

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: November 29, 2018

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Engineering (Wright, Ellis) *EW* *TH*
Office of the General Counsel (Murphy) *cm* *cm for Utility*

RE: Docket No. 20160165-SU – Application for staff-assisted rate case in Gulf County by ESAD Enterprises, Inc. d/b/a Beaches Sewer Systems, Inc.

AGENDA: 12/11/18 – Regular Agenda – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Polmann

CRITICAL DATES: Per Order No. PSC-2017-0383-PAA-SU, Beaches is required to file copies of the final invoices and cancelled checks for all Phase II pro forma O&M and plant items by December 27, 2018.

SPECIAL INSTRUCTIONS: None

Case Background

ESAD Enterprises, Inc. d/b/a Beaches Sewer Systems, Inc. (Beaches or Utility) is a Class C wastewater-only utility operating in Gulf County, Florida. Docket records indicate the Utility serves approximately 316 residential and 4 general service wastewater customers, in addition to 45 prepaid connections. However, Beaches has recently communicated that approximately 76 homes within the Utility's service territory are uninhabitable and are not receiving wastewater service due to storm damage from Hurricane Michael. Water service is provided by the City of Port St. Joe.

Beaches filed its application for a staff-assisted rate case on July 12, 2016. By Order No. PSC-2017-0383-PAA-SU (the PAA Order) issued October 4, 2017, in this docket, the Florida Public

Service Commission (Commission) approved a Phase I revenue requirement and rates.¹ The PAA Order further provided that consideration of Phase II rates is conditioned upon Beaches completing certain pro forma operation and maintenance (O&M) and plant items within 12 months of the issuance of a Consummating Order in this docket and submitting a copy of the final invoices and cancelled checks for all of these projects within 60 days after this period. The Consummating Order was issued on October 27, 2017.² Therefore, the pro forma O&M and plant items were to be completed by October 27, 2018, with their associated documentation to be submitted by December 27, 2018.

The pro forma O&M and plant items consisted of clearing vegetation from retention ponds, purchasing a portable generator and installing electrical hookups to supplement its operation, replacing two lift station pumps and a control panel, purchasing a blower, removing sand and grit from the wastewater treatment plant, and repairing the fencing surrounding the facility. The PAA Order provided that if Beaches encountered any unforeseen events that would impede the completion of the pro forma O&M and plant items, it should immediately notify the Commission in writing.

On October 31, 2018, Beaches notified staff that it would not be able to meet the deadline for completing the Phase II pro forma O&M and plant items. The Utility requested that it be granted an extension until December 26, 2018, to complete the projects, and that it be granted an extension until January 26, 2019, to submit the associated documentation. The Commission has jurisdiction pursuant to Sections 367.081, 367.0814, and 367.121, Florida Statutes.

¹Order No. PSC-2017-0383-PAA-SU, issued October 4, 2017, in Docket No. 20160165-SU, *In re: Application for staff-assisted rate case in Gulf County by ESAD Enterprises, Inc. d/b/a Beaches Sewer Systems, Inc.*

²Order No. PSC-2017-0417-CO-SU, issued October 27, 2017, in Docket No. 20160165-SU, *In re: Application for staff-assisted rate case in Gulf County by ESAD Enterprises, Inc. d/b/a Beaches Sewer Systems, Inc.*

Discussion of Issues

Issue 1: Should the Commission approve Beaches' request for deadline extensions for both completion of its required Phase II pro forma O&M and plant items and for submission of copies of the final invoices and cancelled checks for all of these projects pursuant to Order No. PSC-2017-0383-PAA-SU?

Recommendation: Yes. The Commission should approve Beaches' request for deadline extension to December 26, 2018, for completion of its required Phase II pro forma O&M and plant items. The Commission should also approve Beaches' request for deadline extension to January 26, 2019, for submission of copies of the final invoices and cancelled checks for all of these projects.

Staff Analysis: As discussed in the case background, Beaches' was given until October 27, 2018, to complete Phase II pro forma O&M and plant items and until December 27, 2018, to submit copies of the final invoices and cancelled checks for all of these projects. On October 31, 2018, Beaches notified staff that it would not be able to meet these deadlines due to project completion delays caused by Hurricane Michael. Based on this information, staff recommends Beaches be granted the requested extension as the event resulting in the delay was outside of its control. Once the projects are completed and documentation is provided, staff will verify that the pro forma improvements have been made and will recommend to the Commission the appropriate Phase II revenue requirement and rates.

Issue 2: Should this docket be closed?

Recommendation: No. The docket should remain open for a decision by the Commission on the appropriate Phase II revenue requirement and rates. (Murphy)

Staff Analysis: The docket should remain open for a decision by the Commission on the appropriate Phase II revenue requirement and rates.