

FLORIDA PUBLIC SERVICE COMMISSION
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MEMORANDUM

AUGUST 28, 1997

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11:40
FPSC - Records/Reporting

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO) *DRR*

FROM: DIVISION OF WATER & WASTEWATER (REDEMANN, MESSER) *BSM*
DIVISION OF LEGAL SERVICES (CROSBY) *CS*

RE: DOCKET NO. 970231-WU - APPLICATION FOR AMENDMENT OF
CERTIFICATE NO. 401-W BY PLACID LAKES UTILITIES, INC.
COUNTY: HIGHLANDS

AGENDA: SEPTEMBER 9, 1997 - REGULAR AGENDA - THE PORTION OF ISSUE
2 APPROVING THE SERVICE AVAILABILITY AGREEMENT IS PAA -
INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: S:\PSC\WAW\WP\970231WS.RCM

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

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CASE BACKGROUND

Placid Lakes Utilities, Inc. (Placid Lakes or utility) provides water service to approximately 1,263 water customers. Wastewater service is provided by septic tanks. The utility's 1996 annual report shows an annual operating revenue of \$194,663 and a net operating income of \$8,572. The utility is a Class B utility company under FPSC jurisdiction.

On February 21, 1997, Placid Lakes filed an application for amendment of Certificate No. 401-W to add territory in Highlands County. The utility proposes to provide service to an area adjacent to the subdivision along Catfish Road. There are a total of 51 platted lots in this additional area, and some small tracts of land zoned for agriculture. Eleven of customers have contaminated wells in this area. According to the utility a total of 35 lot owners including the eleven have stated they were interested in utility water service. The utility has indicated that these people have been calling and stopping by the office anxious for service. In addition, a customer contacted staff stating he was frustrated that he did not have utility water service at this time. Placid Lakes requests that they be allowed to begin the extension immediately in order to provide safe drinking water to these people.

Staff has authority to administratively approve applications for amendment when no objections have been filed and the application is without controversy. This case is being brought to the attention of the Commission to address an objection we received on April 22, 1997, by Caldwell/Grenewsky. That objection will be addressed in detail in Issue 1. The utility has requested that a special service availability agreement be approved for this area. That agreement will be addressed in Issue 2.

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DISCUSSION OF ISSUES

ISSUE 1: Should the letter filed by "Caldwell/Grenewsky" be treated as an objection?

RECOMMENDATION: No. The letter signed "Caldwell/Grenewsky" which was received on April 22, 1997, should not be treated as an objection. (CROSBY)

STAFF ANALYSIS: As stated in the case background, on April 22, 1997, this Commission received a letter signed "Caldwell/Grenewsky" which appeared to be an objection to Placid Lakes Utilities, Inc.'s application to amend its service area. In the letter, "Caldwell/Grenewsky" was concerned that the amendment would cause his rates to increase, the road to and from his property would be "torn up," and the water pressure would be less. On May 30, 1997, staff responded to the objection addressing the concerns set forth in the "Caldwell/Grenewsky" letter. No response was received.

On June 17, 1997, legal staff attempted to contact "Caldwell/Grenewsky" through directory assistance; directory assistance did not have a listing for Mr. Grenewsky. When contacted, the utility indicated that it did not have a customer named Grenewsky. They believed at one time there was a Mr. Grenewsky, but that the individual had moved. The utility stated that the house at the address on the April 22, 1997 letter is owned by Mr. Nelson L. Caldwell, Jr.

When contacted, Mr. Caldwell stated that he had not signed the letter, and in fact, had no objection to the amendment. He further stated that he did not have a tenant named Grenewsky. The tenant at the address given on the letter is named Hoffman. The Commission did not receive an objection from Mr. Hoffman.

On June 18, 1997, legal staff sent a letter to Mr. Grenewsky addressing all of his concerns and our efforts to reach him by telephone. Mr. Grenewsky was informed by staff that the amendment should not cause the rates of the current customers to increase. The Department of Environmental Protection has agreed to fund the major portion of the construction, with the remaining costs being paid by the utility and new customers connecting to the system. With regard to water pressure, Placid Lakes has installed another well and additional plant to serve the area requested. As for the road being "torn up," it is our understanding that the construction

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will be beyond the address shown on the objection, and, therefore, should not be a problem. We also informed Mr. Grenewsky that we had contacted Mr. Caldwell and he had no objection to the amendment. Mr. Grenewsky was asked to advise the Commission in writing by July 1, 1997, if he still wished to object and to explain how his interests were affected. No response was received.

On July 8, 1997, legal staff sent a third letter to Mr. Grenewsky advising him that since we had not received a response to our June 18, 1997 letter, his letter would not be treated as an objection, and that the application would be processed administratively.

On July 14, 1997, legal staff received a telephone call from Mr. Hoffman. He was very angry, stating that he had been out of town and had not given anyone permission to cancel his objection. Mr. Hoffman was advised that the Commission had not received an objection from him; that the only objection we had received was from a Caldwell/Grenewsky; and that we had responded to all of Mr. Grenewsky's concerns. Mr. Hoffman stated that we had not responded to the most important issue, that of road being "torn up" because of the extension. During the conversation, Mr. Hoffman admitted to writing the letter from Caldwell/Grenewsky. Mr. Hoffman stated that Grenewsky was his fiance and that they had since married. He further stated that he did not sign Mr. Caldwell's name; he printed it. After further discussion, Mr. Hoffman stated that he no longer objects to the amendment.

Staff recommends that the letter received on April 22, 1997, from "Caldwell/Grenewsky" not be treated as an objection because all of the concerns in the letter have been addressed, and Mr. Hoffman no longer wishes to object to the amendment.

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ISSUE 2: Should the Special Service Availability Agreement be approved?

RECOMMENDATION: Yes, the Special Service Availability Agreement between the Florida Department of Environmental Protection and Placid Lakes Utility should be approved. The portion of this issue recommending approval of the Special Service Availability Agreement should be issued as proposed agency action. In addition, staff recommends that the utility be allowed to proceed with the design and construction to serve potable water to these customers immediately. (MESSER, REDEMANN)

STAFF ANALYSIS: On August 15, 1997, the Florida Department of Environmental Protection (DEP) entered into a Special Service Agreement with Placid Lakes Utility in order to provide primary funding for a main extension to serve eleven (11) individuals with contaminated wells. Pursuant to Section 376.307, Florida Statutes, the DEP Water Supply Restoration Program is authorized to expend funds from the Water Quality Assurance Trust Fund to restore or replace contaminated potable water systems. This statute provides for subsidies to connect these potable water supplies to existing public water supply systems or extensions thereof, provided that no such subsidy shall exceed the present worth of the 10-year cost of providing and maintaining filters for the residents served by the connections. The 10-year present worth cost of providing filters to the homes at issue on the proposed water line extension is \$62,500.

The provisions of the Service Agreement are that the DEP will pay the utility's Commission-approved \$330 meter installation charge, the \$315 plant capacity charge, and also \$300 for a backflow prevention device for each of the 11 customers. Placid Lakes does not have a tariff charge for backflow prevention devices. However, the DEP requires that these devices be installed in the case of contaminated wells. The total cost to provide the connection charges is \$10,395. Pursuant to the above mentioned rule, the remaining portion to be paid by the DEP is \$52,105 which is the difference in total funding available and the maximum connection fees to be paid by the Department. The total estimated amount including engineering and construction costs associated with the main extension are approximately \$70,000. Placid Lakes will pay the remaining costs of \$17,895.

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This special service agreement was necessary for two reasons. First, Placid Lakes recently changed its service availability policy from accepting donated lines and executing refundable advances, to NOT accepting donated lines and instead, implementing the charges previously identified and approved by Order No. PSC-96-0679-FOF-WU, issued May 23, 1996, in Docket No. 950697-WU. That order stated that the utility contended that the policy of executing refundable advances was actually causing it to lose potential customers. The DEP Agreement would cover the service availability charges and provide for recovery of a substantial portion of the main extension expense, which would then be donated to the utility. The second reason is the mandatory installation of backflow prevention devices by the DEP, which is not authorized by the utility's tariff.

The utility indicated that the area to be served by the main extension will ultimately serve an additional 24 ($35-11=24$) customers. Based on the new service availability charges mentioned above, Placid Lakes should recover a portion of the \$17,895 investment after twenty four additional customers connect for service ($24 \times \$299 = \$7,176$).

The staff believes that the Special Service Agreement benefits the short and long term interests of the customers and the utility. The new customers will receive uncontaminated drinking water and allow DEP to obtain a permanent solution for these residents. Existing customers should not be affected through rates because the DEP is paying for the majority of the extension, and a large portion of the remainder can be recovered by connection fees. With the installation of the line, the utility believes that there is opportunity for some additional customer growth in the area. As indicated in the case background, these customers want potable water service as soon as possible. Therefore, the staff recommends that the Special Service Availability Agreement between the Florida Department of Environmental Protection and Placid Lakes Utility should be approved. In addition, staff recommends that the utility be allowed to proceed with the design and construction to serve potable water to these customers immediately.

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ISSUE 3: Should Placid Lakes' application for amendment of Water Certificate No. 401-W be granted?

RECOMMENDATION: Yes, Placid Lakes' application should be granted for the additional territory described in Attachment A. (REDEMANN)

STAFF ANALYSIS: As stated earlier, on February 21, 1997, the utility filed an application for amendment of Certificate No. 401-W to add territory in Highlands County. The application contains a check in the amount of \$100, which is the correct filing fee pursuant to Rule 25-30.020, Florida Administrative Code. The utility has 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. Descriptions of the water territory is appended to this recommendation 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.

In addition, the application contains proof of compliance with the noticing provisions set forth in Rule 25-30.030, Florida Administrative Code. As stated earlier, an objection to the application was filed on April 22, 1997 and in Issue 1, staff recommends that the letter not be treated as an objection. The local planning agency was provided notice of the application and did not file a protest to the amendment. Staff has contacted the Department of Environmental Protection (DEP) and learned that there are no outstanding notices of violation regarding this utility.

The utility has been in existence since 1970 and recently completed a staff assisted rate case. The recent rate case has allowed the utility to be in a better financial position. The facility is operated and maintained by a licensed operator. The water treatment plant, before expansion had a design capacity of 664,000 gallons per day (gpd) and now is currently permitted for 1,104,000 gallons per day (gpd). With this expansion, the utility estimates they can add 1,250 additional water connections. This amendment consists of eleven customers and they can be easily be added to the water treatment plant. Based on the above information, staff believes that the utility has the capacity and

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the technical expertise to serve these customers now and in the future.

The utility proposes that the water lines will be substantially contributed by the DEP. Further detail on the contributed water lines was discussed in Issue 2. Staff believes that this amendment will have no negative effect on the financial ability of the utility.

Placid Lakes' approved rates were effective June 14, 1996, pursuant to Order No. PSC-96-0679-FOF-WS, issued June 14, 1996 in Docket No. 950697-WU, a staff assisted rate case. Placid Lakes' approved charges were effective July 17, 1995, pursuant to Order No. PSC-95-0848-FOF-WS, issued July 17, 1995 in Docket No. 950486-WU, a service availability case. Placid Lakes should charge the customers in the territory added herein the rates and charges contained in its tariff until authorized to change by this Commission in a subsequent proceeding, as revised in Issue 2.

Based on the above information, staff believes it is in the public interest to grant the application of Placid Lakes for amendment of Water Certificate No. 401-W, to add the additional territory described in Attachment A. The utility has returned the certificate for entry of the additional territory and filed revised tariff sheets which reflect the amended territory description.

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ISSUE 4: Should this docket be closed?

RECOMMENDATION: Yes, this docket should be closed if no timely protests are filed to the proposed agency action issue. (CROSBY)

STAFF ANALYSIS: If there are no timely protests to the portion of Issue 2 recommending approval of the special service availability agreement issued as proposed agency action, no further action will be required and the docket should be closed.

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ATTACHMENT A

PLACID LAKES UTILITIES, INC

HIGHLANDS COUNTY

CATFISH CREEK ROAD

Township 37 South, Range 29 East in Sections 2 and 11

Commence at the Southeast corner of Section 2, Township 37 South, Range 29 East; thence run North $0^{\circ}13'0''$ West along the East Section Line of said Section 2 for a distance of 780.16 feet to the Point of Beginning; thence continue North $0^{\circ}13'0''$ West along the East Section Line of said Section 2 for a distance of 962.36 feet; thence run South $83^{\circ}36'0''$ West for a distance of 455.19 feet; thence run South $1^{\circ}38'25''$ East for a distance of 739.01 feet; thence run South $50^{\circ}42'2''$ West for a distance of 1,599.11 feet; thence run South $59^{\circ}55'57''$ West for a distance of 1,888.03 feet; thence run South $82^{\circ}7'25''$ West for a distance of 1,070.81 feet, thence run South $38^{\circ}16'10''$ East for a distance of 310.00 feet; thence run along the arc of a curve to the left having the following elements: (Radius 500.00 feet, Central angle = $8^{\circ}52'0''$. Arc length 77.38 feet, Chord length = 77.30 feet, Chord Bearing = South $42^{\circ}41'44''$ East), thence run South $47^{\circ}8'10''$ East for a distance of 888.54 feet; thence run North $42^{\circ}51'50''$ East for a distance of 373.44 feet; thence run North $65^{\circ}22'58''$ East for a distance of 470.85 feet; thence run North $80^{\circ}57'52''$ East for a distance of 605.70 feet; thence run North $80^{\circ}58'39''$ East for a distance of 815.00 feet; thence run South $89^{\circ}08'52''$ East for a distance of 130.75 feet; thence run South $88^{\circ}47'43''$ East for a distance of 386.18 feet; thence run along the arc of a non-tangential curve to the left having the following elements: (Radius 1,000.00 feet, Central angle = $79^{\circ}0'52''$. Arc length 1,379.06 feet, Chord length = 1,272.35 feet, Chord Bearing = North $23^{\circ}59'16''$ West); thence run North $54^{\circ}25'0''$ East for a distance of 1,704.89 feet to the Point of Beginning, containing 4,135,082 square feet or 94.9284 acres more or less.