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DIVISION OF WATER & WASTEWATER
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Public Service Commission

October 10, 1997

Mr. Martin S. Friedman
Rose, Sundstrom & Bentley
Post Office Box 1567
Tallahassee, FL 32302-1567

Re: Docket No. 960288-SU - Application for approval of reuse project plan in Seminole County by Alafaya Utilities, Inc.

Dear Mr. Friedman:

This letter is to formalize our request for additional information as presented and discussed at our recent meeting. This information is needed to properly calculate rates and charges prior to the customer meeting tentatively scheduled for early November.

Accounting

Staff's calculation of the preliminary revenue requirement associated with the utility's reuse project is based on information provided by the utility and certain cost assumptions made by staff. This calculation assumes all of the revenue requirement is recovered entirely by the wastewater customers and does not reflect the effects of any service availability charges.

As shown below, we have prepared a list of assumptions used in our calculations. Some of these assumptions were necessitated by the utility's failure to adequately answer certain data requests. In these instances, staff has referred the utility back to the original data request in hopes that the requested information will be provided. If the utility disagrees with any of staff's assumptions, please state so and explain why the utility disagrees.

Assumptions:

Operation and Maintenance Expenses:

- To determining staffing/administration, we assumed \$11/hr for a Class C Operator*16 hrs/day*365days + \$15/hr for a Class B Operator*8hrs/day*5 days/wk*52/yr.

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- This assumption was based on data found in the Wastewater Permit Application and conversations with the staff engineer.
2. Equipment Repair and Replacement was not adjusted since the utility provided little support for this amount. However, staff does believe that some adjustment is appropriate. **Therefore, if the utility fails to provide the requested support for this figure, staff will use other means upon which to base its recommended adjustment.** (Please see utility's 5/30/97 response to staff's data request; specifically Question 1(c)).
 3. Electricity was not adjusted since the utility provided little support for this amount. However, staff does believe that some adjustment is appropriate. **Therefore, if the utility fails to provide the requested support for this figure, staff will use other means upon which to base its recommended adjustment.** (Please see utility's 5/30/97 response to staff's data request; specifically Question 1(b)).
 4. Regulatory Commission Expense was calculated as follows:
(150 hours of work * \$150/hour) / 4 years amortization

Taxes Other than Income:

1. Since no data was provided for payroll taxes, we have included no payroll taxes. **Please provide support for payroll taxes.** (Please see utility's 5/30/97 response to staff's data request; specifically Question 1(a)).

Rate Base:

1. UPIS was adjusted to remove \$236,000 for General Requirements and \$479,000 for a 15% contingency. This adjustment was made because no support was provided for the General Requirements and because a 10% Engineering contingency was already included in the cost estimate.
2. Accumulated Depreciation is $\frac{1}{2}$ Depreciation Expense (see calculation on NOI Statement).
3. Working Capital is $\frac{1}{8}$ O&M.

Statement of Wastewater Operations:

1. Depreciation Expense was adjusted for removed plant items.

Rates/General

1. Has Utilities Inc. had any experience implementing a residential reuse system either in Florida or in other jurisdictions?
2. To conduct a proper service availability analysis we must have engineering estimates of the cost per home/lot for constructing a residential reuse distribution system. Additionally, we will need the unit cost of a residential reuse meter and backflow or other plant required by DEP. Since this plant will be CIAC through contribution or a charge, the amounts are needed to properly estimate future contribution levels.
3. Your engineering study showed a 50% reuse participation level with estimated usage of 500 gpd. These estimates were made without consideration of the cost of reuse to prospective customers. We believe additional input is needed to justify these estimates. We would suggest contacting utilities providing residential reuse (from the list we previously provided you) to determine their reuse rates, potable water rates and participation levels. Additionally, you should question these utilities on their experience regarding flat vs metered rates and its effect on usage levels. Please provide the results of your inquiry.
4. How long will it take to construct the Scenario 4 improvements? If your reuse plan were to be approved in early 1998, when would you begin construction?
5. You may need to meet with the developers of each parcel within the extended territory to provide the following information:
 - ▶ On what date do each of the developments plan to start construction?
 - ▶ What type of developments are planned. Will these be totally single family residential or also contain a mix of commercial, multi-family, golf courses etc.
 - ▶ What does each developer anticipate as an annual growth rate within its development?
 - ▶ To what extent will these developments provide holding ponds or other methods of storage for reuse?
 - ▶ Would the developers agree to promote or mandate that homeowners/customers take reuse through covenants or deed restrictions?

- ▶ Can reuse meters be considered part of the reuse system which is required by the City of Oviedo? Would developers agree to pay for installation of these meters as part of development costs?
- ▶ Will homeowners within this territory be allowed to drill private wells? Is there any ordinance or specific prohibition regarding private wells?
- 6. Do you have any written documentation from DEP regarding the present or future status and degree of utilization of your perc ponds? To fully utilize your existing treatment plant, will reuse eventually be your sole means of effluent disposal or will it remain a combination of perc ponds and reuse?
- 7. By providing residential reuse service, the utility is going into a new business. Most new customers have never had access to residential reuse and will be unfamiliar with it as an irrigation source. How does Utilities, Inc. propose to promote this service? (For example, by providing new water and wastewater customers a reuse information packet including DEP and Water Management District pamphlets.)
- 8. Since reuse represents a new class of service, to what extent has Utilities, Inc. considered in-house preparation such as billing, application forms, additional deposits etc.?
- 9. From the standpoint of equity, all reuse customers should be charged. You are presently providing reuse to a golf course at no charge. Have you advised the golf course that they may be charged for reuse?
- 10. If the answer to question number 9 is yes, what was the golf course's reaction?

Legal

1. To date, the Commission has not approved any availability fees similar to those we have discussed. Please provide your legal opinion as to the Commission's authority to impose a reuse availability fee upon future customers who have reuse available to their homes but elect not to take service. Provide any legal support for imposition of the fee.

It is important that we receive this information quickly in order for the case to remain on schedule. Therefore, please provide the requested information by October 20, 1997.

Martin S. Friedman
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Should you have any question please contact me at 850-413-7005.

Sincerely,

Ralph Von Fossen

Ralph Von Fossen
Economic Analyst
Bureau of Policy Development and
Industry Structure

cc: Division of Records and Reporting
Charles H. Hill
Carl Wenz