

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for) DOCKET NO. 961342-SU
amendment of Certificate No.) ORDER NO. PSC-97-0198-FOF-SU
103-S to include additional) ISSUED: February 19, 1997
territory in Polk County, and)
for approval of a new class of)
wastewater service, by POINCIANA)
UTILITIES, INC.)
_____)

The following Commissioners participated in the disposition of this matter:

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

ORDER AMENDING CERTIFICATE TO INCLUDE
ADDITIONAL TERRITORY AND APPROVING A NEW CLASS
OF SERVICE FOR RESIDENTIAL WASTEWATER

BY THE COMMISSION:

Background

Poinciana Utilities, Inc. (Poinciana or utility) provides water and wastewater service in Osceola and Polk Counties and serves approximately 5,079 water and 4,931 wastewater customers in those counties. The utility's annual report for 1995 shows that the consolidated annual operating revenue for the entire system is \$3,070,645 and the net operating income is \$293,747. The utility is a Class A utility that has been under Commission jurisdiction since April 15, 1991 in Polk County, and June 22, 1973 in Osceola County. On November 8, 1996, the utility applied for an amendment of Wastewater Certificate No. 103-S in Polk County to include additional territory and requested a new class of service for residential wastewater-only service.

Application

In its application, the utility requested an extension of its certificated territory to include additional territory to provide residential wastewater service to customers in Polk County. The South Florida Water Management District (the District) has requested that the utility provide wastewater-only service to an

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area known as Hatchineha Estates. The District and the United States Army Corps of Engineers are involved in a project to raise the water level of Lake Hatchineha. Raising the water level of this lake is part of the federally authorized Kissimmee River Restoration Project which is designed to restore the Kissimmee River to its original meandering configuration. This modification will increase water storage capacity and water levels, thereby rendering useless the individual septic tanks in the Hatchineha Estates subdivision.

Poinciana's application is in compliance with Section 367.045, Florida Statutes, and other pertinent statutes and administrative rules. In particular, the application contains a filing fee in the amount of \$500, pursuant to Rule 25-30.020, Florida Administrative Code. Poinciana also provided a copy of a warranty deed which provides for the continued use of the land as required by Rule 25-30.036(3)(d), Florida Administrative Code.

Adequate service territory and system maps and a territory description have been provided as prescribed by Rule 25-30.036(3)(e), (f) and (i), Florida Administrative Code. A description of the additional wastewater territory which the utility is requesting is appended to this Order as Attachment A. The utility has submitted an affidavit consistent with Section 367.045(2)(d), Florida Statutes, that it has tariffs and annual reports on file with the Commission.

Poinciana has provided proof of compliance with the notficng provisions set forth in Rule 25-30.030, Florida Administrative Code. The utility's notice to the Hatchineha Estates' residents included the proposed monthly service rates. No objections to the application have been received and the time for filing such has expired. The local planning agency was provided notice of the application and did not file a protest to the amendment. According to the Department of Environmental Protection (DEP), there are no outstanding notices of violation regarding this utility.

The utility has demonstrated the financial and technical ability and expertise to provide quality service to the customers in the additional territory described in Attachment A. Poinciana is a large, multi-county operation in the State of Florida, and has been in the water and wastewater utility business since 1965. The District has agreed to comply with Poinciana's Service Availability Policy, including contribution of facilities and payment of all service availability charges. The wastewater treatment plant that will serve the property is currently permitted at 660,000 gallons per day (gpd). Average daily flows are about 544,000 gpd. Added flows from the property will be approximately 64,000 gpd.

Poinciana has recently applied to the DEP to construct and expand the treatment capacity to 950,000 gpd, and expansion of the rapid infiltration basin is underway. Therefore, we find that the utility has the capacity to serve these customers now and in the future.

Based on the above information, we find that the utility has demonstrated the financial and technical ability to provide service to the additional territory. Therefore, we find that it is in the public interest to amend Wastewater Certificate No. 103-S to include the additional territory described in Attachment A of this Order, which by reference is incorporated herein. The utility has returned the certificate to this Commission for entry of the additional territory. The utility has also filed revised tariff sheets which reflect the amended territory description.

New Class of Service

The residents of Hatchineha Estates receive their water from private wells, and thus, their water consumption is not metered. Consequently, the utility has requested approval of a new class of service for residential wastewater-only service, using a monthly base facility charge of \$12.68 and a flat monthly consumption charge of \$14.36.

Pursuant to Section 367.091(5), Florida Statutes, the utility submitted a cost justification for the new rates and charges along with its application on November 8, 1996. This cost justification substantiates the proposed base facility charge and flat monthly consumption charge.

The policy of this Commission has been to allow the use of a flat rate for wastewater service in situations where metered water consumption is not possible. Upon consideration, we find that the utility's methodology and calculations in formulating a new class of service rate are consistent with past Commission practice with one exception. Typically, this type of flat rate is comprised of two parts. The first part represents the fixed costs of service and is equal to the utility's current base facility charge for metered customers. The second part represents the variable costs of service associated with actual consumption, and is calculated by applying the utility's current gallonage charge for metered customers to the average monthly consumption of the utility's residential wastewater customers. The two parts are then combined for a single flat rate. However, in this case the utility proposed keeping the base facility charge and consumption portion of the rate separate.

Under the base facility charge rate structure, each customer pays her pro rata share of the related costs necessary to provide service through the base facility charge and only the actual usage is paid for through the gallonage charge. Consequently, seasonal customers who have metered service will only be charged the base facility charge while they are away from the service area.

The utility has informed the Commission that the customers in Hatchineha Estates are seasonal residents, most of whom are retirees who only live there for five or six months during the winter. Due to the seasonal nature of the residency, the utility proposed that it would be more equitable to keep the base facility charge and consumption charge portion of the flat rate separate, enabling them to assess only the base facility charge while the residents are away from the service area. We agree with the utility that its proposed split rate is more equitable than the traditional single flat rate for this group of customers. We find that this arrangement is consistent with Commission policy regarding the base facility charge rate structure and the utility's treatment of its other customers.

Because the utility's proposed billing methodology does not enable the utility to monitor water consumption, a customer could return to the service area and begin using wastewater service without notifying the utility. However, the utility does not anticipate having this type of problem with these customers. Furthermore, the utility stated that, if necessary, it would have its service personnel, who are in the field on a regular basis reading meters, occasionally drive through the area to monitor for occupancy.

The utility's current wastewater service availability charges were first approved for the utility's Osceola County system by Order No. 19092, issued April 4, 1988, in Docket No. 870689-WS, which was then consummated by Order No. 19233. According to the utility, these charges were then applied to its Polk County system, which was under Polk County jurisdiction at that time. However, pursuant to Section 367.171(7), Florida Statutes, the utility's Polk County system subsequently came under the jurisdiction of the Commission because its facilities transverse county boundaries. The utility's existing service availability charges were then approved by the Commission for the Polk County system by Order No. 24370, issued April 15, 1991, in Docket No. 900951-WS, which granted that system's grandfather certificates. Accordingly, we find it appropriate to apply the utility's current service availability charges to the new service territory. As stated above, the District will pay the necessary service availability charges for the new customers.

The proposed extension of wastewater service will not have a significant impact on the utility's monthly rates because the proposed residential wastewater-only rates were designed using the utility's current base facility charge and gallonage charge for residential wastewater service. The only general service customer (a restaurant) in Hatchineha Estates has agreed to install a water meter on its well and will be charged the utility's current general service wastewater rates. Thus, the addition of that customer will, likewise, not have a significant impact on the utility's monthly rates.

The proposed service area extension will not have a significant impact on the utility's capital structure due to the District's agreement to contribute facilities and pay all wastewater service availability charges required to render service to Hatchineha Estates.

The utility's rates were last reviewed in Docket No. 930912-WS, which was a rate case proceeding. The final rates in that proceeding were approved by Order No. PSC-94-1168-FOF-WS, issued September 26, 1994. The utility's rates were subsequently increased through a price index adjustment, which became effective July 1, 1995. Thus, the utility's current wastewater rates shall be used in the residential wastewater-only rate calculation and the present monthly wastewater service rates for general service customers shall be applied to the one metered customer within the new service territory.

Based on the foregoing, we find that a base facility charge of \$12.68 and a flat monthly consumption charge of \$14.36 are appropriate rates for the residential wastewater-only service. Furthermore, we find that the new class of service rates and charges proposed by Poinciana are just, reasonable, and compensatory, in accordance with Section 367.091(4), Florida Statutes. Therefore, the utility's proposed rates for the new class of service are approved. The rates shall become effective for service rendered on or after the stamped approval date of the tariff sheet, pursuant to Rule 25-30.475, Florida Administrative Code.

Based on the information contained herein, we hereby approve Poinciana's request for a new class of service for residential wastewater-only service to the Hatchineha Estates Subdivision. No further action is required and this docket shall be closed.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Certificate No. 103-S, held by Poinciana Utilities, Inc. is hereby amended to include the territory described in Attachment A of this Order, which is incorporated herein by reference. It is further

ORDERED that Poinciana Utilities, Inc.'s request to establish a new class of service for residential wastewater-only service to the Hatchineha Estates subdivision is hereby approved. It is further

ORDERED that Poinciana Utilities, Inc. is hereby authorized to charge a base facility charge of \$12.68 and a flat monthly consumption charge of \$14.36 for the wastewater-only residential customers. It is further

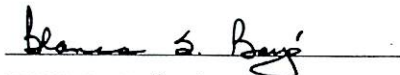
ORDERED that the new charges established herein shall be effective for wastewater service rendered on or after the stamped approval date on the tariff sheet pursuant to Rule 25-30.475, Florida Administrative Code. It is further

ORDERED that Poinciana Utilities, Inc.'s present monthly wastewater service rates for general service customers shall be applied to the one metered general service customer within the new service territory. It is further

ORDERED that Poinciana Utilities, Inc.'s present wastewater service availability charges shall be applied to the new service territory.

ORDERED that this docket is hereby closed.

By ORDER of the Florida Public Service Commission, this 19th day of February, 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.

Any party adversely affected by the Commission's final action in this matter may request: 1) reconsideration of the decision by filing a motion for reconsideration with the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, 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 and/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 after the issuance of this order, 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.

ATTACHMENT A

POINCIANA UTILITIES, INC

WASTEWATER TERRITORY DESCRIPTION - POLK COUNTY

Hatchineha Estates Wastewater Service Area

Township 28 South, Range 29 East

Section 19

Starting at the Southeast corner of the Southeast 1/4 of the Southwest 1/4 of Section 19, Township 28 South, Range 29 East, as a POINT OF BEGINNING; thence North 175 feet; thence East 100 feet; thence South 175 feet; thence West 100 feet to the POINT OF BEGINNING, and all that part of the East 1/2 of Section 19, Township 28 South, Range 29 East lying North and West of the following described line: Beginning at a point 75 feet North of the Southeast corner of the Southwest 1/4 of Section 19, Township 28 South, Range 29 East, Polk County, Florida, run thence East 225 feet; thence at an angle of North 50° 45' East for a distance of 2,250 feet, thence North 42° East for a distance of 675 feet to the water of Lake Hatchineha.

The above description is taken from a survey prepared for Wiley J. Parker dated August 24, 1956 by B. M. Higgenbotham.

Together with the South 210 feet of the East 1,050 feet to the Southwest quarter of Section 19.