 of Section 2; thence parallel with said South line, run West to the West line of the SW 1/4 of Section 2 also being the East line of the SE 1/4 of Section 3; thence, parallel with and 50.00 feet North of the South line of the SE 1/4 of Section 3, run West to the West line of said SE 1/4; thence South to the Southwest corner of said SE 1/4; thence continue South to the Southeast corner of the NE 1/4 of the SW 1/4 of Section 10; thence along the South line of said NE 1/4 of SW 1/4, run West to the Southwest corner of said NE 1/4 of the SW 1/4 of Section 10; thence South to the Southeast corner of the W 1/2 of the SW 1/4 of Section 10. Said point also being on the North line of the NW 1/4 of Section 15; thence, along said North line, run

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West 185.91 feet, more or less, to a 4-inch concrete monument; said monument being N89° 59' 15"E, 1142.39 feet from the Northwest corner of Section 15; from said concrete monument run South 1334.50 feet to the South line of the N 1/2 of the NW 1/4 of Section 15; thence continue South 77.99 feet to a point on the arc of a curve in the North Right-of-Way line of County Road C-466 (being 100 feet wide); said curve being concave Southwesterly, having a radius of 1959.86 feet and a central angle of 16° 57' 10"; thence run Northwesterly, along the arc of said curve, 579.89 feet, to the point of tangency of said curve; thence N89° 29' 27"W, along said North Right-of-Way line, to the East line of the NE 1/4 of Section 16; thence continue West along said Right-of-Way line to the West line of the NE 1/4 of Section 16; thence North along said West line to the Point of Beginning. Said territory lying and being situate in Sumter County, Florida and contains approximately 2393 acres.

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LITTLE SUMTER UTILITY COMPANY  
Schedule of Water Rate Base  
At 80% of Design Capacity

DOCKET NO. 960305-WS  
Schedule No. 1

<u>Description</u>	<u>Balance Per Filing</u>	<u>Commission Adjust.</u>	<u>Commission Vote</u>
Utility Plant in Service	4,012,171	0	4,012,171
Land	55,324	0	55,324
Accumulated Depreciation	(652,040)	0	(652,040)
Contributions-in-aid-of-Construction	(2,063,600)	0	(2,063,600)
Accumulated Amortization of C.I.A.C.	161,110	0	161,110
Non-Used and Useful Plant	(698,344)	0	(698,344)
Working Capital Allowance	<u>23,800</u>	<u>0</u>	<u>23,800</u>
TOTAL	<u>838,421</u>	<u>0</u>	<u>838,421</u>

LITTLE SUMTER UTILITY COMPANY  
 Schedule of Water Operations  
 At 80% of Design Capacity

DOCKET NO. 960305-WS  
 Schedule No. 2

Description	Balance Per Utility	Commission Adjust.	Commission Vote
Operating Revenues	405,048	0	405,048
Operating and Maintenance	190,400	0	190,400
Depreciation Expense	46,179	0	46,179
Taxes Other Than Income	79,596	0	79,596
Income Taxes	0	0	0
Total Operating Expenses	316,175	0	316,175
Net Operating Income	88,873	0	88,873
Rate Base	838,421		838,421
Rate of Return	10.60%		10.60%

LITTLE SUMTER UTILITY COMPANY  
Schedule of Wastewater Rate Base  
At 80% of Design Capacity

DOCKET NO. 960305-WS  
Schedule No. 3

Description	Balance Per Filing	Commission Adjust.	Commission Vote
Utility Plant In Service	5,658,747	0	5,658,747
Land	262,789	0	262,789
Accumulated Depreciation	(1,279,254)	0	(1,279,254)
Contributions - In-aid-of-Construction	(1,969,800)	0	(1,969,800)
Accumulated Amortization of C.I.A.C.	143,956	0	143,956
Non-Used and Useful Plant	(1,165,486)	0	(1,165,486)
Working Capital Allowance	<u>27,675</u>	<u>0</u>	<u>27,675</u>
TOTAL	<u>1,678,627</u>	<u>0</u>	<u>1,678,627</u>

LITTLE SUMTER UTILITY COMPANY  
Schedule of Wastewater Operations  
At 80% of Design Capacity

DOCKET NO. 960305-WS  
Schedule No. 4

Description	Balance Per Utility	Commission Adjust.	Commission Vote
Operating Revenues	<u>625,470</u>	<u>0</u>	<u>625,470</u>
Operating and Maintenance	221,400	0	221,400
Depreciation Expense	121,197	0	121,197
Taxes Other Than Income	104,939	0	104,939
Income Taxes	<u>0</u>	<u>0</u>	<u>0</u>
Total Operating Expenses	<u>447,536</u>	<u>0</u>	<u>447,536</u>
Net Operating Income	<u>177,934</u>	<u>0</u>	<u>177,934</u>
Rate Base	<u>1,678,627</u>		<u>1,678,627</u>
Rate of Return	<u>10.60%</u>		<u>10.60%</u>

DOCKET NO. Interest - WS  
 Schedule No. 5

LITTLE BLAIRSTOWN UTILITY COMPANY  
 Schedule of Capital Structure  
 At 80% of Design Capacity

Description	Balance Per Filing	Commission Adjust.	Commission Vote	Return Adjust.	Return Balance	Weighted Value	Cost Rate	Weighted Cost
Common Equity	1,060,819	0	1,060,819	0	1,060,819	49.00%	11.00%	4.79%
Long and Short-Term Debt	1,310,229	0	1,310,229	0	1,310,229	59.00%	8.75%	5.16%
Customer Deposits	0	0	0	0	0	0.00%	0.00%	0.00%
Advances from Affiliated Companies	0	0	0	0	0	0.00%	0.00%	0.00%
Other	0	0	0	0	0	0.00%	0.00%	0.00%
	<u>2,371,048</u>	<u>0</u>	<u>2,371,048</u>	<u>0</u>	<u>2,371,048</u>	<u>100.00%</u>		<u>10.00%</u>

Range of Return/Weights

	High	Low
Common Equity	10.00%	10.00%
Overall Rate of Return	11.00%	10.20%

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SCHEDULE NO. 6  
Page 1 of 4

MONTHLY RATES AND CHARGES OF  
LITTLE SUMTER UTILITY COMPANY

Monthly Service Rates

WATER

	<u>Utility</u> <u>Proposed</u> <u>Rates</u>	<u>Commission</u> <u>Approved</u> <u>Rates</u>
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Residential Service  
Base Facility Charge  
Meter Size:

5/8" x 3/4"	\$ 5.26	\$ 5.26
Full 3/4"	7.89	7.89
1"	13.15	13.15
1-1/2"	26.30	26.30
2"	42.08	42.08
3"	84.16	84.16
4"	131.50	131.50
6"	263.00	263.00
8"	420.80	420.80

Gallage Charge

per 1,000 gallons:

First 9,000 gallons	\$ .46	\$ ---
Over 9,000 gallons	1.27	---
First 10,000 gallons	---	.85
Over 10,000 gallons	---	1.70

Typical Residential Bills

5/8" x 3/4" meter:

3 M	\$ 6.64	\$ 7.81
5 M	\$ 7.56	\$ 9.51
10 M	\$ 10.67	\$ 13.76

Monthly Service Rates (Continued)

WATER (Continued)

	<u>Utility Proposed Rates</u>	<u>Commission Approved Rates</u>
<u>General Service</u>		
<u>Base Facility Charge</u>		
<u>Meter Size:</u>		
5/8" x 3/4"	\$ 5.26	\$ 5.26
Full 3/4"	7.89	7.89
1"	13.15	13.15
1-1/2"	26.30	26.30
2"	42.08	42.08
3"	84.16	84.16
4"	131.50	131.50
6"	263.00	263.00
8"	420.80	420.80
<u>Gallonge Charge</u>		
per 1,000 gallons:		
First 9,000 gallons	\$ .46	\$ ---
Over 9,000 gallons	1.27	---
All Gallons	---	.85
<u>Private Fire Protection</u>		
<u>Line Size:</u>		
2"	\$ 3.51	\$ 3.51
3"	7.01	7.01
4"	10.96	10.96
6"	21.92	21.92
8"	35.07	35.07

Monthly Service Rates (Continued)

WASTEWATER

	<u>Utility Proposed Rates</u>	<u>Commission Approved Rates</u>
<u>Residential Service</u>		
<u>Base Facility Charge</u>		
<u>All Meter Size:</u>	\$ 9.53	\$ 9.53
Gallage Charge		
per 1,000 gallons: (10,000 gallon maximum)	\$ 1.24	\$ 1.45

Typical Residential Bills

<u>5/8" x 3/4" meter:</u>		
3 M	\$ 13.25	\$ 13.88
5 M	\$ 15.73	\$ 16.78
10 M	\$ 21.93	\$ 24.03

General Service

Base Facility Charge

Meter Size:

5/8" x 3/4"	\$ 9.53	\$ 9.53
Full 3/4"	14.30	14.30
1"	23.83	23.83
1-1/2"	47.65	47.65
2"	76.24	76.24
3"	152.48	152.48
4"	238.25	238.25
6"	476.50	476.50
8"	762.40	762.40

Gallage Charge		
per 1,000 gallons:	\$ 1.24	\$ 1.74

CUSTOMER DEPOSITS

	<u>Utility Proposed Charges</u>	<u>Commission Approved Charges</u>
<u>WATER:</u>		
<u>Residential and General Service</u>		
<u>Meter Size:</u>		
5/8" x 3/4"	\$ 25.00	\$ 25.00
1"	62.50	62.50
1-1/2"	125.00	125.00
2" and Over	200.00	200.00

<u>WASTEWATER:</u>		
<u>Residential and General Service</u>		
<u>Meter Size:</u>		
5/8" x 3/4"	\$ 25.00	\$ 25.00
1"	62.50	62.50
1-1/2"	125.00	125.00
2" and Over	200.00	200.00

MISCELLANEOUS SERVICE CHARGES

	<u>Utility Proposed Charges</u>	<u>Commission Approved Charges</u>
Initial Connection	\$ 15.00	\$ 15.00
Normal Reconnection	\$ 15.00	\$ 15.00
Violation Reconnection:		
Water	\$ 15.00	\$ 15.00
Wastewater	Actual Cost	Actual Cost
Premises Visit (in lieu of disconnection)	\$ 10.00	\$ 10.00