FLORIDA PUBLIC SERVICE COMMISSION

RV
WBT

Fletcher Building
101 East Gaines Street
Tallahassee, Florida 32399-0850

M E M O R A N D U M

OCTOBER 27, 1994

TO : DIRECTOR, DIVISION OF RECORDS AND REPORTING

FROM: DIVISION OF WATER AND WASTEWATER (VON FOSSEN)
DIVISION OF LEGAL SERVICES (JABER)

RE : UTILITY: VENTURE ASSOCIATES UTILITIES CORPORATION
DOCKET NO.: 930892-WU
COUNTY: MARION
CASE: APPLICATION FOR AMENDMENT OF CERTIFICATE NO. 488-W

AGENDA: NOVEMBER 8, 1994 - REGULAR AGENDA - PROPOSED AGENCY ACTION - INTERESTED PERSONS MAY PARTICIPATE.

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: THIS ITEM WAS DEFERRED FROM THE AUGUST 16, 1994 AGENDA. THIS IS A REVISION OF THE RECOMMENDATION FILED ON AUGUST 4, 1994.

Location of File - I:\PSC\WAW\WP\930892.RCM

CASE BACKGROUND

Venture Associates Utilities Corporation (Venture) is a developer owned class B water utility which presently provides service to the Palm Cay subdivision within Marion County. Venture reports within its 1993 Annual Report that it presently provides service to approximately 800 customers with annual revenues of $212,774 and a net operating loss of $33,323.

On September 9, 1993, Venture filed its application to amend its existing water certificate to include additional territory to provide service to the Ocala Palms Subdivision. This property, as well as the existing Palm Cay property, is being developed by Venture Associates, an affiliated company. Within the additional territory, Venture proposes to serve an additional 798 ERCs consisting of single family homes and townhouses as well as a club house and community center. Although most amendments can be approved administratively by staff, this case is being brought to the agenda based upon differences in service provision between the two distinct service areas which necessitate different rates for each system and because staff is recommending that the amendment be denied. Venture proposes to provide only water service. Wastewater service will be provided to individual customers directly by the City of Ocala. However, it is anticipated that, at some point in the future, the City of Ocala will provide water service to the individual homes within the new territory.

Venture provides service to its Palm Cay system through an on-site water treatment plant. To provide service to the proposed Ocala Palms Subdivision, Venture will purchase water from the City of Ocala through a master meter and resell to the individual water users within the development. While the intent of this docket is to amend Venture's territory to include the new area, should the amendment be approved, separate rates and charges will be calculated as would be done in an original certificate application.

This docket was deferred from the June 7, 1994 agenda at the request of the utility. The basis for the deferral was that the utility had obtained counsel only the day before the agenda to object to staff's recommendation of removal from rate base of the transmission line from the City. It was again deferred from the August 16, 1994 agenda to allow staff time to evaluate a letter from the City of Ocala, which was presented by the utility at the agenda and again meet with the City of Ocala.

On September 12, 1994, staff again met with, Mr. Scotty Andrews, Ocala's city manager and representatives of the utility. Mr. Andrews advised staff that the intent of the water agreement between Venture and the City was that the city would provide bulk service and Venture would provide service to customers within the development. While it is envisioned that at some point the city will take over the water system, it would prefer not to provide retail service at this time. The city prefers that Venture provide water service during the initial years of the development as anticipated by the service agreement. While the city has stated its preference, it did acknowledge that if Venture were unable to provide service, for example if the amendment were denied, it would provide service at this time. Therefore, the option of the city providing service is available and must be considered.

While staff has considered the comments of the City as well as the utility's arguments in support of its application, we are not persuaded to change our recommendation and accordingly recommend that the application be denied. Additional discussion has been added to both Issues Nos. 1 and 2.

The transmission line bringing water to the development as well as the distribution lines within the development have been constructed and are in service. Venture is presently providing service, without compensation to several customers.

DISCUSSION OF ISSUES

ISSUE 1: Should the application of Venture Associates Utilities Corporation for amendment of Water Certificate No. 488-W be granted?

PRIMARY RECOMMENDATION: No, the amendment should be denied as not being in the public interest. Staff believes that the amendment of this certificate would result in a system that would be in competition with and a duplication of the City of Ocala's Water System. Venture Associates Utilities Corporation is not needed as a middleman because service is directly available from the City of Ocala. (VON FOSSEN)

ALTERNATE RECOMMENDATION: Yes, the amendment should be granted based upon the preference of the City that they only provide bulk service and Venture provide service to the individual residents within the Ocala Palms Development. The order should clearly state that service is being provided at a rate higher than the City's based upon the City's reluctance to provide retail service. (WILLIAMS)

STAFF PRIMARY ANALYSIS: On September 9, 1993, Venture filed an application for amendment of its water certificate to include additional territory in Marion County. The application is in compliance with the governing statute, Section 367.045, Florida Statutes, and other pertinent statutes and administrative rules concerning an application for amendment of certificate. The application contains a check in the amount of $900, which is the correct filing fee pursuant to Rule 25-30.020, Florida Administrative Code.

Adequate service territory and system maps and a territory description have been provided as prescribed by Rule 25-30.036(1)(e),(f) and (i), Florida Administrative Code. A description of the territory requested by the utility is appended to this memorandum as Attachment A. The utility has submitted an affidavit consistent with Section 367.045(2)(d), Florida Statutes, that it has tariffs and annual reports on file with the Commission. 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 Ocala Palms development is located one mile outside the Ocala city limits and provision of service to the area by Venture is consistent with the approved local comprehensive plan. Venture

has adequately provided service to its rapidly growing Palm Cay system since 1988. Staff has contacted the Department of Environmental Protection and learned that the utility has no outstanding notices of violation. Therefore, we believe Venture has shown the technical ability to operate and expand a utility.

As previously stated, Venture will purchase and resell water from the City of Ocala. Therefore, additional plant to serve the added territory will consist only of additional lines. The utility will fund the proposed expansion through a combination of debt equity and contributions-in-aid-of-construction in a similar proportion to that used to fund its existing system. Therefore, no significant impact on the utility's overall capital structure is anticipated.

Section 367.045(5)(a), Florida Statutes, Staff provides:

> "...The commission may not grant a certificate of authorization for a proposed system, or an amendment to a certificate of authorization for the extension of an existing system, which will be in competition with, or a duplication of, any other system or portion of a system, unless it first determines that such other system or portion thereof is inadequate to meet the reasonable needs of the public or that the person operating the system is unable, refuses, or neglects to provide reasonably adequate service."

We do not believe it is appropriate for Venture to expand its territory as a developer owned utility to serve as a middleman where such intervention is not needed. While this docket was properly filed as an amendment, it involves much more than a simple extension of service to adjacent property. In this docket, the utility proposes to provide service to a totally separate but affiliated development. However, in order to provide water service to the development, Venture will purchase water from the City of Ocala and resell service to the individual homes within the development.

Staff's threshold question on this issue is why can't water service be provided directly to the development by the City of Ocala (City) as is done for wastewater service? Through three separate agreements, the City will provide water, wastewater and reclaimed water service to the Venture development. The water agreement was executed between the City and Venture, while the other two agreements were entered into by the developer. The Ocala City Manager has told staff that the bulk water agreement was

executed with the utility because the City was advised that the utility had a PSC certificate authorizing it to provide water service in Marion County. The City has acknowledged that it was not aware that while Venture did indeed have a water certificate, it was not authorized to serve the new development. However, Mr. Scotty Andrews, Ocala's City Manager has advised staff that the City misunderstood the significance of a certificate and was not misled by the utility. Regardless of the City's intent or understanding, the fact remains that Venture entered into an agreement to construct facilities and receive and resell water to an area in which it had no authority to provide service. This agreement was entered into prior to Commission approval of the amendment. It is staff's opinion that the agreement deserves little weight in the Commission's decision since the agreement between Venture and the City was wrongfully not contingent on Commission approval of the amendment. Staff believes that Venture is not needed as a middleman and the public interest is best served by having the City of Ocala serve the development at this time.

The utility argues that the provision of service by Venture is justified based upon the need for service. Staff believes that this need can be met without Venture's involvement as a middleman in the provision of water service. The need for both water and wastewater service to the development is based upon the desire of the developer to develop at this time at its chosen location. Staff believes that the costs and associated risks of the development receiving utility service from the City should be borne by the developer.

To receive wastewater service, the developer has paid for all utility lines including the line from the City. The cost of these lines are recovered as development costs and included in the lot and home price. Additionally, a connection fee is paid to the city for each customer connected to the Venture system. This is the standard development scenario in receiving city service and should be equally applicable to water service. The utility argues that staff asking why water service cannot be provided in the same manner, punishes Venture for its decision to not apply for a wastewater certificate. Staff applauds the developer's decision to receive city wastewater service and not build its own facilities. Presenting the wastewater scenario, merely brings to the Commission's attention the common alternative for a developer to recover its costs in bringing utility service to homes within a development.

The developer complicates the scenario by attempting to

include its affiliated utility as a middleman. Venture argues that the ability to recover the cost of the lines through utility rates and charges allows the developer to be more competitive through lower lot and home costs. Staff is looking at the prudency of and need for Venture as a water reseller and not whether lots are properly priced for the area. Elimination of Venture would not impact on the availability or ability of the City to provide water. Staff agrees that the developer has created a need for water and wastewater service. However, by being able to receive wastewater service directly from the City without its own utility to resell service, the developer has shown that the need can be fulfilled without a middleman.

Staff's major concerns are that Venture is not needed to provide utility service and the impact inclusion of Venture has on water rates. As is shown in Issue No. 2, including Venture as a reseller, doubles the gallonage rate. Obviously, through its mandate in Chapter 367, Florida Statutes, this Commission's consideration is the pricing of utility service and not the marketing of real estate.

On September 12, 1994, Staff met with Ocala's City Manager, Scotty Andrews to discuss points raised in his letter which was presented to the Commission at the August 16, 1994 agenda conference. In previous discussions and staff's initial meeting with Mr. Andrews, he indicated that the City was ready and willing to provide service to individual homes within the Ocala Palms Development. This action would, of course, necessitate Venture turning over its on-site distribution system. However, both within his latest letter and the September 12th meeting, Mr. Andrews now indicates that the water agreement anticipates the City providing bulk water service to the development with Venture providing retail service and it is the City's preference to live by the intent of the agreement. Clearly, to avoid any legal questions, the City will not provide retail service on its own initiative. It is their preference to only provide wholesale service based upon an agreement wherein Venture has agreed to provide retail service to an area in which it has no authority. While we acknowledge the City's preference, the agreement does provide that Venture can turn over the system to the City at any time. Despite its preference, the City is not refusing to provide service and the city directly providing service remains an option. Mr. Andrews did state that if this application were denied, the City would provide service to the individual customers within the Ocala Palms Development.

Venture is not needed to provide water service and there is no impediment for the city directly providing service at this time.

Therefore, staff recommends that the application be denied.

STAFF ALTERNATE ANALYSIS: On September 12, 1994, staff again met with, Mr. Scotty Andrews, Ocala's city manager. Mr. Andrews advised staff that the intent of the water agreement between Venture and the City was that the city would provide bulk service and Venture would provide service to customers within the development. While it is envisioned that at some point the city will take over the water system, the city does not want to provide retail service at this time. The city prefers that Venture provide water service during the initial years of the development as anticipated by the service agreement and would prefer not to provide retail service at this time.

While the city has indicated its preference, it will not refuse to provide retail water service within the development. However, we believe it is important to cooperate and coordinate with local governments in the overall provision of utility service within the state. Therefore, in order to respect the city's wishes and not intrude upon parameters they have established in providing service, we recommend that the amendment be approved and the city not be asked to provide retail service at this time.

However, in so recommending, we must recognize that the cost of water service to customers within the development will be higher than if service were received directly from the city. Since the basis for our approval recommendation is the reluctance of the city to provide service, we believe that fact should be clearly stated in the order to make customers aware of why they are receiving service from Venture at a higher cost.

DOCKET NO. 930892-WU
October 27, 1994

ATTACHMENT A

VENTURE ASSOCIATES UTILITIES CORPORATION
OCALA PALMS

TERRITORY DESCRIPTION

The following described lands located in portions of Sections 3,4 and 9, Township 15 South, Range 21 East, Marion County, Florida:

A parcel of land lying in section 3, 4 and 9, Township 15 South, Range 21 East, Marion County, Florida, Tallahassee Meridian being more particularly described as follows:

Beginning at the Southeast corner of said Section 4; thence South 4° 48 feet 07 inches West, along the East boundary of the Northeast quarter of said Section 9, 1322.45 feet to the Southeast corner of the Northeast quarter of said Section 9; thence North 85° 41 feet 55 inches West, along the Souther boundary of the said Northeast quarter of the Northeast quarter, 1297.34 feet to the Southwest corner of the Northeast quarter of the Northeast quarter of said Section 9; thence continue North 85° 41 feet 55 inches West, along the South boundary of the Northwest quarter of the Northeast quarter, 1297.33 feet to the Southwest corner of the said Northwest quarter of the Northeast quarter of said Section 9; thence North 84° 56 feet 00 inches West, along the South boundary of the Northeast quarter of the Northwest quarter 1348.41 feet, to the Southwest corner of the said Northeast quarter of the Northwest quarter of said Section 9; thence continue North 84° 56 feet 00 inches West, along the South boundary of the East quarter of the Northwest quarter of the Northwest quarter of said Section 9, 674.20 feet to the Southwest corner of the said East half of the Northwest quarter of the Northwest quarter; thence North 5° 01 feet 04 inches East, along the West line of the said East half of the Northwest quarter of the Northwest quarter, 230.63 feet; thence North 85° 09 feet 24 inches West, 649.90 feet to the East right of way line of Northwest 60th Avenue (50 feet right of way); thence North 4° 50 feet 36 inches East, along the said East right of way

line, 264.00 feet; thence South 85° 09 feet 24 inches East, departing said East right of way line, 650.70 feet to the West line of the said East half of the Northwest quarter of the Northwest quarter; thence North 5° 01 feet 04 inches East, along said West line, 824.90 feet to the Northwest corner of the said East half of the Northwest quarter of the Northwest quarter; thence North 84° 30 feet 04 inches West, along the South boundary of the Southwest quarter of said Section 4, 648.13 feet to the East right of way line of said Northwest 60th Avenue; thence North 4° 52 feet 39 inches East, along said East right of way line, 2643.25 feet to the North boundary of the Southwest quarter of said Section 4; thence South 85° 17 feet 29 inches East, along said North boundary, 2649.01 feet to the Northeast corner of the said Southwest quarter; thence South 4° 09 feet 21 inches West, along the East boundary of the said Southwest quarter, 315.00 feet (105 yards); thence South 85° 17 feet 29 inches East, parallel to the North boundary of the Southeast quarter of said Section 4, along the South boundary of the North 105 yards, 882.23 feet; thence North 4° 28 feet 23 inches East, along the West boundary of the East 6.36 chains of the Northwest quarter of the Southeast quarter of said Section 4, 44.39 feet to the South line of the North 4.10 chains of the said Northwest quarter of the Southeast quarter; thence South 85° 17 feet 29 inches East, along the South boundary of the said North 4.10 chains, 352,15 feet; thence North 4° 28 feet 23 inches East, parallel to the East boundary of the Northwest quarter of the Southeast quarter, 270.60 feet to the North boundary of the Southeast quarter of said Section 4; thence South 85° 17 feet 29 inches East, along the North boundary of the said Southeast quarter, 414.98 feet to the Southerly right of way line of U.S. Highway No. 27 (State Road No. 500); thence South 57° 36 feet 40 inches East, along said Southerly right of way line, 2827.20 feet to the South boundary of the Northeast quarter of the Southwest quarter of said Section 3; thence North 85° 36 feet 04 inches West, along said South boundary, 224.48 feet to the Southwest corner of the said Northeast quarter of the Southwest quarter; thence continue North 85° 36 feet 04 inches West, along the South boundary of the Northwest quarter of the Southwest quarter of said Section 3, 1324.81 feet to the Southwest corner of the said Northwest quarter of the Southwest quarter; thence South 4° 47 feet 44 inches West, along the East boundary of the Southeast quarter of said Section 4, 1321.71 feet to the Point of Beginning.

ISSUE 2: What rates are appropriate for the additional territory?

RECOMMENDATION: Should the Commission vote to deny staff and approve the amendment in Issue No. 1, the rates set forth in the staff analysis, which exclude the transmission line from the City, are appropriate. The utility should file revised tariff sheets reflecting the approved rates within 30 days of the effective date of the order, the rates shall be effective for meter readings on or after 30 days from the stamped approval date of the tariff sheets. The utility should be ordered to provide a copy of the order approving rates to each customer presently receiving service within 10 days of the issuance date of the order. (VON FOSSEN)

STAFF ANALYSIS: Normally, in amendment applications, the utility's existing rates and charges are applied to customers within the amended territory. While this case is properly styled as an amendment application, rates are being developed for the Ocala Palms territory in the same manner as is done on an original certificate application. This different treatment is based upon the fact that Venture proposes serving the additional territory as a reseller without investing in treatment facilities.

Obviously, this scenario highlights uniform vs. stand alone rates. However, based upon the fact that the utility operates only two small systems and the interim nature of the new system, we believe stand alone rates are appropriate.

Staff believes that the benefits of uniform rates are minimized by there being only two small systems and that the administration of two systems within the same county would not be a burden to the utility. The present rates for the Palm Cay system as well as the recommended rates for the Ocala Palms system are both original rates based upon projected data. Rate base has never been established for this utility and its operation has not been audited. We believe a consideration of uniform rates should only be done in conjunction with a rate proceeding with a complete evaluation of the utility's operation. Further, since Venture resells service it purchases from the City of Ocala and it is anticipated that the City of Ocala will eventually take over the Ocala Palms system, we believe that stand alone rates are appropriate based upon the interim status of the system.

In designing original rates, staff determines rates which will allow the utility to earn a fair rate of return on investment when the treatment plants reach 80% of capacity. It is anticipated that Venture will reach 80% of capacity in 1999. From the information supplied by the applicant, staff was able to calculate proforma

schedules of rate base, operating income and capital structure to be used in determining initial rates.

Staff has adjusted utility plant in service (UPIS) by a total of $394,080 to recognize costs which are not properly utility costs which should be borne by the developer. Organizational costs and engineering costs have been reduced by $24,850 and $50,817 respectively. Based upon Venture's existing service availability policy, these costs are the developer's responsibility.

The major adjustment to UPIS, which lead to the deferral from the June 7, 1994 agenda conference, is a reduction of $318,413 which represents removal of the costs associated with the water main which brings water approximately one mile from the City of Ocala to the Ocala Palms Development.

As previously stated, Venture is a developer owned utility. Venture entered into a contractual agreement with the City of Ocala to extend water lines to the development. The developer entered into a similar agreement to extend wastewater lines. Pursuant to these agreements, both the water and wastewater lines have been donated to the city. Since the water line has been donated to the city, it is not a utility asset and therefore, cannot properly be considered for ratemaking purposes.

Regardless of the accounting treatment, Staff believes that running the line to the development is a development, not a utility cost. The fact that the water agreement was executed by the developer in the name of the utility is not persuasive. The Commission is not bound by such agreement. Potable water is provided to the development by the City of Ocala. Obviously, such service would not be available without the transmission line and the city would not incur the cost of the line. The City's consideration in providing service is that the line be paid for by someone other than the city. However, The decision of Venture to resell water is based upon the master meter which is the point of delivery to the development. That is the point where the city's responsibility ends and where the decision was made to place a master meter in lieu of having the city provide retail service. Elimination of Venture as a middleman would necessitate a transfer of the on-site lines within the development without any additional consideration to the line to the city. The line brings water to the development, it is the developer's choice to consider the line either a developer or affiliated utility cost and it is the job of this Commission to evaluate that choice.

The Utility argues that the cost of the line was necessary to

bring service to the area based upon the need for service and the Commission has considered interconnection costs in other dockets. As noted in Issue No. 1, the choice to develop at this time necessitating the line was that of the developer and the cost and risk of constructing the line should be borne by the developer. Staff doubts that the developer could have induced any non-affiliated utility to assume the risk and spend over $300,000 to construct a line to serve its property when water service is available directly from the City.

The utility has brought three orders relating to reseller utilities to staff's attention in an attempt to show a precedent in treating interconnection costs in rate base. Both Order Nos. 22447 and 24133 relate to line extensions by a private utility to receive bulk service. However, neither order indicates if the lines in question were donated to the respective suppliers or if the supplier was unable or unwilling to provide service to individual customers thereby necessitating the existence of the reseller. Order No. PSC-92-0868-FOF-SU, outlines the scenario of an existing regulated utility which purchases sewage treatment from the county. As a result of a rate increase by the county, the utility was advised that it owed the county an additional $235,000 in impact fees based upon their existing reserve capacity. In that order, the Commission recognized this cost as investment. However, this decision would be considered an emergency or hardship case in that this expense was necessary in order for the existing utility to continue receiving bulk service from its only source. In the Venture scenario we are dealing with a new development and utility system. Here Venture was not the victim of changing circumstances. This is not an existing system suddenly faced with the need to interconnect due to operating problems, salt water intrusion or environmental concerns. This is a new planned community which chose to receive service from the city whose nearest lines were one mile from the proposed development. Constructing that line was part of the planning process and not an emergency measure. Attempting to involve an affiliated utility as a middleman, does not make the line a utility cost, it is a cost of development as is the wastewater line from the city, and should not be treated as a utility cost should the Commission approve the amendment.

The utility further argues that the utility's construction of the supply main was required under Venture's approved service availability policy and that allowing another party to construct the line would be in violation of its tariff. While we believe that the fact that the utility does not own the supply main is the determining factor in this issue, we will address this point. The utility's service availability policy clearly states that off-site

transmission and distribution systems shall be provided by the utility. However, the policy's following paragraph defines "off-site as follows:

> for the purpose of this policy, the term "off-site" shall be defined as those main water transmission lines necessary to connect developer's property with facilities of UTILITY adequate in size to transmit to developer's property an adequate supply of water under adequate pressure. (emphasis added)

Since the line in question connects the developer's property to the city's and not the utility's facilities, the line is not an off-site facility subject to the provisions of the service availability policy.

Staff's schedule of rate base appears on Schedule No. 1 with staff adjustments appearing on Schedule No. 1A.

Depreciation expense was adjusted to reflect the adjustments made to UPIS. Additionally, staff's recommended working capital allowance reflects 1/8 of operation and maintenance expenses, which is consistent with current Commission practice.

Operating revenues and the corresponding regulatory assessment fees were adjusted to a level which allows the utility the opportunity to earn a 9.19% overall rate of return. Staff's Schedule of Operations appears on Schedule No. 2 with staff adjustments appearing on Schedule No. 2A.

The utility's capital structure has been adjusted to reconcile with utility rate base. Staff calculated the return on common equity to be 10.97% using the current Commission leverage formula authorized by Order No. PSC-93-1107-FOF-WS, issued June 29, 1993. The utility's capital structure appears on Schedule No. 3.

The above schedules are being presented only as a tool to aid the Commission in establishing initial rates for the Ocala Palms service area and are not intended to establish rate base. This is consistent with Commission practice in original certificate applications and is also appropriate for this docket.

If the Commission approves the amendment, rates must be approved for the new territory. Staff recommends that the below stated rates which exclude the transmission main be approved. Since this issue is PAA and the utility is presently serving customers without compensation, the order should state that all existing customers shall be provided a copy of this order within 10 day of the issuance date of

the order.

WATER
Residential and General Service
Monthly Service

Base Facility Charge Meter Size	City of Ocala Rates	Present Rate (Palm Cay)	Staff Recommended (Ocala Palms)
5/8" x 3/4"	$ 8.65	$ 10.61	$ 7.06
3/4"	- - - -	- - - -	10.59
1"	26.98	26.52	17.65
1-1/2"	49.05	53.03	35.30
2"	110.00	84.85	56.48
3"	207.05	169.70	112.96
4"	249.76	265.16	176.50
6"	384.24	- - - -	353.00
8"	562.91	- - - -	564.80
Gallonage Charge (per 100 cubic feet)	$ .65	$ .91	$ 1.31
Bill at 1,300 cubic feet (9,724 gal.)	$ 17.10	$ 22.44	$ 24.09

ISSUE 3: What are the appropriate service availability charges for the additional territory?

RECOMMENDATION: Should the Commission approve the amendment, the charges set forth in the staff analysis are appropriate. The charges will be effective for connections made on or after the stamped approval date of the tariff sheets. (VON FOSSEN)

STAFF ANALYSIS: Venture had initially requested a total service availability charge of $1,067. Staff has recalculated this charge based upon the adjustments made to UPIS. As is shown on Schedule No. 4, Staff recommends a total service availability charge of $750 which would be broken down into a main extension charge of $650 and a meter installation charge of $100.

Additionally, Venture has requested that the City of Ocala's impact fee be included within its tariff. Presently that charge is $536 per ERC. Based upon the agreement with the city, Venture will collect and pass through this charge each time it connects a customer to its system which in effect is a connection to the City system. Staff believes that specifying this charge in the tariff is beneficial in that it clearly shows that at the time of connection customers have contributed to Venture for the on-site lines and meter and to the City for off-site lines and plant capacity. Therefore, if in the future Ocala were to take over the system, there would be no question of double charging and it would be clearly shown that the city's impact fee has been paid. Staff has met with Mr. Scott Andrews, Ocala's City Manager, who confirmed that it is the city's intent that customers would not have to pay an additional impact fee if the system is taken over by the city in the future.

Staff has been in contact with the City of Ocala and will provide it with a final order in this docket to make sure it is aware of the method in which Venture will collect the impact fee.

ISSUE 4: If Venture's request for an amendment is granted, should the utility be ordered to show cause, in writing, within 20 days, why it should not be fined an amount up to $5,000 for violation of Chapter 367.045(2) Florida Statutes, by extending service outside the area described in its certificate of authorization without prior Commission approval.

RECOMMENDATION: Yes, if the amendment is granted, the utility should be ordered to show cause, in writing, within twenty days, why it should not be fined an amount up to $5,000, based upon its violations of Section 367.045, Florida Statutes. (Jaber, VonFossen)

STAFF ANALYSIS: Section 367.045(2), Florida Statutes, provides that:

> A utility may not delete or extend its service outside the area described in its certificate of authorization until it has obtained an amended certificate of authorization from the Commission.

As stated in the Case Background, Venture presently has a certificate of authorization to provide service in its existing Palm Cay subdivision. It has come to Staff's attention that prior to applying for an amended certificate of authorization, the utility entered into a contract to receive water from the City upon completion of a transmission line and an on-site distribution system to serve the Ocala Palms development. All infrastructure has been completed, homes have been built and occupied and Venture is now providing water service to the development. While service is provided without compensation, it has been extended to areas outside Venture's Commission-authorized territory. This is a clear violation of Section 367.045(2), Florida Statutes.

Therefore, Staff recommends that Venture be required to show cause, in writing, within 20 days, why it should not be fined an amount up to $5,000 for violation of Chapter 367.045(2) Florida Statutes, by extending service outside the area described in its certificate of authorization without prior Commission approval. Obviously, if the Commission denies the amendment, Venture would not be the party providing service to the additional territory and a show cause would not be appropriate.

ISSUE: 5 Should this docket be closed?

RECOMMENDATION: Yes. (JABER)

STAFF ANALYSIS: The docket should remain open until the protest period has expired. If no timely protest is filed, the docket may be closed.

Venture Associates Utilities Corporat[redacted]
Schedule of Water Rate Base
At 80% of Design Capacity

DOCKET NO. 9308[redacted]WU
Schedule No. 1

Description	Balance Per Filing	Staff Adjust.	Commission Staff
Utility Plant in Service	$1,236,472	($394,080)	$842,392
Land	0	0	0
Accumulated Depreciation	(183,495)	70,788	(112,707)
Contributions-in-aid-of-Construction	(859,380)	266,880	(592,500)
Accumulated Amortization of C.I.A.C.	67,227	(19,992)	47,235
Plant Held for Future Use	0	0	0
Working Capital Allowance	20,202	0	20,202
TOTAL	$281,026	($76,404)	$204,623

Schedule No. 1A

Venture Associates Utilities Corporation
Schedule of Adjustments to Rate Base

Description	Water
Utility Plant-In-Service	
To remove organizational costs	$(24,850)
To remove engineering costs	(50, 817)
To remove cost of main from city	(318,413)
Total	$(394,080)
Accumulated Depreciation	
To reflect adjustment made to UPIS.	$70,788
Contributions-in-Aid-of-Construction	
To reflect recommended service availability charges.	$266,880
CIAC Amortization	
To reflect adjustment made to CIAC.	$(19,992)

Venture Associates Utilities Corporation
Schedule of Water Operations
At 80% of Design Capacity

DOCKET NO. 9308-WU
Schedule No. 2

Description	Balance Per Utility	Staff Adjust.	Balance Per Staff
Operating Revenues	$223,664	($17,588)	$206,076
Operating and Maintenance	161,617	0	161,617
Depreciation Expense	13,225	(3,776)	9,449
Taxes Other Than Income	17,000	(791)	16,209
Income Taxes	0	0	0
Total Operating Expenses	191,842	(4,567)	187,275
Net Operating Income	31,822	(13,021)	18,801
Rate Base	$281,026		$204,623
Rate of Return	11.32%		9.19%

Schedule No. 2A

Venture Associates Utilities Inc.
Adjustments to Schedule of Operations

Description	Water
Depreciation Expenses	
To reflect adjustments made to UPIS	$(3,776)
Taxes Other Than Income	
To reflect regulatory assessment fees associated with change in operating revenue	$(791)

Venture Associates Utilities Corporation
Schedule of Capital Structure
At 80% of Design Capacity

DOCKET NO 930692-WU
Schedule No. 3

Description	Balance Per Filing	Staff Adjust.	Balance Per Staff	Recon Adjust.	Recon Balance	Weight	Cost Rate	Weighted Cost
Common Equity	$0	$0	$0	$81,849	$81,849	40.00%	10.97%	4.39%
Long and Short-Term Debt	259,097	0	259,097	(136,323)	122,774	60.00%	8.00%	4.80%
Customer Deposits	0	0	0	0	0	0.00%	8.00%	0.00%
Advances from Associated Companies	0	0	0	0	0	0.00%	0.00%	0.00%
Other	0	0	0	0	0	0.00%	0.00%	0.00%
	$259,097	$0	$259,097	($54,474)	$204,623	100.00%		9.19%

Range of Reasonableness	High	Low
Common Equity	11.97%	9.97%
Overall Rate of Return	9.59%	8.79%

Venture Associates Utilities Corporation
Schedule of Net Plant to Net C.I.A.C.
At 100% of Design Capacity
DOCKET NO. 930892-WU

Schedule No. 4

Account Number	Account Description	Water	Wastewater	Total
101	Utility Plant in Service	$842,392	$0	$842,392
104	Accumulated Depreciation	(112,707)	0	(112,707)
	Net Plant	729,685	0	729,685
271	C.I.A.C.	592,500	0	592,500
272	Accum. Amortization of C.I.A.C.	(47,235)	0	(47,235)
	Net C.I.A.C.	545,265	0	545,265
	Net C.I.A.C. / Net Plant	74.73%	0.00%	74.73%
	Gross to Gross Minimum Contribution Level	93.32%	0.00%	93.32%
	Staff Recommended Charge	$750	$0	$750