

## BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application of Spruce Creek )	DOCKET NO. 910746-SU
South Utilities, Inc. for a wastewater )	ORDER NO. 25331
certificate in Marion County, Florida. )	ISSUED: 11/13/91
_____)	

The following Commissioners participated in the disposition of this matter:

THOMAS M. BEARD, Chairman  
 SUSAN F. CLARK  
 J. TERRY DEASON  
 BETTY EASLEY  
 MICHAEL MCK. WILSON

NOTICE OF PROPOSED AGENCY ACTIONORDER SETTING RATES AND CHARGES

BY THE COMMISSION:

Notice is hereby given by the Florida Public Service Commission that the action discussed herein is preliminary in nature. However, the preliminary action shall become final unless a person whose interests are substantially affected files a petition for formal proceeding pursuant to Rule 25-22.029, Florida Administrative Code.

Background

On March 24, 1989, this Commission issued Order No. 20933, granting Spruce Creek South Utilities, Inc. (Spruce Creek or Utility) Certificate No. 511-W, to provide water service to customers in Marion County, Florida. On July 2, 1991, Spruce Creek filed an application with the Commission for a certificate to provide wastewater service in Marion County. The application, as filed, contained deficiencies. The deficiencies were corrected on August 13, 1991, and that date has been determined to be the official filing date. On October 3, 1991, this Commission issued Order No. 25157 granting Spruce Creek Certificate No. 467-S. The Docket remained open for determination of appropriate rates, charges, fees and allowance for funds used during construction (AFUDC) for the wastewater system.

The wastewater system is designed to handle up to 250,000 gallons per day (GPD). The system will operate as an extended aeration system with tertiary filtering. Eventually, the plant will dispose of its effluent through spray irrigation on a golf course. However, at present, disposal will be accomplished by percolation ponds since it is too costly to attempt to spray

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irrigate since the Utility does not yet have sufficient flow and the golf course is not yet complete.

Rates, Charges and Return on Equity

Normally, in original certificate applications, rates are established which allow a utility to earn a fair rate of return on investment when the treatment plant reaches 80 percent of capacity. Spruce Creek will serve approximately 1,111 equivalent residential connections (ERC) at buildout, which is expected to occur in 1994.

With its application, Spruce Creek submitted information to be used to calculate proforma schedules of rate base, operating income and capital structure. We reviewed and analyzed the information and found it to be sufficient for the purpose of establishing rates and charges, without adjustments. Our calculation of rate base is shown on Schedule No. 1 attached to this Order. The Schedule of Operations is shown on Schedule No. 2. The proforma capital structure is shown on Schedule No. 3.

The Schedules referred to herein are presented only as tools to aid in the establishment of initial rates. They are not intended for use in the establishment of rate base.

The return on common equity approved for Spruce Creek's water system is 14.35 percent. We find it appropriate to approve a return on equity of 14.35 percent for the wastewater system to be used in future proceedings involving such things as the calculation of interim rates.

Spruce Creek's rates have been calculated using the base facility charge rate structure and are based on a revenue requirement of \$167,118 for the wastewater system. Following are the rates requested by Spruce Creek for its wastewater system, which we find to be reasonable and hereby approve.

Wastewater Service  
Monthly Rates

Residential Rates

<u>Base Facility Charge</u>	<u>Rates</u>
All Meter Sizes	\$ 6.04
<u>Gallonge Charge</u>	
Per 1,000 Gallons	\$ 1.36
(Maximum of 10,000 Gallons)	

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General Service Rates

<u>Base Facility Charge</u>	<u>Rates</u>
<u>Meter Size</u>	
5/8" x 3/4"	\$ 6.04
1"	15.10
1-1/2"	30.20
2"	48.32
3"	96.64
4"	151.00
6"	302.00
 <u>Gallonage Charge</u>	
Per 1,000 Gallons	\$ 1.63

Spruce Creek shall charge these rates until authorized to change by the Commission.

Spruce Creek requested the miscellaneous service charges for the wastewater system:

<u>Type of Service</u>	<u>Wastewater</u>
Initial Connection	\$ 15.00
Normal Reconnection	\$ 15.00
Violation Reconnection	Actual Cost
Premises Visit	\$ 15.00

These charges are defined as follows:

Initial Connection - This charge is to be levied for service initiation at a location where service did not exist previously.

Normal Reconnection - This charge is to be levied for transfer of service to a new customer account at a previously served location, or reconnection of service subsequent to a customer requested disconnection.

Violation Reconnection - This charge is to be levied prior to reconnection of service for cause according to Rule 25-30.320(2), Florida Administrative Code, including a delinquency in bill payment. (Actual cost is limited to direct labor and equipment rental.)

Premises Visit Charge (in lieu of disconnection) - This charge is to be levied when a service representative visits a premises to discontinue service for nonpayment of a due and collectible bill

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and does not discontinue service because the customer pays the service representative or otherwise makes satisfactory arrangements to pay the bill.

These charges are designed to more accurately reflect the costs associated with each service and to place the burden of payment on the person who causes the cost to be incurred. The miscellaneous service charges shall be effective for service rendered on or after the stamped approval date on the revised tariff sheets.

Spruce Creek shall file tariff sheets reflecting the rates and charges approved herein within 30 days of the date of this Order. The rates approved herein shall be effective for meter readings on or after 30 days from the stamped approval date on the tariff sheets.

#### Service Availability Charges

Spruce Creek proposes to charge for plant capacity and the collection system lines. Since the developer will install the system and charge its customers for connection, the Utility's proposed charges will result in over-contribution. The Utility failed to recognize the effect of accumulated depreciation and amortization of contributions-in-aid-of-construction (CIAC) on the ratio of net CIAC to net plant in service at buildout.

The following service availability charges are found to be appropriate and they are approved:

<u>Type</u>	<u>Charge</u>
Plant Capacity (ERC = 225 GPD)	\$ 375
Per Gallon	\$ 1.67
Line Extension (ERC = 225 GPD)	\$ 725
Per Gallon	\$ 3.22

According to our analysis, these charges will result in a contribution level of approximately 75 percent when the system reaches buildout. Our analysis of the service availability charges is shown on Schedule No. 4.

#### Allowance For Funds Used During Construction

Spruce Creek's proforma capital structure has been utilized to calculate its AFUDC rate for the wastewater system. The capital structure upon which this rate is based is shown on Schedule No. 3.

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The appropriate annual AFUDC rate is 11.39 percent, with the monthly discounted rate calculated to be 0.9037 percent. Although the Utility has not filed for an AFUDC rate for its water system, for the purpose of consistency and uniformity, the AFUDC rate for the water system is hereby established at the same level as the wastewater system.

According to Rule 25-30.116(5), Florida Administrative Code, the effective date for the new AFUDC rate shall be the month following the end of the 12-month period used to establish the rate. That would result in the new rate being effective for projects as of July, 1992. Thus, the current construction would be outside the authorized period for AFUDC recovery.

In cases where a utility is new and under construction, we believe the effective date should be the date of the final order in the certification docket. Therefore, since the Utility has not yet begun to provide wastewater service and construction will begin soon, we find it appropriate to waive Rule 25-30.116(5), Florida Administrative Code, in this instance.

It is, therefore,

ORDERED by the Florida Public Service Commission that Spruce Creek South Utilities, Inc., 17585 S. E. 102nd Avenue, Summerfield, Florida 32691, shall charge its wastewater customers the rates approved in the body of this Order until authorized to change by the Commission. The rates shall be effective for meter readings on or after 30 days from the stamped approval date on the tariff sheets. It is further

ORDERED that Spruce Creek shall charge the service availability charges approved in the body of this Order. The charges shall be effective for connections made on or after the stamped approval date on the tariff sheets. It is further

ORDERED that the annual AFUDC rate for the water and wastewater systems is 11.39 percent, with a monthly discounted rate of 0.9037 percent. This rate shall become effective as of the effective date of this Order. It is further

ORDERED that Spruce Creek shall file tariff sheets reflecting the rates and charges approved herein within 30 days of the date of this Order. It is further

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ORDERED that the return on equity for Spruce Creek is 14.35 percent, which shall be used in future proceedings such as the calculation of interim rates. It is further

ORDERED that the 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, Division of Records and Reporting, 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that in the event this Order becomes final, this docket shall be closed.

By ORDER of the Florida Public Service Commission, this 13th  
day of NOVEMBER, 1991.

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STEVE TRIBBLE, Director  
Division of Records and Reporting

( S E A L )

ALC

by: Kay Flynn  
Chief, Bureau of Records

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.

The action proposed herein is 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

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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 his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on 12/4/91.

In the absence of such a petition, this order shall become effective on the day 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 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.

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## SCHEDULE NO. 1

SPRUCE CREEK SOUTH UTILITIES, INC.  
Schedule of Wastewater Rate Base  
At 80% of Design Capacity

Description

Utility Plant in Service	\$1,729,143
Land	22,671
Accumulated Depreciation	( 149,890)
Contrib.-in-Aid-of-Constr.	(1,048,859)
Accum. Amort. of CIAC	89,727
Plant Held for Future Use	( 320,385)
Working Capital Allowance	<u>9,920</u>
Total	<u>\$ 332,327</u>

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## SCHEDULE NO. 2

SPRUCE CREEK SOUTH UTILITIES, INC.  
Schedule of Wastewater Operations  
At 80% of Design Capacity

Description

Operating Revenues	\$ <u>167,118</u>
Operating and Maintenance	79,360
Net Depreciation Expense	12,074
Taxes Other Than Income	33,737
Income Taxes	<u>4,095</u>
Total Operating Exp.	\$ <u>129,266</u>
Net Operating Income	\$ <u>37,852</u>
Rate Base	\$ <u>332,327</u>
Rate of Return	<u>11.39%</u>

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## SCHEDULE NO. 3

SPRUCE CREEK SOUTH UTILITIES, INC.  
 Schedule of Capital Structure  
 At 80% of Design Capacity

<u>Description</u>	<u>Per Filing</u>	<u>Weight</u>	<u>Cost Rate</u>	<u>Weighted Cost</u>
Common Equity	\$120,635	36.30%	14.35%	5.21%
Long and Short Term Debt	180,952	54.45%	10.00%	5.44%
Customer Deposits	<u>30,740</u>	<u>9.25%</u>	<u>8.00%</u>	<u>0.74%</u>
	<u>\$332,327</u>	<u>100.00%</u>		<u>11.39%</u>

Discounted Monthly Rate = 0.9037

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## SCHEDULE NO. 4

SPRUCE CREEK SOUTH UTILITIES, INC.  
 Service Availability Charge Analysis

Gross Book Value	1,751,814
Land	22,671
Depreciable Assets	1,729,143
Accumulated Depreciation to Date	0
Accumulated Depreciation at Design Capacity	236,547
Net Plant at Design Capacity	1,515,267
Transmission & Distribution/Collection Lines	1,147,280
Minimum Level of CIAC	65.49%
CIAC to Date	0
Accumulated Amortization of CIAC to Date	0
Net CIAC to Date	0
Level of CIAC to Date	0.00%
Accumulated Amortization of CIAC at Design Capacity	0
Future Customers (ERC) to be Connected	1,111
Composite Depreciation Rate	3.42%
Composite CIAC Amortization Rate	3.42%
Number of Years to Design Capacity	4.00
Existing Service Availability Charge Per ERC	\$ 0.00
Level of CIAC at Design Capacity	0.00%
Net CIAC at Design Capacity	\$ 0
Requested Service Availability Charge Per ERC	\$ 1,181.00
Level of CIAC at Design Capacity	80.55%
Net CIAC at Design Capacity	\$1,220,474
Minimum Service Availability Charge Per ERC	\$ 960.27
Level of CIAC at Design Capacity	65.49%
Net CIAC at Design Capacity	\$ 992,363
Maximum Service Availability Charge Per ERC	\$ 1,099.69
Level of CIAC at Design Capacity	75.00%
Net CIAC at Design Capacity	\$1,136,450