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DATE: JULY 11, 2002

TO: DIRECTOR, DIVISION OF THE COMMISSION CLERK &  
ADMINISTRATIVE SERVICES (BAYÓ)

FROM: DIVISION OF ECONOMIC REGULATION (REVELL, MERCHANT)  
OFFICE OF THE GENERAL COUNSEL (ECHTERNACHT) *one DW* *one DW* *one DW*

RE: DOCKET NO. 020483-WS - REQUEST FOR APPROVAL OF REVISIONS  
TO TARIFF FOR IRRIGATION SERVICE IN SPRUCE CREEK SYSTEM IN  
MARION AND SUMTER COUNTIES, AND TO RECOGNIZE AND APPROVE  
BILLING OF BASE FACILITY CHARGE ON A MONTHLY BASIS BY  
FLORIDA WATER SERVICES CORPORATION.  
COUNTIES: MARION, SUMTER

AGENDA: 07/23/02 - REGULAR AGENDA - TARIFF FILING - INTERESTED  
PERSONS MAY PARTICIPATE

CRITICAL DATES: 60-DAY SUSPENSION DATE: 8/03/02

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\ECR\WP\020483.RCM

CASE BACKGROUND

The Spruce Creek system (Spruce Creek or system) is a water and wastewater system owned by Florida Water Services Corporation (Florida Water or FWSC). This system provides service to approximately 3,150 residential, commercial, and irrigation water customers as well as 2,300 residential and commercial wastewater customers throughout three non-contiguous adult living communities located in Marion County. Spruce Creek's service territory includes a small area in Sumter County. The Spruce Creek system is also located across two water management districts.

The portion of Spruce Creek that is in the St. John's River Water Management District (SJRWMD) is in a Water Use Caution Area. The portion of Spruce Creek that is in the Southwest Florida Water

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FLORIDA WATER SERVICES CORPORATION

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Management District (SWFWMD) is not in a Water Use Caution Area. Based on the 2001 annual report on file with the Commission, the system's total water revenues were \$1,235,373, with a net operating income of \$533,494. Total wastewater revenues were \$554,666, with a net operating income of (\$201,744).

The Spruce Creek system was originally formed in 1989 by Spruce Creek South Development of Ocala, Inc. to provide water and wastewater services to the residents of its Spruce Creek South (SC South) development near Ocala. The Commission granted Water Certificate No. 511-W by Order No. 20933, issued March 24, 1989, in Docket No. 881597-WU and Wastewater Certificate No. 467-S by Order No. 25157, issued October 3, 1991, in Docket No. 910746-SU. Subsequent to certification, the utility has had five territory amendments to expand the SC South service area and to provide service to two new adult communities called Spruce Creek Golf and Country Club (SC Country Club), in Summerfield, and Spruce Creek Preserve (SC Preserve), in Dunnellon.

On June 29, 2000, Spruce Creek entered into an Asset Purchase Agreement with Florida Water for the sale and purchase of the utility facilities. On August 11, 2000, Spruce Creek and FWSC filed a joint application for transfer of all water and wastewater facilities of Spruce Creek to FWSC, for cancellation of Certificates Nos. 511-W and 467-S held by Spruce Creek, and for amendment of Certificates Nos. 373-W and 322-S held by Florida Water. Along with the application, Spruce Creek and FWSC also filed a joint petition for approval of five ancillary agreements. The transfer was approved by Order No. PSC-01-2311-PAA-WS, issued November 26, 2001, in Docket No. 001122-WS. The utility was ordered to continue to charge the rates and charges approved for Spruce Creek South Utilities, Inc., until authorized to change by the Commission.

The purpose of this recommendation is to correct an oversight in the billing frequency for the irrigation base facility charge discussed in the above order, which is in conflict with the developer's agreement. The Commission has jurisdiction pursuant to Section 367.091, Florida Statutes.

**DISCUSSION OF ISSUES**

**ISSUE 1:** Should Florida Water's Irrigation Service Tariffs Sheets Nos. 84.2 and 84.3 be revised to require monthly billing of the base facility charge rather than yearly billing?

**RECOMMENDATION:** Yes, Florida Water's Irrigation Service Tariffs Sheets Nos. 84.2 and 84.3 should be revised to reflect the utility's original intent for monthly billing rather than yearly billing as listed in the filed tariff. (REVELL)

**STAFF ANALYSIS:** By Order No. PSC-01-2311-PAA-WS, issued November 26, 2001, in Docket No. 001122-WS, the Commission approved the transfer of all water and wastewater facilities of Spruce Creek to Florida Water. Further, the Commission approved two Irrigation Agreements (agreements); one between Spruce Creek and the Spruce Creek Golf and Country Club Homeowners' Association; and one between Spruce Creek and the Spruce Creek Preserve Homeowners' Association. As a result of approval of the transfer, Florida Water assumed the duties under the two agreements.

The agreements state that "the utility will provide each [homeowner association] with an annual statement on or before March 10<sup>th</sup> of each year indicating the amount of base facility charge due based on the agreed-upon phase-in schedule." Revised tariff sheets implementing the provisions of the Order became effective March 15, 2002. However, Spruce Creek has determined that the above quoted provision of the Order and the approved tariff sheets do not accurately reflect the agreements. Currently, the tariff sheets indicate that payment of the base facility charge is on a yearly basis, instead of on a monthly basis as written in the agreements. The utility is requesting that the tariff sheets be revised to indicate billing will be done on a monthly basis.

FWSC has stated that it was the original intention of both Spruce Creek and Florida Water in the agreements that the base facility charge, using the phase-in schedule, would be charged on a monthly basis. As set forth in the agreements, only the reimbursement for the regulatory assessment fees on the unbilled base facility charges would be billed on an annual basis. FWSC, in its application for transfer, filed appropriate tariff sheets for the irrigation service indicating a monthly billing of the base facility charge. Consequently, Florida Water has been billing the

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homeowner associations for the base facility charges on a monthly basis.

Since the existing tariff sheets do not reflect the original intention of the agreements to bill the base facility charges on a monthly basis, staff recommends that FWSC's request to revise the existing tariffs to reflect the actual billing practices be approved.

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**ISSUE 2:** Should this docket be closed?

**RECOMMENDATION:** Yes. If no protest occurs within 21 days of the issuance date of the Order, the Tariff Order will become final upon the issuance of a Consummating Order and the docket should be closed. (REVELL, ECHTERNACHT)

**STAFF ANALYSIS:** If no protest occurs within 21 days of the issuance date of the Order, the Tariff Order will become final upon the issuance of a Consummating Order and the docket should be closed.