

State of Florida



Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

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RECORDS REPORTING
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DATE: AUGUST 20, 1998

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYG)

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

RE: DOCKET NO. 961478-SU - APPLICATION FOR GRANDFATHER
CERTIFICATE TO OPERATE A WASTEWATER UTILITY IN POLK COUNTY
BY CROOKED LAKE PARK SEWERAGE CO., INC.
COUNTY: POLK

AGENDA: SEPTEMBER 1, 1998 - REGULAR AGENDA - INTERESTED PERSONS
MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\WAW\WP\961478.RCM

CASE BACKGROUND

On May 14, 1996, the Board of County Commissioners of Polk County (Polk County or County) adopted a resolution, pursuant to Section 367.171, Florida Statutes, declaring the water and wastewater utilities in that County subject to the provisions of the Water and Wastewater Regulatory Law, Chapter 367, Florida Statutes. The resolution was acknowledged by this Commission on July 11, 1996, by Order No. PSC-96-0896-FOF-WS.

Pursuant to Section 367.171, Florida Statutes, a utility subject to the jurisdiction of this Commission must obtain a certificate of authorization. Accordingly, on December 13, 1996, Crooked Lake Park Sewerage Company, Inc. (Crooked Lake or utility) filed an application for a certificate under grandfather rights to provide wastewater service in Polk County. The utility's application was found to be deficient. The utility corrected the deficiencies on March 17, 1998. Additionally, as required by Rules

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

DOCKET NO. 961478-
DATE: AUGUST 20, 1998

25-30.120(2) and 25-30.110(3), Florida Administrative Code, the utility has paid regulatory assessment fees and filed Annual Reports for 1996 and 1997.

Crooked Lake is a Class C utility which provides wastewater service to single family residences, mobile homes, and general service customers in Polk County. According to the application, the utility was established in December 1957. The utility currently serves 398 residential customers and one general service customer. According to the utility's 1997 Annual Report, the utility had annual revenues of \$62,894 and net operating income of \$6,589. Water service is provided by Park Water Company, Inc., which is regulated by this Commission.

The utility's facilities consist of one wastewater treatment plant and one wastewater collection system. The following is staff's recommendation regarding the utility's application for a grandfather certificate.

DISCUSSION OF ISSUES

ISSUE 1: Should the application of Crooked Lake Park Sewerage Company, Inc. for a wastewater certificate be granted?

RECOMMENDATION: Yes, Crooked Lake Park Sewerage Company, Inc. should be granted Wastewater Certificate No. 517-S to serve the territory described in Attachment A. (GOLDEN, REDEMANN)

STAFF ANALYSIS: As discussed in the case background, on December 13, 1996, Crooked Lake filed its application for a grandfather certificate to provide wastewater service in Polk County. The application is in compliance with the governing statute, Section 367.171, Florida Statutes, and other pertinent statutes and administrative rules concerning an application for a grandfather certificate. The rules and statutes do not require noticing for grandfather certificate applications. The application contains a check in the amount of \$500, which is the correct filing fee pursuant to Rule 25-30.020, Florida Administrative Code.

The applicant has provided evidence that the utility owns the land upon which its facilities are located as required by Rule 25-30.035(6), Florida Administrative Code. Adequate service territory and system maps and a territory description have been provided as prescribed by Rule 25-30.035(9), (10), and (11), Florida Administrative Code. A description of the territory requested by the applicant is appended to this memorandum as Attachment A.

On June 23, 1998, Crooked Lake filed an application for a staff assisted rate case (SARC.) The SARC application is currently being reviewed in Docket No. 980778-SU. A representative of the utility advised staff that the utility has been experiencing problems with infiltration. According to the SARC application, during the months of January and February, 1998, the wastewater treatment plant received flows in excess of the permitted 60,000 gallons per day (gpd.) This caused seepage through the percolation pond berms.

The Department of Environmental Protection (DEP) is preparing a consent order regarding these problems. The infiltration problem has already been addressed by the utility's engineer. However, DEP is waiting for the utility's engineer to address the percolation pond problem before completing the consent order. The utility has acquired \$125,000 in bank debt to finance the mandated capital improvements. The plant improvements will be reviewed in the SARC,

DOCKET NO. 961478-
DATE: AUGUST 20, 1998

Docket No. 980778-SU. Staff has contacted the DEP and learned that there are no other outstanding notices of violation.

Based on the above information, staff believes it is appropriate to grant Crooked Lake's application for a grandfather certificate. Accordingly, staff recommends that Crooked Lake be granted Wastewater Certificate No. 517-S to serve the territory described in Attachment A.

CROOKED LAKE PARK SEWERAGE COMPANY, INC.

POLK COUNTY

WASTEWATER SERVICE AREA

Parcels or tracts of land situated, lying and being in Township 30 South, Range 27 East, Polk County, Florida and more particularly described as follows:

1. The SE 1/4 of the SE 1/4 of Section 26; AND
2. The North 1/2 of the NE 1/4 of Section 35, less and except that portion west of SR 25 (US Highway 27); AND
3. Beginning at the Northwest corner of Section 36, T. 30 S., R. 27 E.; run thence S. 00°05'00" W. with the W. line of said Section 801.90' for a point of beginning; thence S. 89°25'00" E., 1109.00'; thence S. 16°23'00" E., 1086.00' to the lake shore of Crooked Lake; thence along the shore line of said Crooked Lake to the West line of said Section (S. 47° W., 2,000' more or less); thence along said Section line N. 00°05'00" E., 2529.90', more or less to the place of beginning; AND
4. Also beginning at the Northwest corner of Section 36, T. 30 S., R. 27 E.; run thence S. 00°05'00" West with the West line of said Section 801.90' for a point of beginning; thence N. 00°05'00" E. along said Section line 156.30'; thence S. 89°25'00" E., 20.00' thence S. 00°05'00" W., 156.30'; thence N. 89°25'00" W., 20.00' to the place of beginning; being a strip of land 20.00' wide and 156.30' long East of and parallel to the West line of said Section; AND
5. From the Northeast corner of the SE 1/4 of the NE 1/4 of the NE 1/4 of said Section 35, run Westerly along the North line of said fraction 2646.94' to the Easterly right-of-way line of SR 25; thence S. 22°01'00" W. (a distance of approximately 2,300 feet) along the Easterly right-of-way of said SR 25 (US Highway 27) to the Southerly boundary of Crooked Lake Park, Tract No. 1, as recorded in Plat Book 38, Page 40 of the Public Records of Polk County, Florida; thence S. 56°28'25" E. along said Southerly boundary 1790.00', more or less, to the shore of Lake Caloosa; thence Northeasterly along said waters edge to the East line of said Section 35; thence Northerly along said East line of Section 35 to the point of beginning.
AND

CROOKED LAKE PARK SEWERAGE COMPANY, INC.

POLK COUNTY

WASTEWATER SERVICE AREA

6. Beginning at the Northeast corner of the SE 1/4 of the N.W. 1/4 of the NE 1/4 of Section 35, T. 30 S., R. 27 E., Polk County, Florida; run W. 1308.76' to SR 25 (US Highway 27); thence Northeasterly along said road 700.00' for the point of beginning; thence run Northeasterly along said right-of-way 200.00'; thence E. 250.00'; thence Southwesterly to a point lying 250.00' E. of the point of beginning; thence W. 250.00' to the point of beginning. AND
7. Beginning at the Northeast corner of the SE 1/4 of the NW 1/4 of the NE 1/4 of Section 35, T. 30 S., R. 27 E., Polk County, Florida; thence run W. 1308.76' to the Easterly right-of-way of SR 25 (US Highway 27); thence run Northeasterly along right-of-way 900.00' to the point of beginning; thence run N. 22°01'00" E. along right-of-way 335.00'; thence S. 67°59'00" E., 231.45'; thence S. 22°01'00" W., 240.50'; thence W. 250.00' to the point of beginning. AND
8. That portion of the N. 1/2 of the NW 1/4 of Section 35, T. 30 S., R. 27 E. lying E. of SR 25 (US Highway 27).

ISSUE 2: Should rate base be established and any acquisition adjustment be determined at this time?

RECOMMENDATION: No. Rate base and any potential acquisition adjustment will be reviewed in the utility's staff assisted rate case, Docket No. 980778-SU. (GOLDEN)

STAFF ANALYSIS: Section 367.171, Florida Statutes, gives the Commission the authority to establish rate base in a grandfather certificate proceeding. Specifically, Section 367.171(2)(c), Florida Statutes, states:

Before the Commission issues a certificate of authorization under paragraph (b), it may establish the amount of money prudently invested in property of the utility, which property is used and useful in the public service; may establish other elements of the rate base; and may set and approve rates pursuant to s. 367.081.

The primary goal in a grandfather certificate proceeding is to obtain enough information about the utility to enable the Commission to regulate the utility on a going-forward basis. Although the Commission has the discretion to establish rate base, it has been Commission practice not to establish rate base in grandfather certificate proceedings. When a county turns over jurisdiction to the Commission, the only element in the utility's operation that changes is the entity which regulates it. The utility's ownership, rate base, and rates remain the same. Consequently, there is not the same necessity to review rate base in this type of proceeding as there is in other types of proceedings, such as the sale of a utility or a rate case. Rate base for utilities receiving grandfather certificates is typically established in the utility's first rate proceeding filed under the Commission's jurisdiction.

As discussed in Issue 1, on June 23, 1998, Crooked Lake filed an application for a staff assisted rate case. That application is currently being processed under Docket No. 980778-SU. The utility's rate base and any potential acquisition adjustment will be reviewed in that docket. Therefore, staff recommends that rate base and any potential acquisition adjustment do not need to be established in the grandfather certificate proceeding.

ISSUE 3: What rates and charges should be approved for this utility?

RECOMMENDATION: The rates and charges as detailed in the staff analysis should be approved. The effective date of the rates and charges should be the stamped approval date on the tariff. (GOLDEN)

STAFF ANALYSIS: The utility's current wastewater rates and charges were established by the Polk County Board of County Commissioners (Polk County) in June of 1988. On December 1, 1996, the Florida Public Service Commission (Commission) approved a pass-through rate increase to recognize the difference in regulatory assessment fees charged by Polk County and the Commission. (Subsection 367.171(2)(c), Florida Statutes, provides for approving rates prior to the actual issuance of a grandfather certificate.) Therefore, the utility's current wastewater rates and charges are as follows:

Monthly Service Rates

Residential

Flat Rate:

All Customers \$ 11.10

General Service

Gallage Charge per 1,000 Gallons:

0 - 30,000 Gallons	\$ 2.39
30,001 - 60,000 Gallons	\$ 3.58
60,001 - 110,000 Gallons	\$ 4.77
Over 110,000 Gallons	\$ 7.16

Service Availability Charges

Main Extension Charge	
Residential - Per ERC (250 GPD)	\$150.00
Plant Capacity Charge	
Residential - Per ERC (250 GPD)	\$450.00

DOCKET NO. 961478
DATE: AUGUST 20, 1998

The Commission generally attempts to set rates based on metered service to promote conservation. However, since this utility has a pending SARC application, staff believes it is not necessary to adjust the utility's residential flat monthly service rate in this proceeding.

The utility has filed a tariff which reflects the above rates and charges. Staff recommends that they be approved as submitted. Staff further recommends that Crooked Lake be required to continue to charge these rates and charges until authorized to change by the Commission. The tariff should be effective for service rendered or connections made on or after the stamped approval date on the tariff sheets.

DOCKET NO. 961478 J
DATE: AUGUST 20, 1998

ISSUE 4: Should this docket be closed?

RECOMMENDATION: Yes, this docket should be closed. (CROSBY)

STAFF ANALYSIS: No further action is required and the docket should be closed.