



Public Service Commission

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REC'D - RECORDS AND REPORTING
AUG - 6 AM 9:15
REC'D - VED - FPSC

DATE: AUGUST 6, 1998

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAY) *JB*

FROM: DIVISION OF WATER AND WASTEWATER (DEWBERRY, DAVIS) *DD*
DIVISION OF LEGAL SERVICES (VACCARO) *VS*

RE: DOCKET NO. 980035-WS - APPLICATION BY TERRA MAR VILLAGE UTILITIES, INC. FOR LIMITED PROCEEDING IN VOLUSIA COUNTY. *HL*

AGENDA: 08/18/98 - REGULAR AGENDA - PROPOSED AGENCY ACTION - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: THIS IS AN INITIAL DECISION WHICH SHOULD BE HEARD BY THE FULL COMMISSION

FILE NAME AND LOCATION: S:\PSC\WAW\WP\980035A.RCM

CASE BACKGROUND

Terra Mar Village (Terra Mar or utility) is a Class C water and wastewater utility located in Volusia county. The utility provides service to approximately 250 water customers and to approximately 253 wastewater customers.

On January 6, 1998, the utility filed a request for a limited proceeding (LIMP) to restructure its wastewater rates. The utility's request did not include either proposed rates or proposed tariffs. The utility's customer base includes 210 customers that are metered for water and wastewater (metered only), 40 customers that use water from their private well in addition to metered water from the utility (mixed use), and 3 customers that receive water from their private well and are wastewater only customers (well only). In its application for this LIMP, the utility indicated that those customers that are using private wells along with metered utility water and those that are using private wells only are not paying their share for wastewater treated, because total

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gallons of water usage cannot be measured accurately for these customers.

Staff has selected the test year ended December 31, 1997 for this case. The staff engineer has conducted an investigation to review flow data for the water and wastewater treatment plants. In addition, a separate infiltration audit was also done.

During the investigation, it was discovered that none of the customers using private well water that was being mixed with the utility's potable water had back-flow prevention devices. The utility has submitted a Cross-Connection Control Program to the Volusia County Public Health Unit (VCPHU), but has not implemented a program within the system. The VCPHU is currently working with the utility to establish a working program whereby those customers having non-potable water use will also establish protection from any potential health hazard.

Water sold to all 250 metered customers of Terra Mar totaled 4,899,609 gallons during the calendar year 1997. This represents a potable water usage of 13,424 gallons per day (gpd). However, flows at the wastewater treatment plant were recorded by a flow meter at a total of 8,897,000 or 24,375 gpd for the same calendar year period.

The excess flows into the wastewater treatment plant appear out of character with anticipated flows normal to modular home customers. The position of the park owners is that those customers with private wells are over using their well-water, creating excess expenses through wastewater treatment and that these additional expenses are not considered in the current rates and charges.

During staff's infiltration audit, the Florida Rural Water Association was contacted to assist in determining the cause of the discrepancy in the excessive number of gallons of water sold and the number of gallons of wastewater treated for 1997. The first suspect was an inaccurate flow meter at the wastewater plant. Mr. Jack Hodges of the Florida Rural Water Association calibrated the meter at the wastewater treatment plant in April, 1996 and again in November, 1997. Between the two calibrations, the pumps in the master lift station were calibrated to assure an accurate cross-reference between the collection system flows and wastewater plant flows. In addition, the utility performed a "smoke test" to locate deficiencies where infiltration might occur within the system. This smoke test revealed some deficiencies which resulted in the utility installing rainfall seals under the manhole covers.

Wastewater flows continued to be high, and for the 1997 calendar year, was nearly twice that of metered water sold to customers.

The static water table in this area is very near the ground's surface and a closer look was needed to resolve the question of excessive infiltration. The best test is to shut off the water flow to the park and inspect the gravity lines. After a discussion with the VCPHU, it was agreed that without back-flow prevention, shutting the system down for an infiltration audit was too great a risk. The pressure goes to zero during a shutdown and any back-pressure from non-potable water sources (wells) would immediately invade the potable system's water mains. The next course of action was to perform the audit during the early morning hours when usage would be near zero. This was done on April 14, 1998 by the staff engineer and a week earlier by the VCPHU. It was determined that there is some infiltration, but the level of infiltration is considered normal.

This recommendation addresses the utility's request for restructure of its wastewater rates.

DISCUSSION OF ISSUES

ISSUE 1: Should the utility's request for restructure of its wastewater rates be granted?

RECOMMENDATION: No, the utility's request to restructure its wastewater rates should be denied at this time. This problem should be addressed in its next rate case when all related information is available. (Dewberry, Davis, Vaccaro)

STAFF ANALYSIS: The utility's existing wastewater rate structure, approved by Order No. PSC-95-0722-FOF-WS, issued June 19, 1995 in Docket No. 941084-WS, authorized the utility to charge a base facility and gallonage charge to metered wastewater customers. This included those customers that were metered and were also using their own private wells. It also authorized a flat rate for customers that use private wells only. The position of the utility is that those customers using well water are overusing their well water creating excess expenses through wastewater treatment and that the expenses are not considered in the existing rates.

As stated in the case background, the utility's request did not include any proposed rates or proposed tariffs. However, the utility did propose two alternatives. They were as follows:

- 1) Customers using well water would be billed a basic charge and a surcharge each month for wastewater services based on a monthly average of the total water consumption by customers who use only water provided by the utility.
- 2) The utility would charge all residences for wastewater services based on the total wastewater flow from the main lift station.

By Order No. 11267, issued October 26, 1982, in Docket No. 810394-WS, the Commission granted the utility's water and wastewater operating certificates and set rates. This order also stated that several customers had connected irrigation wells to their plumbing system and that the utility may be treating more water than the customers were actually paying for. Therefore, the utility has been aware of this situation as early as 1982 and the problem has not been corrected.

In this case, staff has reviewed the number of gallons of water sold and the number of gallons of wastewater treated for the calendar year of 1997. In addition, an infiltration audit was also

done. The number of gallons of wastewater treated minus infiltration is 6,477,415 gallons annually. The number of gallons of water sold is 4,899,609 gallons annually. Therefore, wastewater treated exceeds water sold by 1,577,806 gallons annually. This indicates that the utility's customers that are using private wells are not paying for a large number of gallons of water that is being returned to the wastewater treatment plant.

Staff believes that this situation should be addressed; however, during its investigation, staff determined that the utility does not have an accurate count of the number of its water customers who also have private wells. This situation will continue until the utility can determine and implement a method for measuring well water usage. Further, as indicated in the case background, it was discovered that none of the customers using private well water that was being mixed with the utility's potable water had back-flow prevention devices. The utility has submitted a Cross-Connection Control Program to the VCPHU, but has not implemented a program within the system. The VCPHU is currently working with the utility to establish a working program whereby those customers having non-potable water use will also establish protection from any potential health hazard. However, to date, no further information has been received concerning the implementation of a back-flow prevention program. At the time that such program is implemented, all costs associated with correcting this problem should be addressed in the utility's next full rate case. Staff believes that restructuring the existing wastewater rates at this time is premature and will not allow the utility to recover any costs associated with correcting the problem. Therefore, staff recommends that the utility's request to restructure its wastewater rates should be denied at this time. This problem should be addressed in its next rate case when all related information is available.

DOCKET NO. 980035-WS
DATE: August 6, 1998

ISSUE 2: Should this docket be closed?

RECOMMENDATION: Yes. This docket should be closed if no person, whose interests are substantially affected by the proposed action, files a protest within the 21 day protest period. (DEWBERRY, VACCARO)

STAFF ANALYSIS: At the conclusion of the protest period, if no protest is filed, this docket should be closed.