



Public Service Commission

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S.M.C. [Signature]

DATE: JULY 20, 2000

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

FROM: DIVISION OF LEGAL SERVICES (CIBULA)
DIVISION OF REGULATORY OVERSIGHT (CLAPP, REDEMANN)

RE: DOCKET NO. 981079-SU - APPLICATION FOR AMENDMENT OF CERTIFICATE NO. 104-S TO EXTEND SERVICE TERRITORY IN PASCO COUNTY BY HUDSON UTILITIES, INC., AND REQUEST FOR LIMITED PROCEEDING.

AGENDA: 08/01/2000 - REGULAR AGENDA - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\LEG\WP\981079.RCM

CASE BACKGROUND

Hudson Utilities, Inc. (Hudson or utility) is a Class B utility serving approximately 1,468 residential and 87 commercial customers. The utility provides wastewater collection service to its customers and contracts with Pasco County (County) for wastewater treatment service pursuant to a Bulk Wastewater Treatment Agreement (Agreement).

On August 26, 1998, Hudson filed an application for amendment of Certificate No. 104-S to extend its service area. The application included a request to serve a portion of territory, known as Signal Cove, that was being served by the County.

Signal Cove is adjacent to the southern boundary of a portion of territory served by Hudson. The community includes 382 existing buildings, of which 131 are currently receiving wastewater service from the County. The remaining buildings in the community are on

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septic tanks. Signal Cove is located in an area which has been federally designated as a flood plain area unsuitable for the efficient use of septic tanks and drain fields. The comprehensive land use plan adopted by the County calls for coastal areas, including Signal Cove, to be provided with sanitary sewer collection and treatment systems. However, the County generally does not construct gravity sewer collection systems. Thus, pursuant to an Addendum to the Agreement included in the application, the County and Hudson agreed that the Signal Cove territory would be transferred from the County to Hudson.

To serve Signal Cove, Hudson must construct an additional collection system and force main. Pursuant to the Agreement, the transfer of the Signal Cove territory will close when Hudson connects its force main to the County's wastewater collection system currently serving the 131 Signal Cove customers.

By Order No. PSC-99-1916-PAA-SU, issued September 27, 1999, in this docket, which was made final and effective by Order No. PSC-99-2082-CO-SU, issued on October 21, 1999, the Commission approved Hudson's application to amend its certificate of authorization, including the transfer of the Signal Cove territory from the County to Hudson. Pursuant to Order No. PSC-99-1916-PAA-SU, Hudson was ordered to file proof of the transfer of the Signal Cove territory from the County to Hudson within three months from the issuance date of the Order.

On December 9, 1999, Hudson filed a Motion for Extension of Time to File Proof of Transfer of Territory. By Order No. PSC-00-0212-FOF-SU, issued February 2, 2000, the Commission granted the utility's motion and allowed the utility an additional six months, until June 27, 2000, to file proof of the transfer of the Signal Cove territory from the County to Hudson.

On June 27, 2000, Hudson filed a Motion for Second Extension of Time to File Proof of Transfer of Territory. This recommendation addresses whether the Commission should grant Hudson's motion.

DISCUSSION OF ISSUES

ISSUE 1: Should the Commission grant Hudson Utilities, Inc.'s Motion for Second Extension of Time to File Proof of Transfer of Territory?

RECOMMENDATION: Yes, the Commission should grant Hudson Utilities, Inc.'s Motion for Second Extension of Time to File Proof of Transfer of Territory. As requested in its motion, the utility should be allowed until June 30, 2001, to file proof of the transfer of the Signal Cove territory from Pasco County to Hudson Utilities, Inc. (CIBULA, CLAPP)

STAFF ANALYSIS: As stated in the case background, Signal Cove is adjacent to the southern boundary of a portion of territory served by Hudson. The community includes 382 existing buildings, of which 131 are currently receiving wastewater service from the County. The remaining buildings in the community are on septic tanks. To serve Signal Cove, Hudson must construct an additional collection system and force main. Pursuant to the Agreement between Hudson and the County, the transfer of the Signal Cove territory will close when Hudson connects its force main to the County's wastewater collection system currently serving the 131 Signal Cove customers.

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On June 27, 2000, Hudson filed a Motion for Second Extension of Time to File Proof of Transfer of Territory. In support of its motion, Hudson states that a series of increases in interest rates since February 2000 have prevented the utility from concluding negotiations for acceptable commercial financing for the

construction work needed to extend its service to Signal Cove. Further, it states that Hudson still plans to construct the necessary facilities and to connect the existing Signal Cove customers to these facilities upon completion of the construction. Moreover, it states that "neither Pasco County nor the Signal Cove Homeowners Association has expressed any objection to Hudson's plans to continue to seek acceptable commercial financing for the construction, and no other utility has offered or has requested authorization to provide service to the Signal Cove subdivision." Hudson asserts that it will continue its efforts to obtain acceptable commercial financing for the construction of the Signal Cove facilities; however, the utility states that it does not expect that acceptable financing will be secured in less than six months. Thus, Hudson requests that the Commission extend the time for filing the proof of transfer until June 30, 2001, to allow Hudson to "continue its efforts to secure acceptable commercial financing for the necessary construction work or to explore other possible avenues for financing the construction."

Staff believes that Hudson's motion is reasonable and recommends that it should be granted. As noted above, there are no customers in the territory at issue who are without sewer service. As requested in its motion, the utility should be allowed until June 31, 2001, to file proof of the transfer of the Signal Cove territory from the County to Hudson.

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ISSUE 2: Should this docket be closed?

RECOMMENDATION: No. This docket should remain open to allow staff to verify that Hudson Utilities, Inc., has filed proof of the transfer of the Signal Cove territory from Pasco County to the utility. Once staff has verified this information, this docket should be closed administratively. (CIBULA, CLAPP)

STAFF ANALYSIS: This docket should remain open to allow staff to verify that Hudson has filed proof of the transfer of the Signal Cove territory from the County to the utility. Once staff has verified this information, this docket should be closed administratively.