

MEMORANDUM

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November 3, 1997

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12:00
FPSC - Records/Reporting

TO: DIVISION OF RECORDS AND REPORTING

FROM: DIVISION OF LEGAL SERVICES (FERGUSON)^G

RE: DOCKET NO. 971072-WU - DISPOSITION OF SERVICE
AVAILABILITY CHARGES FOR CRYSTAL RIVER UTILITIES, INC.
FOR PINE VALLEY, MEADOWS, AND WOODS WATER SYSTEMS IN
SUMTER AND CITRUS COUNTIES.

PSC-97-1395-F.A.F.

Attached is a NOTICE OF PROPOSED AGENCY ACTION ORDER MODIFYING SERVICE AVAILABILITY CHARGES AND REVISING TARIFF SHEETS, to be issued in the above-referenced docket.

(Number of pages in order - 6)

CF/lw

Attachment

cc: Division of Water and Wastewater (Galloway, Rendell)

I:971072or.cf

Y/O-

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Disposition of service availability charges for Crystal River Utilities, Inc. for Pine Valley, Meadows, and Woods water systems in Sumter and Citrus Counties.

DOCKET NO. 971072-WU
ORDER NO. PSC-97-1395-FOF-WU
ISSUED: November 3, 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 MODIFYING SERVICE AVAILABILITY CHARGES
AND REVISING TARIFF SHEETS

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

Crystal River Utilities, Inc. (Crystal River or utility) is a Class B utility serving approximately 894 water customers and 152 wastewater customers according to its 1996 Annual Report. The utility also reported in its 1996 annual report, water revenues in the amount of \$90,769 and wastewater revenues in the amount of \$16,017.

The utility is currently comprised of 8 water systems and 2 wastewater systems. Recently, the Commission has approved several transfers of water and wastewater systems to Crystal River. For purposes of the present docket, our concern is with only three of these transfers: (1) Demetree Utilities transferred to Crystal River pursuant to Order No. PSC-96-1539-FOF-WU, issued December 17,

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

1996; (2) Seven Rivers transferred to Crystal River pursuant to Order No. PSC-97-0187-FOF-WU, issued February 18, 1997; and (3) Sumter Water Company transferred to Crystal River pursuant to Order No. PSC-97-0312-FOF-WS, issued March 24, 1997.

By letter dated July 16, 1997, our staff notified the utility that, upon its comprehensive review of the utility's 1996 annual report, three of the utility's water systems' net contribution-in-aid-of-construction (CIAC) percentages are greater than allowed pursuant to Rule 25-30.580, Florida Administrative Code.

The three water systems which exceeded the maximum level of CIAC were the Pine Valley water system (part of the Demetree Utilities transfer docket), the Meadows water system (part of the Seven Rivers transfer docket), and the Woods water system (part of the Sumter Water Company transfer docket). The letter required that the utility provide justification for continuing to charge the service availability charges stated in the tariff for these three systems.

By letter dated August 5, 1997, the utility stated that it concurred with our assessment of the percentage levels of net CIAC for these three water systems. The utility further stated in its letter that it would no longer collect the service availability fees for new services as is presently allowed by the tariff.

SERVICE AVAILABILITY CHARGES AND TARIFF SHEETS

Upon review of the utility's 1996 annual report, we calculated the percentage levels of CIAC for each water and wastewater system. The contribution levels for three of the utility's water systems exceeded the maximum amount of CIAC allowed by Rule 25-30.580, Florida Administrative Code. The contribution levels, as calculated for the Pine Valley, the Meadows, and the Woods water systems, follows:

SYSTEM	WATER/WASTEWATER	PERCENTAGE
Pine Valley	Water	89.46%
Meadows	Water	82.90%
Woods	Water	98.77%

Rule 25-30.580, Florida Administrative Code, specifies the minimum and maximum level of CIAC for utilities. The maximum level is required by Rule 25-30.580 (1) (a) & (b), Florida Administrative Code and this rule states:

The maximum amount of contributions-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 their designed capacity; and (b) The minimum amount of contribution-in-aid-of-construction should not be less than the percentage of such facilities and plant that is represented by the water transmission and distribution and sewage collection systems.

The maximum level provides that the utility retain some investment in the utility assets as an incentive to continue ownership and operation. If the owner has no investment in the utility, and no rate base to earn a return on, any increase in operating expenses would result in losses which would discourage proper operation of the facilities.

Based on a review of the utility's history, specifically, the three systems mentioned above, the levels of CIAC have reached the current level because these three systems are built-out. Reviewing information supplied in the utility's 1996 annual report, we find that each of the three water systems are serving the maximum number of ERCs or very close to the maximum number of ERC's.

Therefore, the utility shall submit revised tariff sheets, within 10 days of the effective date of this Order, which specifically exclude the Pine Valley, the Meadows, and the Woods water systems from charging service availability charges. The utility shall discontinue collection of all authorized service availability charges from these systems as of the effective date of this Order.

Since these three systems share service availability tariff sheets with other systems (included in the service area), the revised tariff shall specify that the service availability charges set forth on each sheet exclude the applicable water system. Staff shall have the administrative authority to approve the revised tariff sheets upon staff's verification that the tariffs are consistent with the Commission's decision.

Should circumstances change, such as projected growth or capital improvements, the utility shall notify us and we will review its service availability policy. Upon expiration of the protest period, this docket shall be closed if no person, whose interests are substantially affected by the proposed action, files a protest within the 21 day protest period, and upon the utility's

timely filing of revised tariffs consistent with our decision herein, and upon our verification that the tariffs reflect the our decision. If a protest is filed, any charges collected under the existing tariff shall be held subject to refund. Upon our verification that the utility's timely filing of revised tariffs are in accordance with our decision, and if no substantially affected person files a protest to the tariff filing within the 21 day protest period, then the docket shall be closed administratively. If a protest is filed, then any charges collected under the existing tariff shall be held subject to refund.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Crystal River Utilities, Inc., shall file revised tariff sheets within 10 days of the effective date of this Order, which specifically exclude the Pine Valley, the Meadows, and the Woods water systems from charging service availability charges. It is further

ORDERED that Crystal River Utilities, Inc., current service availability tariff sheets for the Pine Valley, the Meadows, and the Woods systems be revised to reflect that no service availability charges are applicable for these water systems.

ORDERED that Crystal River Utilities, Inc., discontinue collection of all authorized service availability charges for these systems, as of the effective date of the Order. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective 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, 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

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

ORDER NO. PSC-97-1395-FOF-WU
DOCKET NO. 971072-WU
PAGE 5

By ORDER of the Florida Public Service Commission this 3rd
day of November, 1997.

BLANCA S. BAYÓ, Director
Division of Records and Reporting

By: Kay Flynn
Kay Flynn, Chief
Bureau of Records

(S E A L)

CF

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 November 24, 1997.

ORDER NO. PSC-97-1395-FOF-WU
DOCKET NO. 971072-WU
PAGE 6

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.