



Public Service Commission

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RECORDS AND REPORTING

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DATE: AUGUST 17, 2000

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

FROM: DIVISION OF REGULATORY OVERSIGHT (REDEMANN)
DIVISION OF LEGAL SERVICES (CROSBY, GERVASI) *ppr csm p.d.*

RE: DOCKET NO. 000430-WS - APPLICATION FOR AMENDMENT OF CERTIFICATES NOS. 534-W AND 465-S TO ADD TERRITORY IN LAKE COUNTY BY LAKE GROVES UTILITIES, INC.
COUNTY: LAKE

AGENDA: AUGUST 29, 2000 - REGULAR AGENDA - PROPOSED AGENCY ACTION ON ISSUE 2 - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\RGO\WP\000430.RCM

CASE BACKGROUND

Lake Groves Utilities, Inc. (Lake Groves or utility) is a Class B utility which provides water service to about 1,240 customers and wastewater service to about 1,225 customers in Lake County. Lake Groves was formed in 1990 and was acquired by Utilities, Inc. in July of 1998. The annual report for 1999 shows that the annual operating revenue for water and wastewater is \$764,340 and the net operating income is \$104,285.

On April 11, 2000, the utility applied for an amendment to Water Certificate No. 534-W and Wastewater Certificate No. 465-S in Lake County, Florida pursuant to Section 367.045, Florida Statutes, and Rule 25-30.036(3), Florida Administrative Code. The utility is in the St. Johns Water Management District. All utilities in the St. Johns Water Management District are in a Water Use Caution Area. On April 19, 2000, a copy of the application was sent to the Department of Community Affairs (DCA) for comment, pursuant to the

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Memorandum of Understanding entered into between the Commission and the DCA on June 5, 1998 and revised on May 16, 2000. A response was received on May 26, 2000. The DCA states that it has no objection to the application. The Commission has jurisdiction to rule upon this application pursuant to Section 367.045, Florida Statutes. According to the application, the utility plans to provide wastewater effluent service in the future, but does not have a current charge. The need for a tariff for reuse is addressed in Issue 2. The Commission's authority to address the need for a tariff is pursuant to Section 367.091, Florida Statutes.

DISCUSSION OF ISSUES

ISSUE 1: Should Lake Groves' application for amendment of Water Certificate No. 534-W and Wastewater Certificate No. 465-S be approved?

RECOMMENDATION: Yes, Lake Groves' application for amendment of Water Certificate No. 534-W and Wastewater Certificate No. 465-S to include the additional territory described in Attachment A should be approved. Lake Groves should be required to charge the customers in the territory added herein the rates and charges contained in its tariff until authorized to change by this Commission in a subsequent proceeding. (REDEMANN)

STAFF ANALYSIS: As stated earlier, on April 11, 2000, the utility applied for an amendment to Water Certificate No. 534-W and Wastewater Certificate No. 465-S in Lake County, Florida pursuant to Section 367.045, Florida Statutes, and Rule 25-30.036(3), Florida Administrative Code. The application is in compliance with the governing statute, Section 367.045, Florida Statutes, and other pertinent statutes and administrative rules concerning an application for amendment of certificate. The application contains a check in the amount of \$1,000 (\$500 for water and \$500 for wastewater) which is the correct filing fee pursuant to Rule 25-30.020, Florida Administrative Code. The applicant has provided evidence in the form of a warranty deed that the utility owns the land upon which facilities are located, as required by Rule 25-30.036(3)(d), Florida Administrative Code.

Adequate service territory and system maps and a territory description have been provided as prescribed by Rule 25-30.036(3)(e), (f) and (i), Florida Administrative Code. A description of the territory requested by the utility is appended to this memorandum as Attachment A.

The utility has submitted an affidavit consistent with Section 367.045(2)(d), Florida Statutes, stating that it has tariffs and annual reports on file with the Commission. In addition, the application contains proof of compliance with the noticing provisions set forth in Rule 25-30.030, Florida Administrative Code. No objection to the application has been received and the time for filing such has expired. The local planning agency and the cities in Lake County were provided notice of the application and did not file a protest to the amendment. As stated earlier, on April 19, 2000, a copy of the application was sent to the DCA for comment, pursuant to the Memorandum of Understanding. A response was received on June 26, 2000. The DCA states that it has no objection to Lake Groves' request and the County planning staff voiced no concern or comments.

The application by the utility states that the proposed addition to its service area will be developed into residential housing consisting of a maximum of 350 single family homes. The existing water system consists of two wells, a treatment facility, and three hydro-pneumatic tanks with a capacity of 1,080,000 gallons per day. The water system is in the process of being expanded and upgraded with a 500,000 gallon ground storage tank and high service pumping, and will be able to supply a maximum of 2,160,000 gpd. The estimated water demand for the proposed development is 122,500 gpd (350 gpd/unit x 350 units). According to the application, the current water lines are across the street from the proposed service area. The DEP has no outstanding notices of violation issued for this system.

According to the utility, the current permitted wastewater treatment capacity is 175,000 gpd and an expansion to 500,000 gpd is nearing completion. The effluent disposal capacity in the evaporation/percolation ponds is limited to 345,000 gpd. Current wastewater flows are 175,000 gpd. The estimated wastewater demand for the proposed development is 96,250 gpd (275 gpd/unit x 350 units). With the wastewater plant expansion the utility will have sufficient capacity well into the future. The utility is planning to dispose of some of its effluent through reuse in the next phase of the wastewater construction. Reuse will be provided to the residents of the proposed Citrus Highlands development and the existing Orange Tree Subdivision, formerly known as Holly in the

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Hills. The need for a tariff for reuse is addressed in Issue 2. As with the water system, the existing wastewater lines are across the street from the proposed service area. The DEP has no outstanding notices of violation issued for this system.

The utility has filed revised tariff sheets incorporating the additional territory into its tariff. Lake Groves' approved rates were effective pursuant to Order No. 24283, issued March 25, 1991, in Docket No. 900957-WS, an original certificate case. The utility has never had a rate case. Lake Groves should be required to charge the customers in the territory added herein the rates and charges contained in its tariff until authorized to change by this Commission in a subsequent proceeding.

Based on the above information, staff recommends that it is in the public interest to approve the application of Lake Groves' for amendment of Water Certificate No. 534-W and Wastewater Certificate No. 465-S to include the additional territory described in Attachment A, and that the application be approved.

ATTACHMENT A

LAKE GROVE UTILITIES, INC.

WATER AND WASTEWATER TERRITORY

LAKE COUNTY

Citrus Highlands Legal Description for the Proposed Amendment of Certificate:

Parcels A and B:

Beginning at the intersection of the north line of the northwest one-quarter of the southwest one-quarter of Section 23, Township 24 South, Range 26 East and the east right-of-way line of US Highway 27 as now established, which point is 506.02 feet, more or less, east of the northwest corner of the northwest one-quarter of the southwest one-quarter of said section, run thence south $20^{\circ}05'03''$ east along the east right-of-way line of said Highway 27 a distance of 84.70 feet; thence north $89^{\circ}50'40''$ east 375.55 feet; thence north $39^{\circ}19'10''$ east 206.81 feet; thence north $47^{\circ}37'10''$ east 407.7 feet; thence north $0^{\circ}41'10''$ east 243.6 feet, more or less, to the south line of private road; thence southwesterly along said south line of said private road south $54^{\circ}39'$ west 1051.94 feet to the point of beginning.

Parcel C:

All that land in the southwest one-quarter of the northwest one-quarter of Section 23, Township 24 South, Range 26 East and lying between the above parcels A and B, and the south line of the graded road (said road lying north of said parcels A and B). From the northwest corner of the southwest one-quarter of Section 23, Township 24 South, Range 26 East, Lake County, Florida, run north $89^{\circ}42'$ east along the north line of said southwest one-quarter of Section 23, a distance of 502.64 feet, more or less, to the easterly right-of-way line of Highway 27 for the point of beginning; run thence south $20^{\circ}33'20''$ east along said right of way line 94.17 feet; thence north $89^{\circ}50'40''$ east 375.55 feet; thence north $39^{\circ}10'10''$ east 115.95 feet to the north line of the southwest one-quarter of said section 23, thence south $89^{\circ}42'$ west 482.19 feet to the point of beginning.

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South one-half of southeast one-quarter of northwest one-quarter, south of one-half of northeast one-quarter, north one-half of northwest one-quarter of southeast one-quarter, north one-half of northeast one-quarter of southwest one-quarter, all in Section 23, Township 24 South, Range 26 East, Lake County, Florida.

The south 225 feet of the north one-half of the southeast one-quarter of the northwest one-quarter of Section 23. Less: The north 116.93 feet of the south one-half of the northeast one-quarter (except the west 100 feet thereof) of Section 23, Township 24 South, Range 26 East.

ISSUE 2: Should the utility file a wastewater tariff reflecting the reclaimed water class of service for the Citrus Highlands residential and Orange Tree reuse customers?

RECOMMENDATION: Yes. The utility should file a wastewater tariff reflecting the reclaimed water class of service at a zero rate for the Citrus Highlands and Orange Tree Subdivisions and for the meter installation charges listed in the staff analysis. Staff should be given the authority to administratively approve the tariff provided it is consistent with the Commissions's decision. The tariff should be effective for services rendered on or after the stamped approval date of the tariff. The utility should return to the Commission for a determination regarding rates for reclaimed water service prior to providing that service to any other customers.
(REDEMANN, CROSBY)

STAFF ANALYSIS: According to the utility's application, the proposed Citrus Highlands development of about 350 residents will be connected to the utility's new reuse system. In addition, the existing Orange Tree Subdivision, formerly known as Holly in the Hills, will also be receiving reuse. The wastewater treatment expansion is nearing completion. However, at the present time the reuse system (filtration, ground storage tank and high service pumps) has not been designed. The utility believes that reuse service will not be available until the first quarter 2001.

Due to growing concerns over water conservation, reclaimed water is increasingly being viewed as an alternative source of water for irrigation of golf courses and, in some cases, residential communities. Along with the increased use of reclaimed water comes a recognition that there are costs associated with the provision of reclaimed water. Consequently, it has become Commission practice to recognize reclaimed water service (sometimes referred to as effluent service) as a class of service which should be included in the utility's tariff, even if the utility is not currently assessing a charge for the service.

Although there are costs associated with the provision of reclaimed water service, there are cases in which the "avoided costs" outweigh the actual cost of the service, and thus not charging for the effluent is justified. For example, disposing of effluent on non-utility property may delay or even eliminate the need for the utility to purchase additional land for spray fields or percolation ponds, thereby resulting in lower rates for the utility's existing wastewater customers.

In this case, the utility is currently using percolation/evaporation ponds to dispose of the effluent. However, the effluent disposal capacity in the evaporation/percolation ponds is limited to 345,000 gpd. The wastewater treatment capacity will be 500,000 gpd after the expansion is complete. Therefore, additional disposal capacity is needed. The upgrade at the wastewater facility will allow the utility to reuse the effluent. The utility believes, and staff agrees, that a zero charge is appropriate at this time in order to encourage customers to take the reclaimed water. Should the utility wish to charge for reuse service at a later time, an application will need to be made to the Commission to establish a charge for reuse service, pursuant to Section 367.091, Florida Statutes. However, at this time, an analysis of the cost and benefits to the utility have not been made. This recommendation is consistent with past Commission practice. See Order No. PSC-95-1325-FOF-WS issued on October 31, 1995, in Docket No. 941151-WS; Order No. PSC-98-0475-FOF-WS, issued on April 1, 1998, in Docket No. 971157-WS; and Order No. PSC-00-0804-PAA-WS, issued on April 24, 2000, in Docket No. 000041-WS.

The utility believes, and staff agrees, that the reuse flow should be metered. By installing meters, reuse data can be monitored by the utility. The data is needed for the Water Management District, the DEP, and permitting future reuse applications. Moreover, leaks in the reuse system can be identified if the system is metered. Although a zero rate is recommended at this time, the reuse data could be used in setting a rate in the future. Currently the utility has the following meter installation charges for the potable water system:

Meter Installation Fee

5/8" x 3/4"	\$ 67.00
1"	\$114.00
Over 1"	Actual Cost*

*Actual Cost is equal to the total cost incurred for services rendered.

Staff recommends that reuse be metered and that the existing meter installation charges should be applied to the reuse customers.

For the foregoing reasons, staff recommends that the utility should file a wastewater tariff sheet reflecting the reclaimed water class of service at a zero rate for the Citrus Highlands and the Orange Tree Subdivisions and for the meter installation charges

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listed in the staff analysis. Staff should be given the authority to administratively approve the tariff provided it is consistent with the Commissions's decision. The tariff should be effective for services rendered on or after the stamped approval date of the tariff. The utility should return to the Commission for a determination regarding rates for reclaimed water service prior to providing that service to any other customers.

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ISSUE 3: Should this docket be closed?

RECOMMENDATION: If no timely protest is received to the Proposed Agency Action issue, the Order should become final and effective upon the issuance of a Consummating Order and the docket should be closed. (CROSBY)

STAFF ANALYSIS: If no timely protest is received to the Proposed Agency Action issue, the Order should become final and effective upon the issuance of a Consummating Order and the docket should be closed.