

State of Florida



Public Service Commission

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RECORDS AND REPORTING

**DATE:** DECEMBER 3, 1998

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

**FROM:** DIVISION OF WATER AND WASTEWATER (GILCHRIST, GOLDEN, RIEGER) *SR*  
DIVISION OF LEGAL SERVICES (MCRAE, GERVASI) *sm. NS*

**RE:** DOCKET NO. 981284-WU - REQUEST BY FLORIDA WATER SERVICES CORPORATION FOR APPROVAL OF TARIFF FILING TO PROVIDE RECLAIMED WATER SERVICE IN DELTONA SERVICE AREA IN VOLUSIA COUNTY.  
COUNTY: VOLUSIA

**AGENDA:** DECEMBER 15, 1998 - REGULAR AGENDA - TARIFF FILING - INTERESTED PERSONS MAY PARTICIPATE

**CRITICAL DATES:** JUNE 8, 1999- 8 MONTH STATUTORY DEADLINE

**SPECIAL INSTRUCTIONS:** NONE

**FILE NAME AND LOCATION:** S:\PSC\WAW\WP\981284A.RCM

CASE BACKGROUND

Florida Water Services Corporation (FWS or utility) is a Class A utility providing water and wastewater service to approximately 82,146 and 43,498 customers, respectively. According to its 1997 annual report, the utility reported gross operating revenues of \$24,700,393 and \$21,712,957 for water and wastewater, respectively, and net operating income of \$7,047,386 for water and net operating income of \$8,549,315 for wastewater.

On October 8, 1998, pursuant to Section 367.091(4), Florida Statutes, the utility filed a petition requesting Commission approval to implement a tariff reflecting rates and charges for a new class of service to provide reclaimed water in the Deltona service area. In support of its request, and in accordance with Rule 25-9.005(4), Florida Administrative Code, and Sections

DOCUMENT NUMBER-DATE

13637 DEC-3 88

DOCKET NO. 981284-WU  
DATE: DECEMBER 3, 1998

367.091(4)and(5), Florida Statutes, the utility provided: a statement of purpose for the new service; the estimated revenues that will be derived from the new service; the estimated number of customers to be served, cost justification for the proposed rates and charges; and the tariff sheets reflecting the proposed rates and charges.

Subsequent to the filing of staff's recommendation on November 19, 1998, FWS filed a letter dated November 30, 1998, waiving the sixty day suspension deadline of Section 367.091(5), Florida Statutes, until the December 15, 1998, Agenda Conference. This item was deferred from the December 1, 1998, Agenda Conference, accordingly. Staff has prepared the following recommendation which addresses the utility's request for approval to provide reclaimed water in the Deltona service area.

**DISCUSSION OF ISSUES**

**ISSUE 1:** Should Florida Water Services Corporation's proposed tariff sheets reflecting the rates and charges for a new class of service to provide reclaimed water in the Deltona service area be approved?

**RECOMMENDATION:** Yes. Florida Water Service Corporation's November 23, 1998, proposed amended tariff sheets reflecting the rates and charges for a new class of service to provide reclaimed water in the Deltona service area should be approved. The previously filed October 8, 1998, tariffs should be denied. The utility should also be required to amend its tariff to include a specific charge for a backflow prevention device when it has determined the type of backflow prevention device that will be installed. (GILCHRIST, GOLDEN, RIEGER)

**STAFF ANALYSIS:** As stated in the case background, pursuant to Section 367.091(4), Florida Statutes, the utility filed a petition requesting Commission approval to implement a tariff reflecting rates and charges for a new class of service to provide reclaimed water in the Deltona service area. In support of its request, and in accordance with Rule 25-9.005(4), Florida Administrative Code, and Sections 367.091(4) and (5), Florida Statutes, the utility provided: a statement of purpose for the new service, the estimated revenues that will be derived from the service; the estimated number of customers to be served; cost justification for the proposed rates and charges; and the tariff sheets reflecting the proposed rates and charges.

In accordance with Rule 25-9.005(4), Florida Administrative Code, the utility provided a statement of the purpose and reason for the new service. The purpose for the new service is explained as follows:

1. The Deltona system is located within a Water Use Caution Area (WUCA), as designated by the St. Johns River Water Management District (SJRWMD). The SJRWMD encourages the implementation of reuse programs to the greatest extent possible.
2. FWS presently generates reclaimed water from its Deltona wastewater treatment plant and provides it to the Deltona Hills Country Club Golf Course and a drain field at a rate of \$.06 per 1,000 gallons. The \$.06 reuse rate was approved in Docket No. 920199-WS, Order No. PSC-95-0423-FOF-WS, and reaffirmed in Docket No. 950495-WS, Order No.

PSC-96-1320-FOF-WS. The contract between FWS and the golf course indicates that the golf course is required by the agreement to repay the capital improvement for the pumping station and holding tank rate equal to the Country Club's operating cost at a rate of \$.06 per 1,000 gallons in place. The plant generates approximately 900,000 gallons of reclaimed water per day.

3. The utility can provide service to the Twin Lakes Subdivision through the utility's existing reclaimed water transmission line. FWS has acquired a written agreement with the Developer to provide reclaimed water service for use only on the common areas of the development at the rate of \$.54 per thousand gallons, subject to Commission approval. A copy of the agreement between the utility and the Developer was provided with the filing.
4. As required by Section 122-185 of Volusia County Ordinance No. 96-15, several new residential developments have installed dual piping systems to accommodate reclaimed water service. These developments are located along and near the utility's existing reclaimed water transmission pipelines. The homeowners in these subdivisions desire reclaimed water service for irrigation use as a substitute for irrigating their landscapes with potable water. The utility indicated that the homeowners also desire to obtain reclaimed water service for their landscaping needs at the rate of \$.54 per thousand gallons. The utility acknowledges that the homeowners have the option of accepting reuse and the utility understands that it does not have the authority to force the customers to accept their reuse service.
5. The Deltona Lakes wastewater treatment plant has the capacity, under normal conditions to provide over 900,000 gallons of reuse per day. Further, the utility explains that providing reuse service will not cause the Deltona Lakes wastewater treatment plant to violate any applicable regulatory standards or cause any functional problems at the Deltona Lakes wastewater treatment plant. Staff contacted the Department of Environmental Protection (DEP) and DEP substantiated the utility's claims.

Pursuant to Rule 25-9.005(4), Florida Administrative Code, the utility provided the estimated annual revenues to be derived from

the new service and the estimated number of customers to be served. According to the utility, the Twin Lakes Subdivision presently contains ten homes with a planned build out of 150 single-family homes. Based on the rate of \$.54 requested in its filing, the total annual revenues derived from the ten existing residential homes in Twin Lakes are estimated to be five hundred eighty-four dollars (\$584.00). This estimate is based on the assumption that each of the ten homes presently connected to water service in Twin Lakes will use an average of 4,000 gallons of reuse a month. The 4,000 gallon reuse average is based on the irrigation usage with potable water at FWS's Buenaventura Lakes system.

Based on the rate of \$.54 requested in its filing, the total annual revenues derived from the Twin Lakes common area is estimated to be three hundred twenty-four dollars (\$324). The common area at Twin Lakes will require an estimated 50,000 gallons per month.

At build out of Twin Lakes of the 150 single-family homes, the expected annual revenues would be \$4,212 ( $150 \times 4,000 \times 12/1,000 \times \$.54 = \$3,888$  + common area which is  $50,000 \times 12/1,000 \times \$.54 = \$324$ ). The developer of Twin Lakes plans to complete the first phase of the subdivision with 56 lots by January 2000, and Phase II is scheduled to begin in the fall of 1999 with build out by 2003.

Upon completion of additional extension to the utility's existing reuse transmission line, the utility indicated that customers in the Autumn Woods Subdivision with a build out of 166 single-family homes, Pine Trace Subdivision with a build out of 78 single-family homes, and one elementary school would be eligible for reuse. Staff would like to reiterate that the utility is aware that reuse service to these potential customers is optional and that it does not have the authority to require that these customers accept its reuse service. The transmission line extensions for these areas are expected to be completed in May 2000.

It is anticipated that the 244 homes in the Autumn Woods and Pine Trace subdivisions will not be completed until after completion of the line extensions. At build out of these subdivisions, additional annual revenues are projected to be \$7,620.48. This estimate is based on the following assumptions: 244 homes at 4,000 gallons per month, two common areas at 50,000 gallons per month, the elementary school at 100,000 gallons per month.

The utility assures staff that no additional plant improvements or structures will be necessary to serve Twin Lakes, Autumn Woods, Pine Trace or the elementary school. Also, the utility advises staff that it will install the reuse force main that would be required to

serve Autumn Woods, Pine Trace and the elementary school. Further, the utility will install, own, operate and maintain a meter at the point of delivery for the purpose of measuring the quantity of reclaimed water provided to the customer. The developer will construct the reuse service lines required for reuse and donate them to the utility.

Section 367.091(4), Florida Statutes, states that a schedule of rates or charges so fixed shall be filed with the Commission within 10 days after the service is furnished. Immediately after filing its request, FWS began providing reclaimed water to the Twin Lakes common area and to the ten residential homes located in the Twin Lakes Subdivision. Therefore, FWS's filing is timely under the statute.

Pursuant to Section 367.091(5), FWS's offers the following as cost justification for the rate requested in its filing:

1. FWS proposes the rate of \$.54 per thousand gallons for potable replacement reclaimed water service in Deltona. The proposed rate for reclaimed water used for residential irrigation is approximately half of what those customers would pay for irrigation using potable water.
2. FWS believes that the \$.54 per thousand rate encourages customers to use reuse where available for irrigation because it is approximately one-half of the potable rate, but at the same time it also sends the customers the message that reuse is a valuable resource by charging a reasonable volumetric charge.
3. In consideration of the above, FWS submits that the rate proposed is fair, just, reasonable and compensatory under Section 367.091(4), Florida Statutes.

In the utility's last rate case proceeding, Docket No. 950495-WS, Order No. PSC-96-1320-FOF-WS, the Commission found that there was no alternative for disposal at Deltona and if the golf course does not take the reuse water, FWS would need to find other tracts of land for disposal, which could be very costly. Staff believes the \$.06 reuse rate charged to the golf course should remain in effect because: (1)the golf course serves as the primary effluent disposal site for the utility; (2)the utility has successfully negotiated a contractual reuse rate of \$.06 per 1,000 gallons with the golf course; and (3)the golf course is taking the majority of the utility's reuse.

Staff believes it is appropriate for FWS to charge the Developer of Twin Lakes and the residential customers in the Deltona service area a rate of \$.54 per 1,000 gallons because: (1) FWS has acquired a written agreement with the Developer to provide reclaimed water service for use only on the common areas of the development at the rate of \$.54 per thousand gallons, subject to Commission approval, and (2) although reuse is optional for the residential customers in Deltona, the customers appear willing to pay the \$.54 rate.

Tariff sheets reflecting reuse service, terms, applicable rates and charges have been filed. FWS requests that the Commission approve its tariff filing to provide reclaimed water service in the Deltona service area and approve the submitted tariff sheets as filed.

The customers desiring reuse service will pay for and FWS will install, a backflow prevention device on the customer's side of the potable water meter. Staff noticed that the utility's tariff does not contain a specific charge for the backflow prevention devices. The utility explained that it is reluctant at this time to include a specific charge for a backflow prevention device because it is involved in a pilot program where it is experimenting with the type of backflow prevention device that should be installed. Staff recommends that the utility be required to amend its tariff to include a specific charge for a backflow prevention device when it has determined the type of backflow prevention device that will be installed.

To encourage reuse and to make reuse service appealing to the customer, the utility's objective is to keep the cost of reuse as low as possible. Therefore, the utility is presently absorbing the cost of the annual testing that is required for the backflow prevention device. Staff recommends that the utility should continue to absorb these costs.

Also, to make sure that all customers will not be required to purchase a backflow prevention device, we asked the utility to amend its service availability policy to identify the type of situations (hazardous, reuse) that require the use of a backflow prevention device. On November 23, 1998, the utility amended its service availability policy to include such language, and resubmitted its tariff sheets accordingly.

Staff recommends that the request by FWS to provide reclaimed water service to the Deltona service area should be granted, because allowing the utility to provide reuse in the Deltona service area

will permit customers to use reclaimed water as a substitute for irrigating their landscapes with potable water. When reclaimed water is used to fulfill the irrigation needs of golf courses, homeowners, and other end users, water conservation is being utilized because reclaimed water helps to recharge the aquifer and reserve ground water supplies for potable water needs. Water conservation is particularly important in the Deltona service area, where water supply concerns have been identified and designated a Water Use Caution Area by the SJRWMD. Reuse for irrigation is both an efficient and environmentally sound use of the treated wastewater effluent. Therefore, staff believes this case presents an excellent opportunity for the Commission to be supportive of the utility's efforts of promoting water conservation through reuse.

As mentioned previously, the wastewater treatment plant is capable of producing 900,000 gallons of reuse per day, which will adequately serve the golf course, a drain field, Twin Lakes, Autumn Woods, Pine Trace, and the elementary school. Further, the utility already has customers that are willing to accept its reuse services, and additional plant improvements will not be necessary to provide reuse to these customers. For the reasons stated above, staff believes the \$.06 per 1,000 gallons reuse rate is appropriate for the golf course and the \$.54 per 1,000 gallons for reuse is appropriate for the Developer of Twin Lakes and for the residential customers in the Deltona service area. Further, FWS believes and staff agrees that the \$.54 per thousand gallon rate will encourage residential customers to use reuse for irrigation since it is approximately one-half the cost the customers would have to pay for using potable water to irrigate.

Staff is persuaded by the arguments presented by the utility, and based on the above analysis, staff recommends that the Commission approve the request by FWS to provide reclaimed water in the Deltona service area. Further, staff recommends that the November 23, 1998, amended tariff sheets reflecting the appropriate rates and charges for a new class of service to provide reclaimed water in the Deltona service area should be approved. Finally, the utility should be required to amend its tariff to include a specific charge for a backflow prevention device when it has determined the type of backflow prevention device that will be installed.

DOCKET NO. 981284-WU  
DATE: DECEMBER 3, 1998

**ISSUE 2:** Should this docket be closed?

**RECOMMENDATION:** Yes. If Issue No. 1 is approved, this tariff should become effective for services rendered on or after the stamped approval date of the tariff pursuant to Rule 25-30.475(1), Florida Administrative Code, provided the customers have received notice. If a protest is filed within 21 days of the issuance of the Order, this tariff should remain in effect with any increase held subject to refund pending resolution of the protest. If no timely protest is filed, this docket should be closed. (MCRAE, GERVASI)

**STAFF ANALYSIS:** If there are no timely objections to the tariffs, no further action will be required and the docket should be closed. In the event that a timely protest is filed, the tariff should remain in effect and the applicable revenues should be held subject to refund pending resolution of the protest. Further, in the event of such protest, staff will prepare an additional recommendation to address the appropriate security of such funds.