

State of Florida



Public Service Commission

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

DATE: APRIL 6, 2000

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

FROM: DIVISION OF LEGAL SERVICES (CLEMONS) *DMC*  
DIVISION OF WATER AND WASTEWATER (TIFFANY DAVIS, TED *me*  
*RTP* DAVIS, CASEY, CHU, DANIEL, MCNULTY) *WOM*

RE: DOCKET NO. 981663-WU - APPLICATION FOR STAFF-ASSISTED RATE  
CASE BY TANGERINE WATER COMPANY, INC.  
COUNTY: ORANGE

AGENDA: APRIL 18, 2000 - REGULAR AGENDA - INTERESTED PERSONS MAY  
PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\LEG\WP\981663R2.RCM

CASE BACKGROUND

Tangerine Water Company Inc. (Tangerine or utility) is a Class C utility in Orange County, which provides water service to an average 225 connections estimated to be 234 equivalent residential connections (ERCs) during the test year. By Order No. 5446, issued June 8, 1972 in Docket No. C-71559-W, the Commission issued Certificate No. 96-W to Tangerine. Tangerine has had three previous staff assisted rate cases (Order No. 6529, issued February 21, 1975, in Docket No. 74645-WS; Order No. 8271, issued April 19, 1978, in Docket No. 770846-W; and Order No. 14376, issued May 16, 1985, in Docket No. 840377-WU) and no price index or pass-through rate adjustments.

On November 20, 1998, the utility submitted an application for a staff assisted rate case. By Order No. PSC-99-1399-PAA-WU, issued July 21, 1999 in this docket, the Commission granted the utility temporary rates in the event of protest, and approved an

DOCUMENT NUMBER-DATE  
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FPSC-RECORDS/REPORTING

DOCKET NO. 981663-WU  
DATE: April 6, 2000

increase in rates and charges, among other things. The Commission also ordered the utility to complete certain pro forma improvements within 180 days of the issuance date of the Order.

On March 10, 2000, Florida Water Services Corporation (Florida Water) filed a Motion for Extension of Time to Comply with Commission Order. In its Motion, Florida Water states that it acquired the utility assets of Tangerine, subject to Commission approval, and that an application for transfer would be filed within a few days of the motion. On March 21, 2000, Florida Water and Tangerine filed a joint transfer application in Docket No. 000333-WU. This recommendation addresses Florida Water's Motion for Extension of Time.

**DISCUSSION OF ISSUES**

**ISSUE 1:** Should the Commission grant Florida Water's Motion for Extension of Time to Comply with Commission Order?

**RECOMMENDATION:** Yes, the Commission should grant Florida Water's Motion for Extension of Time to Comply with Commission Order. (CLEMONS, TIFFANY DAVIS, TED DAVIS, CASEY, CHU)

**STAFF ANALYSIS:** As stated previously, on March 10, 2000, Florida Water filed a Motion for Extension of Time to Comply with Commission Order. In its Motion, Florida Water states that it acquired the utility assets of Tangerine, subject to Commission approval of its transfer application. Florida Water also states that Order No. PSC-99-1399-PAA-WU required Tangerine to complete the following improvements within 180 days from the date of the Order:

- (a) Install a DEP required chlorine alarm;
- (b) Install a DEP required transfer switch;
- (c) Complete all DEP required electrical work;
- (d) Repair the number one pump;
- (e) Complete the required line looping;
- (f) Acquire a hand held computer for meter reading; and
- (g) Investigate customer deposits to determine who has established a satisfactory payment record.

According to Florida Water, only items (d), (f), and (g) have been completed. It states that Items (d) and (g) were completed by Tangerine and (f) by Florida Water.

Florida Water explains that had Tangerine continued to own the facilities, it would have complied with the Order, but that due to the anticipated sale to Florida Water, it was expected that Florida Water would complete the required items. Florida Water states that it intends to complete the remaining pro forma improvement items by the end of August, 2000, as reflected in its attachment. (Attachment A, page 6). Therefore, Florida Water requests that the Commission grant the additional time to complete the ordered requirements.

In evaluating Florida Water's request, staff considered the following factors: 1) the reason provided for Tangerine's failure to comply with Order No. PSC-99-1399-PAA-WU; 2) the reasonableness of the length of the requested extension; 3) any public health and safety concerns regarding Tangerine's failure to implement Florida Department of Environmental Protection (DEP) requirements; and 4)

the impact of the extension upon the ratepayers. For the following reasons, staff believes that a six-month extension of time to complete the required improvements is reasonable.

As stated previously, Florida Water states that Tangerine did not complete the required improvements because of the anticipated sale of the utility to Florida Water and the expectation that Florida Water would complete the required items. Staff notes that at the time of the sale of the utility on January 7, 2000, the time had not completely run to complete the improvements, until January 21, 2000. Thus, two weeks before the deadline, the improvements became the responsibility of Florida Water. Under these circumstances, staff believes it is reasonable to grant the extension. Further, the Commission has, in the past, allowed extensions for the completion of ordered pro forma improvements.

With regard to the length of the requested extension, staff has reviewed Florida Water's completion schedule, Attachment A, page 7, and believes it to be reasonable. Additionally, staff believes that the electrical wiring required by DEP will be a complex and time intensive matter, which will require the additional time requested by Florida Water. As for any public health and safety concerns, despite the need for upgrades to comply with DEP Rules, the deficiencies are plant-in-service issues and are not health related. Therefore, staff believes that the delay caused by the extension will have very little impact on the quality of the product being served to customers. Further, the utility has been submitting its required test samples to DEP, and it continues to receive satisfactory inspection reports.

Staff has reviewed the impact of the delay in completing the required improvements upon the ratepayers. The cost to make the improvements, which were calculated based on current number of customers noted during the test year, are included in the rates currently being charged to customers. The total annual revenue increase for the utility as a result of the rates being charged for the improvements is \$3,858. (See Attachment B, page 8). The pro forma plant is built into the rate base and continues until that portion of the plant is fully depreciated. In other words, the ordered upgrades are assets that are depreciated over the estimated lives of the respective assets. Therefore, the total cost of the improvements to ratepayers will not be affected by the delay; however, current ratepayers are paying for some plant improvements that will not be provided for up to six months. However, under the circumstances described above, staff believes that there is little choice but to proceed with improvements. Attachment B shows the

DOCKET NO. 981663-WU  
DATE: April 6, 2000

difference in rates to customers with and without the pro forma improvements.

Based upon the foregoing, staff recommends that the Commission grant Florida Water's Motion for Extension of Time to Comply with Commission Order.

DOCKET NO. 981663-WU  
DATE: April 6, 2000

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

**RECOMMENDATION:** No, if Issue 1 is approved, this docket should remain open for an additional 180 days from the effective date of the Order to allow staff to verify that the utility has completed the required pro forma improvements. Once staff has verified that this work has been completed, the docket should be closed administratively. (CLEMONS)

**Tangerine Water System**  
 Completion Schedule for FPSC Required Improvements

Item	Proposed Correction	2000									
		Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	
Automatic Transfer Switch, plus Required Electrical Work	Install ATS, plus electrical system rewiring and code required upgrades			Bid/Award	Permit	Construct					
Chlorine Alarm	Convert to Hypochlorination			Design	Design	Permit	Construct	Clear			
Looping of 1" Water Main	2" Loop, tying to 2" at each end			Survey	Design	Design	Permit	Bid/Award	Construct	Clear	



# Public Service Commission

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

**DATE:** March 14, 2000  
**TO:** Bill McNulty, Regulatory Analyst Supervisor  
**FROM:** Bob Casey, Professional Accountant Specialist *PK*  
 Min Chu, Professional Accountant *MC*  
**RE:** Tangerine Water Company SARC , Docket No. 981663-WU

The following is a list of pro forma included in the Tangerine SARC & the annual revenue impact:

1) DEP required chlorine alarm	\$ 1,345
2) Retire existing chlorine alarm	( 637)
2) DEP required transfer switch	2,405
3) Repair and Maintenance cost for pump casing (avg.)	4,650
4) DEP required electrical work	14,159
5) Hand-held computer unit (avg.)	<u>948</u>
Total pro forma	\$ 22,870
Accumulated Depreciation	<u>( 746)</u>
Net Effect on Rate Base	\$ 22,124
Approved Overall Rate of Return	<u>.0908</u>
Annual Rate Base Revenue impact for pro forma	\$ 2,009
Annual Depreciation	\$ 1,676
Net annual revenue impact	\$ 3,685
Gross-up for RAFs	<u>.955</u>
Total annual revenue impact	<u>\$ 3,858</u>

The pro forma removal would have the following effect on rates:

Residential & General Service Water Rates

<u>BFC Charge</u>	<u>Existing</u>	<u>Quarterly Rate</u>
<u>Meter Size</u>	<u>Quarterly Rate</u>	<u>if pro forma removed</u>
5/8" x 3/4"	\$ 25.89	\$ 24.36
3/4"	38.82	36.51
1"	64.68	60.87
1-1/2"	129.39	121.74
2"	207.03	194.79
3"	414.03	389.58
4"	646.92	608.73
6"	1,293.87	1,217.46

Multi - Residential Water Rates

Per Unit	\$ 17.25	\$ 16.23
<u>Gallonge Charge</u>		
Per 1,000 gallons	\$ 1.48	\$ 1.43

cc: Division of Water and Wastewater (Hoppe, Willis, Rendell)