



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

RECEIVED-PFSC
JUN 24 AM 11:33
RECORDS AND REPORTING

DATE: JUNE 24, 1999

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

FROM: DIVISION OF WATER AND WASTEWATER (GOLDEN, RIEGER) *MAZ*
DIVISION OF LEGAL SERVICES (CROSSMAN) *see [signature]*

RE: DOCKET NO. 990684-SU - NOTICE OF FILING TARIFF SHEET NO. 13.1 TO IMPLEMENT REUSE SERVICE IN SUMTER COUNTY BY LITTLE SUMTER UTILITY COMPANY.
COUNTY: SUMTER

AGENDA: JULY 6, 1999 - REGULAR AGENDA - TARIFF FILING - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: 60-DAY SUSPENSION DATE: JULY 24, 1999

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\WAW\WP\990684.RCM

CASE BACKGROUND

Little Sumter Utility Company (LSU or utility) is a newly constructed water and wastewater utility located in Sumter County. The utility began providing service in 1997, and its customer base is rapidly growing. LSU is currently a Class C utility, but it is anticipated it will be a Class A utility at build-out. According to the utility's 1998 annual report, at year end the utility had connected 1,524 water customers and 1,341 wastewater customers. In its 1998 annual report, the utility reported revenues of \$261,368 and \$231,470, for water and wastewater, respectively. Additionally, the utility reported a net operating income of \$17,393 for water, and a net loss of \$99,163 for wastewater.

By Order No. PSC-96-1132-FOF-WS, issued September 10, 1996, in Docket No. 960305-WS, the Commission granted LSU's original water and wastewater certificates. According to the utility's master plan, wastewater effluent would be reused as much as possible via

DOCUMENT NUMBER-DATE

07653 JUN 24 99

PFSC-RECORDS/REPORTING

golf course irrigation, consistent with the requirements of the Southwest Florida Water Management District (SWFWMD). According to the utility's certificate application, it was estimated that six golf courses would ultimately be constructed in the LSU service area. Accordingly, the utility's proposed facilities were designed to treat wastewater to levels acceptable for public-access reuse via golf course irrigation. However, it was anticipated that the utility's wastewater treatment plant would not be in operation until December, 1998. The utility planned to obtain temporary bulk wastewater service from a neighboring utility during the start-up phase of the development, until the wastewater flows reached a level sufficient to ensure proper operation of the new wastewater treatment plant.

Although the utility planned to provide reuse service in the future, it did not propose a reuse rate in its certificate application. Because the utility would not be providing reuse service for several years, the Commission determined that it would be premature to establish a reuse rate at that time. The Commission instructed the utility to explore whether and how much the end users should be charged for the reuse irrigation service. Also, the Commission put the utility on notice that prior to providing any reuse service, it must file a proposed reuse rate with the Commission.

As required by Order No. PSC-96-1132-FOF-WS, on May 25, 1999, LSU submitted a tariff filing to implement reuse service at a zero rate. Pursuant to Section 367.091(5), Florida Statutes, the rate schedule proposed by the utility shall become effective within sixty (60) days after filing, unless the Commission votes to withhold consent to the implementation of the requested rates. Staff believes the utility's proposed tariff should be suspended pending further investigation. The following is staff's recommendation regarding suspension of the tariff.

DISCUSSION OF ISSUES

ISSUE 1: Should Little Sumter Utility Company's proposed tariff reflecting rates for a new class of service to provide reclaimed water be suspended?

RECOMMENDATION: Yes, Little Sumter Utility Company's proposed tariff reflecting rates for a new class of service to provide reclaimed water should be suspended pending further investigation by staff. (GOLDEN)

STAFF ANALYSIS: Pursuant to Section 367.091(5), Florida Statutes, the rate schedule proposed by the utility shall become effective within sixty (60) days after filing, unless the Commission votes to withhold consent to the implementation of the requested rates. Section 367.091(5), Florida Statutes, states that the Commission may withhold consent to the operation of any or all portions of new rate schedules, by a vote to that effect within 60 days giving a reason or statement of good cause for withholding that consent. If the Commission does not withhold consent, the proposed tariff may be assumed in effect after 60 days.

Staff has reviewed the filing and has considered the utility's proposed rates and the information filed in support of the request. We believe it is reasonable and necessary to require further amplification and examination of the data supplied by the utility.

Therefore, staff recommends that the proposed tariff sheet, which requests a new class of service, be suspended pending further discovery by staff.

ISSUE 2: Should the utility be authorized to provide reclaimed water service at a zero rate on a temporary basis pending a final determination by the Commission?

RECOMMENDATION: Yes. In accordance with Rule 25-30.475, Florida Administrative Code, the rates should be effective for services rendered on or after the stamped approval date of the tariff sheets, provided the reclaimed water service customers have received notice. The utility should provide proof that the customers have received notice within ten days after the date of notice. (GOLDEN, CROSSMAN)

STAFF ANALYSIS: As discussed in Issue 1, staff is recommending that the proposed tariff for a new class of service for reclaimed water service should be suspended pending further discovery by staff. However, staff has been informed that the golf course needs and the utility is able to provide the reclaimed water service at this time. By a letter dated June 23, 1999, a representative of the utility requested that in the event the Commission suspends implementation of the tariff, the utility be authorized to provide the reclaimed water service on a temporary basis pending staff's review of the tariff application. The letter further states that it is imperative that the utility be allowed to provide the reuse service which is currently needed.

According to the utility's application, reuse of effluent is required by the SWFWMD as a condition of the utility's consumptive use permit. Also, the Florida Department of Environmental Protection (DEP) is promoting the use of reclaimed water for irrigation. The utility's wastewater treatment plant was designed to utilize effluent reuse as the primary method of effluent disposal. Backup disposal to percolation ponds is intended to be used only during periods of wet weather or when effluent criteria is not met for golf course irrigation.

As stated in Section 367.0817(3), Florida Statutes, "the Legislature finds that reuse benefits water, wastewater, and reuse customers." In this instance, the question at hand is not whether or not the utility should be authorized to provide the reclaimed water service, but simply what is the appropriate rate for that service. Clearly, the provision of reclaimed water service is beneficial to both the utility and its customers. In consideration of the Legislatures' goal to promote reuse, the requirements imposed upon the utility by the DEP and SWFWMD, and the golf course's need for the service, staff believes it would be appropriate to allow the utility to provide the reclaimed water

DOCKET NO. 990684-SU
DATE: JUNE 24, 1999

service at its proposed zero rate on a temporary basis pending a final determination by the Commission. Perhaps more importantly, staff believes that prohibiting the utility from providing the reclaimed water service at this time would be contrary to Section 367.0817, Florida Statutes, and would not be in the public interest.

Typically, when the Commission approves rates on a temporary basis, the rates are approved subject to refund and the utility is required to provide security to guarantee those revenues. However, because the utility's proposed rate is zero, provision of the reclaimed water service will not generate any revenues. Consequently, there is no need to require the utility to provide security for the temporary rates in this case. Also, in the event the Commission establishes a reuse rate higher than zero, the revenue impact will be addressed on a prospective basis only.

Therefore, staff recommends that the utility should be authorized to provide reclaimed water service at a zero rate on a temporary basis pending a final determination by the Commission. In accordance with Rule 25-30.475, Florida Administrative Code, the rates should be effective for services rendered on or after the stamped approval date of the tariff sheets, provided the reclaimed water service customers have received notice. The utility should provide proof that the customers have received notice within ten days after the date of notice.

DOCKET NO. 990684-SU
DATE: JUNE 24, 1999

ISSUE 3: Should this docket be closed?

RECOMMENDATION: No, this docket should remain open pending further Commission action on the utility's request to implement a tariff to provide reclaimed water service. (CROSSMAN)

STAFF ANALYSIS: This docket should remain open pending further Commission action on LSU's request to implement a tariff to provide reclaimed water service.