

State of Florida



Public Service Commission
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TALLAHASSEE, FLORIDA 32399-0850

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COMMISSION CLERK

DATE: JANUARY 23, 2003
TO: DIRECTOR, DIVISION OF THE COMMISSION CLERK
ADMINISTRATIVE SERVICES (BAYÓ)
FROM: DIVISION OF ECONOMIC REGULATION (BRUCE)
OFFICE OF THE GENERAL COUNSEL (HARRIS)
RE: DOCKET NO. 021238-WS - INVESTIGATION OF RATE STRUCTURE AND
CONSERVATION INITIATIVE OF LITTLE SUMTER UTILITY COMPANY
IN SUMTER COUNTY, PURSUANT TO ORDER PSC-00-0582-TRF-SU.
COUNTY: SUMTER
AGENDA: 02/04/03 - REGULAR AGENDA - INTERESTED PERSONS MAY
PARTICIPATE
CRITICAL DATES: NONE
SPECIAL INSTRUCTIONS: NONE
FILE NAME AND LOCATION: S:\PSC\ECR\WP\021238.RCM

CASE BACKGROUND

Little Sumter Utility Company (LSU or utility) is a water and wastewater utility located in Sumter County. The utility began providing service in 1997. LSU is currently a Class A utility. According to the utility's 2001 annual report, at year end the utility had 6,212 water customers and 6,194 wastewater customers. In its 2001 annual report, the utility reported revenues of \$1,300,134 and \$1,440,146 for water and wastewater respectively.

By Order No. PSC-96-1132-FOF-WS, issued in Docket 960305-WS on September 10, 1996, the Commission ordered LSU to establish an escrow account to escrow certain revenue each month that can be used only to fund conservation programs approved by the Southwest Florida Water Management District. The escrow account was scheduled to terminate in December 1998. In Docket No. 990684-SU, the issue of the escrow was readdressed. In that docket, the Commission

DOCUMENT NUMBER - DATE

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FPSC-COMMISSION CLERK

DOCKET NO. 021238-WS
DATE: January 23, 2003

ordered LSU to continue to submit semiannual reports that contained information for each month in the period such as: the number of customer bills, gallons billed and revenue collected, separated by usage block, and required the utility to continue to escrow gallonage revenues collected from the second tier rate in excess of the gallonage revenue requirement through the year 2002. This was done in an effort to determine whether additional conservation incentives were needed and to determine if the inclining block rate structure was producing the desired result. On December 12, 2002, the instant docket was opened to investigate the rate structure and conservation initiative of LSU. This recommendation addresses the continuation of the escrow account until a Commission Order becomes final and effective to determine if the escrow funds are being applied in the most effective manner to achieve meaningful water conservation. The Commission has jurisdiction pursuant to Section 367.081, Florida Statutes.

DISCUSSION OF ISSUES

ISSUE 1: Should the utility be required to continue to escrow funds as security?

RECOMMENDATION: Yes, the utility should continue to escrow gallonage revenues collected from the second tier rate in excess of the gallonage revenue requirement until the evaluation is completed. (BRUCE)

STAFF ANALYSIS: By Order No. PSC-96-1132-FOF-WS, issued in Docket 960305-WS, on September 10, 1996, the Commission ordered LSU to establish an escrow account to escrow certain revenue each month that can be used only to fund conservation programs approved by the Southwest Florida Water Management District. Order No. PSC-00-0582-TRF-SU, issued March 22, 2000, in Docket No. 990684-SU ordered LSU to continue to escrow gallonage revenues collected from the second tier rate in excess of the gallonage revenue requirement, through the year 2002, unless a determination was made to discontinue the escrow requirement. This inclining block rate structure was implemented in an effort to reduce high water consumption. To adequately monitor the escrow funds and evaluate the conservation effects of this rate structure, the Commission ordered Little Sumter to file semiannual reports containing the following information for the months included in the quarter: the number of

bills, and gallons billed and revenue collected, separated by usage block.

Currently, staff is working with the utility and water management district to evaluate the current conservation program and determine if the escrow funds are being applied in the most effective manner. To date, the utility has applied the funds to media advertising to promote water conservation. Additionally, Little Sumter has expended \$555,300 on wastewater effluent modifications to increase the amount of reclaimed water available for golf course irrigation. The utility submitted its Request to Release Funds from the escrow account dated January 12, 2001. The Commission administratively approved this request in a letter dated January 24, 2001, and authorized a release of \$334,896.26 from the escrow. On July 24, 2001 the utility filed a second request to release funds in the amount of \$110,000 from the escrow account. The Commission administratively authorized the release on August 9, 2001. On December 17, 2001 the utility filed a third request to release funds in the amount of \$110,403.74 from the escrow account. The Commission administratively authorized the release on December 27, 2001.

On December 30, 2002, LSU requested release of escrow funds for a project to upgrade its wastewater treatment facilities. The project is designed to provide the maximum amount of irrigation quality effluent as a source of irrigation to golf courses. The current balance of the escrow account as of December 31, 2002 is \$296,343.70. The total reuse project is expected to exceed \$1.5 million upon completion in October 2003. Order PSC-96-1132-FOF-WS established the escrow account to ensure that the goal of adequate conservation is being met. While staff believes that the most recent project is consistent with the original order to encourage conservation, and LSU is willing to continue the escrow procedure, staff believes that it is time to review the current rate structure and escrow as envisioned in Order PSC-00-0582-TRF-SU.

Since the utility is willing to continue the escrow account, and has committed to a sizeable reuse project which will likely absorb the expected escrow for some time, staff believes that the utility should continue with the current escrow established, pending the outcome of the rate structure review. At the conclusion of the rate structure review, staff will recommend whether changes need to be made to the rate structure and if other conservation initiatives should be pursued.

DOCKET NO. 021238-WS
DATE: January 23, 2003

ISSUE 2: Should this docket be closed?

RECOMMENDATION: No, this docket should remain open until staff further evaluates the rate structure and conservation initiative and brings this matter back for the Commission's review. (HARRIS)

STAFF ANALYSIS: As discussed in Issue 1, staff is working with the utility and water management district to evaluate if the escrow funds are being applied in the most effective manner to achieve meaningful water conservation. Therefore, this docket should remain open until the evaluation is completed.