

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for staff-assisted rate case in  
Lake County by BRENDENWOOD WATER  
SYSTEM, INC. | DOCKET NO. 090346-WU  
ORDER NO. PSC-11-0243-PCO-WU  
ISSUED: June 2, 2011

The following Commissioners participated in the disposition of this matter:

ART GRAHAM, Chairman  
LISA POLAK EDGAR  
RONALD A. BRISÉ  
EDUARDO E. BALBIS  
JULIE I. BROWN

ORDER GRANTING EXTENSION OF TIME

BY THE COMMISSION:

Background

Brendenwood Water System, Inc. (Brendenwood or Utility) is a Class C utility that is currently providing water service to approximately 58 customers. Brendenwood is located in the St. Johns River Water Management District (SJRWMD). According to the Utility's 2009 Annual Report, Brendenwood had operating revenues of \$29,844 and operating expenses of \$27,479.

On June 24, 2009, Brendenwood filed an application for a staff-assisted rate case (SARC) and paid the appropriate filing fee on June 25, 2009. By Order No. PSC-10-0167-PAA-WU, issued on March 23, 2010, we approved Phase I and Phase II revenue requirements. The Phase II revenue requirement was only to be implemented once the Utility had completed the pro forma plant addition. In the above-referenced order, we ordered the Utility to expend \$8,800 for the refurbishment of its hydroneumatic tank (tank) within 12-months of the effective date of the consummating order. The 12-month period ended April 16, 2011.

By letter dated March 15, 2011, the Utility indicated it would be unable to complete the pro forma plant addition by April 16, 2011. Brendenwood stated it does not have the necessary funds to complete the refurbishment of the tank. However, because of the regulatory mandates of the Florida Department of Environmental Protection (DEP), the Utility is required to refurbish the tank. Currently, DEP is writing a consent order for Brendenwood. Based on an e-mail response from DEP, the consent order will grant the Utility an extension until April 30, 2012, to complete the tank refurbishment. As a result, by letter dated March 30, 2011, the Utility has requested that we grant an extension of time to complete the pro forma plant addition.

We have authority to consider this rate case matter pursuant to Section 367.0814, Florida Statutes (F.S.).

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FPSC-COMMISSION CLERK

Analysis and Decision

As discussed in the case background, by Order No. PSC-10-0167-PAA-WU, issued on March 23, 2010, we ordered the Utility to refurbish its hydroneumatic tank within 12-months of the effective date of the consummating order. This 12-month period ended April 16, 2011. During the 12-month period, the Utility could not obtain financing for the refurbishment of the tank. Therefore, the Utility submitted a letter advising of its inability to complete the pro forma plant addition due to not having the funds available. The refurbishment of the tank is mandated by DEP. If the Utility fails to refurbish the tank, it would result in the Utility not being in compliance with Rule 62-555.350(2), Florida Administrative Code (F.A.C.). Therefore, by letter dated March 30, 2011, the Utility requested an extension of one year to complete the refurbishment of the tank.

In the above-referenced letter, Brendenwood described its plans to complete the pro forma addition. Now that its debt is paid off, the Utility intends to build up a reserve to increase the down payment for the refurbishment of the tank. Brendenwood stated that the larger down payment would minimize the amount of debt incurred. Therefore, the interest expense would be lower. The Utility has also been in contact with the Florida Rural Water Association to discuss available financing alternatives. Finally, DEP has granted Brendenwood an extension until April 30, 2012, to make the corrective actions to the tank.

Section 367.081(2), F.S., states:

The Commission shall consider utility property, including land acquired or facilities constructed or to be constructed within a reasonable time in the future, not to exceed 24 months after the end of the historic base year used to set final rates unless a longer period is approved by the Commission.

Further, the statute states that we shall approve rates for service which allow a utility to recover from customers the full amount of environmental compliance costs. In the statute, the term "environmental compliance costs" includes all reasonable expenses and a fair return on any prudent investment incurred by a utility in complying with the requirements or conditions contained in any permitting, enforcement, or similar decisions of the United States Environmental Protection Agency, the Department of Environmental Protection, a water management district, or any other governmental entity with similar regulatory jurisdiction. DEP has granted the Utility an additional year to complete the corrective actions to the tank. The Phase II rates approved by Order No. PSC-10-0167-PAA-WU allow the Utility the opportunity to recover a fair return on the plant investment expended to be in compliance with DEP.

Upon review, Brendenwood's request for an extension to complete the required pro forma plant addition is hereby approved. The pro forma plant addition shall be completed by April 30, 2012. The Utility shall be allowed to implement the Phase II rates once the pro forma plant addition has been completed and verified by our staff. Once verified, the rates shall be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. The rates shall not be implemented until notice has been received by the customers. Brendenwood is required to provide proof of the date notice was given within

ten days after the date of the notice. If the Utility encounters any unforeseen events that will impede the completion of the pro forma addition, the Utility shall notify the Commission immediately.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Brendenwood Water System, Inc.'s request for a one year extension to complete the pro forma plant addition required by Order No. PSC-10-0167-PAA-WU is hereby approved. It is further

ORDERED that the pro forma plant addition shall be completed by April 30, 2012. It is further

ORDERED that Brendenwood Water System, Inc. shall be allowed to implement the Phase II rates once the pro forma plant addition has been completed and verified by our staff. It is further


ORDERED that the Phase II rates shall be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), Florida Administrative Code. It is further

ORDERED that the Phase II rates shall not be implemented until notice has been received by the customers, and Brendenwood Water System, Inc. is required to provide proof of the date notice was given within ten days after the date of the notice. It is further

ORDERED that if Brendenwood Water System, Inc. encounters any unforeseen events that will impede the completion of the pro forma addition, the Utility shall notify the Commission immediately. It is further

ORDERED that this docket shall remain open to allow Brendenwood Water System, Inc. additional time to complete the pro forma plant improvement. If the Utility completes the pro forma plant addition by April 30, 2012, the docket shall be closed administratively once our staff verifies that the plant addition has been completed.

By ORDER of the Florida Public Service Commission this 2nd day of June, 2011.



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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.

Any party adversely affected by this order, which is preliminary, procedural or intermediate in nature, may request: (1) reconsideration within 10 days pursuant to Rule 25-22.0376, Florida Administrative Code; or (2) judicial review by the Florida Supreme Court, in the case of an electric, gas or telephone utility, or the First District Court of Appeal, in the case of a water or wastewater utility. A motion for reconsideration shall be filed with the Office of Commission Clerk, in the form prescribed by Rule 25-22.0376, Florida Administrative Code. Judicial review of a preliminary, procedural or intermediate ruling or order is available if review of the final action will not provide an adequate remedy. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.