

ORIGINAL

MEMORANDUM

January 28, 1998

TO : DIVISION OF LEGAL SERVICES (FLEMING)
 DIVISION OF RECORDS AND REPORTING

FROM : DIVISION OF WATER AND WASTEWATER (REDEMANN, GOLDEN)

RE : DOCKET NO. 971174-WS; APPLICATION FOR AN AMENDMENT OF
 CERTIFICATES NOS. 342-W AND 405-S BY TRADEWINDS
 UTILITIES, INC. IN MARION COUNTY.

Handwritten initials and signatures, including what appears to be 'RR' and 'MAD'.

Tradewinds Utilities, Inc. (Tradewinds or utility) provides water and wastewater service in Marion County and serves approximately 406 water and 244 wastewater customers. The annual report for 1996 shows that the annual operating revenue is \$194,467 and the net operating loss is \$4,898. The utility is a Class C utility company under Commission jurisdiction.

On September 15, 1997, the utility applied for an amendment of Water Certificate No. 342-W and Wastewater Certificate No. 405-S in Marion County to include twenty three (23) quadrplexes consisting of low income households and fifteen (15) industrial buildings. The application is in compliance with the governing statute, Section 367.045, Florida Statutes, and other pertinent statutes and administrative rules concerning an application for amendment of certificate. The application contains a check in the amount of \$400 which is the correct filing fee pursuant to Rule 25-30.020, Florida Administrative Code. The applicant has provided evidence, in the form of a warranty deed, that the utility owns the land upon which the utility's facilities are located as required by Rule 25-30.036(3)(d), Florida Administrative Code.

Ack _____ Adequate service territory maps and a territory description
 AFA _____ have been provided as prescribed by Rule 25-30.036(3)(e), and (i),
 AFP _____ Florida Administrative Code. Descriptions of the water and
 CAF _____ wastewater territory are appended to this recommendation as
 CMU _____ Attachments A. The utility has submitted an affidavit consistent
 CSR _____ with Section 367.045(2)(d), Florida Statutes, that it has tariffs
 E _____ 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. No objections to the application have been received and the
 time for such has expired. The local planning agency was provided
 notice of the application and did not file a protest to the
 amendment.

The utility states that the provision of service will be consistent with the utility section of the local comprehensive plan. Water service will be provided by the utility's 475,000

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OFFICE OF THE CLERK OF THE COMMISSION

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gallons per day (gpd) water treatment plant. Current flows are 97,000 gpd. The extension will add an average daily demand of 22,000 gpd. There appears to be ample water treatment capacity to serve the proposed territorial extension. Wastewater service will be provided by the utility's 81,000 gpd wastewater treatment plant. Current flows are 45,000 gpd. This extension will add an average daily flow of 18,000 gpd. It appears that the utility has sufficient wastewater treatment plant capacity to serve the development. The utility currently disposed their effluent thru percolation ponds or pumps to a 5 acre restricted access spray field, owned by the utility. Staff has contacted the Department of Environmental Protection and learned that there are no outstanding notices of violation regarding this utility.

Mr. Charles deMenzes manages four utilities and he has owned Tradewinds for over 15 years. The application states that the extension for water service will be financed through a loan from the Department of Environmental Regulation's State Revolving Fund (SRF.) The SRF loan will be approximately \$179,000 at an annual interest rate of 3.2%. Staff has been informed that the DEP's approval of the loan is contingent upon the Commission's approval of the requested territory amendment; however, the DEP does not foresee any reason why the loan would be denied at this time. The wastewater portion of the extension will be financed through a loan from Newberry Bank. The applicant has submitted a letter of commitment from Newberry Bank for a loan in the amount of \$125,000. The application indicates that the utility plans to borrow \$100,000 at an annual interest rate of 10%.

The applicant has submitted a financial analysis showing the financial impact of the extension. The utility anticipates that using the utility's current rates the new customers will generate sufficient revenue to cover the loans and other expenses associated with serving the additional territory within four to six months after service is initiated in the new territory. The utility will cover the interest payments on the loans and any additional expenses prior to that time. Staff believes the utility has demonstrated the financial and technical expertise to provide quality service to these customers. The 1997 price index approved Tradewinds' most recent water and wastewater rate increase on May 31, 1997. A stipulation following a staff assisted rate case set the water and wastewater rates by Order No. PSC-95-0064-S-WS, issued January 12, 1995 in Docket No. 930524-WS. Service availability charges for water and wastewater became effective on July 1, 1983 by Order No. 12184 in Docket No. 830110-WS, issued August 8, 1994. Staff recommends the rates and charges approved by

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the Commission be applied to customers in the new service territory.

Based on the above information, staff believes it is in the public interest to grant the application of Tradewinds for amendment of Water Certificate No. 342-W and Wastewater Certificate No. 405-S. The utility has returned the certificates for entry of the additional territory and filed revised tariff sheets which reflect the amended territory description. An administrative order should be issued within 30 days granting the amendment of territory.

If you have any questions, please contact me immediately.

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cc: Department of Environmental Protection (Banks)
Division of legal Services (Reyes)
Division of Records and Reporting (Security File)

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ATTACHMENT A

TRADEWINDS UTILITIES INC.

MARION COUNTY

WATER AND WASTEWATER AREA

Part of the George S. Mayo Subdivision

In Section 35, Township 14 South, Range 22 East

The North 725 feet of the North 1/2 of the Southwest 1/4 of Section 35, Township 14 South, Range 22 East, lying West of the S.C.L. Railroad and

The South 100 feet of the Southwest 1/4 of the Northwest 1/4 of Section 35, Township 14 South, Range 22 East, lying West of the S.C.L. Railroad.

This description should include the South tier of lots in Block 436 of the George S. Mayo Subdivision and the North tier of lots in Blocks 439 and 429 of the same subdivision.