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COMMISSION
CLERK

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

DATE: September 21, 2006

TO: Director, Division of the Commission Clerk & Administrative Services (Bayó)

FROM: Division of Economic Regulation (Biggins, Rendell, Bulecza-Banks) *JB* *CRB* *TS*
Office of the General Counsel (Bennett) *KB*

RE: Docket No. 060431-WS – Request for approval of implementation of security deposits for water and wastewater systems in Pasco County by Paradise Lakes Utility, L.L.C.

AGENDA: 10/03/06 – Regular Agenda – Tariff Filing - Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 02/02/07 (8-Month Statutory Effective Date)

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\ECR\WP\060431.RCM.DOC

DOCUMENT NUMBER-DATE

08696 SEP 21 08

STATE COMMISSION CLERK

Case Background

Paradise Lakes Utility, L.L.C. ("Paradise Lakes or "utility") is a Class C water and wastewater utility serving approximately 432 water and wastewater customers in Pasco County.¹ On June 2, 2006, the utility filed an application requesting approval to implement security deposits for water and wastewater systems in Pasco County, by Paradise Lakes Utility, L.L.C.

The utility has some common management staff with another utility owned by the same shareholders -- Mad Hatter Utility, Inc. (MHU). The MHU system has three separate water and wastewater systems, which provide service in Pasco County and surround the Paradise Lakes' system. Paradise Lakes Utility believes in order to minimize the administrative burden on the utility, all of the systems operated by MHU should have a standard set of customer deposits. The other three systems operated by MHU require customer deposits of twice the monthly bill. The utility's request based on MHU average monthly bill was more than twice the monthly bill for Paradise Lakes. Therefore, staff did not believe the utility's request was consistent with Rule 25-30.311, Florida Administrative Code (F.A.C.). Staff discussed this concern with the utility, and on September 12, 2006, the utility revised its proposed tariff sheets. The Commission has jurisdiction pursuant to Section 367.091, Florida Statutes (F.S.).

¹ The Commission granted Paradise Lakes its original Certificate Nos. 458-W and 392-S in Order No. 15668, issued February 13, 1986, in Docket No. 850211-WS, In Re: Objection by Mad Hatter Utility Inc., to application of Paradise Lakes Utility, Ltd.

The Commission approved the transfer of majority organizational control and established rate base for transfer purposes, in Order No. PSC-05-0166-PAA-WS issued February 11, 2005, in Docket No. 030948-WS, In Re: Application for transfer of majority organizational control of Paradise Lakes Utility, L.L.C., holder of Certificate Nos. 458-W and 392-S in Pasco County, from Paradise Lakes, Inc. to Larry and Janice DeLucenay.

Discussion of Issues

Issue 1: Should Paradise Lakes proposed tariff sheets to collect customer deposits be approved as filed?

Recommendation: Yes, First Revised Sheet No. 16.0 and First Revised Sheet No. 15.0 filed on September 12, 2006, should be approved as filed. The revised tariff sheets should be implemented on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(2), Florida Administrative Code, provided the utility submits and receives approval of its proposed customer notice and that the customers have received the approved notice. (Biggins)

Staff Analysis: As stated in the background, the utility filed an application to request the approval to implement security deposits for its water and wastewater systems in Pasco County. The purpose of customer deposits is to establish credit with the utility. Deposits are to be paid by new utility customers. Rule 25-30.311, Florida Administrative Code, provides guidelines for collecting, administering, and refunding customer deposits. The rule also authorizes customer deposits to be calculated using an average monthly bill for a 2-month period. The utility currently does not have a tariff charge for customer deposits.

A schedule of the utility's requested deposits follow:

<u>Residential Customer Deposits</u>		
<u>Meter Size</u>	<u>Proposed Water Deposits</u>	<u>Proposed Wastewater Deposits</u>
Residential Metered	\$35.00	\$70.00
Residential Unmetered Flat Rate	\$25.00	\$50.00
<u>General Service Customer Deposits</u>		
All Meter Sizes	2 x average bill	2 x average bill

After a customer has established a satisfactory payment record and has had continuous service for a period of 23 months, the utility is required to refund the customer's deposit pursuant to Rule 25-30.311(5), Florida Administrative Code. The utility is required to pay interest on customer deposit pursuant to Rule 25-30.311(4), Florida Administrative Code.

Based on the above, staff recommends that First Revised Sheet No. 16.0 for water and First Revised Sheet No. 15.0 for wastewater filed September 12, 2006, should be approved as filed because they comply with the requirements of Rule 25-30.311, Florida Administrative Code. The tariff sheets should be implemented on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(2), Florida Administrative Code, if no protest is filed and once the proposed customer notice has been approved by staff as adequate.

Issue 2: Should this docket be closed?

Recommendation: If Issue 1 is approved, this tariff should become effective on or after the stamped approval date of the tariff sheets, pursuant to Rule 25-30.475, Florida Administrative Code, provided the customers have received adequate notice. If a protest is filed within 21 days of the issuance of the Order by a substantially affected person, this tariff should remain in effect with any increase held subject to refund pending resolution of the protest, and the docket should remain open. If no timely protest is filed, this docket should be closed, upon the issuance of a Consummating Order. (Bennett)

Staff Analysis: If Issue 1 is approved, this tariff should become effective on or after the stamped approval date of the tariff sheets, pursuant to Rule 25-30.475, Florida Administrative Code, provided the customers have received adequate notice. If a protest is filed within 21 days of the issuance of the Order by a substantially affected person, this tariff should remain in effect with any increase held subject to refund pending resolution of the protest, and the docket should remain open. If no timely protest is filed, this docket should be closed, upon the issuance of a Consummating Order.