

FLORIDA PUBLIC SERVICE COMMISSION
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M E M O R A N D U M

JANUARY 23, 1997

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO)

FROM: DIVISION OF WATER & WASTEWATER (REDEMANN, GOLDEN) *PPR BGM*
DIVISION OF LEGAL SERVICES (K. JOHNSON) *7/11/23*

RE: DOCKET NO. 961342-SU - POINCIANA UTILITIES, INC -
APPLICATION FOR EXTENSION OF SERVICE AREA (AMENDMENT OF
CERTIFICATE NO. 103-S) AND FOR A NEW CLASS OF SERVICE
(WASTEWATER-ONLY SERVICE).
COUNTY: POLK

AGENDA: FEBRUARY 3, 1997 - REGULAR AGENDA - INTERESTED PERSONS
MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: S:\PSC\WAW\WP\961342.RCM

DOCUMENT NUMBER DATE

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FPSC-RECORDS/REPORTING

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CASE BACKGROUND

Poinciana Utilities, Inc. (Poinciana or utility) provides water and wastewater service in Osceola and Polk Counties and serves approximately 5,079 water and 4,931 wastewater customers in Osceola and Polk Counties. The annual report for 1995 shows that the consolidated annual operating revenue for the system is \$3,070,645 and the net operating income is \$293,747. The utility is a Class A utility company under Commission jurisdiction.

On November 8, 1996, the utility applied for an amendment of Wastewater Certificate No. 103-S in Polk County to include additional territory and requested a new class of service for residential wastewater only service. Staff has authority to administratively approve applications for amendment when no objections have been filed and the application is without controversy. This case is being brought to the attention of the Commission to set a new class of service rate for residential wastewater only service. The rate issue will be addressed in greater detail in Issue 2.

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DISCUSSION OF ISSUES

ISSUE 1: Should the application of Poinciana Utilities, Inc. for amendment of Wastewater Certificate No. 103-S be granted?

RECOMMENDATION: Yes, the application by Poinciana Utilities, Inc. should be granted for the additional territory described in Attachment A. (REDEMANN)

STAFF ANALYSIS: As stated earlier, on November 8, 1996, the utility applied for an amendment of certificate to Wastewater Certificate No. 103-S in Polk County to extend its certificated territory to include additional territory. The South Florida Water Management District (the District) has requested the utility to provide wastewater service to an area known as the Hatchineha Estates. The District and the United States Army Corps of Engineers are involved in a project to raise the water level of the Lake Hatchineha. This federally authorized Kissimmee River Restoration Project is designed to restore the Kissimmee River to its original meandering configuration. This modification will increase water storage capacity, water levels and will render useless the individual septic tanks in the Hatchineha Estates Subdivision.

The application contains a check in the amount of \$500, which is the correct filing fee pursuant to Rule 25-30.020, Florida Administrative Code. The applicant has provided a copy of a warranty deed which provides for the continued use of the land as required by Rule 25-30.036(3)(d), Florida Administrative Code.

Adequate service territory and system maps and a territory description have been provided as prescribed by Rule 25-30.036(3)(e), (f) and (i), Florida Administrative Code. A description of the water and wastewater territory 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 application have been received and the time for such has expired. The local planning agency was provided notice of the application and did not file a protest to the amendment. Staff has contacted the Department of Environmental Protection (DEP) and learned that there are no outstanding notices of violation regarding this utility.

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Poinciana has the financial and technical ability to continue to provide service to the customers. Poinciana is a large, multi-county operation in the State of Florida, and has been in the water and wastewater utility business since 1965. The District has agreed to comply with Poinciana's Service Availability Policy, including contribution of facilities and payment of all service availability charges. The wastewater treatment plant that will serve the property is currently permitted at 660,000 gallons per day (gpd). Average daily flows are about 544,000 gpd. Added flows from the property will be approximately 64,000 gpd. Poinciana has recently applied to the DEP to construct and expand the treatment capacity to 950,000 gpd, and expansion of the rapid infiltration basin is underway. Therefore, it is apparent that the utility has the capacity to serve these customers now and will in the future. Staff believes the utility has demonstrated the financial and technical expertise to provide quality service to these customers. The utility has applied for a residential wastewater only rate. That issue is addressed in Issue 2.

Based on the above information, staff believes it is in the public interest to grant the application of Poinciana for amendment of Wastewater Certificate No. 103-S, to the additional territory described in Attachment A. The utility has returned the certificate for entry of the additional territory and filed revised tariff sheets which reflect the amended territory description.

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ISSUE 2: Should the new class of service for residential wastewater only service be approved?

RECOMMENDATION: Yes. The new class of service for residential wastewater only service should be approved. The appropriate rates are a base facility charge of \$12.68 and a flat monthly consumption charge of \$14.36. The rates should be effective for service rendered on or after the stamped approval date of the tariff pursuant to Rule 25-30.475, Florida Administrative Code. The utility's currently approved wastewater service availability charges should be applied to the new service territory. Additionally, the utility's currently approved monthly wastewater service rates for general service customers should be applied to the one metered general service customer within the new service territory. (GOLDEN, REDEMANN)

STAFF ANALYSIS: As discussed in Issue 1, the South Florida Water Management District (the District) has requested that the utility provide wastewater service to the Hatchineha Estates Subdivision because the Kissimmee River Restoration Project will impact a number of the septic tanks in that area. The residents in Hatchineha Estates receive their water from private wells, and thus, their water consumption is not metered. Consequently, the utility has requested approval of a new class of service for residential wastewater only service, using a monthly base facility charge of \$12.68 and a flat monthly consumption charge of \$14.36.

Commission policy has been to allow the use of a flat rate for wastewater service in situations where metered water consumption is not possible. Staff has reviewed the utility's methodology and calculations, and determined that both are consistent with past Commission practice with one exception. Typically, this type of flat rate is comprised of two parts. The first part represents the fixed costs of service and is equal to the utility's current base facility charge for metered customers. The second part represents the variable costs of service associated with actual consumption, and is calculated by applying the utility's current gallonage charge for metered customers to the average monthly consumption of the utility's residential wastewater customers. The two parts are then combined for a single flat rate. However, in this case the utility has proposed keeping the base facility charge and consumption portion of the rate separate.

Under the base facility charge rate structure, each customer pays his pro rata share of the related costs necessary to provide service through the base facility charge and only the actual usage is paid for through the gallonage charge.

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Consequently, seasonal customers who have metered service will only be charged the base facility charge while they are away from the service area. Staff was informed by a utility representative that the customers in Hatchineha Estates are seasonal residents. Most of the residents are retirees who only live there for five or six months during the winter. Therefore, the utility believes it is more equitable to keep the base facility charge and consumption charge portion of the flat rate separate to enable them to assess only the base facility charge while the residents are away. This is consistent with Commission policy regarding the base facility charge rate structure and the utility's treatment of its other customers. Staff agrees with the utility that its proposed split rate is more equitable for this group of customers than the traditional single flat rate.

The primary concern with the utility's proposed billing methodology is that without the ability to monitor water consumption, there is a possibility that a customer could return to the service area and begin using wastewater service without notifying the utility. However, a utility representative informed staff that they do not anticipate having this type of problem with these customers. Additionally, since the utility already has service personnel in the field on a regular basis for meter reading and so forth, the utility informed staff that it will not be difficult for service personnel to occasionally drive through the area to monitor for occupancy.

Regarding the impact of the proposed service area extension, the application states that the District has agreed to comply with the utility's service availability policy, including contribution of facilities and payment of all wastewater service availability charges required to render wastewater service to Hatchineha Estates. Therefore, the proposed service area extension will have no significant impact on the utility's capital structure.

The utility's current wastewater service availability charges were first approved for the utility's Osceola County system by Order No. 19092, issued April 4, 1988, in Docket No. 870689-WS, which was then consummated by Order No. 19233. According to the utility, these charges were then applied to its Polk County system, which was under Polk County jurisdiction at that time. However, pursuant to Section 367.171(7), Florida Statutes, the utility's Polk County system subsequently came under the jurisdiction of the Florida Public Service Commission (PSC) because its facilities transverse county boundaries. The utility's existing service availability charges were then approved by the PSC for the Polk

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County system by Order No. 24370, issued April 15, 1991, in Docket No. 900951-WS, which granted that system's grandfather certificates. Accordingly, staff recommends that the utility's current service availability charges should be applied to the new service territory. As stated above, the District has agreed to pay the necessary service availability charges for the new customers.

Also, because the proposed monthly service rates were designed using the utility's current base facility charge and gallonage charge for residential wastewater service, the proposed extension will not have a significant impact on the utility's monthly rates. Additionally, a utility representative informed staff that there is one general service customer (a restaurant) in Hatchineha Estates which has agreed to install a water meter on its well and will be charged the utility's current general service wastewater rates. Thus, the addition of that customer will, likewise, not have a significant impact on the utility's monthly rates.

The utility's rates were last reviewed in Docket No. 930912-WS, which was a rate case proceeding. The final rates in that proceeding were approved by Order No. PSC-94-1168-FOF-WS, issued September 26, 1994. The utility's rates were subsequently increased through a price index adjustment, which became effective July 1, 1995. Staff recommends that the utility's current wastewater rates should be used in the residential wastewater only rate calculation and be applied to the metered general service customer in the new service territory.

As discussed in Issue 1, the application contains proof of compliance with the noticing provisions set forth in Rule 25-30.030, Florida Administrative Code. Additionally, the utility's notice to the Hatchineha Estates' residents included the proposed monthly service rates. No objections to the application or proposed rates have been received and the time for filing such has expired.

Pursuant to Section 367.091(4), Florida Statutes, the Commission may approve such rates or charges for the new class of service which it finds are just, reasonable, and compensatory. Staff believes that the new class of service rates proposed by Poinciana are just, reasonable, and compensatory. Therefore, staff recommends that the utility's request for a new class of service for residential wastewater only service should be approved. Further, staff recommends that the appropriate rates for the residential wastewater only service are a base facility charge of \$12.68 and a flat monthly consumption charge of \$14.36. The utility has filed a tariff sheet which reflects the above rates. The rates should be effective for service rendered on or after the

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stamped approval date pursuant to Rule 25-30.475, Florida Administrative Code. Additionally, staff recommends that the utility's currently approved wastewater service availability charges should be applied to the new service territory. Finally, staff recommends that the utility's currently approved monthly wastewater service rates for general service customers should be applied to the one metered customer within the new service territory.

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ISSUE 3: Should this docket be closed?

RECOMMENDATION: Yes, this docket should be closed. (K. Johnson)

STAFF ANALYSIS: No further action is required and the docket should be closed.

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ATTACHMENT A

POINCIANA UTILITIES, INC

WASTEWATER TERRITORY DESCRIPTION - POLK COUNTY

Hatchineha Estates Wastewater Service Area

Township 28 South, Range 29 East

Section 19

Starting at the Southeast corner of the Southeast 1/4 of the Southwest 1/4 of Section 19, Township 28 South, Range 29 East, as a POINT OF BEGINNING; thence North 175 feet; thence East 100 feet; thence South 175 feet; thence West 100 feet to the POINT OF BEGINNING, and all that part of the East 1/2 of Section 19, Township 28 South, Range 29 East lying North and West of the following described line: Beginning at a point 75 feet North of the Southeast corner of the Southwest 1/4 of Section 19, Township 28 South, Range 29 East, Polk County, Florida, run thence East 225 feet; thence at an angle of North 50° 45' East for a distance of 2,250 feet, thence North 42° East for a distance of 675 feet to the water of Lake Hatchineha.

The above description is taken from a survey prepared for Wiley J. Parker dated August 24, 1956 by B. M. Higgenbotham.

Together with the South 210 feet of the East 1,050 feet to the Southwest quarter of Section 19.