

ORIGINAL

MEMORANDUM

March 11, 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. 405-W AND 342-S BY TRADEWINDS
 UTILITIES, INC. IN MARION COUNTY.

Red *bom* *mad* *gmi*

Revised

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 5, 1997, the utility applied for an amendment of Water Certificate No. 405-W and Wastewater Certificate No. 342-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 _____
 - AFA _____
 - APP _____ Adequate service territory and system maps and a territory description have been provided as prescribed by Rule 25-30.036(3)
 - CAF _____ (e), (f) and (i), Florida Administrative Code. A description of the
 - CMU _____ water and wastewater territory is appended to this recommendation
 - CTR _____ as Attachment A. The utility has submitted an affidavit consistent
 - EAG _____ with Section 367.045(2)(d), Florida Statutes, that it has tariffs
 - LEG _____ and annual reports on file with the Commission. In addition, the
 - LIN _____ application contains proof of compliance with the noticing
 - OPC _____ provisions set forth in Rule 25-30.030, Florida Administrative
 - RCH _____ Code. It should be noted that the Star-Banner billed the utility
 - SEC _____ for noticing on December 13, 1997, but they did not notice. The
 - WAS _____ actual newspaper notice took place on January 28, 1998. No
 - OTH _____ objections to the application have been received and the time for
- SEC 1 filing such has expired. The local planning agency was provided

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FPSC DIVISION OF RECORDS AND REPORTING

DOCKET NO. 971174-WS

DATE: March 11, 1998

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 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 disposes 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 Protection'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 utility 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 the staff assisted rate case set

DOCKET NO. 971174-WS
DATE: March 11, 1998

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, issued August 8, 1994, in Docket No. 830110-WS. Staff recommends the rates and charges approved by 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. 405-W and Wastewater Certificate No. 342-S. The utility has returned the certificates for entry of the additional territory and has 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)

DOCKET NO. 971174-WS
DATE: March 11, 1998

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.