

State of Florida



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 FPSC
APR 11 AM 9:46
COMMISSION CLERK

DATE: APRIL 11, 2002

TO: DIRECTOR, DIVISION OF THE COMMISSION CLERK & ADMINISTRATIVE SERVICES (BAYÓ)

FROM: DIVISION OF ECONOMIC REGULATION (REVELL, FLETCHER, MERCHANT, *MS*)
OFFICE OF THE GENERAL COUNSEL (GERVASI) *RS West* *JOS* *MS*

RE: DOCKET NO. 020254-SU - APPLICATION FOR INCREASE IN SERVICE AVAILABILITY CHARGES FOR WASTEWATER CUSTOMERS IN PASCO COUNTY BY HUDSON UTILITIES, INC.
COUNTY: PASCO

AGENDA: 04/23/02 - REGULAR AGENDA - TARIFF FILING - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: 5/18/02 60-DAY SUSPENSION; 11/18/02 EIGHT-MONTH DEADLINE

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\ECR\WP\020254.RCM

CASE BACKGROUND

Hudson Utilities, Inc. (Hudson or utility) is a Class B wastewater collection-only utility in Pasco County. As of December 31, 2000, the utility served 2,221 wastewater customers and reported operating revenues of \$1,264,206 and a net operating income of \$202,475.

On March 19, 2002, the utility filed an application to increase its system capacity charge. The utility filed this application to recover the costs of extending its collection lines to serve the Signal Cove territory. Staff has reviewed the utility's application and supporting documentation and has determined that the utility has met the minimum filing requirements of Rule 25-30.565, Florida Administrative Code. Thus, March 19, 2002, was

DOCUMENT NUMBER-DATE

04020 APR 11 08

FPSC-COMMISSION CLERK

DOCKET NO. 020254-SU

DATE: April 11, 2002

designated as the official filing date, pursuant to Section 367.083, Florida Statutes. The existing system capacity charge of \$1,000 was approved by the Commission in Order No. 23810, issued November 27, 1990, in Docket No. 900293-SU.

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. Pursuant to an Addendum to the Agreement included in the amendment application, the County and Hudson agreed that the Signal Cove territory would be transferred from the County to Hudson.

By Order No. PSC-99-1916-PAA-SU, issued September 27, 1999, which was made final and effective by Order No. PSC-99-2082-CO-SU, issued 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. In support of its motion, Hudson stated that, pursuant to the Addendum to the Agreement between Hudson and the County, the transfer of the Signal Cove territory would occur when Hudson connected its force main to the County's wastewater collection system which served the Signal Cove customers. Further, Hudson stated that the connection of Hudson's force main to the County's facilities would occur upon completion of the construction of Hudson's wastewater collection facilities to serve those Signal Cove customers currently on septic tanks. Hudson estimated that the connection would occur in approximately six months, based on estimates that the finalization for the funding of the construction work would take two months and the completion of the necessary construction work would take four months. Hudson requested an additional six months, until June 27, 2000, to file proof of the transfer of the Signal Cove territory from the County to Hudson. The Commission found that Hudson's motion was reasonable, and granted the requested extension by Order No. PSC-00-0212-FOF-SU, issued February 2, 2000.

Since that time, the utility has filed for several extensions of time to file proof of the transfer of the Signal Cove territory from the County to Hudson. The utility indicated that it continues to have difficulty obtaining financing to complete the transfer. By Order No. PSC-01-1993-PCO-SU, issued October 8, 2001, in Docket No. 981079-SU, the Commission granted the utility until June 30, 2002 to file proof of the transfer. That docket remains open pending verification of the transfer.

On March 19, 2002, the same date Hudson filed its current service availability application, the Office of Public Counsel petitioned the Commission to initiate show cause proceedings against the utility due to the utility's failure to provide wastewater services within a reasonable time in the additional service territory approved by the Commission. That petition is being processed in Docket No. 020253-SU.

Even though the utility did not request an interim increase in its service availability charge, staff did discuss with the utility recommending the approval of the increased charge during the interim period, subject to refund. The utility does not think there will be any growth in any service area it presently serves during the period of time this docket will be open, and that monies held subject to refund would not be of any benefit in obtaining bank financing for expansion into the Signal Cove area. For these reasons, staff believes that an interim increase appears to be unnecessary.

This recommendation addresses the suspension of the utility's proposed tariff sheets. The Commission has jurisdiction pursuant to Sections 367.091 and 367.101, Florida Statutes.

DISCUSSION OF ISSUES

ISSUE 1: Should Hudson's proposed tariff sheets to increase its system capacity charge be suspended?

RECOMMENDATION: Yes. Hudson's proposed tariff sheets should be suspended pending further investigation. This docket should remain

open pending the completion of the service availability case.
(REVELL)

STAFF ANALYSIS: Pursuant to Section 367.091(6), Florida Statutes, the service availability tariff sheets proposed by the utility shall become effective within sixty (60) days after filing, unless the Commission votes to withhold consent of the request. Further, the Commission may withhold consent to the operation of any or all portions of the new rate schedules by a vote to that effect within 60 days, giving a reason or statement of good cause for withholding that consent.

Staff has reviewed the filing and has considered the utility's proposed charge, and the information filed in support of the application. It is reasonable and necessary to require further amplification and explanation of this data and to require production of corroborative information, if necessary. The application requires further examination by staff engineers and rate analysts. Therefore, staff recommends that the proposed tariff sheets to increase the system capacity charge should be suspended pending further investigation. This docket should remain open pending the completion of the service availability case.