

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application to establish  
allowance-for-funds-prudently-  
invested (AFPI) charges in Lake  
County by W.B.B. Utilities, Inc.

DOCKET NO. 970397-WU  
ORDER NO. PSC-97-1030-FOF-WU  
ISSUED: August 27, 1997

The following Commissioners participated in the disposition of  
this matter:

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

NOTICE OF PROPOSED AGENCY ACTION  
ORDER APPROVING AFPI CHARGES

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service  
Commission that the action discussed herein 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

W.B.B. Utilities, Inc. (W.B.B. or utility) is a Class C  
utility providing water service in Lake County. According to its  
December 31, 1996 annual report, the utility was serving 31  
residential customers. The utility reported in its December 31,  
1996, annual report operating revenues of \$11,291 and a net  
operating loss of \$4,554.

On December 18, 1996, in Docket No. 961498-WU, the utility  
filed proposed tariffs along with an application for authority to  
increase its service availability charges and to initiate allowance  
for funds prudently invested (AFPI) charges pursuant to Section  
367.091, Florida Statutes, and Rules 25-30.565 and 25-30.434,  
Florida Administrative Code, respectively. The test year was the  
twelve-month period ending December 31, 1995. The utility

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FPSC-RECORDS/REPORTING

requested approval of a revised main extension charge and plant capacity charge. The utility also requested AFPI charges to cover non-used and useful plant. By letter dated March 24, 1997, the utility withdrew its request for AFPI charges, after determining that the newly constructed plant was 100% used and useful. By Order No. PSC-97-0598-FOF-WU, issued May 23, 1997, the utility was granted a revised service availability charge for the main extension and the plant capacity charge. Order No. PSC-97-0598-FOF-WU also acknowledged the utility's notice of voluntary withdrawal of its AFPI application.

On March 31, 1997, W.B.B. filed a limited proceeding pursuant to Section 367.0822, Florida Statutes, to increase its rate base to include the cost of the newly constructed plant. The test year was the twelve-month period ended December 31, 1996. The utility paid the appropriate filing fee for a limited proceeding pursuant to Rule 25-30.020(2)g, Florida Administrative Code. We have determined that the new plant was constructed pursuant to Lake County's requirement that the utility upgrade its fire flow system to accommodate the 48 additional ERCs in phase II of the development. Therefore, we find it appropriate for the utility to seek recovery of those costs through its application for AFPI charges. An application fee is not required for an AFPI proceeding. Accordingly, the filing fee will be refunded to the utility. In its application, the utility is requesting AFPI charges for recovery of the carrying cost on the non-used and useful plant amount of \$93,689. We have reviewed the utility's records for compliance with Commission rules and orders and determined components for rate setting.

The utility's service area is designated as a critical use area. The utility is under the jurisdiction of the St. Johns River Water Management District. This Order addresses the utility's request for AFPI charges.

#### USED AND USEFUL

W.B.B.'s system primarily utilizes pump, chlorination and distribution mechanics. The utility's monthly operation reports for the test year were utilized to calculate the used and useful percentages. These calculations appeared to be high (709 gpd per equivalent residential connection (ERC)) in comparison to using the standard 350 gpd per ERC factor. However, we have concluded that the high flow readings were reasonable. Therefore, the monthly operation reports' high flow readings were utilized to calculate

the used and useful percentages. The service area is not built out. However, all of the service lines have been installed (this includes all of the remaining available lots).

The utility's water treatment facility has a designed flow capacity of 540,000 gallons per day (gpd). The design components consist of two wells, hypomechanical chlorine injection system, and a 7,500-hydropneumatic tank. The housekeeping at the plant is satisfactory. At the time of the engineering field investigation, this facility appeared to be operating properly. In Phase II of the development, the water distribution system consists of 6-inch PVC pipe, 4-inch PVC pipe, 2-inch mains, and 6 fire hydrants. At the time of the engineering investigation, the distribution system appeared to be operating properly.

Based upon the foregoing, we find that the water treatment plant is 72% used and useful, and the water distribution system is 42% used and useful (see attachments 2A and 2B).

#### ADJUSTMENTS FOR NON-USED AND USEFUL PLANT IN SERVICE

We have determined that the new plant is fire flow for future customers, and is therefore non-used and useful. Therefore, the future customers are the ones who will benefit from the system's fire flow upgrades, and any recovery shall be through AFPI charges. Accordingly, utility plant-in-service shall be decreased by \$93,689, with a corresponding reduction to accumulated depreciation and depreciation expense of \$3,255.

#### AFPI TARIFF

W.B.B. requested an AFPI charge for that portion of its water transmission and distribution lines found to be non-used and useful. AFPI charges are designed to allow the utility to recover a fair rate of return on a portion of the plant facilities which were prudently constructed, but exceed the amount necessary to serve current customers. This charge allows the recovery of carrying costs on the non-used and useful plant. This one-time charge is based on the number of ERCs and is generally applicable to all future customers who have not already prepaid connection fees, CIAC or customer advances.

The test year used in this case for establishing the amount of non-used and useful plant is the year ended December 1996. Pursuant to Rule 25-30.434(4), Florida Administrative Code, the

beginning date for accruing the AFPI charge shall agree with the month following the end of the test year that was used to establish the amount of non-used and useful plant. Therefore, the beginning date for accruing the AFPI charge in this case was January 1997. However, the effective date for assessing the AFPI charge is in August 1997. Pursuant to Rule 25-30.434(4), Florida Administrative Code, if any connections have been made between the beginning date and the effective date of the charge, no AFPI charges will be collected from those connections.

We find that the approved AFPI charges shall be those contained in attached Schedule No. 1D. We have calculated AFPI charges allowing carrying costs relative to the non-used and useful plant for the 48 ERCs. The amount of the AFPI charges are based on the date future customers connect. We find that the utility shall collect the approved AFPI charges for the five-year period ended December, 2001. The charge shall be \$179.36 upon the effective date. The charge shall accumulate to \$1,547.32 over the five-year period. After the utility collects these charges for the 48 water ERCs, the charge shall be discontinued.

CLOSING OF DOCKET

Upon expiration of the protest period, if a timely protest is not received from a substantially affected person, this Docket shall be closed upon the utility's timely filing of revised tariffs, and our staff's verification that the revised tariffs reflect the provisions of this Order and an approved notice to future customers has been filed by the utility pursuant to Rule 25-22.0408, Florida Administrative Code.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the provisions of this Order are issued as proposed agency action and shall become final unless a person whose interests are substantially affected files a petition for formal proceeding in the form provided by Rule 25-22.029, Florida Administrative Code, with the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings or Judicial Review" attached hereto. It is further

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ORDERED that W.B.B. Utilities, Inc.'s application to establish AFPI charges is hereby approved as set forth in the body of this Order. It is further

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

ORDERED that W.B.B. Utilities, Inc. is hereby authorized to charge the AFPI charges as set forth in the body of this Order. It is further

ORDERED that W.B.B. Utilities, Inc.'s AFPI charges shall be effective for connections made on or after the stamped approval date on the tariff sheets provided customers have received notice, pursuant to Rule 25-30.475(2), Florida Administrative Code. It is further

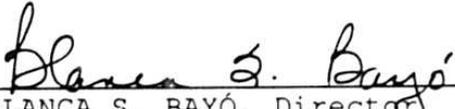
ORDERED that W.B.B. Utilities shall provide proof that future customers have received notice pursuant to Rule 25-22.0408, Florida Administrative Code, within ten days of the date of the notice. It is further

ORDERED that, prior to implementation of the rates and charges approved herein, W.B.B. Utilities, Inc. shall submit and have approved revised tariff pages. The revised tariff pages will be approved upon Commission staff's verification that the pages are consistent with our decision herein, and that an approved customer notice has been filed by the utility pursuant to Rule 25-22.0408, Florida Administrative Code. It is further

ORDERED that, upon expiration of the protest period, if a timely protest is not received from a substantially affected person, this docket shall be closed upon the utility's timely filing of revised tariffs, provided that our staff has verified that the revised tariffs reflect the provisions of this Order and that an approved notice to future customers has been filed by the utility pursuant to Rule 25-22.0408, Florida Administrative Code.

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By ORDER of the Florida Public Service Commission, this 27th  
day of August, 1997.

  
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BLANCA S. BAYÓ, Director  
Division of Records and Reporting

( S E A L )

JSB

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), 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.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

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 Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on September 17, 1997.

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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 substantially 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.

(Attachment 2A)

WATER TREATMENT PLANT

USED AND USEFUL DATA

Docket No. 961498-WU Utility W.B.B. UTILITIES, INC. Date MAY 97

- 1) Capacity of Plant 540,000 gallons per day
- 2) Maximum Daily Flow 26,660 gallons per day
- 3) Average Daily Flow 20,571 gallons per day
- 4) Fire Flow Capacity 360,000 gallons per day
  - a) Needed Fire Flow 360,000 gallons per day
- 5) Margin Reserve 1,793 gallons per day  
\*Not to exceed 20% of present customers
  - a) Test Year Customers in ERC's - Begin 27 End 31 Av. 29
  - b) Customer Growth Using Regression Analysis in ERC's for Most Recent 5 Years Including Test Year 1.3 ERC's
  - c) Construction Time for Additional Capacity 1.5 Years

(b) x (c) x  $\left[ \frac{2}{(a)} \right] = \underline{1,793}$  gallons per day Margin Reserve
- 6) Excessive Unaccounted for Water none gallons per day
  - a) Total Amount        gallons per day       % of Av. Daily Flow
  - b) Reasonable Amount        gallons per day       % of Av. Daily Flow
  - c) Excessive Amount        gallons per day       % of Av. Daily Flow

PERCENT USED AND USEFUL FORMULA

$$\left[ \frac{(2 + 5) + 4a - 6}{1} \right] = \underline{72} \% \text{ Used and Useful}$$

 Engineer

(Attachment 2B)  
USED AND USEFUL DATA

WATER DISTRIBUTION SYSTEM

Docket No. 961498-WU Utility W.B.B. UTILITIES, INC. Date MAY 97

1) Capacity 79 ERC's (Number of potential customers without expansion)

2) Number of TEST YEAR Connections 31 ERC's

a) Begin Test Year 27 ERC's

b) End Test Year 31 ERC's

c) Average Test Year 29 ERC's

3) Margin Reserve 1.95 ERC's

\*Not to exceed 20% of  
present customers

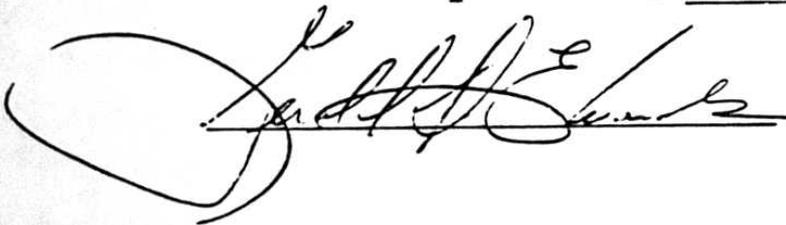
a) Customer Growth Using Regression Analysis in ERC's for Most  
Recent 5 Years Including Test Year 1.3 ERC's

b) Construction Time for Additional Capacity 1.5 Years

(a) x (b) = 1.95 ERC's Margin Reserve

PERCENT USED AND USEFUL FORMULA

$$\frac{(2 + 3)}{1} = \underline{42} \% \text{ Used and Useful}$$

  
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Engineer

Allowance for Funds Prudently Invested

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	1997	1998	1999	2000	2001
January	22.42	293.00	582.13	891.55	1,223.15
February	44.84	316.95	607.76	919.02	1,252.62
March	67.26	340.91	633.40	946.49	1,282.09
April	89.68	364.86	659.03	973.95	1,311.56
May	112.10	388.82	684.66	1,001.42	1,341.03
June	134.52	412.77	710.29	1,028.88	1,370.50
July	156.94	436.73	735.93	1,056.35	1,399.97
August	179.36	460.68	761.56	1,083.82	1,429.44
September	201.78	484.64	787.19	1,111.28	1,458.91
October	224.20	508.59	812.82	1,138.75	1,488.38
November	246.62	532.54	838.46	1,166.21	1,517.85
December	269.04	556.50	864.09	1,193.68	1,547.32

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