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DIVISION OF WATER &
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(904) 413-6900

Public Service Commission

April 5, 1996

Mr. F. Marshall Deterding
Rose, Sundstrom & Bentley
2548 Blairstone Pines Drive
Tallahassee, Florida 32301

RE: Docket No. 960305-WS, Application for water and wastewater certificates in Sumter County by Little Sumter Utility Company

Dear Mr. Deterding:

Staff has reviewed the utility's application for certificates and determined that it is deficient pursuant to Section 367.045, Florida Statutes and Rule 25-30.033, Florida Administrative Code. The following deficiencies have been noted:

- Ownership.** Rule 25-30.033(1)(c), Florida Administrative Code, states that the applicant shall provide "the name(s) and address(es) of all corporate officers, directors, partners, or any other person(s) or entities owning an interest in the applicant's business organization." By letter dated March 15, 1996, the utility revised this portion of its application. However, the letter only accounts for 56% of ownership. Please specify who owns the remaining 44%, and provide the addresses for all of the individuals and entities owning an interest in the utility. Additionally, please specify what relationship these individuals have to the utility (i.e., corporate officer, director, etc.)
- Need for Service.** Rule 25-30.033(1)(e), Florida Administrative Code, states that the applicant shall provide "a statement showing the financial and technical ability of the applicant to provide service, and the need for service in the proposed area. The statement shall identify any other utilities within the area proposed to be served that could potentially provide service, and the steps the applicant took to ascertain whether such other service is available." According to Page 4, Section VII of the application, "There are no other utilities in close proximity to the area who might be able to provide service to this territory or who have the ready ability to expand their capacity to meet the immediate and anticipated needs of this area." Please explain what steps the applicant took to ascertain that there are no other utilities able to provide service to this area, and provide the names of any other utilities that were contacted regarding the provision of service to the proposed service area.

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FPSC-RECORDS/REPORTING

3. **Number of Equivalent Residential Connections (ERCs).** Rule 25-30.033(1)(h), Florida Administrative Code, states in part that the applicant shall provide "the number of equivalent residential connections (ERCs) proposed to be served, by meter size and customer class." According to Page 1 of Exhibit L of the application, the utility is proposing rates for private fire protection service. However, Exhibit C of the application does not provide any ERC information for private fire protection customers. Also, the utility's proposed tariff does not contain a tariff sheet for the private fire protection class of service. If the utility is in fact proposing to provide private fire protection service, please provide a schedule showing the number of private fire protection customers by line size and the corresponding number of ERCs. Also, please provide a proposed tariff sheet for the private fire protection class of service.
4. **Detailed System Map.** Rule 25-30.033(1)(m), Florida Administrative Code, states that the applicant shall provide "one copy of a detailed system map showing the proposed lines, treatment facilities and the territory proposed to be served. The map shall be of sufficient scale and detail to enable correlation with the description of the territory proposed to be served." The map provided with the application does not contain sufficient detail of the system plans. Please provide a full set of engineering drawings with the specifications for the treatment plants, water transmission and distribution system, and wastewater collection system. Please include an itemized list of all of the components of the utility facilities.
5. **Funding from Affiliates.** Rule 25-30.033(1)(s), Florida Administrative Code, states in part that the applicant shall provide "a list of all entities, including affiliates, upon which the applicant is relying to provide funding to the utility , and an explanation of the manner and amount of such funding, which shall include their financial statements and copies of any financial agreements with the utility." According to Page 8, Section XX of the application, the Villages of Lake-Sumter, Inc. has provided and will continue to provide funding to the utility in the future. Please provide an explanation of the manner and amount of such funding and copies of any financial agreements that the affiliated developer has with the utility. If the developer and utility do not have a formal financial agreement, please provide an affidavit from the owner or president of the Villages of Lake-Sumter, Inc. which specifies the extent to which this entity will be providing funding to the utility during its initial years of operation.
6. **Proof of Publication.** Rule 25-30.030(7), Florida Administrative Code, states in part that "the notice shall be published once in a newspaper of general circulation in the territory proposed to be served, added, deleted, or transferred." According to Page 10, Section XXV of the application, the proof of publication will be provided to the Commission immediately after it is received from the newspaper

utilized for this purpose. Please provide the proof of publication when it becomes available.

7. **Notice of Application.** Rule 25-30.030(8), Florida Administrative Code, states in part that "a copy of the notice(s) and list of the entities receiving notice pursuant to this rule shall accompany the affidavit required by Sections 367.045(1)(e) and (2)(f), Florida Statutes." Rules 25-30.030(5)(e) and (f), Florida Administrative Code, require that a copy of the notice shall be mailed to the Office of Public Counsel and the Commission's Director of Records and Reporting. According to Exhibit M of the application, the list of entities to whom the notice was mailed does not include the Office of Public Counsel or the Commission's Director of Records and Reporting. Please provide an affidavit that the notice was mailed to these entities and specify on which date the notices were mailed.

In addition to the above noted deficiencies, please provide additional information on the following items.

1. **Financial Ability.** Rule 25-30.033(1)(e), Florida Administrative Code, requires that the applicant provide a statement showing the financial ability of the applicant to provide service. According to a letter dated September 11, 1995 from Mr. John F. Wise, in Exhibit A of the application, "the Villages of Lake-Sumter, Inc. will provide the financing for the capital improvements and fund losses of Little Sumter Utility Company until outside sources of financing become available."
 - A. Is the utility currently pursuing outside sources of financing? If so, what are those outside sources and how soon does the utility anticipate receiving funding from them?
 - B. Is there a limit to the length of time or amount of funding that the Villages of Lake-Sumter, Inc. will make available to the utility?
2. **Funding from Affiliates.** Rule 25-30.033(1)(s), Florida Administrative Code, requires that the applicant provide the financial statements of the entities that will be providing funding to the utility. The application contains the consolidated financial statements for the Villages of Lake-Sumter, Inc. for December 31, 1994 and 1993. Please provide the Villages of Lake-Sumter, Inc.'s financial statements for 1995.

3. **Need for Service.** Rule 25-30.033(1)(e), Florida Administrative Code, requires the applicant to provide a statement showing the need for service in the proposed area. Also, Rule 25-30.033(1)(g), Florida Administrative Code, requires the applicant to provide the date it plans to begin serving customers. According to Page 3, Section VII of the application, the developer anticipates that service will be needed in the very near future. Also, according to Page 4, Section IX of the application, the applicant plans to begin providing service for compensation to all customers within its certificated service territory immediately upon the granting of certificates and approval of the appropriate rates and charges by the Commission.
 - A. Has the developer begun construction of the homes, stores, etc. within the proposed service territory? If yes, please indicate where construction has begun within the proposed service territory. If no, when does the developer anticipate beginning construction?
 - B. When does the developer and/or utility anticipate that residents will be moving into the service area?
 - C. Has construction begun on the utility facilities? If yes, please describe what part of the plant and distribution system is under construction. If no, please describe where the utility is in its permitting process and when it anticipates beginning construction of the utility facilities?
4. **Financial and Rate Schedules.** Rules 25-30.033(1)(t),(u),(v), and (w), Florida Administrative Code, require the applicant to provide its projections for customer growth, and the cost, operating expenses, and capital structure of the proposed systems. Exhibit L of the application contains the utility's final calculations for these items. Please provide supporting documentation which shows how the utility arrived at its final estimates contained in the schedules shown in Exhibit L.
5. **Rate Calculation.** Page 1 of Exhibit L of the application, provides the utility's proposed monthly service rates.
 - A. Please provide supporting documentation showing how these rates were calculated.
 - B. Is the utility's proposed inclining block rate structure required by any governmental agencies, such as a water management district?

- C. Please explain why the utility believes the inclining block rate structure is appropriate for this area.
 - D. Please explain the assumptions the utility used in calculating the inclining block rates.
 - E. Please explain why the utility believes a 9,000 gallon break-point is the appropriate break-point for the inclining block rates.
 - F. Did the utility consider any other break-points for the inclining block rates?
 - G. According to Exhibit D of the application, the utility will be serving residential customers in single family conventionally built retirement homes with approximately 1.9 capita per dwelling unit. Please explain why the utility believes a 10,000 gallon residential wastewater gallonage cap is appropriate for this customer base, and if the utility considered using a lower cap such as 8,000 or 6,000 gallons.
 - H. According to Page 1 of Exhibit L of the application, the utility is proposing the same wastewater gallonage charge for both residential and general service customers. Please explain why the utility did not factor-up the general service wastewater gallonage charge as is customary with the base facility charge rate structure. If the utility intended to factor-up this charge, please provide a corrected rate schedule and corrected rate tariff sheet.
6. **Contributions-in-aid-of-construction.** According to Page 11 of Exhibit L of the application, the utility is requesting service availability charges designed to result in the minimum CIAC levels. Please explain why the utility is not requesting charges designed to achieve the maximum CIAC level allowed by Rule 25-30.580(1)(a).
7. **Existing Service.** According to the letter dated September 11, 1995 from Mr. John F. Wise, in Exhibit A of the application, "Little Sumter Utility Company will provide water and wastewater services to a development know as The Villages." "The Villages currently has in excess of 6,500 homes and sales have averaged in excess of 500 homes for the past 10 years."
- A. Please provide a map indicating where the existing development is in relation to the proposed service territory.
 - B. Please provide the name(s) of the utility(s) that are providing water and wastewater service to these homes.

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Please file one copy of the engineering drawings, the original and two copies of the corrected tariff sheets if applicable, and the original and five copies of the remaining requested information no later than June 21, 1996 with Ms. Blanca Bayo, Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, FL 32399-0850. Please feel free to call Raj Agarwal at (904)413-6228, James McRoy at (904)413-7009 or me at (904)413-7015 if you have any questions.

Sincerely,



Martha A. Golden
Economic Analyst

Enclosures

cc: Division of Water and Wastewater (Hill, Williams, Messer, Chase, McRoy, Walker)
Division of Legal Services (Jaber, Agarwal)
Division of Records and Reporting