

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Request to establish
reclaimed water rate for H&S
Grove in Brevard County by
Florida Cities Water Company
(Barefoot Bay Division).

DOCKET NO. 970530-WU
ORDER NO. PSC-97-1049-FOF-WU
ISSUED: September 5, 1997

The following Commissioners participated in the disposition of
this matter:

JULIA L. JOHNSON, Chairman
J. TERRY DEASON
SUSAN F. CLARK
DIANE K. KIESLING
JOE GARCIA

ORDER APPROVING TARIFF

BY THE COMMISSION:

BACKGROUND

Florida Cities Water Company, Barefoot Bay Division, (FCWC or utility) is a Class A utility providing water and wastewater service to approximately 4,458 water and 4,440 wastewater customers in a predominately residential area of Barefoot Bay, Florida. The utility's most recent rate case, Docket No. 951258-WS, was filed on November 6, 1995 with a test year ended June 30, 1996. In that rate case, we granted annual water revenues of \$118,058 and wastewater revenues of \$955,549, representing increases of 14.87% for the water system and 106.97% for the wastewater system. The Barefoot Bay system is in an area that the St. Johns River Water Management District has designated as a water resource caution area.

FCWC disposes all of its effluent through the reuse of reclaimed water. The reuse disposal sites are a 40 acre sprayfield owned by the utility, an inactive orange grove known as the H&S Groves and the Barefoot Bay Golf Course. The approved reuse rate for the golf course is \$.13 per 1,000 gallons. FCWC's implementation of reuse resulted from the Department of Environmental Protection's (DEP) requirement that FCWC pursue

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alternative methods of disposal that would result in the elimination of discharges to surface water bodies. FCWC entered into an agreement with the DEP to upgrade its wastewater treatment plant for disposal of its effluent through reuse.

After the DEP agreement was executed, FCWC attempted to find reuse customers. It attempted to enter into contracts with nearby orange grove owners, but was unsuccessful. As a last resort, FCWC purchased the H&S Groves to be used as a disposal site. In the rate case, we considered whether any revenue for the sale of effluent on the H&S Groves should be imputed, because there was a possibility that the utility could lease the land to an agricultural interest and receive additional revenues from that lease in the form of lease payments and possibly reuse revenues. Since it appeared that the land would not be generating any revenue for some time, by Order No. PSC-96-1147-FOF-WS, issued September 12, 1996, we did not impute revenue but ordered the utility to file status reports that would inform us of the progress toward any leases.

Since the issuance of Order No. PSC-96-1147-FOF-WS, the utility has filed the required reports and by letter dated April 30, 1997, the utility informed Commission staff that it had found an agricultural interest to lease the land. Included with the letter was a tariff sheet for a reclaimed water rate for the provision of reuse service to the agricultural interest. Therefore, this docket was opened in order to process FCWC's requested tariff sheet. By Order No. PSC-97-0782-FOF-WU, issued July 1, 1997, we suspended FCWC's proposed tariff sheet pursuant to Section 367.091(5), Florida Statutes, pending further investigation and analysis of FCWC's filing.

RECLAIMED WATER RATE

FCWC has entered into a five-year lease agreement with South Florida Sod, Inc. (SF Sod), whereby SF Sod will use the H&S Groves for agricultural purposes, such as growing citrus and sod. The lease requires SF Sod to use reclaimed water from the utility to irrigate the crops. FCWC has requested a reuse rate of zero for this service.

Prior to executing the lease with SF Sod, FCWC considered several options, which included a sprayfield operated by FCWC, two cattle grazing areas and an orange grove. FCWC's primary controlling factor in making its decision was sufficient disposal

capacity. According to the utility, the decision to lease the land to SF Sod was based on a number of factors. First, FCWC has determined that a maximum of 525,000 gallons per day can be disposed on the site. SF Sod has agreed to take 525,000 gallons per day; therefore, SF Sod will be able to accept all the water available to the reuse site. Further, no capital investment or additional operational expenses will be required by FCWC or its customers in the on-site irrigation. SF Sod has agreed to install and maintain fencing on the property. It has also agreed to maintain the reclaimed water system, repair any damage to the system and post any signs notifying the public that the property is being irrigated with reclaimed water. The lease agreement provides that the annual lease payment will be \$1,750. The utility has informed us that the lease payment will be recorded by the Barefoot Bay Division as miscellaneous revenues.

Information provided by the utility indicates that FCWC owns the reuse lines from the plant site to the existing pump stations within the grove site as well as the irrigation system within the groves. While SF Sod will be operating and maintaining the irrigation system within the groves, FCWC will be maintaining the reclaimed water mains from the plant to the pumping sites. No additional wet weather storage will be needed by the utility as a result of executing the lease.

Upon review, we find that the agreement between SF Sod and FCWC is reasonable and warrants a reuse rate of zero. A reuse rate of zero in the tariff shows that we have evaluated the service and decided that the arrangement between the utility and the reuse customer is a reasonable arrangement. Therefore, upon review of the utility's request and proposed tariff sheet, we find it appropriate to approve FCWC's request for a reuse rate of zero for reclaimed water to the H&S Groves.

Based on the foregoing, it is

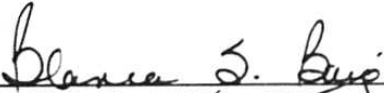
ORDERED by the Florida Public Service Commission that Florida Cities Water Company, Barefoot Bay Division's proposed tariff sheet for a reuse rate of zero for reclaimed water to the H&S Groves is approved as filed. It is further

ORDERED that if a protest is filed in accordance with the requirements set forth below, the tariff shall remain in effect pending resolution of the protest. It is further

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ORDERED that if no protest is filed in accordance with the requirements set forth below, this docket shall be closed.

By ORDER of the Florida Public Service Commission this 5th day of September, 1997.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The Commission's decision on this tariff is interim in nature and will become final, unless a person whose substantial interests are affected by the action proposed files a petition for a formal proceeding, as provided by Rule 25-22.036(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a)(d) and (e), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on September 26, 1997.

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In the absence of such a petition, this Order shall become final on the day subsequent to the above date.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

If this Order becomes final on the date described above, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or wastewater utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the date this Order becomes final, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.